Submission Header Summary

Element	Value
Submission Type	20-F
Filer Information	
CIK	0001504764
CCC	********
Emerging Growth Company	false
Issuer Stock Exchanges	
Stock Exchange	NYSE
Period Date	12-31-2023
Shell Company	false
Voluntary Filer	false
Well-Known Seasoned Issuer	false
Accelerated Filer Status	Accelerated Filer
Notifications	
Email Address	BridgeSupport@ToppanMerrillLLC.com

Document Sequence

Count	Output File Name	Source File Name	Document Type	Description	PDF Action
1	aval-20231231x20f.htm	aval_Current_Folio_20F_TaxonomyIFRS2023	20-F	20-F	
2	aval-20231231xex1d1.htm	aval_Ex1_1	EX-1.1	EX-1.1	
3	aval-20231231xex2d3.htm	aval_Ex2_3	EX-2.3	EX-2.3	
4	aval-20231231xex8d1.htm	aval_Ex8_1	EX-8.1	EX-8.1	
5	aval-20231231xex11d1.htm	aval_Ex11_1	EX-11.1	EX-11.1	
6	aval-20231231xex12d1.htm	aval_Ex12_1	EX-12.1	EX-12.1	
7	aval-20231231xex12d2.htm	aval_Ex12_2	EX-12.2	EX-12.2	
8	aval-20231231xex13d1.htm	aval_Ex13_1	EX-13.1	EX-13.1	
9	aval-20231231xex13d2.htm	aval_Ex13_2	EX-13.2	EX-13.2	
10	aval-20231231xex97d1.htm	aval_Ex97_1	EX-97.1	EX-97.1	
11	aval-20231231x20f004.jpg		GRAPHIC	GRAPHIC	
12	aval-20231231x20f006.jpg		GRAPHIC	GRAPHIC	
13	aval-20231231x20f031.jpg		GRAPHIC	GRAPHIC	
14	aval-20231231.xsd		EX-101.SCH	EX-101.SCH	
15	aval-20231231_cal.xml		EX-101.CAL	EX-101.CAL	
16	aval-20231231_def.xml		EX-101.DEF	EX-101.DEF	
17	aval-20231231_lab.xml		EX-101.LAB	EX-101.LAB	
18	aval-20231231_pre.xml		EX-101.PRE	EX-101.PRE	

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
for the fiscal year ended December 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ________________ to ________________

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report

Commission file number: 001-36631

GRUPO AVAL ACCIONES Y VALORES S.A.
(Exact name of Registrant as specified in its charter)

Republic of Colombia
(Jurisdiction of incorporation)

Carrera 13 No. 26A - 47
Bogotá D.C., Colombia 110311
(Address of principal executive offices)

Jorge Adrián Rincón
Chief Legal Officer
Grupo Aval Acciones y Valores S.A.
Carrera 13 No. 26A – 47
Bogotá D.C., Colombia 110311
Phone: (+57) (601) 743-3222
E-mail: jrincon@grupoaval.com
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Copies to:
Manuel Garciadiaz
Yasin Keshvargar
Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, NY 10017
Phone: (212) 450-4000

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol (s)	Name of each exchange on which registered
American Depositary Shares, each representing 20 preferred shares, par value Ps 1.00 per preferred share	AVAL	New York Stock Exchange
Preferred Shares, par value Ps 1.00 per preferred share		New York Stock Exchange*

* Grupo Aval Acciones y Valores S.A.'s preferred shares are not listed for trading, but are only listed in connection with the registration of the American Depositary Shares, pursuant to the requirements of the New York Stock Exchange under the trading symbol(s): AVAL.

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

Indicate the number of outstanding shares of each of the issuer's classes of capital stock or common stock as of the close of business covered by the annual report.
Preferred shares: 7,541,763,255

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements: ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b) : ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references herein to "peso", "pesos", or "Ps" refer to the lawful currency of Colombia. All references to "U.S. dollars", "dollars" or "U.S.$" are to United States dollars. This annual report translates certain Colombian peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. The conversion of amounts expressed in pesos as of a specified date at the then prevailing exchange rate may result in the presentation of U.S. dollar amounts that differ from U.S. dollar amounts that would have been obtained by converting Colombian pesos as of another specified date. Unless otherwise noted in this annual report, all such peso amounts have been translated at the rate of Ps 3,822.05 per U.S.$1.00, which was the representative market rate published on December 31, 2023. The representative market rate is computed and certified by the Superintendency of Finance on a daily basis and represents the weighted average of the buy/sell foreign exchange rates negotiated on the previous day by certain financial institutions authorized to engage in foreign exchange transactions. Such conversion should not be construed as a representation that the peso amounts correspond to, or have been or could be converted into, U.S. dollars at that rate or any other rate. On April 8, 2024 the representative market rate was Ps 3,768.8 per U.S. $1.00.

Definitions

In this annual report, unless otherwise indicated or the context otherwise requires, the terms:

- "BAC Credomatic" or "BAC" means BAC Credomatic Inc. and its consolidated subsidiaries;
- "Banco AV Villas" means Banco Comercial AV Villas S.A. and its consolidated subsidiary;
- "Banco de Bogotá" means Banco de Bogotá S.A. and its consolidated subsidiaries;
- "Banco de Occidente" means Banco de Occidente S.A. and its consolidated subsidiaries;
- "Banco Popular" means Banco Popular S.A. and its consolidated subsidiaries;
- "banks" and "our banking subsidiaries" mean Banco de Bogotá S.A., Banco de Occidente S.A., Banco Popular S.A. and Banco Comercial AV Villas S.A., and their respective consolidated subsidiaries;
- "BHI" means BAC Holding International, Corp. (formerly Leasing Bogotá S.A., Panamá or LB Panamá) and its consolidated subsidiaries;
- "Corficolombiana" means Corporación Financiera Colombiana S.A. and its consolidated subsidiaries;
- "Grupo Aval", "we", "us", "our" and "our company" mean Grupo Aval Acciones y Valores S.A. and its consolidated subsidiaries;
- "Multi Financial Group" or "MFG" means Multi Financial Group Inc. and its consolidated subsidiaries.
- "Multi Financial Holding" or "MFH" means Multi Financial Holding Inc. and its consolidated subsidiaries.
- "Porvenir" means Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A. and its consolidated subsidiary; and
- "Superintendency of Finance" means the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*), a supervisory authority ascribed to the Colombian Ministry of Finance and Public Credit (*Ministerio de Hacienda y Crédito Público*), or the "Ministry of Finance", holding the inspection, supervision and control authority over the individuals or entities involved in financial activities, securities markets, insurance and any other operations related to the management, use or investment of resources collected from the public, as well as inspection and supervision authority over the holding companies of financial conglomerates in Colombia.

In this annual report, references to "beneficial ownership" are calculated pursuant to the definition ascribed by the U.S. Securities and Exchange Commission, or the "SEC", of beneficial ownership for foreign private issuers contained in Form 20-F. Form 20-F defines the term "beneficial owner" of securities as referring to any person who, even if not the record owner of the securities, has or shares the underlying benefits of ownership, including the power to direct the voting or the disposition of the securities or to receive the economic benefit of ownership of the securities. A person is also considered to be the "beneficial owner" of securities when such person has the right to acquire within 60 days pursuant to an option or other agreement. Beneficial owners include persons who hold their securities through one

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or more trustees, brokers, agents, legal representatives or other intermediaries, or through companies in which they have a "controlling interest", which means the direct or indirect power to direct the management and policies of the entity.

Financial statements

We are a financial holding company and an issuer of securities in Colombia registered with the National Registry of Shares and Issuers (*Registro Nacional de Emisores y Valores*), and in this capacity, we are subject to inspection and surveillance by the Superintendency of Finance and required to comply with corporate governance and periodic reporting requirements to which all financial holdings and issuers are subject. We are not a financial institution in Colombia and we are not supervised or regulated as a financial institution. Since February 6, 2019, we are subject to the inspection and surveillance of the Superintendency of Finance as the financial holding company of the Aval Financial Conglomerate and we are required to comply with capital adequacy and additional regulations applicable to financial conglomerates. See "Item 4. Information on the Company—B. Business overview—Supervision and regulation". All of our Colombian financial subsidiaries, including Banco de Bogotá, Banco de Occidente, Banco Popular, Banco AV Villas, Corficolombiana, Porvenir, and their respective financial subsidiaries, are entities under the direct comprehensive supervision of, and subject to inspection and surveillance as financial institutions by, the Superintendency of Finance.

Our consolidated financial statements at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022, and 2021 are included in this annual report and referred to as our audited consolidated financial statements. Our historical results are not necessarily indicative of results to be expected for future periods. We have prepared the audited consolidated financial statements included herein in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), which we refer to as "IFRS".

We and our Colombian subsidiaries prepare consolidated financial statements for publication in Colombia under IFRS as adopted by the Superintendency of Finance in accordance with Decree 1851 of 2013 and 3023 of 2013, as modified by Decrees 2420 and 2496 of 2015, 2131 of 2016, 2170 of 2017, 2483 of 2018, 2270 of 2019, 1432 of 2020, 938 of 2021 and 1611 of 2022.

Separate financial statements for us and our financial subsidiaries in Colombia are based on IFRS issued by the IASB in Spanish as of December 31, 2023 (which we refer to as "Colombian IFRS"), and pursuant to certain requirements under Colombian regulations. As a result, rules subsequently issued by the IASB are not applicable under Colombian IFRS. Our separate financial statements for local purposes, differ from IFRS as issued by the IASB in the following principal aspects:

- *Loss allowances are calculated based on specific rules of the Financial and Accounting Basic Circular (Circular Básica Contable y Financiera) issued by the Superintendency of Finance (which is applied in the local separate financial statements), whereas under IFRS, loss allowances are calculated according to the criteria set forth in IFRS 9 beginning on January 1, 2018.*

- *Financial instruments under Colombian IFRS are classified and measured under specific rules of the Financial and Accounting Basic Circular, whereas under IFRS, financial instruments are classified and measured according to the criteria set forth in IFRS 9 beginning on January 1, 2018 (with the exception of hedge accounting which is still treated under guidelines set forth in IAS 39).*

- *Decree 2617 of 2022 allowed recognition of the effects of changes in statutory tax rates on deferred tax assets and liabilities either through income tax expense or retained earnings.*

In March 2022, Banco de Bogotá spun-off 75% of its equity interest in BHI to Banco de Bogotá's shareholders, including Grupo Aval. This represented approximately 51.6% of Grupo Aval's beneficial ownership interest in BHI. In turn, Grupo Aval spun-off the shares of BHI it received from Banco de Bogotá to its own shareholders, resulting in Grupo Aval's loss of control of the previously consolidated subsidiary, which was also a standalone operating segment of Grupo Aval. Accordingly, BHI was deconsolidated from Grupo Aval's consolidated statement of financial position as of March 31, 2022, and BHI's results of operations for periods prior to the spin-off have been reclassified to discontinued operations in Grupo Aval's consolidated Statement of income for all periods included in this Annual Report on Form 20-F. In December 2022, Banco de Bogotá sold an additional 20.89% equity interest in BHI (representing approximately 14.4% of Grupo Aval's then-remaining beneficial ownership interest in BHI) in an unsolicited tender offer by Esadinco S.A. (see "Item 7. Major Shareholders and Related Party Transactions—B. Related party transactions"), maintaining a remaining interest of 4.1% in BHI. This resulted in Grupo Aval losing its significant influence over BHI, and thereafter Grupo Aval's remaining approximately 2.8% beneficial ownership interest ceased to be accounted for as an investment in associates and was recognized as a financial asset at fair value with changes in OCI (FVOCI). Accordingly, equity method for the period between April and November 2022, during which BHI was accounted for as an equity method investee, has been reclassified to discontinued operations in Grupo Aval's consolidated Statement of income. In accordance with IFRS, our consolidated Statement of financial position at December 31, 2021, has not been retrospectively adjusted. As a result of the spin-off, we ceased to report BHI as an operating segment. In March 2023, Banco de Bogotá sold its remaining 4.11% stake in BHI.

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Ratios and Measures of Financial Performance

We have included in this annual report ratios and measures of financial performance such as return on average assets, or "ROAA", and return on average equity, or "ROAE". These measures should not be construed as an alternative to IFRS measures and should not be compared to similarly titled measures reported by other companies, which may evaluate such measures differently from how we do. For ratios and measures of financial performance, see "Item 3. Key Information—A. Selected financial data".

Market share and other information

We obtained the market and competitive position data, including market forecasts, used throughout this annual report from market research, publicly available information and industry publications. We have presented this data on the basis of information from third-party sources that we believe are reliable, including, among others, the International Monetary Fund, or "IMF", the Superintendency of Finance, the Colombian Banking Association (*Asociación Bancaria y de Entidades Financieras de Colombia*) or "Asobancaria", the Colombian Stock Exchange, the Colombian National Bureau of Statistics (*Departamento Administrativo Nacional de Estadística*), or "DANE". Industry and Government publications, including those referenced herein, generally state that the information presented has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Unless otherwise indicated, gross domestic product, or "GDP", figures with respect to Colombia in this annual report are based on the 2015 base year data series published by DANE. Although we have no reason to believe that any of this information or these reports is inaccurate in any material respect, we have not independently verified the competitive position, market share, market size, market growth or other data provided by third parties or by industry or other publications. We do not make any representation or warranty as to the accuracy of such information.

Our consolidated statement of financial position and statement of income reflect information prepared under IFRS. Comparative disclosures of financial and operating performance of our Colombian banking subsidiaries, Corficolombiana, Porvenir and that of our competitors are based on separate information prepared under Colombian IFRS as reported to the Superintendency of Finance. These separate financial statements under Colombian IFRS do not reflect the consolidation of subsidiaries such as Corficolombiana, Porvenir or MFH, among others, are not intended to reflect the consolidated financial results of Grupo Aval and are not necessarily indicative of the results for any other future period. We include certain ratios in this annual report to compare us to our principal competitors, such as ROAA, ROAE, operational efficiency and asset quality indicators, among others.

"Grupo Aval aggregate" data reflects the sum of the separate financial statements of our four Colombian banking subsidiaries (Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas) as reported to the Superintendency of Finance under Colombian IFRS.

Other conventions

Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic summation of the figures that precede them. As such, percentage calculations presented may differ from those of rounded numbers. References to "billions" in this annual report are to 1,000,000,000 and to "trillions" are to 1,000,000,000,000.

"Non-controlling interest" refers to the participation of minority shareholders in a subsidiary's equity or net income, as applicable.

FORWARD-LOOKING STATEMENTS

Some of the matters discussed in this annual report concerning our operations and financial performance include estimates and forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 "Reform Act" including such statements contained in "Item 3. Key Information—D. Risk factors", "Item 4. Information on the Company—B. Business overview" and "Item 5. Operating and Financial Review and Prospects".

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

- changes in Colombian, regional and international business and economic, political or other conditions;
- developments affecting Colombian and international capital and financial markets;
- Government regulation and tax matters and developments affecting our company and industry;

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- declines in the oil and affiliated services sector in the Colombian and global economies;
- increases in defaults by our customers;
- increases in goodwill impairment losses, or other impairments;
- decreases in deposits, customer loss or revenue loss;
- increases in allowances for contingent liabilities;
- our ability to sustain or improve our financial performance;
- increases in inflation rates, particularly in Colombia;
- the level of penetration of financial products and credit in Colombia;
- changes in interest rates which may, among other effects, adversely affect margins and the valuation of our treasury portfolio;
- decreases in the spread between investment yields and implied interest rates in annuities;
- movements in exchange rates;
- competition in the banking and financial services, credit card services, insurance, asset management, pension fund administration and related industries;
- adequacy of risk management procedures and credit, market and other risks of lending and investment activities;
- decreases in the level of capitalization of our subsidiaries;
- changes in market values of Colombian, particularly Colombian Government securities;
- adverse legal or regulatory disputes or proceedings;
- successful integration and future performance of acquired businesses or assets;
- natural disasters, public health crises or internal security issues affecting countries where we operate;
- loss of any key member of our senior management; and
- other risk factors as set forth under "Item 3. Key Information—D. Risk factors".

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

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

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

A. Directors and senior management

Not applicable.

B. Advisers

Not applicable.

C. Auditors

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

A. Offer statistics

Not applicable.

B. Method and expected timetable

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected financial data

The following financial data of Grupo Aval at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 have been derived from our audited consolidated financial statements prepared in accordance with IFRS, included in this report. Our historical results are not necessarily indicative of results to be expected for future periods.

This financial data should be read in conjunction with our audited consolidated financial statements and the related notes, "Presentation of financial and other information" and "Item 5. Operating and Financial Review and Prospects" included in this annual report.

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Statement of income data

IFRS

	2023	2022	2021
	(in Ps billions, except share and per share data)		
Total interest income	28,919.4	19,403.0	12,791.4
Total interest expense	(22,632.4)	(11,664.4)	(4,660.8)
Net interest income	**6,287.0**	**7,738.6**	**8,130.6**
Impairment loss on loans and other accounts receivable	(4,751.0)	(3,120.4)	(3,192.3)
Impairment (loss) recovery on other financial assets	12.9	(16.7)	(0.7)
Recovery of charged-off financial assets	555.8	644.0	471.9
Net impairment loss on financial assets	**(4,182.4)**	**(2,493.1)**	**(2,721.1)**
Net interest income, after impairment losses	**2,104.6**	**5,245.5**	**5,409.5**
Net income from commissions and fees	3,352.5	2,903.8	3,064.2
Gross profit from sales of goods and services	3,218.0	4,545.1	3,098.9
Net trading (loss) income	(916.0)	1,559.6	922.3
Net income from other financial instruments mandatorily at fair value through profit or loss	323.7	278.8	270.1
Other income	3,751.3	(848.6)	389.7
Other expenses	(8,346.5)	(7,409.8)	(6,790.1)
Net income before tax expense	**3,487.6**	**6,274.4**	**6,364.6**
Income tax expense	(1,310.4)	(2,271.4)	(2,323.4)
Net income from continuing operations	**2,177.1**	**4,003.0**	**4,041.2**
Net income from discontinued operations, net of tax	—	866.2	1,627.3
Net income for the year	**2,177.1**	**4,869.1**	**5,668.5**
Net income for the year attributable to:			
Net income for the period from continuing operations	739.0	1,888.9	2,179.2
Net income for the period from discontinued operations, net of tax	—	594.0	1,118.6
Owners of the parent	**739.0**	**2,482.9**	**3,297.7**
Net income for the period from continuing operations	1,438.1	2,114.1	1,862.0
Net income for the period from discontinued operations, net of tax	—	272.2	508.8
Non-controlling interest	**1,438.1**	**2,386.2**	**2,370.8**
Net income for the year	**2,177.1**	**4,869.1**	**5,668.5**
Earnings per 1,000 shares (basic and diluted earnings):			
Common shares (in pesos)	31,124.5	107,287.0	148,006.5
Earnings per 1,000 shares (basic and diluted earnings):			
Preferred shares (in pesos)	31,124.5	107,287.0	148,006.5
Dividends per 1,000 shares:			
Common and preferred shares (in pesos)	24,000.0	43,200.0	54,000.0
Weighted average number of shares:			
Outstanding common shares in thousands	16,202,376.2	15,760,496.8	15,128,947.7
Outstanding preferred shares in thousands	7,541,099.6	7,381,968.6	7,152,069.5
Outstanding common and preferred shares in thousands	23,743,475.8	23,142,465.4	22,281,017.2

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Statement of financial position data

	Grupo Aval At December 31, 2023	2022
	(in Ps billions)	
Assets:		
Cash and cash equivalents	18,597.9	17,032.9
Trading assets	15,451.1	11,841.4
Investment securities	34,425.7	33,674.5
Hedging derivative assets	48.7	20.9
Total loans, net	176,168.1	179,115.8
Other accounts receivables, net	25,617.2	23,380.6
Non-current assets held for sale	101.2	92.8
Investments in associates and joint ventures	1,290.7	1,423.3
Tangible assets	6,995.9	7,235.4
Concession arrangement rights	13,557.3	13,242.7
Goodwill	2,202.2	2,248.2
Other intangible assets	2,382.4	2,040.2
Income tax assets	3,877.7	3,633.9
Other assets	465.6	608.6
Total assets	**301,181.6**	**295,591.2**
Liabilities:		
Trading liabilities	2,154.4	1,757.6
Hedging derivatives liabilities	217.6	3.6
Customer deposits	181,987.4	173,341.1
Interbank borrowings and overnight funds	15,081.9	9,087.9
Borrowings from banks and others	22,218.5	30,309.4
Bonds issued	23,427.8	28,362.2
Borrowings from development entities	4,813.1	4,357.3
Provisions	1,083.3	1,227.2
Income tax liabilities	5,815.0	5,291.5
Employee benefits	907.8	890.0
Other liabilities	11,954.4	10,141.8
Total liabilities	**269,661.2**	**264,769.6**
Equity:		
Attributable to the owners of the parent		
Subscribed and paid-in capital	23.7	23.7
Additional paid-in capital	9,571.4	9,571.4
Retained earnings	7,731.8	8,018.4
Other comprehensive income	(544.2)	(1,146.6)
Equity attributable to owners of the parent	**16,782.7**	**16,467.0**
Non-controlling interest	**14,737.7**	**14,354.7**
Total equity	**31,520.4**	**30,821.7**
Total liabilities and equity	**301,181.6**	**295,591.2**

Ratios and Measures of Financial Performance

The tables in this section, and elsewhere in this annual report, provide the calculation of certain ratios and measures of financial performance, which are used by our management to analyze the evolution and results of our company. Some of the ratios and measures of financial performance presented by us are either non-IFRS or use non-IFRS inputs. This non-IFRS information should not be construed as an alternative to IFRS measures. The ratios and measures of financial performance as determined and measured by us should not be compared to similarly titled measures reported by other companies as other companies may calculate and report such measures differently. The Company considers these non-IFRS measurements useful for investors, regulators, management and others to evaluate our performance and compare us against other financial institutions.

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	Grupo Aval		
	At and for the year ended December 31,		
	2023	2022	2021(1)
	(in percentages, unless otherwise indicated)		
Profitability ratios:			
Net interest margin(2)	2.9%	3.8%	4.5%
Net interest margin including trading investment income(2)	3.4%	3.7%	4.4%
ROAA(3)	0.7%	1.6%	1.6%
ROAE(4)	4.5%	14.0%	15.3%
Efficiency ratios(5):			
Cost to income	52.1%	45.8%	42.8%
Cost to assets	2.8%	2.7%	2.8%
Capital ratios:			
Period-end equity as a percentage of period-end total assets	10.5%	10.4%	10.8%
Tangible equity ratio(6)	9.1%	9.1%	8.2%
Credit quality data:			
Cost of risk: Impairment loss on loans and other accounts receivable / average gross loans(7)	2.6%	1.9%	2.2%
Cost of risk, net: Impairment loss on loans and other accounts receivable, net / average gross loans(7)(8)	2.3%	1.5%	1.8%
Charge-offs as a percentage of average gross loans(7)	2.3%	1.9%	2.4%
Loans past due more than 30 days / gross loans(7)	5.5%	4.3%	4.7%
Loans past due more than 90 days / gross loans(7)	4.0%	3.3%	3.6%
Loans classified as Stage 2 / gross loans(7)	4.9%	6.5%	11.3%
Loans classified as Stage 3 / gross loans(7)	6.8%	6.4%	7.1%
Loans classified as Stage 2 and Stage 3 / gross loans(7)	11.7%	12.8%	18.3%
Loss allowance as a percentage of loans past due more than 30 days	98.8%	116.1%	121.1%
Loss allowance as a percentage of loans past due more than 90 days	135.7%	155.0%	155.2%
Loss allowance for Stage 2 loans as a percentage of Stage 2 loans(7)	14.1%	12.1%	9.9%
Loss allowance for Stage 3 loans as a percentage of Stage 3 loans(7)	55.2%	54.0%	53.1%
Loss allowance for Stage 2 and Stage 3 loans as a percentage of Stage 2 and Stage 3 loans(7)	37.9%	32.9%	26.6%
Loss allowance as a percentage of gross loans(7)	5.4%	5.0%	5.6%
Operational data (in units):			
Number of customers of the banks(9)	15,402,972	14,901,128	14,014,540
Number of employees(10)	74,036	77,043	83,146
Number of branches(11)	1,020	1,124	1,193
Number of ATMs(11)	2,909	3,174	3,361

(1) In March 2022, Banco de Bogotá completed the spin-off of 75% of its equity interest in BHI resulting in the loss of control of the previously consolidated subsidiary. Income statement information presented under financial and operating data refers to continuing operations unless otherwise noted.

(2) Net interest margin is calculated as net interest income divided by the total average interest-earning assets of continuing operations. Average interest-earning assets for 2023, 2022 and 2021 are calculated as the sum of interest-earning assets for continuing operations at each quarter-end during the applicable year and the prior year end divided by five.

(3) For the years ended December 31, 2023, 2022 and 2021, ROAA is calculated as net income divided by consolidated average assets. Consolidated average assets for 2023, 2022 and 2021 are calculated as the sum of consolidated assets at each quarter-end during the applicable year and the prior year end divided by five.

(4) For the years ended December 31, 2023, 2022 and 2021, ROAE is calculated as net income attributable to owners of the parent divided by consolidated average equity attributable to owners of the parent. Consolidated average equity attributable to owners of the parent for 2023, 2022 and 2021 is calculated as the sum of consolidated equity attributable to owners of the parent at each quarter-end during the applicable year end and the prior year end divided by five.

(5) Our cost to income ratio is calculated as Other Expenses (see Note 30 of our audited consolidated financial statements), divided by total income before net impairment losses on financial assets (defined as the sum of net interest income, net income from commissions and fees, gross profit (loss) from sales of goods and services, net trading (loss) income, net income from other financial instruments mandatorily at fair value through profit or loss "FVTPL" and other income). Our cost to assets ratio is calculated as Other expenses divided by the average assets of continuing operations.

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(6) Tangible equity ratio is calculated as total equity minus intangible assets (calculated as goodwill plus other intangible assets, excluding those related to concession arrangements rights, Ps 13,557.3 billion in 2023, Ps 13,242.7 billion in 2022 and Ps 11,098.1 billion in 2021) divided by total assets minus intangible assets (as defined before).

(7) Gross loans for continuing operations exclude interbank and overnight funds of continuing operations (Ps 392.6 billion in 2023, Ps 5,967.7 billion in 2022 and Ps 3,218.4 billion in 2021) as these are short-term liquidity operations generally not subject to deterioration. Total gross loan portfolio includes Interbank and overnight funds. Throughout this document charge-offs and write-offs refer to the same concept.

(8) Impairment (loss) on loans and other accounts receivable, net refers to Impairment (loss) on loans and other accounts receivable minus Recovery of charged-off financial assets.

(9) Reflects the aggregated customers of our banking subsidiaries. Customers of more than one of our Colombian banking subsidiaries and MFG are counted separately for each banking subsidiary.

(10) Number of employees of continuing operations is defined as the sum of direct, temporary and outsourced personnel in financial entities (41,923 in 2023, 45,122 in 2022 and 45,954 in 2021), call-centers (7,255 in 2023, 7,840 in 2022 and 8,560 in 2021) and employees of non-financial entities of Corficolombiana (24,858 in 2023, 24,081 in 2022 and 29,851 in 2021).

(11) Reflects the aggregated number of full-service branches or ATMs of our Colombian banking subsidiaries and MFG, as applicable, located throughout Colombia and Panama.

ROAA and ROAE

ROAA, which is calculated as net income divided by consolidated average assets, provides a measure of return on assets. ROAE, which is calculated as net income attributable to owners of the parent, divided by consolidated average equity attributable to owners of the parent, provides a measure of the total return generated from our company and our subsidiaries for shareholders. Net income attributable to non-controlling interest divided by net income provides an indication of non-controlling interest ownership of Grupo Aval's consolidated subsidiaries' net income, where a higher ratio typically implies that higher net income was generated in subsidiaries in which Grupo Aval has lower ownerships and vice versa.

The following table sets forth ROAA, ROAE and Net income attributable to non-controlling interest divided by net income for Grupo Aval for the indicated years:

	Year ended December 31,		
	2023	2022	2021
	(in Ps billions, except percentages)		
Grupo Aval (consolidated):			
Average assets(1)	298,489.0	297,125.3	344,533.7
Average equity attributable to owners of the parent(2)	16,454.5	17,779.5	21,568.3
Net income	2,177.1	4,869.1	5,668.5
Net income attributable to owners of the parent	739.0	2,482.9	3,297.7
Net income attributable to non-controlling interest	1,438.1	2,386.2	2,370.8
ROAA(1)	**0.7%**	**1.6%**	**1.6%**
ROAE(2)	**4.5%**	**14.0%**	**15.3%**
Net income attributable to non-controlling interest divided by net income	66.1%	49.0%	41.8%

(1) For the methodology used to calculate Average assets and ROAA, see note (3) to the table under "Item 3. Key Information—A. Selected financial data—Other financial and operating data".

(2) For the methodology used to calculate Average equity attributable to owners of the parent and ROAE, see note (4) to the table under "Item 3. Key Information—A. Selected financial data—Other financial and operating data".

B. Capitalization and indebtedness

Not applicable.

C. Reasons for the offer and use of proceeds

Not applicable.

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D. Risk factors

Our business, financial condition and results of operations could be materially and adversely affected if any of the risks described below occur. In such an event, the market price of our preferred shares or our American Depositary Shares, or ADSs, could decline, and you could lose all or part of your investment. We may face additional risks and uncertainties that are not presently known to us, or that we currently deem immaterial, which may also impair our business.

Summary

The following summarizes some, but not all, of the risks provided below. Please carefully consider all the information discussed in this Item 3.D. "Risk Factors" in this annual report for a more thorough description of these and other risks:

- **Risks relating to Colombia and other countries in which we operate**
  - we are exposed to adverse economic, political and social conditions in Colombia and other countries in which we operate, including variations in the exchange rates or downgrades in credit ratings of sovereign debt securities;
  - we are exposed to the vulnerability to external shocks of the Colombian economy;
  - we are exposed to internal security issues that have had or could have a negative effect on the Colombian economy;
  - we are exposed to political and economic instability in the region and in the Middle East;
  - we are exposed to changes in Government policies and actions, as well as judicial decisions that could significantly affect the local economy;
  - we are exposed to legal claims about violations of anti-corruption laws and other laws in the jurisdictions in which we operate;
  - we are exposed to risks related to our partaking in government enforcement actions and/or ongoing governmental investigations;
  - we are exposed to changes in tax regulations or the interpretation thereof that could result in new or higher taxes as well as Colombian tax haven regulations;
  - we are exposed to natural disasters, acts of war or terrorism, rioting or other external events; and
  - we are exposed to risks related to global climate change and environmental requirements;

- **Risks relating to our businesses and industry**
  - Risks relating to our banking business
    - we are exposed to a deterioration in asset quality, including the loan portfolios of our banking subsidiaries;
    - we are exposed to the inability of our banking subsidiaries to realize on collateral or guarantees of secured loans;
    - we are exposed to limitations on the ability of our banking subsidiaries to collect on monetary obligations and enforce rights against collateral or under guarantees imposed by Colombian insolvency laws;
    - we are exposed to failures of our risk management processes, including credit and market risk;
    - we are exposed to declines in the value of our banks' sovereign debt portfolios and other investments;
    - we are exposed to counterparty risk;
    - we are exposed to market and operational risks associated with derivatives transactions;
    - we are exposed to liquidity risk;
    - we are exposed to defaults by one or more of our largest borrowers;
    - we are exposed to downgrades in our long-term credit ratings or in the credit ratings of our banking subsidiaries;
    - we are exposed to prepayment risk;
    - we are exposed to high competition in the credit card industry;
    - we are exposed to changes in banking and financial services laws and regulations in Colombia and the other countries in which we operate;
    - we are exposed to changes in accounting standards;
    - we are exposed to regulatory actions that may result in fines, penalties or restrictions;
    - we are exposed to legal and other challenges to maximize revenue from credit card fees and other fees from customers;
    - we are exposed to the failure to protect personal information; and
    - we are exposed to instability in global or local banking and financial systems.
  - Risks relating to our merchant banking business
    - we are exposed to difficult market conditions that could affect Corficolombiana;
    - we are exposed to risks related to our due diligence process not being able to identify all risks or ensure investment returns;
    - we are exposed to Corficolombiana's inability to realize profits from relatively illiquid assets, which represent a significant part of its investments;

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    - we are exposed to risks derived from Corficolombiana holding minority interest in other companies;
    - we are exposed to not being able to access financing for new investment projects;
    - we are exposed to the concentration of Corficolombiana's investments in five industries; and
    - we are exposed to a variety of other issues outside of our control.

  - Risks relating to our pension and severance fund management business

    - we are exposed to risks derived from the highly regulated market in which Porvenir operates; and
    - we are exposed to risks derived from the management of a significant amount of debt securities in pension and severance funds issued or guaranteed by the Colombian Government.

  - Other risks relating to our businesses

    - we are exposed to fluctuations in interest rates and other market risks;
    - we are exposed to our inability to effectively manage risks associated with the replacement of benchmark indices;
    - we are exposed to fluctuations between the value of the Colombian peso and the U.S. dollar;
    - we are exposed to trading risks with respect to our trading activities;
    - we are exposed to limitations on interest rates;
    - we are exposed to limitations on the ability of residents to obtain loans denominated in foreign currency;
    - we are exposed to constitutional actions, class actions and other legal actions involving claims for significant monetary awards against financial institutions;
    - we are exposed to risks derived from acquisitions and strategic partnerships not performing in accordance with expectations, failing to receive required regulatory approvals or disrupting our operations;
    - we are exposed to risks derived from our inability to manage our growth successfully;
    - we are exposed to operational risks;
    - we are exposed to risks derived from the failure of our information systems;
    - we are exposed to cybersecurity threats;
    - we are exposed to risks derived from our inability to detect money laundering and other illegal or improper activities fully or on a timely basis;
    - we are exposed to competition and consolidation in the Colombian banking and financial industry;
    - we are exposed to risks derived from our dependency on our senior management and Board of Directors;
    - we are exposed to reputational risk; and
    - we are exposed to risks derived from conflicting interests between our controlling shareholder and other common, preferred shareholders and ADS holders.

- **Risks relating to our preferred shares and ADSs**

  - we are exposed to exchange rate volatility;
  - we are exposed to restrictions on purchases of our preferred shares;
  - we are exposed to risks derived from the relative illiquidity of the Colombian securities markets;
  - we are exposed to risks derived from our inability to continue to develop or maintain an active market for our preferred shares and ADSs;
  - we are subject to different corporate rules and regulations than those available in other jurisdictions which may make it more difficult for holders of ADSs and underlying preferred shares to protect their interests;
  - we are subject to limitations imposed by Colombian law on our ability to pay dividends on the ADSs or underlying preferred shares;
  - holders of ADSs may encounter difficulties in the exercise of dividend rights and in the limited voting rights of our preferred shares;
  - our status as a foreign private issuer allows us to follow alternate standards to the corporate governance standards of the NYSE;
  - preemptive rights may not be available to holders of preferred shares or ADSs;
  - our ability to make payments on the ADSs may be adversely affected if we become unable to convert Colombian pesos to U.S. dollars or to transfer U.S. dollars abroad;
  - we are exposed to price variations as a result of being traded on more than one market;
  - if holders of ADSs surrender their ADSs and withdraw preferred shares, they may face adverse Colombian tax consequences;
  - banking regulations, accounting standards and corporate disclosure applicable to us differ from those in the United States and other countries;
  - judgments of Colombian courts with respect to our preferred shares will be payable only in pesos; and

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- U.S. investors in our preferred shares or the ADSs may find it difficult or impossible to enforce service of process and enforcement of judgments against us and our officers and directors.

Risks relating to Colombia and other countries in which we operate

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

Our principal subsidiaries in Colombia are financial institutions (four commercial banks, a pension and severance fund administrator and a merchant bank), and the majority of our operations, properties and customers are located in Colombia. As a consequence, our results of operations and financial condition are materially affected by economic, political and social conditions in Colombia.

Colombia is subject to economic, political and other uncertainties, including changes in monetary, exchange control and trade policies that could affect the overall business environment in Colombia, which would, in turn, affect our results of operations and financial condition. As depicted under “Item 5. Operating and Financial Review and Prospects—A. Operating Results— Principal factors affecting our financial condition and results of operations”, the current monetary policy implemented by the Central Bank of Colombia (the “Colombian Central Bank” or “Central Bank”) that resulted in sharp subsequent increases of the benchmark interest rates. Net interest margins for our retail portfolios have contracted as a result of the above, as we have been unable to immediately or fully pass through higher interest rates to our customers, and cost of interest-bearing liabilities has increased more than the interest income we earn on retail loans. In addition, higher rates have pressured asset quality as they affect our borrowers’ payment capacity under a macroeconomic context of lower economic activity and high inflation. Exchange rate volatility could also negatively affect the foreign currency positions of our borrowers, or our subsidiaries’ solvency, liquidity or profitability. Due to the fact that a large percentage of the costs and expenses of our subsidiaries is fixed, and that the speed at which changes in interest rates charged to our customers can be adjusted may differ from that at which our cost of funds may vary, we may not be able to reduce costs and expenses or transfer an increase in our costs to our customers while the occurrences of any of these events adversely affect the Colombian economy, in which case our profitability could be further adversely affected.

In the case of our pension and severance fund management business, economic conditions may affect the businesses and financial capacity of employers, which may result in a reduction in employee-contributor headcounts or decrease the ability of employers to create new jobs or increase employee incomes and could reduce returns on stabilization reserves (see Item 4. Information on the Company—B. Business overview—Supervision and regulation—Pension and Severance Fund Management) and/or performance-based fees.

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

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

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

The Colombian economy remains vulnerable to external shocks.

Economies in Latin America are expected to see a contraction in growth be impacted by climatic factors and be impacted by lower export receipts given the expected contraction in growth and reduced demand for commodities by developed countries. The year 2023 left a scenario of conflict in various regions of the world; This can generate difficulties at the global level on different fronts, international trade, and diplomatic relations between countries, affecting emerging economies such as Colombia and its Latin American counterparts. On the other hand, global tensions have resulted in increased oil prices with a positive impact on the country’s trade balance, improving the inflow of foreign currency to the government and companies in the oil sector.
International monetary policies have also had a significant impact on decisions on local interest rates, increasing the cost of new financial products. The Federal Reserve has kept rates unchanged and has sent a message to the market that the situation will continue to be analyzed

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in favor of a contractionary monetary policy. These factors pose challenges to the country's economic growth and could directly and materially impact the performance of our entities in terms of growth and financial risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New tax laws and regulations, and uncertainties with respect to future tax policies, pose risks to us. The Colombian Government is required by Law 1473 of 2011, also known as Law of Fiscal Rule, to significantly reduce its fiscal deficit and address issues regarding public policy, regulation regarding oil extraction and the transition to clean energies, migrations, public health events or other events that could require further tax reforms over the following years. This, in addition to an increase in fiscal deficit and the expected increase in new subsidies for the low-income bracket, changes in the health care framework, among others, could lead to higher taxation rates on our business and that of our borrowers. Changes in tax-related laws and regulations, and interpretations thereof, can impact tax burdens by increasing tax rates and fees, creating new taxes or withholdings, limiting tax deductions, and eliminating tax-based incentives and non-taxed income. In addition, tax authorities, local governments or courts may interpret tax regulations differently than we do, or impose new local tax regulations, which could result in increases in our tax payments, tax litigation and associated costs and penalties.

The Colombian Government may implement new changes in the tax rules applicable to our securities, which could have a material adverse effect on our results of operations and financial condition, or that may adversely affect our shareholders or holders of ADSs. ADSs do not have the same tax benefits as equity investments in Colombia. Although ADSs represent our preferred shares, they are subject to a different tax regulatory regime. Accordingly, the tax benefits applicable in Colombia to equity investments, in particular those relating to dividends and profits from sale, may not apply or apply differently in the case of our ADSs.

For further information, see “Item 10. Additional Information-E. Taxation”.

Colombian tax haven regulations could adversely affect our results of operations and financial condition.

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

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

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

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

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

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

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Risks related to global climate change and environmental requirements

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

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

In order to achieve adequate management of climate risk disclosures, in December 2021 the Superintendency of Finance required issuers of securities (through Circular 031) to disclose social, environmental, and climate related information. The report follows SASB standards and TCFD recommendations associated with governance, strategy, management, and metrics about climate change. Implementing the TCFD recommendations is intended to facilitate an understanding of physical climate risks and transition risks that could affect Grupo Aval's investments, including our banks' portfolios and projects developed by our subsidiaries Corficolombiana and Porvenir. We and our subsidiaries presented the Practices, policies, processes, and indicators in relation to social and environmental issues, including climate issues in March 2024.

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

Risks relating to our businesses and industry

Risks relating to our banking business

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

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

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

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

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

Our banking subsidiaries may be unable to realize on collateral or guarantees of secured loans, which may adversely affect their results of operations and financial condition.

Our banking subsidiaries originate loans that are secured by collateral, including real estate and other assets that are generally located in Colombia and other countries where we operate. The value of collateral may significantly fluctuate or decline due to factors beyond the control of our subsidiaries, including, for example, prevailing economic and political conditions in the relevant jurisdiction. At December 31, 2023, 38.0% of consolidated loans past due more than 30 days were secured. An economic slowdown may lead to a downturn in the Colombian real estate markets, which may, in turn, result in declines in the value of real estate securing loans to levels below the principal balances of these loans. Any decline in the value of the collateral securing these loans or any other collateral securing these loans may result in reduced recoveries from collateral realization and have an adverse effect on our results of operations and financial condition. We may also not have sufficiently recent information on the value of collateral, which may result in an inaccurate assessment for loss allowance of our loans secured by such collateral. If this were to occur, we may need to incur additional impairments to cover actual losses of our loans, which may materially and adversely affect our results of operations and financial condition.

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

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

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

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

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

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

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

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Declines in the value of our banks' sovereign debt portfolios or other investments could have an adverse effect on our results of operations.

Our Colombian banks' securities portfolio primarily consists of debt securities issued or guaranteed by the Colombian Government. We are exposed to significant credit, market and liquidity risks associated with debt securities. At December 31, 2023 and 2022, debt securities represented 13.4% and 12.2% of our consolidated total assets, respectively. Of these, 62.2% and 57.4% were issued by the Colombian Central government, and 5.9% and 3.4% were issued or backed by other governments, respectively at December 31, 2023 and 2022. A significant decline in the value of these government securities or other investments could materially and adversely affect our debt securities or broader financial asset portfolios and, consequently, our financial condition and results of operations. See "Item 4. Information on the Company—B. Business overview—Supervision and regulation—Mandatory Investments".

We are subject to counterparty risk in our banking business.

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

Our banks are subject to market and operational risks associated with derivatives transactions.

Our banks and, to a lesser extent, Corficolombiana, Porvenir and our international banking operations, enter into derivatives transactions primarily for hedging purposes and, on a limited basis, on behalf of customers. Those transactions subject us to market and operational risks, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or default risk (the risk of insolvency or other inability of a counterparty to perform its obligations to us).

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

Our banking subsidiaries are subject to liquidity risk, which may result in increases in funding costs.

The principal sources of funding for our banking subsidiaries are savings deposits, time deposits and checking accounts, which together represented 67.3% and 65.2% of our consolidated total liabilities at December 31, 2023 and 2022, respectively. Because our banking subsidiaries rely primarily on deposits for funding, a sudden or unexpected shortage of funds in the banking systems in which we operate or overnight money markets may prevent our banking subsidiaries from meeting their obligations or obtaining necessary funding without incurring higher costs or selling certain assets at prices below prevailing market values, which could materially and adversely affect our results of operations and financial condition. The liquidity of our financial entities could also be impacted by reputational events affecting our entities as well as systemic events.

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

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

Our exposure is concentrated in certain economic sectors and large corporations that could increase our impairment losses. Default on loans by one or more of these borrowers may materially and adversely affect our results of operations and financial condition.

Downgrades in our long-term credit ratings or in the credit ratings of our banking subsidiaries could increase funding costs or impair access to funding, potentially impacting our ability to maintain regulatory capital ratios.

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

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Our banking subsidiaries may be required to raise additional capital or funding in the future to maintain regulatory capital ratios and provide liquidity to meet commitments and business needs, particularly if asset quality or earnings were to deteriorate. Since February 6, 2019, we are subject to the inspection and supervision of the Superintendency of Finance as the financial holding of the Aval Financial Conglomerate and we might be required in the future to raise additional capital to comply with new regulatory adequacy rules applicable to us at the conglomerate level.

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

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

Our banking subsidiaries' loan portfolios are subject to risk of prepayment, which may result in reinvestment of assets on less profitable terms.

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

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

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

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

Changes in banking and financial services laws and regulations in Colombia and the other countries in which we operate could adversely affect our consolidated results.

Banking and financial services laws and regulations are subject to ongoing review and revision, including changes in response to global regulatory trends. As a result, governments have been actively considering new banking laws, regulations, reviewing and revising existing laws and regulations, particularly in relation to capital adequacy and accounting standards that may change the perceived strength of our banks, our credit ratings or our ability to grow or pay dividends. In addition, various international developments, will continue to impact us in the coming years. Decree 2555 of 2010 was amended in 2012, 2015, 2018 and 2019, modifying certain capital adequacy requirements for Colombian credit institutions. See "Item 4. Information on the Company—B. Business overview—Supervision and regulation".

On September 21, 2017, the Colombian Congress passed Law 1870 to strengthen the regulation and supervision of financial conglomerates, also known as the Law of Financial Conglomerates (*Ley de Conglomerados Financieros*). This law sets out the principles for supervising and regulating financial conglomerates. This law and its regulatory decrees (i) established criteria for identifying members of the financial conglomerates, as well as their controlling financial holding companies; (ii) provided the Colombian Government and Superintendency of Finance with tools to regulate and supervise financial conglomerates with respect to capital adequacy, corporate governance standards, risk management, internal control and criteria for identifying, administering, monitoring and revealing conflicts of interest; and (iii) established obligations and responsibilities applicable to the financial holding companies regarding the application and promotion of guidelines and rules across the financial conglomerates. Financial holding companies may be exposed to sanctions and fines derived from the breach of this

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law and its regulatory decrees by any member of the financial conglomerate. However, no fines have been imposed since the issuance of this law. We cannot assure that such law and its regulatory decrees will not have a material adverse impact on us. See "Item 4. Information on the Company—B. Business overview—Supervision and regulation—Regulatory framework for Colombian Financial Conglomerates".

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

We report our results and financial position in accordance with IFRS as issued by the IASB. Changes to IFRS or interpretations thereof may cause our future reported results and financial position to differ from current expectations, or historical results to differ from those previously reported due to the adoption of accounting standards on a retrospective basis. Such changes may also affect our regulatory capital and ratios. We monitor potential accounting changes and when possible, we determine their potential impact and disclose significant future changes in our audited consolidated financial statements that we expect as a result of those changes. Currently, there are a number of issued but not yet effective IFRS standards, as well as potential IFRS changes. For further information about developments in financial accounting and reporting standards, see Note 2 to our audited consolidated financial statements.

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

Our Colombian banks, as well as Corficolombiana, Porvenir and our international banking operations, are subject to regulation and supervision by financial authorities. These regulatory authorities have broad powers to adopt regulations and other requirements affecting or restricting virtually all aspects of our subsidiaries' organization and operations, including, the imposition of anti-money laundering measures, liquidity or capital requirements and the authority to regulate the terms and conditions of credit transactions. Failure to comply with applicable regulations could subject our banking subsidiaries to fines or sanctions or even revocation of licenses or permits to operate. In the event that any of these subsidiaries encounter significant financial problems, is in danger of insolvency or becomes insolvent, or is otherwise deemed as non-viable, the financial authorities would have broad powers to intervene in our management and operations, including suspending or removing management and, in extreme circumstances, putting our banks, Corficolombiana, Porvenir and our international banking operations, into conservatorship or receivership or taking control of our banks, Corficolombiana, Porvenir and our other subsidiaries. Since February 6, 2019, Grupo Aval is subject to the inspection and supervision of the Superintendency of Finance as the financial holding of the Aval Financial Conglomerate and is required to comply with capital adequacy and additional regulations applicable to financial conglomerates that became effective. As a result, we may become subject to more stringent regulation. See "Item 4. Information on the Company—B. Business overview—Supervision and regulation".

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

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

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

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

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

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

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

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

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

Our banking subsidiaries may be required to raise additional capital or funding in the future to maintain regulatory capital ratios and provide liquidity to meet commitments and business needs, particularly if asset quality or earnings were to deteriorate. Since February 6, 2019, we are subject to the inspection and supervision of the Superintendency of Finance as the financial holding of the Aval Financial Conglomerate and we might be required in the future to raise additional capital to comply with new regulatory adequacy rules applicable to us at the conglomerate level.

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

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

Risks relating to our merchant banking business

Difficult market conditions can adversely affect Corficolombiana's business.

Corficolombiana may be adversely affected by lower-than-expected returns on investments, reduced opportunities to realize value from investments, and failure to identify suitable investments for effective capital deployment. During periods of difficult market conditions (which may span across one or more industries, sectors or geographies), portfolio companies may experience adverse operating performance, decreased revenues, financial losses, difficulty in obtaining access to financing or increased funding costs. Negative financial performance of portfolio companies may materially and adversely affect Corficolombiana's results of operations and cash flow. If the operating performance of those portfolio companies (as well as valuation multiples) does not improve following any such downturn or other portfolio companies experience adverse operating performance, Corficolombiana may be forced to sell those assets at values that are less than projected or even at a loss. Portfolio companies may also have difficulties expanding their businesses and operations or meeting debt service and other obligations as they become due. Also, negative market conditions could potentially result in a portfolio company entering bankruptcy proceedings, thereby potentially resulting in a complete loss of the investment. Even if such conditions improve broadly and significantly over the long term, adverse conditions and/or other events in particular sectors may cause our performance to suffer further.

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Corficolombiana's due diligence process for evaluating prospective investments may not identify all risks or ensure investment returns.

Before making investments, Corficolombiana conducts due diligence based on the facts and circumstances applicable to each investment. When conducting due diligence, it may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process to varying degrees depending on the type of investment, but it may be unable to engage these third parties in a timely manner, or at all. Nevertheless, regardless of the participation of third parties, the due diligence investigation carried out by Corficolombiana with respect to any investment may not reveal or highlight all relevant risks of such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

Finally, a relevant portion of Corficolombiana's income is derived from construction activities that will be completed over the following years and there is a risk that Corficolombiana might not be successful in originating and starting new projects to replace this income.

A significant part of Corficolombiana's investments is in relatively illiquid assets, and Corficolombiana may fail to realize any profits from these investments for a considerable period of time or lose some or all of the principal amount of these investments.

As of December 31, 2023, 85.8% of Corficolombiana's investment portfolio comes from unlisted companies. There are often no readily ascertainable market prices for such securities or for those investments of Corficolombiana in listed companies with low or medium trading volumes. As a result, there may be limited or no marketability for these investments, and they may decline in value while Corficolombiana might be seeking to dispose of them. Because there is significant uncertainty as to the valuation of illiquid investments, the stated values of such investments may not necessarily reflect the values that could be realized by Corficolombiana.

In addition, in some cases, Corficolombiana may be prevented by contract from selling such investments for a certain period of time. Corficolombiana's ability to dispose of investments may also be dependent on factors beyond its control. Thus, it is possible that investments in privately held companies will only be disposed of over a substantial length of time, if at all, exposing the investment returns to risks of declines in market prices during the intended disposition period. Furthermore, the listed companies within Corficolombiana´s investment portfolio also have low liquidity and there is no assurance that there will be market capacity to absorb potential sales. Accordingly, under certain conditions, Corficolombiana may be forced to either sell securities at lower prices than it had expected to realize or defer—potentially for a considerable period—sales that it had planned to make.

Corficolombiana might have minority investments in companies and therefore, it might not control them.

Corficolombiana's investments include non-controlling equity interests. Those investments will be subject to the risk that the controlling owners of the company in which the investment is made, may take business, financial or management decisions with which we do not agree, may take risks or otherwise act in a manner contrary to our interests. If any of the foregoing were to occur, the value of these investments could decrease or we may not be able to dispose of them, which would adversely affect Corficolombiana's results of operations and financial condition. Any wrongdoing by these companies or their management might result in reputational or legal risks to us or lead to charge-offs or write-downs of Corficolombiana's investments in such companies.

Corficolombiana's new investment projects depend on its ability to access financing.

Corficolombiana's investment projects depend on its ability to access financing. Corficolombiana may directly, or through its operating subsidiaries, enter into investment projects that require significant financing. Corficolombiana or its operating subsidiaries may experience difficulties in accessing debt and equity financing resources required to fund or refinance such projects and/or may obtain them at higher costs and/or lower tenors than initially expected. As a result, Corficolombiana's investment objectives may attain lower returns due to higher financing costs, delays in the investment schedule or any eventual stoppage of the investment project, which could also result in the payment of penalties to its counterparties, including the Government entities in the case of the development of new highways and toll roads. If Corficolombiana is unable to obtain adequate financing on terms satisfactory to it, its ability to continue to grow or support its business and respond to business challenges could be significantly limited.

Most of Corficolombiana's investments are held in five industries.

The majority of Corficolombiana's investment portfolio is held in companies operating in the energy and gas, infrastructure, agribusiness, hotels and financial services industries. Energy and gas and infrastructure accounted for 93.6% of Corficolombiana's total investment portfolio as of December 31, 2023. Although there is a diversification intent, there is a likelihood that in certain market conditions these sectors behave in a correlate manner which may result in lower than expected returns or even losses.

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A variety of issues outside of Corficolombiana's control could affect the timing and performance of its investments, which may result in additional costs and reputational harm to Corficolombiana, reductions or delays in revenues or the payment of liquidated damages.

Many of Corficolombiana's investments, included in the energy and gas, and infrastructure sectors, involve challenging engineering, permitting, procurement and construction phases that may take place over extended periods of time, sometimes several years. These investments may encounter difficulties as a result of (i) delays in design, engineering information or materials delivery, to be completed or procured by them, the customer or a third party, (ii) delays due to failure to timely obtain permits or rights of way or meet other regulatory requirements or permitting conditions, (iii) accidents and catastrophic events, weather-related delays, protests, legal challenges, multiple types of political unrest, and other factors. In addition, in the energy and gas sector, Corficolombiana, through Promigas, is exposed to a variety of inherent hazards and operating risks in gas distribution and transportation which could cause substantial financial losses.

If any of Corficolombiana's investments or projects fail to comply with the applicable professional standards or contractual requirements, Corficolombiana or its subsidiaries could be exposed to significant monetary damages or violations. A catastrophic event at one investment could also result in significant professional or product liability and warranty or other claims, as well as reputational harm, especially if public safety is impacted.

Many of these difficulties and delays are beyond Corficolombiana's control and could negatively impact its ability to achieve its anticipated return from its investments. Delays and additional costs may be substantial and not recoverable from third parties or insurance providers, and in some cases, may cause substantial financial losses.

Failure to meet any of their schedules or performance obligations could also result in additional costs or penalties, including liquidated damages, and such amounts could exceed profits from these projects. In extreme cases, the above-mentioned factors could cause project cancellations, and Corficolombiana may not be able to replace such projects with similar projects or at all. Such delays or cancellations may impact Corficolombiana's investments, its reputation or relationships with customers and could have a material adverse effect on Corficolombiana's business, results of operations or financial condition.

Furthermore, some public concession contracts incorporate clauses enabling an early termination of concession contracts subject to specific conditions. This could result in a liquidation value that differs from the book value recorded by Corficolombiana.

A sizable portion of Corficolombiana's business is subject to adverse Governmental action, regulatory change, termination or even expropriation.

Most investments held by Corficolombiana, are in highly regulated industries. Therefore, a change in regulation could materially affect their value, could reduce the income that those investments will generate in the future or could adversely affect the ability of Corficolombiana to dispose of those investments. Moreover, Corficolombiana is exposed to the risk that the Colombian government may expropriate or nationalize its assets or that it may be unable to convert Colombian pesos into foreign currencies. In addition, the Colombian government has the authority to unilaterally modify certain agreements, impose tariffs, taxes, stop payments, or other restrictions on operations, which may limit the ability of Corficolombiana's portfolio investment companies to conduct their business. The risk of expropriation or adverse regulatory action could have a material adverse effect on Corficolombiana's business, financial condition, results of operations, or share price. Furthermore, the perception of this risk could negatively affect its reputation, investor confidence, or share price. Moreover, liquidation or contractual expropriation processes may not fully compensate for the value of the property in question.

Risks relating to our pension and severance fund management business

Porvenir operates in a highly regulated market, which limits its flexibility to manage its businesses.

Porvenir's operations are regulated by Law 100 of 1993, as amended, the Organic Statute of the Financial System (Estatuto Orgánico del Sistema Financiero), or "EOSF", Decree 2555 of 2010 issued by the Ministry of Finance, as amended, and regulations issued by the Superintendency of Finance and, to the extent applicable, Colombian Corporation Law, including the legal framework applicable to the Financial Conglomerates, considering Porvenir is part of the Grupo Aval Conglomerate. These regulations limit the range of assets in which pension fund administrators, or "AFPs", can invest the assets under administration and set investment limits based on the type of mandatory pension or severance fund managed each AFP manages. AFPs can manage four types of mandatory pension funds (i) Lower Risk Fund ("Fondo Conservador"), (ii) Medium Risk Fund ("Fondo Moderado"), (iii) High Risk Fund ("Fondo de Mayor Riesgo") and (iv) Planned Retirement Fund ("Fondo Especial de Retiro Programado"), and two types of severance portfolios (i) Short Term portfolio ("Portafolio de Corto Plazo") and (ii) Long Term portfolio ("Portafolio de Largo Plazo"). In addition, each AFP is legally required to provide a minimum return on investment for each mandatory of its pension and severance funds. See "Item 4. Information on the Company—B. Business overview—Pension Fund Management—Pension Business Overview". Finally, during 2023 Porvenir, on behalf of the mandatory pension funds, invested Ps 4.5 billion in local private equity funds ("fondos de capital privado") in order to fulfill the obligations established in Law

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2112 of 2021, which mandates AFPs to invest a minimum of 3% of the mandatory pension funds' assets under management in this asset class.

Furthermore, Porvenir manages voluntary pension funds (fondos de pensiones de jubilación e invalidez) created by Decree 2513 of 1987, and fully amended by Decree 1207 of 2020 as supplementary savings vehicles for pensions, which are independent from the mandatory pension funds, and benefit from tax incentives. Subject to certain limits, savings in voluntary pension funds are considered as exempt income for purposes of the corporate income tax (Impuesto de Renta) under rules defined in article 1261-1 of the Tax Statute. These exemptions have been subject to modifications through tax reforms such as Law 1607 of 2012, Law 1819 of 2016, Law 1943 of 2018, and Law 2277 of 2022 also known as "*Reforma Tributaria para la Igualdad y la Justicia Social*". This law includes specific regulations for voluntary pension funds, in particular with respect to their tax benefits, reducing the limits applicable to deductions of income for the calculation of the income tax. These conditions reduce consumer interest in this type of savings product and have an adverse effect on the management fees received by Porvenir for the administration of these funds.

In March 2023, the Colombian government presented a bill to reform the current pension system (*Proyecto de Ley No. 293 de 2023*), which has been discussed in Congress. This reform intends to extend the system's coverage to a broader base of the population. In general terms, the reform shifts to a pillars structure in which (i) people who earn up to three minimum wages ("*salario mínimo mensual legal vigente"*) will contribute exclusively to Colpensiones, the governmental pension fund administrator and (ii) people who earn more than three minimum wages will contribute, with respect to the first three minimum wages to Colpensiones and excess thereof to a private pension fund. In addition, the bill also reforms the existing commissions structure for pension funds administrators (*AFP*) from contributions to assets under management (AUM). Finally, the bill includes a transition regime applicable to individuals who have contributed to the pension system for over 750 weeks in the case of women and 900 weeks in the case of the men and such transition regime would be applicable and enforced effective January 1, 2025. The terms and conditions of the severance funds and voluntary pension funds remain unchanged under the bill.

This initiative filed by the Government has been discussed on one debate in the Seventh Committee of the Senate of the Republic, which took place on June 16 and 17, 2023, and, therefore, three debates are pending, which shall be discussed in the plenary session of the Senate of the Republic before June 2024. In case these three pending debates do not take place before June 2024, the bill to reform the current pension system filed by the Government has to be archived.

During 2023, over 88% of the population who contributed to the pension system in Colombia earned three minimum wages or less. If the government proposal is approved, private pension funds will experience a significant decrease in their management fees income considering that the first three minimum wages would be contributed to Colpensiones. Although the government proposal includes a fee for AUMs, we are not yet able to estimate if the resulting fee will partially or fully offset the negative effects of the reduced volume of contributions.

Changes to the current regulation or further regulation could materially impact our pension management business and it is still uncertain what the short- and long-term implications of such changes would be.

As a result of the accession process of the Colombian Government to become a member country of the Organization for Economic Cooperation and Development (OECD), further regulation amending the current pension fund regulation could be enacted. Future regulation may not provide a favorable business environment and may adversely affect our results of operations and the financial condition of our pension fund management business.

A significant amount of debt securities in pension and severance funds managed by our pension and severance fund businesses are issued or guaranteed by the Colombian Government.

Our pension and severance fund management business, like our banks and other participants in the banking industry, is subject to the risk of loss in value of sovereign debt securities. A significant decline in the value of the securities issued or guaranteed by the Colombian Government could adversely affect the debt securities portfolio of our pension and severance fund management business and, consequently, our pension and severance fund management business's results of operations and financial condition.

Other risks relating to our businesses

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

Market risk refers to the probability of variations in income or in the market value of assets and liabilities due to changes in markets, including variations in market rates of interest and foreign currency exchange rates. Changes in interest rates affect the following areas, among others, of our banks' businesses: net interest income, the volume of loans originated, market value of securities holdings, asset quality, and gains from sales of loans and securities. We do not manage market risk on a consolidated basis and are not subject to regulation or supervision of market risk on a consolidated basis. However, each financial subsidiary undertakes an individual monitoring, assessment and management of such risks through dedicated market risk units and asset liability committees

Changes in short-term interest rates may affect interest margins quickly and, therefore, net interest income, which is the most important component of our revenue. Increases in interest rates may reduce the volume of loans originated by our banking subsidiaries. Sustained high interest rates may discourage customers from borrowing and may result in increased delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may reduce the value of our assets, including the financial assets of our banks, the investments of Corficolombiana and the assets managed by Porvenir. Our banking subsidiaries hold a substantial portfolio of loans and debt securities that have both fixed and floating interest rates. In addition, we may incur costs (which, in turn, will affect our results of operations) if our banking subsidiaries implement strategies to reduce future interest rate exposure. Increases in interest rates may reduce gains or require our banking subsidiaries to record losses on sales of their loans or securities.

We may not effectively manage risks associated with the replacement of benchmark indices.

Interest rate, equity, foreign exchange rate and other types of indices which are deemed to be "benchmarks," including those in widespread and long-standing use, have been the subject of ongoing international, national and other regulatory scrutiny and initiatives and proposals for reform. Some of these reforms are already effective while others are still to be implemented or are under consideration. These reforms may cause benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences, which cannot be fully anticipated.

Any of the benchmark reforms which have been proposed or implemented, or the general increased regulatory scrutiny of benchmarks, could also increase the costs and risks of administering or otherwise participating in the setting of benchmarks and complying with regulations or requirements relating to benchmarks. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain benchmarks, trigger changes in the rules or methodologies used in certain benchmarks or lead to the disappearance of certain benchmarks.

Any of these developments, and any future initiatives to regulate, reform or change the administration of benchmarks, could result in adverse consequences to the return on, value of and market for loans, mortgages, securities, derivatives and other financial instruments whose returns are linked to any such benchmark, including those issued, funded or held by us or our banking subsidiaries.

We may be adversely affected by fluctuations between the value of the Colombian peso, and the U.S. dollar as a result of U.S. dollar-denominated indebtedness and assets.

We face exposure to fluctuations in the rate of exchange between the Colombian peso and the U.S. dollar, particularly given the fact that the Colombian peso has historically experienced significant devaluations and depreciations. Fluctuations in the exchange rate between the value of the Colombian peso, and the U.S. dollar may also negatively affect our leverage and capitalization ratios as measured by regulators or by rating agencies.

We are subject to impacts on our statement of income and/or statement of financial position derived from fluctuations of the Colombian peso, in particular, against the U.S. dollar, where most of our foreign long-term debt is denominated, as 18.6% of our average consolidated assets for the year ended December 31, 2023 and 24.3% of our average consolidated liabilities for the year ended December 31, 2023 were foreign currency-denominated.

We are exposed to changes in the values of current holdings and future cash flows denominated in other currencies, as part of our financial business as well as in the non-financial activities of Corficolombiana. For information on hedge accounting please refer to Note 10 of our audited consolidated financial statements.

Fluctuations in the exchange rate between the Colombian peso and the U.S. dollar may affect the value of our debt and investments on our statement of financial position and cause us to recognize gains or losses in our statement of income. Any substantial fluctuation in the U.S. dollar relative to the Colombian peso could affect our results of operations and our ability to meet our future payment obligations and increase or decrease the peso value of our regulatory capital, risk-weighted assets and goodwill, thereby affecting capital ratios of our banking subsidiaries.

We are subject to trading risks with respect to our trading activities.

Our banking subsidiaries, Corficolombiana, Porvenir and some other subsidiaries are allowed to engage in proprietary trading, and we might derive a portion of our profits from such trading activities. As a result, any reduction in trading income could adversely affect our results of operations and financial condition. Our trading income is volatile and dependent on numerous factors beyond our control, including, among

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others, market trading activity, interest rates, exchange rates and general market volatility. A significant decline in our trading income, or large trading losses, could adversely affect our results of operations and financial condition.

Declines in the market price for securities and expected losses could result in impairment losses as well as increased unrealized losses on other securities. Losses in the Colombian equity markets could result in further losses from impairment or sale of these securities as well as increases in unrealized losses. Any significant increases in exposure to any of these non-traditional risks, or a significant increase in credit risk or bankruptcy of any of the counterparties, could materially and adversely affect our results of operations and financial condition.

Colombian law and similar regulations in countries in which we operate, impose or might impose limitations on interest rates, and future additional restrictions on interest rates or banking fees could negatively affect our profitability.

The Colombian Commercial Code ("*Código de Comercio*") limits the amount of interest our Colombian subsidiaries may charge on commercial transactions, including transactions of our banking subsidiaries. In the future, regulations in Colombia or other countries in which we operate, could impose increased limitations regarding interest rates or banking fees. Law 1430 of December 2010, as amended, authorizes the Colombian Government to impose or place limits on tariffs and fees charged by banks and other financial institutions where the Government has determined that there is insufficient competition in a relevant market. Additionally, the law requires the Superintendency of Finance to implement a monitoring scheme of the tariffs and fees charged by the financial institutions in their relevant markets and to report the results of this evaluation semi-annually to the Colombian Government. The Colombian Government issued Decree 4809 of 2011 and Decree 1854 of 2015, which (i) require banks to provide each of their clients with statements of all fees charged to such clients on an annual basis, (ii) set a limit on the fees that banks may charge to their clients for withdrawals from automated teller machines of other banks and (iii) establish that transactions through the internet may not cost more than those made through other channels. Accordingly, the Superintendency of Finance has issued External Circular 012 of 2012, setting the rules and principles that must be followed by banking and financial institutions at the time of establishing, publishing and promoting their tariffs and fees. In 2022, Colombian Congress enacted different laws which may potentially impact our business. For example, Law 2277 of 2022 increased the income tax for financial entities, which now must pay an income tax rate 5% higher than other types of corporations.

Local authorities may impose requirements on the ability of residents, including our businesses, to obtain loans denominated in foreign currency.

Under local exchange control requirements, authorities may impose certain mandatory deposit requirements in connection with foreign currency-denominated loans obtained by residents, including our businesses. Future measures or requirements imposed by local authorities, such as mandatory deposit requirements, may adversely affect our and our clients' ability to obtain loans in foreign currency.

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

Under the Colombian Constitution and similar regulations in other countries in which we operate, individuals may initiate constitutional actions (*acciones populares*), or class actions (*acciones de grupo*), to protect their collective or class rights, respectively. Individuals may also initiate constitutional actions for the protection of their fundamental rights, known as "*Tutelas*". Colombian financial institutions, including our banking subsidiaries, Corficolombiana and Porvenir, and other of our businesses have been, and continue to be, subject to these actions with regard to fees, financial services, mortgage lending and interest rates, the outcomes of which are uncertain. In addition, the number of such actions could increase in the future and could significantly affect our businesses.

Acquisitions and strategic partnerships may not perform in accordance with expectations, may fail to receive required regulatory approvals or may disrupt our operations and adversely affect our credit rating and profitability.

A component of our strategy is to identify and pursue growth-enhancing strategic opportunities, such as acquisitions and alliances, inside and outside of Colombia. As part of that strategy, we have acquired interests in various financial institutions in recent years. Strategic acquisitions and alliances could expose us to risks with which we have limited or no experience, as in the case of any significant acquisition outside of Colombia. In addition, potential acquisitions in Colombia and elsewhere may be subject to regulatory approval. We may be unsuccessful in obtaining any such approval or we may not obtain approvals on terms that are acceptable for us particularly in view of our subsidiaries' and our combined significant market share in the Colombian banking industry.

We must necessarily base any assessment of potential acquisitions and alliances on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. Future acquisitions and alliances, as well as other investments, may not produce anticipated synergies or perform in accordance with our expectations and could adversely affect our operations and profitability. In addition, new demands on our existing organization and personnel resulting from the integration of new acquisitions could disrupt our operations and adversely affect our operations and profitability.

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We may not be able to manage our growth successfully.

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

We are subject to operational risks.

Our business depends on the ability of our banking subsidiaries to process large numbers of transactions efficiently and accurately. Operational risks and losses can result from fraud, employee error, failure to properly document transactions or to obtain proper internal authorization, failure to comply with regulatory requirements, breaches of conduct of business rules, technological failures, natural disasters or external events, among others.

The procedures adopted by Grupo Aval's banking subsidiaries regarding operational risk management were designed to identify and measure the risks to which the entities are exposed in the development of their operations, the establishment of controls for the adequate mitigation of the identified risks and the monitoring of the effectiveness of the system of controls. However, there can be no assurance that the currently adopted procedures will be effective in identifying or appropriately mitigating all of the operational risks we face.

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

We and our subsidiaries are highly dependent on the ability to collect and process, on a timely basis, a large amount of financial and other information, transactions and services and products, at a time when transaction processes have become more complex with increasing volumes and increasingly shorter response expectations from our stakeholders. If we are unable to maintain these capabilities, our business operations, financial condition, reputation and results of operations could be materially and adversely affected. A partial or complete failure of any of these systems could materially and adversely affect our decision-making process, risk management, internal control systems and quality service, as well as our ability to respond on a timely basis to changing market conditions. Additionally, increased dependency on communications as well as the migration of processes to cloud operations can increase our exposure to IT failures and cybersecurity threats. See "—We are subject to cybersecurity threats".

In addition, Grupo Aval and our subsidiaries ability to remain competitive will depend in part on our ability to upgrade our IT infrastructure and implement digitalization of products profitably through agile methodologies in environments with major planning challenges due to, for example, supply chain difficulties that have arisen over the last year increasing the lead times to obtain hardware. We and our subsidiaries must continually make significant investments and improvements in our and their IT infrastructure in order to ensure the proper functioning of financial controls, accounting and other data collection and processing systems and to remain competitive. Furthermore, as our banking subsidiaries open new branches and channels, they will need to improve their IT infrastructure, including maintaining and upgrading their software and hardware systems and their back-office operations. If there are technological impediments, unforeseen complications, errors or breakdowns in implementing new systems, our business, financial condition or results of operations may be adversely affected.

We are subject to cybersecurity threats

We and our subsidiaries dedicate significant resources to regularly maintaining and upgrading our systems to implement technology that protects our networks against cyberattacks. For example, we dedicate great efforts to the review of security strategies through committees and technical groups through which we validate security controls, the needs of new technologies, ways to optimize existing ones and explore how to mitigate new threats. In addition to the above, we and our subsidiaries also made progress adoption of emerging technologies that allow us to strengthen our technical capacity such as User and Entity Behavior Analytics - UEBA, Endpoint Detection and Response - EDR, Cloud Access Security Broker - CASB, Cloud Security Posture Management – CSPM, among others, and in the selection of technologies to replace existing ones like SIEM with new and better capacities, and finally we worked in the exploration of technologies for the unification of services into one through the framework of Security Service Edge . While we frequently experience cyberattacks, such as malware and ransomware infections, phishing, interception of sensitive data in cyberspace, and other attacks, which have required immediate our Computer Security I Response Team - CSIRT attention and have resulted in some temporary interruptions in non-operational areas, these attacks have not, to date, had a material impact on our business or clients. Depending on the seriousness of a cybersecurity incident, they are required to be reported to the corresponding committees of Information and IT security, and to the executive levels and Board of Directors of Grupo Aval. Nonetheless, future attacks could be more severe and have a material adverse impact on our business.

If one or more cyber-threats occur, it could result in a security impact on our systems and jeopardize our or subsidiaries customers', or counterparties' personal, confidential, proprietary or other information processed, stored in, and transmitted through our and our third-party providers' computer systems. Furthermore, such events could cause interruptions or malfunctions in our or our subsidiaries customers',

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counterparties' or third parties' operations, which could result in reputational damage with our or our subsidiaries customers', reduced demand for our services and products, additional costs to us (such as repairing systems, adding new personnel or technologies), regulatory investigations, litigation or enforcement, or regulatory fines or penalties, all or any of which could adversely affect our business, financial condition or results of operation.

Cyber-attacks maintain a trend of sophistication and specialization, as well as a higher level of visibility of the same before the public, and even though none of the high-level media cases affected us or our subsidiaries, we remain alert as those incidents can occur and persist for a long period of time without our being able to detect them. Cyberattack investigations can be unpredictable and take time to complete. During that time, we may not know the extent of the damage caused or the best way to remedy such a cyberattack.

Additionally, we may not take the most appropriate actions to remediate or mitigate a cyber-attack, which would further exacerbate the costs and consequences of a cyber-attack.

As financial institutions, we and our subsidiaries are susceptible to cybersecurity risks such as malware, ransomware, computer hackers, disgruntled employees and other causes that could affect the IT infrastructure that supports our service channels. These risks have increased significantly due to the proliferation of new technologies, the use of the internet and automated processes, the diversification of channels to perform financial transactions, hand in hand with the development of new techniques of organized crime, hackers, hacktivists, terrorists and other external parties.

The high demand for specialized personnel in the field of cybersecurity combined with an insufficient preparation in the field may impact our ability to identify or timely hire such personnel, which could adversely impact our ability to deal with cybersecurity challenges in the future.

See "Item 4. Information on the company—Other corporate information—Cybersecurity" and "Item 16K. Cybersecurity"

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

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

We and our subsidiaries are subject to laws and regulations that prohibit corrupt payments to public officials, including the U.S. Foreign Corrupt Practices Act and Colombian regulations on transnational bribery. We have implemented Corporate Anti-corruption Policies and procedures, which incorporate, among other things, training, reporting channels, monitoring, internal investigations, and sanctions. While this system is designed to prevent and detect corrupt behavior and transactions, it does not completely eliminate the risk that our subsidiaries´ employees, providers, clients or agents may engage in corrupt practices.

If we or any of our subsidiaries, joint ventures or other affiliates fail to fully comply with applicable anti-money laundering laws, anti-terrorism financing laws, anti-corruption laws and other regulations, the relevant Government authorities to which they report have the power and authority to impose fines and other penalties.

Competition and consolidation in the Colombian banking and financial industry could adversely affect our market position.

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

Various banking institutions, which have recently been incorporated in Colombia, target the microcredit and small and medium enterprises segments. Local subsidiaries of international financial institutions have entered the market targeting corporate clients. The businesses of these new credit institutions may affect our market position in the individual, small and medium enterprises and our merchant banking operation. We also face competition from non-bank and non-financial competitors, such as fintechs. Several fintechs have started to develop as nonregulated businesses and subsequently sought lower tier banking licenses (for example as "*compañías de financiamiento*"), allowing them to receive savings deposits. Also, the National Development Plan draft presented by the Government in January 2023 has proposed an

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Open Banking initiative, making it compulsory for banks to deliver the information and data of their customers to other entities, which may represent a competition risk for our business.

In addition, consolidation in the Colombian financial services industry has increased, which may also increase competition in the markets where we operate. See "Item 4. Information on the Company—B. Business overview—Competition".

Furthermore, our banking subsidiaries may face challenges as new competitors enter the market or existing competitors may adjust their services with unique product or service offerings or approaches to providing banking services. New entrants could take advantage of regulatory arbitrage to compete with substantially lower cost structures. Non-traditional providers of banking services may offer and/or increase their offerings of financial products and services directly to customers. Several of these competitors may have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. Technological advances and heightened e-commerce activities have increased consumers' access to products and services, which has in turn intensified competition among banks and nonbanks in offering loans. Existing competitors and market entrants may adopt more aggressive pricing and rates and devote more resources to technology, infrastructure and marketing. If we are unable to successfully compete with current and new competitors, or if we are unable to anticipate and adapt our offerings to changing banking industry trends, including innovation, digitalization and technological changes, our business may be adversely affected.

Our ability to maintain our competitive position depends mainly on our ability to anticipate and fulfill the needs of new and current customers through the development of innovative services and products, and our ability to offer adequate services and strengthen our customer base through cross-selling. Our failure to effectively anticipate or adapt to emerging technologies or changes in customer behavior, including among younger customers, could delay or prevent our access to new digital-based markets which would in turn have an adverse effect on our competitive position and business.

Our efforts to offer new services and products may not succeed if product or market opportunities develop more slowly than expected or if the profitability of these opportunities is undermined by competitive pressures. As we expand the range of our products and services, some of which may be at an early stage of development in the Colombian market, we will be exposed to new and potentially increasingly complex risks and development expenses. Our employees and our risk management systems may not be adequate to handle such risks. In addition, the cost of developing products that are not launched is likely to affect our results of operations. Any or all these factors, individually or collectively, could have a material adverse effect on us.

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

We are highly dependent on our senior management teams and Board of Directors at both the group and subsidiary levels, all of whom possess considerable experience and expertise and have strong relationships with customers, participants of the Colombian business.

The loss of the services of any of these members of our, or our subsidiaries', senior management and members of the Board of Directors, could have an adverse effect on our business. Accordingly, our success is dependent on appropriately managing the risks related to executing a succession plan for senior management and members of the Board of Directors on a timely basis.

We are subject to reputational risk, and our reputation is closely tied to that of our controlling shareholder, our senior management and members of the Board of Directors, and that of our subsidiaries.

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

We are controlled by Mr. Sarmiento Angulo, whose interests could differ from the interests of other common, preferred shareholders and ADS holders.

Mr. Sarmiento Angulo beneficially owns 97.8% of our common shares outstanding and 45.4% of our preferred shares outstanding, as of April 10, 2024, and, accordingly, controls our group. See "Item 7. Major Shareholders and Related Party Transactions—A. Major

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shareholders". The preferred shares do not have any voting rights and thus will not affect such control of our Group. Mr. Sarmiento Angulo will continue to have the right to control decisions, regardless of how our minority shareholders may vote on these issues and regardless of the interests of such shareholders, including holders of ADSs and underlying preferred shares. In addition to Mr. Sarmiento Angulo's beneficial ownership through Grupo Aval, as of April 8, 2024, he beneficially owns 8.3% of Banco de Bogotá, 13.3% of Banco de Occidente, 15.5% of Banco AV Villas, 0.8% of Banco Popular and 11.5% of Corficolombiana.

Circumstances may occur in which Mr. Sarmiento Angulo may have an interest in pursuing transactions that, in his judgment, enhance the value of his several investments in the financial sector. These transactions may not necessarily be in Grupo Aval's interest or that of its shareholders even if holders of the ADSs or the underlying preferred shares disagree. Due to his control, Mr. Sarmiento Angulo has, and will have, the power to:

- elect a majority of our directors and appoint our executive officers, set our management policies and exercise overall control over our company and subsidiaries;
- agree to sell or otherwise transfer his controlling stake in our company; and
- determine the outcome of substantially all actions requiring shareholder approval, including transactions with related parties, corporate reorganizations, acquisitions and dispositions of assets, and dividends.

In addition, the concentration of ownership may have the effect of delaying, preventing, or deterring a change of control of our company, could deprive our shareholders of an opportunity to receive a premium for the ADSs or underlying preferred shares as part of a sale of our company and might ultimately affect the market price of the ADSs and the underlying preferred shares.

We may engage in additional transactions with our controlling shareholder in the future.

In the future we may engage, as we have done in the past, in business and financial transactions with our controlling shareholder and other shareholders that may present potential conflicts of interest between our company and these shareholders. See "Item 7. Major Shareholders and Related Party Transactions—B. Related party transactions." While we believe that these transactions will be carried out on an arm's-length basis, commercial and financial transactions between us and our controlling shareholder could create the potential for, or could result in, conflicts of interests between us and our other shareholders. To the extent that the price we pay for any assets acquired from our controlling shareholder exceeds the market value of such assets or is not as productive a use of our cash as other uses, our results of operations and financial condition could be adversely affected.

Risks relating to our preferred shares and ADSs

Exchange rate volatility may adversely affect the Colombian economy, the market price of the ADSs and the dividends payable to holders of the ADSs.

Pursuant to Colombian law, the Colombian Central Bank has the power to intervene in the exchange market in order to consolidate or dispose of international reserves, as well as to control any volatility in the exchange rate, acting through a variety of mechanisms, including discretionary ones. During recent years, the Colombian Central Bank has employed a floating exchange rate system with periodic interventions. From time to time, there have been significant fluctuations in the exchange rate between the Colombian peso and the U.S. dollar. Unforeseen events in international markets, fluctuations in interest rates, fluctuations in oil prices, changes in U.S. and international monetary policies, changes in capital flows, political developments or inflation rates may cause exchange rate instability that could, in turn, depress the value of the Colombian peso, thereby decreasing the U.S. dollar value of the dividends paid to holders of the ADSs.

Restrictions on purchasing our preferred shares may affect the market liquidity of our preferred shares and ADSs.

Under Colombian securities regulations, as a general rule, any transaction involving the sale of publicly traded shares of any Colombian company, including any sale of our preferred shares for the equivalent of 66,000 *Unidades de Valor Real* or "UVRs" (U.S.$ 6,179.1), or more, must be effected through the Colombian Stock Exchange. UVR is a Colombian inflation-adjusted monetary index calculated by the Board of Directors of the Colombian Central Bank and generally used for pricing home-mortgage loans (one UVR = Ps 357.8 (U.S.$ 0.09) and 66,000 UVRs = Ps 23,616,925.2 at December 31, 2023). Any transfer of preferred shares underlying the ADSs may be required to be sold through the Colombian Stock Exchange, which could limit their liquidity or affect their market price.

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The relative illiquidity of the Colombian securities markets may impair the ability of preferred shareholders and holders of ADSs to sell preferred shares underlying the ADSs.

Our preferred shares are listed on the Colombian Stock Exchange, which is relatively small and illiquid compared to securities exchanges in major financial centers. In addition, a small number of issuers represent a disproportionately large percentage of the market capitalization and trading volume on the Colombian Stock Exchange. A liquid trading market for the preferred shares or ADSs may not develop on the Colombian Stock Exchange or New York Stock Exchange, respectively. A limited trading market could impair the ability of a holder of preferred shares or ADSs to sell preferred shares (in the case of an ADS holder, obtained upon withdrawal of such shares from the ADR facility) on the Colombian Stock Exchange in the amount and at the price and time desired by such holder, and could increase the volatility of the market price of the preferred shares and the ADSs. In addition, a decrease in the liquidity of our ADR program may also impair investors' ability to sell our preferred shares or ADSs in the New York Stock Exchange.

An active market for our preferred shares and the ADSs may not continue to develop or be maintained and the market price of our preferred shares and the ADSs may fluctuate in response to numerous factors.

The market price of our ADSs and preferred shares may fluctuate significantly in response to numerous factors, many of which are beyond our control, including actual or anticipated fluctuations in our operating results, economic downturns, political events in Colombia, or Panama, developments affecting the banking industry, exchange rates, changes in financial estimates by securities analysts or our failure to perform in line with such estimates, departures of key personnel, and sales of our preferred shares in the future. The liquidity of our ADSs and preferred shares could decline and might make it difficult to dispose of investments in our ADSs or preferred shares. Furthermore, common shares may be converted into preferred shares on a 1-1 basis provided that our preferred shares do not exceed 50% of our total subscribed share capital. Preferred shares are available for deposit into the ADS Program. Given that the cost of conversion of our ADSs has been and is expected to remain relatively fixed at U.S.$0.05 per ADS, lower market prices for our ADSs or preferred shares adversely affect conversion costs for investors.

Holders of ADSs and underlying preferred shares may face difficulties in protecting their interests because we are subject to different corporate rules and regulations than those available in other jurisdictions, and our preferred shareholders have limited rights.

Holders of ADSs are not direct shareholders of our company and are unable to enforce the rights of shareholders under our by-laws and Colombian law. Under Colombian law, holders of our preferred shares may have fewer rights than shareholders of a corporation incorporated in the United States. Even if a holder of ADSs surrenders its ADSs and becomes a direct shareholder, a holder of our preferred shares under Colombian law may have fewer alternatives to protect its interests relative to actions by our Board of Directors or executive officers, and these alternatives may be less well-defined than under the laws of those other jurisdictions. In addition, holders of the ADSs and our preferred shares are not entitled to vote for the election of directors or to influence our management policies. Under our by-laws and Colombian law, holders of preferred shares (and, consequently, holders of ADSs) have no voting rights in respect of preferred shares, other than in limited circumstances.

The Colombian securities markets are not as highly regulated or supervised as the U.S. securities markets or the markets in some other jurisdictions. In addition, rules and policies against self-dealing or for preserving shareholder interests may be less well-defined and enforced in Colombia than in the United States and certain other countries, which may put holders of our preferred shares and the ADSs at a potential disadvantage. Corporate disclosures also may be less complete or informative than for a public company in the United States or in certain other countries.

Our ability to pay dividends on the ADSs or underlying preferred shares may be limited by Colombian law and because we are a holding company dependent on dividends from subsidiaries.

Under Colombian law, a company may only distribute dividends to the extent such distribution is fully supported by accurate financial statements demonstrating the financial condition of the company. Any dividends distributed in violation of this provision may not be reclaimed from shareholders who received such payments in good faith, and any subsequent distribution of profits may be suspended. In addition, dividends may not be distributed until losses from previous fiscal years have been absorbed. Dividends must be approved at the ordinary annual shareholders' meeting.

Our ability to pay dividends on the preferred shares represented by ADSs will be contingent upon the financial condition of our subsidiaries. Any of our banking subsidiaries may be restricted from paying dividends to us if such subsidiary does not meet its required technical capital ratios or does not have sufficient retained earnings. In addition, we conduct substantially all of our operations through subsidiaries and are dependent on dividends from our subsidiaries to meet our obligations.

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Holders of ADSs may encounter difficulties in the exercise of dividend rights and in the limited voting rights of our preferred shares.

Holders of ADSs may encounter difficulties in exercising rights with respect to the preferred shares underlying ADSs. If we make a distribution to holders of underlying shares in the form of securities or rights to acquire securities, the depositary is allowed, in its discretion, to sell those securities or rights on behalf of ADS holders and instead distribute the net proceeds to the ADS holders. Also, under some circumstances, you may not be able to exercise your limited voting rights by giving instructions to the depositary.

Our status as a foreign private issuer allows us to follow alternate standards to the corporate governance standards of the NYSE, which may limit the protections afforded to investors.

We are a "foreign private issuer" within the meaning of the NYSE corporate governance standards. Under the NYSE rules, a foreign private issuer may elect to comply with the practices of its home country and not to comply with certain corporate governance requirements applicable to U.S. companies with securities listed on the NYSE. We currently follow Colombian practices concerning corporate governance and intend to continue to do so. Accordingly, you will not have the same protections afforded to shareholders of companies that are subject to all NYSE corporate governance requirements. See "Item 6. Directors, Senior Management and Employees—C. Board practices—Principal differences between Colombian and U.S. corporate governance practices".

Preemptive rights may not be available to holders of preferred shares or ADSs.

Colombian law and our by-laws require that, whenever we issue new common shares, we must offer the holders of common shares the right to subscribe a number of shares of such class sufficient to maintain their existing percentage ownership of our aggregate share capital. On the other hand, holders of preferred shares, including holders of ADSs, are entitled to preemptive rights only when so declared at a meeting of holders of our common shares. Our common shareholders may decide not to provide for such preemptive rights. Also, U.S. holders of ADSs may not be able to exercise their preemptive rights through JPMorgan Chase Bank, N.A., which acts as ADR depositary for our ADR facility, unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirement thereunder is available. Although we are not obligated to do so, we or our shareholders, as applicable, could consider at the time of any preemptive rights offering the costs and potential liabilities associated with any such registration statement, the benefits to us from enabling the holders of the ADSs to exercise those rights and any other factors deemed appropriate at the time, and will then make a decision as to whether to file a registration statement. Accordingly, we might decide not to file a registration statement in some cases.

If holders of ADSs are unable to exercise these rights because a registration statement has not been filed and no exemption from the registration requirement under the Securities Act is available, the ADR depositary may attempt to sell the holders' preemptive rights and distribute the net proceeds from that sale, if any, to such holders, provided that, the meeting of holders of our common shares decides that holders of preferred shares are entitled to preemptive rights. The ADR depositary, after consultation with us, will have discretion as to the procedure for making preemptive rights available to the holders of ADSs, disposing of such rights and making any proceeds available to such holders. If by the terms of any preemptive rights offering or for any other reason the ADR depositary is unable or chooses not to make those rights available to any holder of ADSs, and if it is unable or for any reason chooses not to sell those rights, the depositary may allow the rights to lapse.

Whenever the rights are sold by the ADR depositary or such rights lapse, or if the common shareholders' meeting does not grant preemptive rights to the holders of preferred shares, the equity interests of the holders of ADSs will be proportionately diluted.

Our ability to make payments on the ADSs may be adversely affected if we become unable to convert Colombian pesos to U.S. dollars or to transfer U.S. dollars abroad.

The Colombian Government does not currently restrict the ability of Colombian persons or entities to convert Colombian pesos to U.S. dollars. However, the Government may impose foreign exchange controls on dividend payments and remittances of interest and principal if the foreign currency reserves of the Central Bank fall below a level equal to the value of three months of imports into Colombia. Colombian law also allows the imposition of a deposit requirement with the Central Bank in connection with any foreign exchange transaction that may increase the cost of foreign exchange transactions or limit the amount of such transactions for a particular time. No such foreign exchange controls are currently applicable. Nevertheless, such restrictions may be imposed in the future, and any such restrictions could prevent, restrict or increase the price of our access to U.S. dollars, which we need to pay our foreign currency-denominated obligations.

We are traded on more than one market and this may result in price variations; in addition, investors may not be able to easily move shares for trading between such markets.

Trading in our ADSs on the NYSE or preferred shares on the Colombian Stock Exchange take place in different currencies (U.S. dollars on the NYSE and pesos on the Colombian Stock Exchange), and at different times (resulting from different time zones, different trading days and different public holidays in the United States and Colombia). The trading prices of our shares on these two markets may differ due to

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these and other factors. Any decrease in the price of our preferred shares on the Colombian Stock Exchange could cause a decrease in the trading price of our ADSs on the NYSE. Investors could seek to sell or buy our shares to take advantage of any price differences between the markets through a practice referred to as arbitrage. Any arbitrage activity could create unexpected volatility in both our share prices on one exchange, and the shares available for trading on the other exchange. In addition, holders of ADSs will not be immediately able to surrender their ADSs and withdraw the underlying preferred shares for trading on the other market without effecting necessary procedures with the depositary. This could result in time delays and additional cost for holders of ADSs.

If holders of ADSs surrender their ADSs and withdraw preferred shares, they may face adverse Colombian tax consequences.

Although Colombian tax law does not specifically refer to the tax consequences applicable to an ADS holder withdrawing the underlying preferred shares, we believe, based on the advice of our Colombian counsel, that such a transaction should not result in a taxable event under Colombian law in the case of non-resident entities and non-resident individuals given the nature of the transaction. Nevertheless, this issue is not free from doubt, and the Colombian tax authorities may have a different interpretation of the law, or the law may change, and the Colombian tax authorities may assess taxes on the conversion of ADSs into preferred shares based upon the difference between the market value of the preferred shares and the adjusted tax basis of the ADSs. Furthermore, an investor who surrenders ADSs and withdraws preferred shares will be subject to income taxes on any gain associated with the sale of such preferred shares if such sale exceeds 10% of the issued and outstanding shares of the listed company during a taxable year.

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

Colombian banking regulations may differ in material respects from regulations applicable to banks in other countries, including those in the U.S. For example, in Colombia, we are not subject to regulations applicable to financial institutions, although our banking subsidiaries, Corficolombiana, Porvenir and certain of our other subsidiaries are subject to such regulations. Since February 6, 2019, Grupo Aval is subject to supervision as the financial holding company of the Aval Financial Conglomerate. In addition, capital adequacy requirements for banks and financial conglomerates under Colombian regulations differ from those under U.S. regulations and may differ from those of other countries.

Colombia and other countries in which we operate have different corporate disclosure and accounting standards for our industry than those applicable in the United States. Financial reporting disclosure requirements in the jurisdictions in which we operate differ in certain significant respects from those required in the United States. There are also material differences between IFRS (as issued by the IASB) and Colombian IFRS. Accordingly, our separate financial statements may not be the same as the information available to holders of shares issued by a U.S. company. Furthermore, since January 1, 2015, we began preparing our financial statements in accordance with IFRS as issued by the IASB and, as a result, some of our financial data may not be easily comparable from period to period.

Judgments of Colombian courts with respect to our preferred shares will be payable only in pesos.

If proceedings are brought in Colombian courts seeking to enforce the rights of holders of our preferred shares, we will not be required to discharge our obligations in a currency other than Colombian pesos. Under Colombian law, an obligation in Colombia to pay amounts denominated in a currency other than Colombian pesos may only be satisfied in Colombian currency at the exchange rate, as determined by the Colombian Central Bank and published by the Superintendency of Finance, also known as *Tasa Representativa del Mercado (TRM)*, in effect on the date the judgment is obtained, and such amounts are then adjusted to reflect exchange rate variations through the effective payment date. The then-prevailing exchange rate may not afford non-Colombian investors with full compensation for any claim arising out of or related to our obligations under the preferred shares, or indirectly, the ADSs.

U.S. investors in our preferred shares or the ADSs may find it difficult or impossible to enforce service of process and enforcement of judgments against us and our officers and directors.

We are incorporated under the laws of Colombia, and all of our subsidiaries are incorporated in jurisdictions outside the United States. In addition, our executive offices are located outside of the U.S. All of our directors and officers reside outside of the United States, and all or a substantial portion of our assets and the assets of most of our officers and directors are, and will most likely continue to be, located outside of the United States. As a result, it may be difficult or impossible for U.S. investors to serve legal process within the United States upon us or any of these persons or to enforce a judgment against us for civil liabilities in U.S. courts. In addition, you should not assume that courts in the countries where we or our subsidiaries are incorporated or where our or our subsidiaries' assets are located (i) would enforce judgments of U.S. courts obtained in actions against us or our subsidiaries based upon the civil liability provisions of applicable U.S. federal and state securities laws or (ii) would enforce, in original actions, liabilities against us or our subsidiaries based on those laws.

There is also substantial doubt that the courts of Colombia would enter judgment in original actions brought in those courts predicated on U.S. federal or state securities laws. We have been advised by our Colombian counsel that there is no legal basis for original actions to be brought against us or our directors and executive officers in a Colombian court predicated solely upon the provisions of the U.S. federal or state securities laws. In addition, certain remedies available under provisions of the U.S. securities laws may not be admitted or enforced by Colombian courts.

Grupo Aval's by-laws contain an arbitration provision that provides for the exclusive jurisdiction of an arbitral tribunal to be seated at the Bogotá Chamber of Commerce. The arbitration provision provides that any conflict arising among shareholders, or between shareholders and Grupo Aval, in connection with the by-laws must be resolved by the arbitral tribunal. See "Item 4. Information on the Company—B. Business overview—Service of Process and Enforcement of Judgments".

ITEM 4. INFORMATION ON THE COMPANY

A. History and development of the company

We are Colombia's largest banking group based on consumer loans, and the second largest based on commercial loans and deposits at December 31, 2023. We provide a comprehensive range of financial services and products from traditional banking services, such as making loans and taking deposits, to pension and severance fund management.

Grupo Aval Acciones y Valores S.A. is a "sociedad anónima", domiciled in Bogotá, Colombia and organized under Colombian laws and regulations. Grupo Aval was incorporated on January 7, 1994 under the name Administraciones Bancarias S.A. On April 18, 1997, the company changed its name to Sociedad A.B. S.A., and on January 8, 1998 to Grupo Aval Acciones y Valores S.A. Grupo Aval was created by our controlling shareholder, Mr. Sarmiento Angulo, to consolidate his interests in the Colombian financial sector.

The following are some of the main milestones in the development of the company:

- In 1971, Mr. Sarmiento Angulo acquired a majority stake in Banco de Occidente, and in 1972 founded Corporación de Ahorro y Vivienda Las Villas to focus on low- and middle-income mortgage financing. In 1981, Mr. Sarmiento Angulo purchased a minority stake in Banco de Bogotá, and in 1988 he acquired a majority stake and control, consolidating a major participation in the banking system. Banco de Bogotá acquired a substantial majority of, and absorbed, Banco del Comercio in 1992.

- In 1991, Banco de Bogotá and Banco de Occidente founded Porvenir as a severance fund manager, and following the creation in 1993 of the private pension fund system in Colombia, expanded the business to include pension fund management in 1994. In 1996, Banco Popular was acquired from the Colombian Government. In 1997, Mr. Sarmiento Angulo acquired Corporación de Ahorro y Vivienda Ahorramas, which was later merged with Corporación de Ahorro y Vivienda Las Villas in 2000 and became Banco AV Villas in 2002.

- Between 1997 and 1999, Corficolombiana (which was founded in 1959 as an affiliate of Banco de Bogotá) acquired and merged with several merchant banks, including Corfitolima, Corfiprogreso, Corfes, Corfiboyacá, Corfisantander, Corfiandes and Indufinanciera. In 2005, Corfivalle, also a merchant bank merged with Corficolombiana.

- In 1998, Mr. Sarmiento Angulo contributed a majority of his direct and indirect holdings in the financial institutions into Grupo Aval. The *Red Aval* (Grupo Aval Network) was also established in 1998 to provide an integrated service network of branches and ATMs.

- Our international expansion began in 2010, with the acquisition of BAC Credomatic from GE Consumer Finance Central Holdings Corp. and General Electric Capital Corporation. In December 2013, we expanded our Central American operations with the acquisitions of BBVA Panamá (merged into BAC International Bank, Inc.) and Grupo Reformador (merged into Banco de América Central S.A. (Guatemala)).

- On April 18, 2013, we acquired Horizonte and completed its merger into Porvenir on December 31, 2013.

- On June 21, 2016, Grupo Aval, Banco de Bogotá, Banco de Occidente and Banco Popular entered into the Amended Corficolombiana Shareholders' Agreement to provide for Grupo Aval to directly control Corficolombiana. Prior to June 21, 2016, Banco de Bogotá, which held a 38.3% equity interest in Corficolombiana, controlled Corficolombiana.

- On December 4, 2018, Aval Soluciones Digitales S.A. received an operating license issued by the Superintendency of Finance, to act as the first SEDPE (Specialized Companies in Deposits and Electronic Payments) created by a financial institution in Colombia.

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- On December 31, 2018, our controlling shareholder registered Grupo Aval and some of its subsidiaries as part of the Sarmiento Angulo's economic group (*Grupo Empresarial Sarmiento Angulo*) before the Chamber of Commerce of Bogotá.

- On February 6, 2019, Law 1870 of 2017 came into force designating Grupo Aval as the holding company of the Aval Financial Conglomerate (which includes, aside from the holding company, all of the financial subsidiaries of the group). As such, Grupo Aval Acciones y Valores S.A. is now under surveillance of the Superintendency of Finance.

- On May 22, 2020, we acquired through BHI, 96.6% of the common shares of MFG, and in June 2020, BHI acquired an additional 3.0% of MFG's common shares.

- On July 28, 2021, Grupo Aval, Banco de Bogotá, Banco de Occidente, Fiduciaria Bogotá and Fiduciaria de Occidente entered into the Porvenir Shareholders' Agreement to provide for Grupo Aval to directly control Porvenir. Prior to July 28, 2021, Banco de Bogotá, which held a 36.5% equity interest in Porvenir, controlled Porvenir.

- On March 2022, 75% of BHI was spun-off to its shareholders. In December 2022, 20.89% was sold as part of a tender offer launched by Esadinco S.A. (an affiliate of Mr. Sarmiento Angulo). The remaining 4.11% was sold during March 2023 to Endor Capital Assets S.R.L. (an affiliate of Mr. Sarmiento Angulo).

- On November 22, 2023, Grupo Aval, Banco de Bogotá, Banco de Occidente and Banco Popular amended the Corficolombiana Shareholders' Agreement, modified by certain amendment dated March 8, 2024, to agree that Banco Popular would directly control Corficolombiana. Prior to November 22, 2023, Grupo Aval controlled Corficolombiana directly.

Since 1999, Grupo Aval's common shares have traded on the Colombian Stock Exchange under the ticker symbol "GRUPOAVAL". Our preferred shares have been listed on the Colombian Stock Exchange since February 1, 2011 under the symbol "PFAVAL". On September 22, 2014, we completed a SEC-registered initial public offering in the United States. Our ADSs began to trade on the New York Stock Exchange, or NYSE, under the symbol "AVAL" on September 23, 2014. Each ADS represents 20 preferred shares. For more information see "Item 9. The Offer and Listing—C. Markets".

We have also completed three bond issuances in the international market through Grupo Aval Limited fully and unconditionally guaranteed by Grupo Aval Acciones y Valores S.A., in addition to those from our subsidiaries. Two of those were paid in full at maturity. Only a Senior Notes due 2030 are outstanding:

- In February 2020, we completed our third international bond offering, issuing U.S.$1.0 billion (Ps 3,401.6 billion) at the date of the issuance of our 4.375% Senior Notes due 2030.

In addition, we have completed multiple issuances on the local markets with an outstanding balance of Ps 1,137.17 billion and Ps 1,138.61 billion at December 31, 2023 and December 31, 2022, respectively. The most recent of which are:

- Grupo Aval's sixth bond issuance in the local market on 2017 in an amount of Ps 400.0 billion.

- Grupo Aval´s first tranche of its first issuance program of ordinary bonds in November 2019 in an amount of Ps 400.0 billion.

See Note 21 of our audited consolidated financial statements for further information on Grupo Aval's financial obligations from issued bonds.

The SEC maintains an internet website that contains reports, proxy, information statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov. The Company's website address is www.grupoaval.com. The information contained on, or that can be accessed through, the Company's website is not part of, and is not incorporated into, this Annual Report. The Company's headquarters are located at Carrera 13 # 26A – 47, 23rd floor in Bogotá, Colombia and our telephone number is (+57) (601)743-3222.

B. Business overview

Our strategy

Innovation and technological transformation, changes in global consumption trends, disruptions to supply chains and their effects on economic patterns, and the growing importance of sustainability, among others, have substantially modified the way businesses operate

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globally. The industries in which we operate have not been the exception and therefore, at Grupo Aval we have made progress on these fronts.

In terms of innovation and technological transformation, we created, centralized and strengthened the Group's innovation and digital transformation capabilities. Sales of products through digital channels in 2018 were an immaterial portion and by 2023 they account for more than 59% of consumer product sales (assets and liabilities). In the same period, the proportion of disbursements made through digital channels increased from less than 2% to close to 20%. In addition, we migrated a significant portion of business processes from physical to digital, either end-to-end or partially, which enabled us to capture operational efficiencies along the way.

The capabilities acquired through the consolidation, standardization and understanding of the Group's data in Augusta (a multi-cloud, 100% cloud-based technological platform) have enabled us to better serve the needs of our customers, allowing us to offer quality products and services in a timely manner, when most useful for them. These capabilities will play a key role in the advent of open data and its impact on the industry.

We have worked to adopt and comply with regulatory changes that have affected the traditional dynamics of our financial and non-financial businesses. Simultaneously, we have adapted to changes in the political, economic, social, technological, environmental and legal landscape that have occurred globally and locally.

Part of our efforts have been aimed at successfully adopting the Basel III regulatory framework in Colombia. The changes introduced have redefined the way in which commercial activities and comprehensive risk management interact. In particular, there have been relevant changes in the regulation of: solvency ratios (regulatory minimums, operational risk, credit risk weightings), liquidity (changes in Liquidity Coverage Ratios and the adoption of the Net Stable Funding Ratio), financial conglomerates regulation, large exposures, interest rate risk in the banking book and stress testing schemes. The final phase of implementation of these regulatory work fronts will take place between 2024 and 2025.

In addition, we have embarked on a journey of evolving and understanding the two-way impact of ESG issues; from and to our business. Through our entities, we have promoted and developed initiatives aimed at generating social and environmental value in Colombia. Being a leading financial group and one of the largest private sector employers in Colombia, with more than 74,000 employees, carries with it a great responsibility. We are convinced that individually actions are impactful, however we can do much more collectively and as a society, aligning our efforts to contribute to the Sustainable Development Goals. This is why, for several years now, we have followed a path of transformation and structural evolution, through the adoption of responsible and purposeful policies, strategies, partnerships and investments.

The evolution of our business within the framework of these global trends, together with our conviction that compassion towards the Environmental, Social relevance and Governance standards are paramount to a successful business, led us to restate our brand purpose, and update our mission, vision and corporate values. We also updated our strategy around 7 pillars, supported by 10 material topics.

Mission

Drive profitable and socially sustainable growth of the entities that comprise the Group, promoting through them, the protection of the environment and of the well-being and progress of Colombians, through attractive and innovative offerings, under strict corporate governance standards.

Vision

Consolidate our position as the leading financial conglomerate in the Colombian market, recognized for our solidity, profitability, sustainability, innovation and contribution to key economic sectors, thereby maximizing value for our investors and other stakeholders.

Corporate values

Integrity and ethics

Integrity is the cornerstone on which we build all our relationships and operations. We are committed to acting honestly, transparently and responsibly in all our interactions, both internally and externally. Guided by ethical principles, we make decisions and undertake actions that conform to the highest standards of conduct. We foster an environment where integrity is valued and encouraged, contributing to the creation of a strong and trustworthy business culture.

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Leadership

We encourage the development of inspiring and motivating leaders at all levels of the organization. We believe that leadership is about empowering our people, stimulating value creation and providing an environment where everyone can reach their full potential. We value the ability to drive positive change, promote collaboration and maintain a strategic vision.

Innovation and creativity

We believe that innovation comes not only from the adoption of advanced technologies, but also from human creativity and the willingness to challenge ourselves every day. We inspire our team to think outside the box and embrace the opportunities offered by change, promoting a proactive approach to continuous improvement. We constantly seek new ways to address challenges, anticipate market needs and deliver cutting-edge solutions to our stakeholders.

Fairness and respect

We value fairness and impartiality, committed to ensuring that every member of our team is treated with respect and dignity, regardless of their position. We promote fair treatment in all relationships. We encourage diversity, equity and inclusion, recognizing that the strength of our people lies in the multiplicity of perspectives and experiences.

Commitment to excellence

Excellence is a pillar that drives every aspect of our management. We are constantly striving to achieve the highest standards of quality in everything we do and in all aspects of our organization. Excellence is the fundamental tool that drives our daily performance and differentiates us in the market, exceeding expectations and building a legacy of quality that lasts over time.

Strategic Pillars

Following Grupo Aval's mission and vision, and incorporating the corporate values that represent our organizational identity, we established seven strategic pillars that will allow us to direct our actions towards the fulfilment of our objectives and our purpose of "partnering with Colombia to create conscientious progress". The seven strategic pillars are: (i) Market leadership, (ii) Innovation, (iii) Comprehensive risk management, (iv) Corporate synergies, (v) Employee well-being and organizational culture, (vi) Environmental commitment, and (vii) Social value generation.

(i) Market leadership

Our objective is to consolidate the group's position as a market leader by maintaining a strong and sustainable economic performance, addressing social and environmental aspects, as well as best standards in terms of governance. We will achieve these through financial practices that promote our entities as the main provider of choice, encompassed with a product and service offering focused on delivering the best consumer experiences overtime. We strive to maximize the value generated through a comprehensive strategic management of the entities that comprise the conglomerate, diversifying our revenue sources and creating market dynamics that positively impact our investors, while contributing to the sustainable development of the communities in which we operate.

For further information on our market leadership strategic pillar see "Item 4. Information on the company—B. Business overview—Our operations" and "Item 4. Information on the company—B. Business overview—Competition".

(ii) Innovation

We believe in innovation as a constant pursuit for new ideas, processes, products and technologies that add value to all participants in our business lines and the organization, based on a customer-centric approach. This allows our financial conglomerate to solidify its relevance in the business context, differentiate itself from the competition, adapt to changing market needs and anticipate future trends. We are not limited solely to the development of new products but also to the continuous improvement of existing services, the optimization of internal processes, the implementation of disruptive technologies, and the exploration of new ways to interact with our stakeholders.

Our subsidiaries, in coordination with Grupo Aval and advised by Aval Digital Labs (ADL), have developed a strategy of innovation, transformation and digital payments, based on the development of creative and technology-supported solutions that solve customer needs. Our banking subsidiaries in Colombia have closely collaborated, aligning their digitization efforts towards a shared vision of a digital future. This joint approach seeks to digitize products, channels, and processes to develop more innovative services and solutions, and enhance operational efficiency.

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As part of the execution of our digital strategy, some of the innovation capabilities have been centralized in shared service centers, ensuring transversality of capabilities across entities. In this regard, we centralize the digital ecosystems at the corporate level to capture synergies in terms of agility, knowledge, and taking advantage of the scale we have achieved. Finally, we gathered, centralized, processed and standardized the Group's data through various information channels and grouped them in the Augusta data-lake, under corporate data governance guidelines.

Our digital strategy considers three dimensions:

- **Digitizing existing products and processes.** Our primary goal is to increase efficiency, improve customer service, and optimize their experience at every interaction. We are convinced that the banking industry is in the middle of significant transformation; we aspire to lead this change. We consider achieving this goal crucial to ensuring the competitive position of our Group in the future. Therefore, we have prioritized most of our digitization efforts in this first dimension.

  To date, the digitization of products has allowed our entities to reach customers' homes directly and meet their financial needs more effectively. At Grupo Aval, this strategy has led to an expansion of our digitized products for our banking subsidiaries. In 2023, we facilitated the origination of over 892 thousand new digital deposits, more than 1.6 million digital loans and other service sales.

  Additionally, we have strengthened our data strategy capabilities through the successful implementation of the Augusta platform. This platform has successfully deployed 50 use cases. These advanced analytics use cases are designed to address various business challenges, such as customer retention, promotion of our digital products, optimization of next best action, and identification and prevention of fraud. These initiatives are supported by mathematical models that enable us to seize specific business opportunities in both commercial and retail banking.

- **Develop new digital business models**. Our constant pursuit of innovation has led us to adopt new technologies and approaches to enhance our operations in 2023 and beyond. In response to market demands, we have embarked on significant initiatives, such as our programmatic advertising platform, Mathilde-Ads, launched in 2021, which has proven to be a strategic tool for the Group. During 2023, Mathilde-Ads focused on realizing the platform's value through technologies that enable experimentation. This has resulted in a 40% reduction in Customer Acquisition Cost (CAC) in specific campaigns and a significant increase in product requests through cross-selling strategies. Furthermore, we have conducted experiments where we achieved a 31% increase in revenue through platform campaigns and a 26% increase in revenue for transactionally inactive audiences. We have also observed an increase in contact-ability and a 13% increase in benefit redemption.

  We have successfully implemented customer validation technologies, such as facial biometrics. This approach has allowed us to reduce sales abandonment rates while simplifying processes for our customers. Additionally, we have advanced in building a data API suite, a sandbox, and governance models, allowing us to maximize our data by organizing it efficiently and generating value for our entities. This initiative has improved operational efficiency and enabled us to make informed data-driven decisions with increased agility.

  Furthermore, through dale!, the 100% digital platform of Aval Soluciones Digitales S.A., we have achieved a significant milestone by acquiring 1.4 million new customers in Colombia in 2023, leading to a total of 2.0 million users and 253 thousand affiliated merchant establishments to the dale! wallet. These new customers have average deposit balances of less than five monthly minimum wages. The synergies captured between Mathilde-Ads and dale! has enabled a 70% reduction in the customer acquisition cost vs traditional online marketing methods, making us the expansion of our platform more efficient. dale!'s mission is to not only focus on customer acquisition, but also to design and pursue deeper usage and customer relationships, including younger generations who prefer exclusively digital relationships.

  Finally, our loyalty programs are centralized through "Tuplús", a digital loyalty platform that allows users to accumulate points by using Grupo Aval's banking products, as well as products and services from other industries. These points can be redeemed for coupons tailored to users' interests and needs at more than 100 affiliated businesses across various categories. By developing "Tuplús" as a loyalty/retail ecosystem, Grupo Aval will have the platform and vehicle to connect directly with merchants and users through offers and recurring consumer services, thereby increasing usage and market participation in financial assets.

- **Generate or participate in "digital ecosystems"**. We understand that consumers seek an integrated and seamless experience in their interactions with companies. With this premise in mind, we have set out to align the efforts of our different subsidiaries and strategic allies to offer a comprehensive and unified digital multi-channel experience. Our goal is to integrate our broad portfolio of financial services into end-to-end digital experiences, addressing our customers' needs in areas such as savings, investment, financing, as well as complementary services such as insurance and payments.

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Additionally, our strategic vision includes the creation of new channels with a high degree of differentiation, innovation, and closeness to the customer that will enable us to offer our product portfolio in one place.

Currently, at Grupo Aval, we have built three main ecosystems pursuing this objective:

- **www.carroya.com:** Our mobility ecosystem through which we seek to centralize all the value offer and interactions that a customer requires related to automobiles. In 2023, Carroya generated over 206,200 leads as potential businesses for our banks in Colombia, which collectively managed a conversion to disbursement of close to 1%. This is particularly relevant given the sector's underwhelming context, where new vehicle sales contracted by 28.9% in 2023 compared to 2022.

  Additionally, in 2023, Carroya took a strategic step by acquiring FacilPass, a company that facilitates electronic transactions from vehicles through tag devices. This acquisition allows us to ensure customer recurrence in our ecosystem, involving them more actively in their daily lives. As a result of this acquisition, we have launched key initiatives, such as enabling cashless payments in parking lots, strengthening the Group's payments strategy. During 2023 we integrated more than 40% of the country's tolls to FacilPass.

- **www.metrocuadrado.com**: Our housing ecosystem and one of the largest portals for real estate sale and rent (new and used) postings in Colombia, accompanies the customer throughout the steps of purchasing, moving, maintaining, and selling. In addition, the portal offers insurance and real estate financing through the portfolios of all four of the Group's banks. In 2023 this ecosystem was the most visited housing portal in Colombia with 35 million visits. Through this platform, in 2023 we received more than Ps 446 billion in credit applications for home purchases.

- **ADL Seguros:** It is the Group's digital insurance agency, which seeks to make available and centralize the Group's insurance offerings through digital channels. It is the main enabler of insurance-oriented businesses of the ecosystems, currently with three insurance lines: mandatory transit-accident insurance (SOAT), all-risk insurance, and employee benefits.

(iii) Comprehensive risk management

We seek financial stability and the integrity of the conglomerate while promoting an environment of profitable and sustainable growth across all business lines in which we operate. We work in coordination with the entities that conform the conglomerate to develop the necessary capabilities for a proactive, comprehensive and robust management of risk, allowing us to identify, assess and adequately mitigate financial, operational, strategic and compliance risks, while also considering environmental, social and governance (ESG) aspects, generating value in the short, medium and long term. We constantly monitor changes in the environment to assess our risk position and anticipate their impact on our business.

Grupo Aval employs a risk management process that aims to identify, measure, monitor and control all the risks that fall under our risk management policies. Our subsidiaries must comply with risk related regulations in each jurisdiction they operate. In addition, our corporate risk function develops a consolidated assessment of the risks we take as a group, defines corporate risk policies, leads the effort to set risk appetites for our subsidiaries and oversee the implementation of appropriate risk management controls. We also promote the strengthening of the internal control system, implementing compliance, anti-corruption and SOX compliance programs. In addition, our risk management function coordinates group wide transformational initiatives. For a discussion of our risk management guidelines, see "Item 11. Quantitative and Qualitative Disclosures About Market Risk".

We monitor and analyze cybersecurity incidents, assess their consequences, take the most appropriate actions to remediate or mitigate a cyber-attack and implement additional controls such as fraud intelligence, strengthening the enrollment process in digital channels, among others. Also, we make sure that our third-party service providers follow our security standards and maintain insurance coverage given the increasing sophistication of cyber-attacks. For further information see "Item 4. Information on the company—B. Business overview—Other corporate information—Cybersecurity".

(iv) Corporate synergies

We promote cohesion and constantly work to enhance the operational efficiency of all the companies that form part of our Group, adopting a strategic approach that not only seeks to optimize their resources, but also to foster collaboration and the creation of shared value so our customers benefit from the combined capabilities of the financial conglomerate. To achieve this goal, we have implemented a series of strategic initiatives that encompass all our subsidiaries. Ranging from adopting cutting-edge technologies to process optimization, our priority is to enhance efficiency and maximize value for our customers.

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In this regard, we have focused our efforts on key areas such as digital banking, data analytics, and system integration. These initiatives have improved operational efficiency and the quality of our services.

In 2023 we carried on with the Group's digitalization and transformation process, strengthening our technological capabilities and capturing efficiencies through different initiatives. During the year we updated our digital channels for corporate and individual customers, incorporating new functionalities, developing native mobile apps for iOS and Android, and advancing in the implementation of medium-term solutions within the framework of open data and open finance regulations in Colombia. Additionally, we worked on the development of a payment gateway named "gou pagos" that will strengthen the Group's value offering to companies. We actively participated in the setup of a new Person-to-Person (P2P) and Person-to-Merchant (P2M) immediate payment platform. Among other high-impact initiatives, we implemented new payment and transfer services to mobile phone numbers, facilitating customer transactions and reducing the friction and costs associated with them.

On the corporate procurement front, over the last years we have centralized groupwide contracts and providers to capture synergies related to the operations and supply areas within our subsidiaries. Through this strategy we have captured Ps 56.6 billion in marginal cost savings over the last five years. We incorporated environmental scoring of suppliers seeking to work with the Group and we have reduced the paper footprint of the Group by 79% over the last 10 years. Of the remaining paper usage for pre-printed forms, 95% has been migrated to eco-friendly paper.

Finally, on the reputational front, we place significant value on internal and external perceptions as measured through several reputational measuring tools. The reputational strategy of the Group has been key in fostering trust and transparency in our stakeholders. In that sense, we have prioritized initiatives that widen our reach and make visible the social and environmental actions carried out by Grupo Aval and its subsidiaries. The corporate marketing function monitors the banks' marketing strategies and seeks to capture corporate synergies.

The initiatives implemented and the ones in progress will allow us to deliver a broader and better range of products and services to our customers, leveraged on the corporate synergies resulting from the coordinated work among our entities. These accomplishments are just the beginning of our ongoing commitment to operational excellence and innovation at Grupo Aval. We will continue to explore new opportunities and adopt best practices from the market to deliver exceptional service and generate sustainable value for all our stakeholders.

(v) Employee well-being and organizational culture

We focus on taking care of our employees, our most valuable asset. Through proactive talent management, we seek a safe, healthy and enriching work environment, promoting an organizational culture that fosters inclusion, equity and diversity. This culture contributes to the group's success by aligning employees with the organization's goals and values, fostering collaboration, innovation and productivity, and promoting a strong sense of belonging and commitment. We prioritize the well-being and quality of life of our team, encouraging their personal and professional development in all facets of their interaction with the organization.

We seek to attract, remunerate, develop and retain the best talent. We recognize that the contribution and commitment of our employees is key to our success. Driven by this belief, we and our subsidiaries are committed to developing our human capital focusing on well-being and training programs, diversity and inclusion, and in-house talent scouting at a corporate level. We are developing corporate talent retention and promotion policies, supported on transparent goal setting and objective performance measurement and compensation.

In relation to training and developing programs, we continue to promote opportunities for our employees to constantly update their knowledge and have access to the tools to effectively adapt to changes, propose new work schemes and chart their line of growth and development. Some of the programs we offer include technical training and strengthening of organizational culture, and the Aval Guidelines program which aims to strengthen and update knowledge on regulatory issues of cross-cutting interest.

We have also invested in the design and implementation of actions that promote the well-being and life quality of our employees, contributing to the work environment and improving the performance of our organization. For this purpose, we have provided spaces for recreation, sports and health for our employees and their families, as well as activities aimed at promoting work-life balance.

(vi) Environmental commitment

We acknowledge our ability to support environmentally sustainable development, participating both directly and indirectly in the structuring, financing and implementation of projects that contribute significantly to building resilience to the physical and transition risks stemming from climate change in the economies where we are present. Moreover, at both individual and corporate levels, we commit to preserving and caring for the environment through responsible use of natural resources and protection of our surroundings. This is achieved by the implementation of sustainable business practices, emissions reduction and adoption of environmentally friendly technologies, aiming to minimize our ecological footprint.

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In the double materiality analysis carried out by Grupo Aval, we identified that Climate Change Management and Mitigation is one of the main issues we need to address. In this sense, we have developed a roadmap aligned with the TCFD (Task Force on Climate-Related Financial Disclosure) recommendations on governance, strategy, risk management and metrics and targets, as a mechanism for managing the risks and opportunities associated with climate change. This exercise has been also developed by our entities, which due to the nature of their business generate a direct impact on the environment through their loan portfolios and are responsible for measuring and managing physical and transition risks.

We monitor different environmental aspects such as energy consumption, water consumption and waste generation, to develop actions in favor of the conscious use of these resources and their correct management. In this sense, we will continue to implement actions to encourage our employees to adopt responsible consumption habits. For further information see "Item 4. Information on the company—B. Business overview—ESG Strategy".

(vii) Social value generation

We are committed to driving inclusive socio-economic development. This entails prioritizing the allocation of resources and specialized knowledge into initiatives that promote equal opportunities and improve the quality of life of communities. Our focus is on providing access to financial services, supporting sustainable ventures and promoting financial inclusion. Additionally, we collaborate closely with key stakeholders, such as national, regional and local governments, non-profit organizations and other private sector entities, to design and implement innovative solutions that address the most relevant social and economic challenges in their environment, aiming to generate a positive and lasting impact on social wellness and human development. In this way, we contribute to the growth and prosperity of the communities we serve.

As part of our commitment to contribute to Colombia's progress through actions that promote the reduction of inequality and foster an environment of non-discrimination, we have developed initiatives aiming to provide the population with access to the financial sector and improve their living conditions. Innovation has been fundamental to reach an increasing number of customers, and to engage them in responsible financial habits.

Recognizing that the development of the country goes beyond the economic dimension, we carry out social projects aimed at promoting the well-being of the Colombian population, such as the Luis Carlos Sarmiento Angulo Cancer Treatment Center (CTIC), which treated over 7,500 patients in 2023. In 2023 we launched an ambitious project, which has been named "Misión La Guajira". La Guajira is Colombia's most vulnerable region with the highest neonatal mortality rate, the highest death rate due to malnutrition, the lowest rate of access to drinking water and has one of the highest poverty indices. We are working together with several Government agencies and ministries to find structural solutions to Guajira's lack of access to energy solutions, potable water supply, and food security, and to design solutions that are sustainable. So far, we are the only economic group in the country that has tried to work hand in hand in a philanthropic project with Colombia's public sector and to prove that, as long as we agree on the objectives, it is possible to work with any form of Government. We are very hopeful that very soon our efforts will start to bear fruit, and that other economic groups in the country will follow suit with regard to other forgotten regions in Colombia.

Our Diversity and Inclusion Corporate Policy seeks to establish the general principles and guidelines that complement our Codes of Ethics and ensure a diverse, fair, inclusive and respectful organizational culture that values differences within Grupo Aval and its entities. We promote equal treatment of all people, regardless of their ethnicity, gender identity, sexual orientation, political or religious affiliation, among others. We will continue to develop programs that contribute to the country's progress, generating wellbeing for all our stakeholders and promoting respect for human rights.

ESG Strategy

The corporate Environmental, Social and Governance (ESG) strategy was defined by understanding our stakeholder's needs and expectations, as well as the evolution of the industry. This understanding led us to embark on a path of transformation and structural evolution. Furthermore, we aligned the business strategy with the sustainability strategy based on the 10 material topics identified under the double materiality analysis, we consider how our actions impact both people and the planet, but also how climate issues, can affect our financial-wellbeing. These matters are: (i) Climate Change Management and Mitigation, (ii) Human Talent, (iii) Diversity, Equity and Inclusion, (iv) Financial Inclusion and Education, (v) Corporate Reputation and Marketing, (vi) Ethics, Corporate Governance, Compliance and Internal Control, (vii) ESG Risk Management, (viii) Sustainable Finance, (ix) Security, Information Privacy and Data Protection, and (x) Profitable and Sustainable Economic Performance. The following analysis is intended to provide context for Grupo Aval's achievements in terms of its ESG strategy.

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Environmental dimension

As a part of managing and mitigating Climate Change, Grupo Aval Holding, along with its four banks, Corficolombiana, and Porvenir, established individual roadmaps of each entity, tailored to their specific core business nature and aligned with the recommendations of the TCFD.

In 2023, for the fifth consecutive year, the carbon footprint for 100% of the activities carried out at Grupo Aval Holding was measured, mainly related to administrative functions in Bogotá. The measurement was carried out for scopes 1, 2 and 3, under the "Corporate Accounting and Reporting Standard – GHG PROTOCOL". A 49.7% reduction in the carbon footprint was evidenced compared to our base year (2019).

We carried out the first exercise of aggregation of our corporate carbon footprint for scopes 1 and 2, where we included information on four of Grupo Aval's six direct investments (Banco de Bogotá, Banco de Occidente, Banco Popular, and Corficolombiana). These emissions were 227,671.9 tCO2eq for scope 1 and 20,334.1 tCO2eq for scope 2 (biogenic emissions are not covered for Scope 1). Corficolombiana accounted for 98% of emissions for scope 1 and 67% for scope 2, due to its investments in the infrastructure and energy sectors.

Banco de Bogotá, which represents 53.3% of Grupo Aval's gross loans, has carried out an analysis for the calculation of financed emissions with PCAF score between 2 and 3 in the oil & gas, power generation, steel and cement sectors since 2021, which allowed it to compile greenhouse gas (GHG) inventories or estimate the carbon footprint of financed customers based on output data. The bank evaluated 95% of the separate gross loan portfolio in 2022 and 2021, for which financed emissions were 7.5 million tCO2eq and 6.9 million tCO2eq, respectively. These emissions were generated by clients representing Ps 33.1 billion and Ps 31.2 billion, respectively. Values measured for 2023 are expected to be published in the second semester of 2024.

Financed emissions and carbon footprint for AUMs managed by Porvenir in 2022 (listed equities, corporate bonds and sovereign bonds) were 1.8 million tCO2eq in 2022 or 119.3 tons of CO2eq per million dollars of AUM, measuring 36.8% of Porvenir's AUMs.

Corficolombiana does not manage third-party AUMs on a separate basis, however, it classifies its direct investments in companies as AUMs when measuring its carbon footprint. In 2023, Corficolombiana measured the financed emissions from its investments in the energy & gas and financial sectors, generating 13,054.9 tCO2eq.

The following milestones show some actions aimed at reducing our corporate carbon footprint:

- Banco de Bogotá financed renewable energy generation projects equivalent to the consumption of more than 1.2 million homes.

- Banco de Bogotá issued Colombia's first sustainable subordinated bond in the international market in an amount of U.S.$230 million, with the participation of four multilateral banks: IDB Invest, Findev Canada, Finance in Motion and IFC.

- Banco de Bogotá received an Honorable Mention in the Sustainable Bond of the Year Category, awarded by Global SME Finance Awards 2023 and IFC's Green Bond Technical Assistance Program.

- Corficolombiana achieved carbon neutrality, offsetting CO_2 emissions through reforestation projects of Mavalle S.A.

- Corficolombiana, through Surtigas inaugurated the UBT Solar project, the largest photovoltaic farm in the country with a generation capacity 700 KWh/year and 1,260 solar panels.

- Fiduciaria de Occidente was certified as Carbon Neutral by ICONTEC.

Our subsidiaries planted nearly 300,000 trees in 2023. Corficolombiana protected more than 1,051 species of fauna and flora and about 3,057 hectares.

Sustainable finance

Porvenir carries out internal ratings on ESG for the review of issuers in different sectors, contributing to risk analyses. Over 52% of its AUMs have an ESG evaluation. Porvenir included, within the Responsible Investment Policy, a Relationship Policy to establish principles in relation to dialogue and engagement activities under these criteria. Lastly, the company participated as a member of the Asset Owner Technical Committee of the PRI (Principles for Responsible Investment) in 2023.

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Corficolombiana has a Responsible Investment Policy, which incorporates ESG factors in decision-making and in the determination and management of risks, opportunities and issues related to investment management. Both Corficolombiana and Porvenir are signatories of the PRI.

Supplier management

Banco de Bogotá, Banco Popular and Corficolombiana have Sustainable Procurement Policies, intended to incorporate environmental and social criteria for the acquisition of goods and services, with a rational and efficient use of the same suppliers, promoting the adoption of sustainable practices. We started implementing these criteria in 2022, the following table shows the proportion of suppliers selected under ESG criteria in 2023.

	% of suppliers selected under ESG criteria	
Entity	**Environmental**	**Social**
Banco de Bogota	10	10
Banco de Occidente	17	17
Banco Popular	18	35
Banco AV Villas	12	12
Corficolombiana	87	87
Porvenir	36	36

Social Dimension

We promote environments free of discrimination and with equal conditions. We work to ensure that more Colombians have access to the financial sector, closing social gaps and improving their living conditions. Through our entities, we promote financial inclusion and education by reaching different segments of the country's population such as: young people, military forces, people over 60, children, among others, with products and services focused on their needs. In addition, we provide financial solutions to SMEs favoring the correct development of their activities.

Financial inclusion

Nearly 7 million successful monetary transactions were made through dale! in 2023, representing a 182% growth relative to 2022. The monetary value of these transactions amounts to more than Ps 1.0 trillion pesos. In 2023 dale! processed 405,167 dispersions of the Guaranteed Minimum Income subsidy of the District Secretariat of Finance of the Mayor's Office of Bogotá, amounting to Ps 83.0 billion, which represents a 169% growth versus the previous year.

The four banks, Bogotá, Occidente, Popular and AV Villas supported the country's SMEs by providing financial options to these segments for the proper development of their businesses, placing 65,096 loans. Banco de Bogota, through the Econocuenta product (savings account with no handling fee, with six free withdrawals per month, with no minimum opening amount) placed 14,936 accounts and Banco Popular placed 25,113 accounts for seniors above 60 years old.

Financial Education

Our entities generate financial education programs, empowering people with knowledge and tools to make informed financial decisions.

Banco de Bogotá developed an accessible financial education program for people with hearing disabilities to provide training on the use of money, reaching 58,868 people. As a result, it was awarded in: "Bringing Banking closer to Colombians" in the category of Financial Well-being, recognition granted by Asobancaria, and the "Recognition of Good Practices for Sustainable Development 2023" granted by the Global Compact and the Chamber of Commerce of Bogotá.

Porvenir developed initiatives such as: Radio classes: impacting more than 7,000 students from rural areas, 350,000 listeners and 500 teachers were trained through the radio. Through the board game "El futuro es Ahorra", 2,500 children and young people were impacted with concepts such as savings, pensions and severance pay. In addition, 3.5 million Porvenir clients received content related to the understanding of the pension system. Porvenir launched the Senior Entrepreneurship Training Program reaching 378 retirees, recognizing 25 projects with the potential to attract investors and achieve large-scale goals. Finally, more than 9,000 adults were trained in topics related to entrepreneurship.

Social Investment

As the largest financial group in the country, we recognize the impact we can have on Colombia's development. We are committed to developing initiatives that contribute to social welfare.

Through the Luis Carlos Sarmiento Angulo Cancer Research Treatment Center – CTIC more than 7,488 unique patients were treated in different Clinical Functional Units and Functional Care Units. The perception of humanized care by patients was 98.95%. In turn, 79 articles were published in Research and Education.

The "Misión La Guajira" project was launched together with the Government, and together with Social Prosperity and Prisa Media, to find structural and sustainable solutions for the supply of water, energy, and food security for the inhabitants of this region, in addition to their productive inclusion. By the end of 2024, it is expected to bring these services to almost 80 communities in Manaure and Uribia, benefiting around 3,600 families in the region.

Diversity, Equity, and Inclusion

We have a Corporate Diversity and Inclusion Policy, that establishes the general principles and guidelines that complement our Code of Ethics and ensure a diverse, equitable, inclusive, and respectful organizational culture. For the first time, all entities participated in the National Ranking of Diverse and Inclusive Companies to generate a diagnosis and find gaps that allow us to strengthen our strategy. Banco de Bogotá and Corficolombiana ranked 4th and 9th respectively. The following is a list of milestones in our diversity, equity, and inclusion strategy:

- Banco de Bogotá launched the inclusive communication guide in 2023.

- Banco de Occidente launched the first Touch Card aimed at visually impaired people.

- Banco de Occidente and Banco AV Villas have sign language interpreter collaborators, who provide support to hearing-impaired customers.

- Corficolombiana carried out different volunteer work with families with HIV and displaced persons, trans women, children with cognitive disabilities in Bogotá, people with intellectual disabilities, and children diagnosed with cancer.

- Banco Popular was recognized by Forbes Magazine 2023 as one of the 12 leading companies in diversity, equity, and inclusion.

Gender Equity

Milestones to promote gender equity:

- Banco de Bogotá maintained the Equipares Silver Seal and received certification as a Family-Responsible Company (EFR) by the MásFamilia Foundation for a system that reconciles work and family life.

- Banco de Occidente ranked seventh in the Great Place to Work ranking, as the best place to work for women for companies with more than 1,500 employees.

- The president of Corficolombiana, Maria Lorena Gutiérrez Botero, was recognized by 30% Club Growth Through Diversity, for promoting gender equity in boards of directors.

Governance Dimension

To comply with the sustainability strategy, Grupo Aval established that sustainability governance involves the Board of Directors, C-level, and strategic areas. All actors have responsibilities at different levels and ensure compliance with the ESG Strategy with the support of the Corporate Governance Committee, which was set up in 2020.

ESG Endorsements and Rankings

Banco de Bogotá and Corficolombiana were, once again included, in the Yearbook. We maintained our BB rating in the MCSI, where we stand out in the Social dimension for our actions related to: (i) financial protection and customer privacy, (ii) data security, and (iii) social

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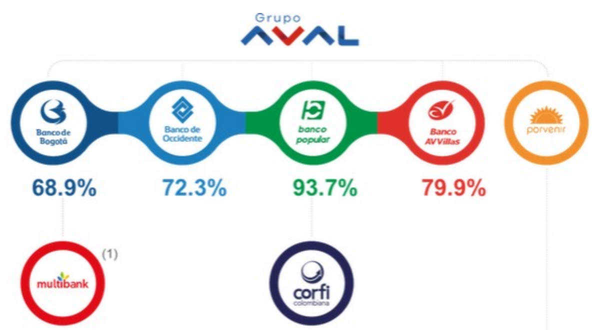
and ethical risk management. In terms of the Governance, we are recognized for our business ethics and anti-corruption policies. The holding company obtained a rating of 49 points in the Dow Jones Sustainability Index - DJSI, climbing 6 points compared to the previous year, improving in all dimensions.

We continue to adhere to the Global Compact and, along with our 4 banks, the United Nations Environment Programme Finance Initiative (UNEP FI), to support the transition to sustainable economies and the achievement of the Sustainable Development Goals (SDGs). Additionally, we maintained the "*Reconocimiento IR*" and Friendly Biz Certification.

Our operations

As one of the largest banking groups in Colombia, we offer a comprehensive range of financial services that allow us to have diversified sources of income and enhance our profitability. We operate through a multi-brand strategy that enables us to capitalize on the strengths, particular knowledge and best practices of each of our subsidiaries and our qualified and experienced management teams, see "Item 6. Directors, Senior Management and Employees". We believe this strategy has led us to be well positioned to take advantage of market opportunities derived from economic cycles.

We manage our business through four main operating segments: Banking services, Pension and severance fund management, Merchant banking and our Holding company, which refers to the combined financial statements of Grupo Aval Acciones y Valores S.A. and Grupo Aval Ltd. (see Note 31 to our audited consolidated financial statements for more information).



Owner		Total Shares	
Grupo Aval		8.7%	20.0%
Banco de Bogotá	99.6%	34.7%	46.9% (2)
Banco de Occidente		4.2%	33.1% (3)
Banco Popular		5.2%	
Total	**99.6%**	**52.8%**	**100%**
% Consolidated by Aval	**68.6%**	**40.5%**	**75.8%**

(1) Ownership in Multibank
(2) Includes Banco de Bogotá and Fiduciaria Bogotá ownership
(3) Includes Banco de Occidente and Fiduciaria Occidente ownership

Source: Company data at December 31, 2023. Porvenir is held in Banco de Bogotá as follows: 36.5% through Banco de Bogotá and 10.4% through Fiduciaria Bogotá. Porvenir is held in Banco de Occidente as follows: 24.2% through Banco de Occidente and 8.9% through Fiduciaria de Occidente.

In addition to Mr. Sarmiento Angulo's beneficial ownership through Grupo Aval, he beneficially owned 8.3% of Banco de Bogotá, 13.3% of Banco de Occidente, 15.5% of Banco AV Villas, 0.8% of Banco Popular and 11.5% of Corficolombiana, at April 8, 2024.

On December 31, 2023, 93.7% of our consolidated assets were recorded in our Colombian entities and 6.3% in Panama through MFH. In terms of businesses, 79.8% of our total consolidated assets were from our banking services segment, 19.0% were from our merchant banking segment, and 1.2% were on-balance sheet consolidated assets of our pension and severance fund management segment. On a consolidated basis, Grupo Aval manages Ps 301.2 trillion of on-balance sheet assets, and Ps 394.6 trillion of off-balance sheet assets (assets under management).

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We closely monitor the performance of our subsidiaries and the performance of our competitors, promote best practices and create synergies and efficiencies that can be captured across our subsidiaries. We work to organically improve our market position, launch new products to serve new segments, improve our existing product and service offering and have cost-effective channels.

We seek to expand our product and service offerings and diversify our sources of income by focusing on: (i) improving our market share in profitable segments and products in which we have organic growth potential; (ii) launching new products to serve new customers and segments; (iii) enhancing our product and service offerings through digitalization; and (iv) expanding our cross-selling efforts.

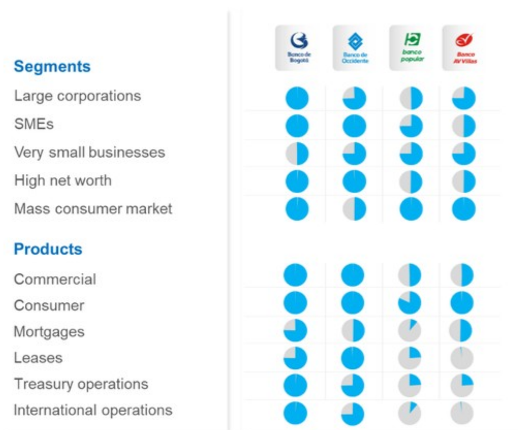
Banking services

We provide commercial banking services in Colombia and Panama. In Colombia, we operate four commercial banks (Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas). In Panama we operate through MFH and its subsidiaries, the most relevant being its banking operation Multibank Inc. Through the subsidiaries of our banks, we also offer bancassurance, insurance, trust, bonded warehousing and brokerage transactions, real estate escrow services, merchandise and document storage and deposit, customs agency, cargo management, surety bond and merchandise distribution services, payment and collection services, and provide deposit and lending operations in foreign currencies.

Our *Red Aval* (Grupo Aval network) is one of the largest networks of ATMs and branches in Colombia and has been a key element of our competitive positioning in the Colombian market. Customers of any of our banks in Colombia may access Grupo Aval's other bank branches to carry out basic banking transactions throughout our *Red Aval* (Grupo Aval network).

Under our multi-brand strategy, each of our banks focuses on particular types of customers, geographic regions and products. Our banks are encouraged to compete among themselves and with other market participants, while operating within central strategic guidelines established by our management. We believe that this strategy has contributed to our financial performance and allowed us to provide an integrated service network to our customers.

Our differentiated multi-brand business model builds on the individual strengths of our banks and the wide recognition of their brands. Each of our banks has developed over time a focus on particular and, to a degree, overlapping market sectors, geographic regions and services and products in Colombia. As a group, we are present in all banking products and segments in Colombia, as shown in the following chart:



Banco de Bogotá, founded in 1870, is Colombia's oldest financial institution and the third largest bank measured by gross loans with a 12.3% market share on December 31, 2023. It is a full-service bank with nationwide coverage and a comprehensive portfolio of services and products. Banco de Bogotá serves all market segments. While its historic emphasis is on commercial loans for large corporations, the bank has broadened its segments base and product offering in recent years, especially on consumer loans and mortgages. Banco de Bogotá had a 15.5% market share of commercial loans, 9.8% of consumer loans and 8.5% of mortgages, all on December 31, 2023. On the same date, Banco de Bogotá had an 11.8% market share of deposits. At and for the year ended December 31, 2023, Banco de Bogotá had consolidated total assets of Ps 137.5 trillion and net income attributable to controlling interest of Ps 1.0 trillion on a consolidated basis.

Banco de Bogota's strategy places the customer at its core, closely monitoring tendencies in the industry, delivering value to its clients through a continuous evaluation of its value proposition, enhancement of its products, initiatives, and efforts. In 2023, Banco de Bogotá

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launched a digital checking account and a digital credit facility for SMEs. In terms of its offering to personal banking clients, the Bank enhanced its digital savings account "Mi trabajo" (My Job in Spanish), a payroll account independent from agreements with the employer, and its credit card "Cero Rollo" (Zero Problems in Spanish), with limits up to Ps 6 million, no management fees and automatic purchase deferral to 36 months.

In 2024, the bank will seek to become the main bank (1^{st} place in share of wallet) of its customers with a major bet on customer experience, seeking to differentiate itself from its peers in a highly competitive environment. During 2023, the Bank's digital strategy saw an acceleration in its corporate segments, where efforts focused on eliminating paperwork and enabling the digital signature for promissory notes. Agile methodologies that were previously implemented for consumer products were implemented for corporate business, adding value to this segment.

The bank's values place a significant role on sustainability. Banco de Bogotá is the first carbon-neutral bank in Colombia, it adhered the Net Zero Banking Alliance and Task Force on Climate-related Financial Disclosures, amongst other initiatives. Among several sustainable projects, the Bank supports job creation for young populations, agribusiness startups, and women in the textile industry. In March 2023, the bank placed a private U.S.$230 million sustainable subordinated bond, which will fund social and environmental initiatives. In addition, the bank issues debit cards that support the education of Colombian children and the Amazon's reforestation. Finally, Banco de Bogotá continued to be certified as a Great Place to Work.

In June 2023, Mr. Cesar Prado succeeded Mr. Alejandro Figueroa as President of Banco de Bogotá. Mr. Prado had been acting as President of Banco de Occidente.

Banco de Occidente is the fifth largest bank in Colombia measured by gross loans, with a market share of 6.9% at December 31, 2023. It focuses on mid-size and small and medium-sized (SME) corporate customers, state-owned entities and high net-worth customers and has a diversified revenue stream. Banco de Occidente had market shares of 9.1% of commercial loans and 6.2% of consumer loans on December 31, 2023. Banco de Occidente had a market share of 8.7% of Colombia's checking accounts on December 31, 2023. On December 31, 2023, Banco de Occidente had total consolidated assets of Ps 68,601.8 billion and net income attributable to owners of the parent of Ps 473.5 billion for the year ended December 31, 2023.

During 2023, Banco de Occidente continued implementing different strategies focused on improving commercial effectiveness, optimization of distribution channels and its organizational structure. The bank continued working on the integration with its subsidiaries, digitalization, and consolidating several ESG and talent management initiatives. Banco de Occidente started segmenting its corporate and personal banking customers in terms of service channels, commercial coverage and product offerings, which increased sales force productivity. Banco de Occidente continued the commercial integration with its trust and portfolio management services offered by Fiduciaria de Occidente, off-shore products offered to Colombian and international clients through Banco de Occidente Panama and Occidental Bank Barbados.

On the digitalization front, during 2023 Banco de Occidente increased its digital products offering, with the launch of new pre-approved digital loans for small companies, Supply Factor (a new factoring platform), consolidation of Gou Payment Gateway, and evolution of the different digital products. The bank continued focusing on digital ecosystems such as Carroya.com and metrocuadrado.com. Regarding its talent management strategy, in 2023 Banco de Occidente ranked first in the Great Place to Work ranking, as the best workplace in Colombia amongst companies with more than 1,500 employees.

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

Banco Popular is the seventh largest bank in Colombia measured by gross loans, with a market share of 3.3% at December 31, 2023. Banco Popular operates primarily in the consumer and public sector businesses. Banco Popular is a premier provider of financial solutions to Government entities nationwide with a particular strength in public sector deposits and loans. A significant portion of its portfolio consists of payroll loans to pensioners and public sector employees. Its access to payroll deductions for repayment of loans has historically resulted in consumer loans with a substantially lower-risk profile as compared to the banking system (consumer past-due loans of 4.1% compared to a banking system average of 8.1% at December 31, 2023).

As anticipated under "Item 5. Operating and Financial Review and Prospects—D. Trend information" on our 2022 20-F filed with the SEC, our consumer banking operations faced a challenging business scenario derived from a net interest margin compression, resulting from the steepest increase in interest rates in the country's history and its effects on the bank's balance sheet structure. Assets were predominantly long-term fixed-rate consumer loans (i.e. payroll lending in Banco Popular's case) and funding was either at variable rates or repriced in shorter terms than loans. For further information see "Item 5. Operating and Financial Review and Prospects—A. Operating results". This situation led to a net loss attributable to owners of the parent of Ps (397.9) billion for the year ended December 31, 2023.

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Consequently, the bank redirected its efforts to three main objectives: firstly, returning to breakeven; secondly, redefining its strategy to strengthen the bank and build its resilience to events such as those experienced over the last couple of years; thirdly, returning to acceptable profitability levels. Simultaneously, the bank continued to advance around its strategic priorities to achieve its vision of being chosen, beloved, and recommended. It effectively concluded more than 400 initiatives aimed at improving its products, transactional services, customer care, and risk management.

The bank implemented multiple strategies and changes in favor of achieving these two objectives, such as repricing long-term fixed-rate loans (via commercial campaigns), controlling the level of risk-weighted assets (stagnant growth and loan portfolio sales), diversifying funding with lower-cost segments, optimizing operational expenses (achieving a 5.6% total operating cost reduction in the bank's separate financial statements relative to 2022), streamlining fixed assets, and ultimately, changing the bank's management.

Ms. Maria Fernanda Suarez took over as President of the bank, replacing Mr. Carlos Upegui, who resigned during September 2023. Maria Fernanda has over 25 years of experience both in the private and public sectors, most recently as President of Accenture in Colombia. She had previously served as Minister of Mines and Energy and as Executive VP of Strategy and Finance at Ecopetrol. Between 2004 and 2010, she had worked in Grupo Aval's Porvenir where she held various roles until becoming Chief Investment Officer.

To strengthen the bank's regulatory capital position amidst this challenging scenario, Banco Popular carried out two principal capital actions:

- First, between March and July 2023 Banco Popular sold Ps 1.6 trillion in loans at close to par (Ps 1,049.0 billion in payroll loans and Ps 571.2 billion in commercial loans) to other Aval banks in competitive auctions at arm's length conditions, with the intent of decreasing risk weighted asset exposure and reduce high-cost funding, while other structural measures were finalized.

- Second, in October 2023, the bank issued a Ps 250.0 billion subordinated bond to strengthen the bank's Tier 2.

Finally, in November 2023, Grupo Aval, Banco de Bogotá, Banco de Occidente and Banco Popular entered into the Amended Corficolombiana Shareholders' Agreement, as modified by an amendment dated March 8, 2024, to provide for Banco Popular to directly control Corficolombiana. The execution of the aforementioned agreement did not entail any change in the share ownership of Corficolombiana held by the parties to the agreement, nor any modification of the beneficial owner of Corficolombiana. As a result of this agreement, Banco Popular added Ps 55,874.8 billion in assets to its consolidated statement of financial position at November 30, 2023. At December 31, 2023, Banco Popular had total consolidated assets of Ps 85,370.7 billion. In addition, 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 Popular.

Banco AV Villas is the eleventh largest bank in Colombia measured by gross loans and focuses on services and products such as payroll loans and credit cards, as well as its traditional line of mortgages. Banco AV Villas has a broad service network throughout Colombia, with a concentration in Colombia's central region, including Bogotá and the southwestern region. Banco AV Villas had a market share of 2.3% of deposits, 2.1% of gross loans, 4.3% of consumer loans and 2.3% of mortgages at December 31, 2023. At December 31, 2023, Banco AV Villas had total consolidated assets of Ps 18,913.3 billion.

Banco AV Villas was negatively impacted by the same drivers described above as the majority of its loan portfolio is exposed to fixed rates. This situation led to a net loss attributable to owners of the parent of Ps (241.6) billion. Consequently, the bank redirected its efforts to three main objectives: firstly, returning to breakeven; secondly, redefining its strategy to strengthen the bank and build its resilience to events such as those experienced over the last couple of years; thirdly, returning to acceptable profitability levels.

The bank implemented multiple strategies and changes in favor of achieving these two objectives, such as repricing long-term fixed-rate loans (via commercial campaigns), controlling the level of risk-weighted assets (via a 6.7% decrease in the outstanding balance of consumer loans), diversifying funding with lower-cost segments, optimizing operational expenses (achieving a total operating cost growth of 7.6%, well below the 13.12% inflation for 2022, in the bank's separate financial statements relative to 2022) and streamlining fixed assets.

Banco AV Villas seeks to continue expanding in the small- and medium-size corporate segment. In order to increase transaction volume through electronic channels and improve efficiency, Banco AV Villas is developing projects focusing its efforts on the digitalization of the bank's services to improve customer service experience.

MFH through MFG provides a wide variety of financial services in Panama, including corporate, commercial, and retail banking, as well as insurance, brokerage, and leasing services. The main subsidiary of MFG is Multibank Inc., a full-service bank operating since 1990, which consolidates the banking, insurance, and portfolio management operations of the company. At December 31, 2023 MFH had total consolidated assets of U.S.$ 4,993.9 million and net income attributable to its controlling interest of U.S.$ 11.7 million.

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Multibank Inc. is the sixth largest privately owned bank in Panama measured by gross loans, with a market share of 4.4%, ninth measured by total deposits, with a market share of 3.6% as of December 31, 2023. At the same date, Multibank had a market share of 6.1% of commercial loans, 4.2% of residential mortgage loans and 6.3% of consumer loans in Panama. Multibank is the second largest provider of automobile loans in Panama with a market share of 16.7%. The third largest lender in agricultural loans with a market share of 15.4%, and the fourth largest in construction loans with a market share of 9.9%.

During 2023, MFG continued to focus on its core retail and commercial banking business, concentrating on improving digitalization, optimization of commercial effectiveness, and launching ESG initiatives. Multibank continued segmenting its customer base and developing service platforms and product offerings tailored to the specific needs of its client segments. On the digitalization front, during 2023 Multibank implemented the digital onboarding account through its banking app, being one of the first two banks to provide the ACH Xpress service, among other digital services. In terms of ESG, Multibank reactivated its corporate volunteering, developed, and approved a new Corporate Sustainability Policy, and for the second consecutive year, held a forum with the participation of over 900 assistants to address the economic, political, and agricultural sector challenges, which will allow for new opportunities of sustainable growth.

Corporate customers

Our banks provide services and products to public and private sector customers. Our banks segment their corporate customers into separate categories based principally on their annual revenues. We believe that these customer classifications, which are specific to each bank, allow our entities to tailor their services and products to the needs of each customer classification sector. The following table presents the number of corporate customers that our banks served at the dates indicated.

	Grupo Aval				
	Banco de Bogotá(1)	Banco de Occidente	Banco Popular	Banco AV Villas	Grupo Aval aggregate(2)
	(in thousands)				
Total corporate customers, as of:					
December 31, 2023	233.5	60.4	6.9	31.8	332.5
December 31, 2022	228.2	58.6	6.8	31.3	324.9

(1) These figures include MFG.
(2) Reflects aggregated amounts of our banking subsidiaries, these figures may include overlap of customers.

Individual customers

Our banks provide services and products to individuals throughout Colombia and Panama. Our banks classify their individual banking customers into separate categories based principally on income. The following table presents the number of individual customers that our banks served at the dates indicated.

	Grupo Aval					
	Banco de Bogotá(1)	Banco de Occidente	Banco Popular	Banco AV Villas	Corficolombiana	Grupo Aval aggregate(2)
	(in thousands)					
Total individual customers, as of:						
December 31, 2023	8,965.0	1,158.1	3,457.0	1,130.8	359.5	15,070.5
December 31, 2022	8,412.8	1,107.1	3,513.7	1,226.8	315.7	14,576.2

(1) These figures include MFG.
(2) Reflects aggregated amounts of our banking subsidiaries, these figures may reflect overlap of customers in Colombia.

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Lending activities

We classify our banks' loans into the following categories: commercial, consumer, microcredit and mortgages. The following table presents our total loans, net at December 31, 2023.

	At December 31, 2023				
	Operating segments				
	Banking Services	Pension and Severance Fund Management	Merchant Banking	Holding(1)	Grupo Aval consolidated(2)
	(in Ps billions)				
Commercial	107,051.8	—	1,729.3	1,242.0	107,440.3
Commercial loans	106,804.1	—	1,584.3	1,242.0	107,047.7
Interbank and overnight funds	247.7	—	144.9	—	392.6
Consumer	59,031.2	—	968.4	—	59,999.6
Mortgages	18,463.1	—	23.1	—	18,486.2
Microcredit(2)	277.5	—	—	—	277.5
Total gross loans	**184,823.6**	**—**	**2,720.8**	**1,242.0**	**186,203.7**
Loss allowance	(9,974.3)	—	(60.3)	(2.2)	(10,035.7)
Total loans, net	**174,849.4**	**—**	**2,660.4**	**1,239.8**	**176,168.0**

(1) Commercial loans reflect the loans extended by Grupo Aval Acciones y Valores S.A. to an unconsolidated related party in December 2022.

(2) Includes eliminations for intercompany or intra-group operations between Grupo Aval subsidiaries.

(3) Microcredit loans are issued for the purpose of encouraging the activities of small businesses and are subject to the following requirements: the maximum amount to be lent is equal to 25 times the minimum wage (*salario mínimo mensual legal vigente*) without the balance of one single borrower exceeding such amount at any time, and the main source of payment for the corresponding obligation shall be the revenues obtained from the activities of the borrower's micro business. The borrower's outstanding indebtedness may not exceed 120 times the minimum wage.

On December 31, 2023, the aggregate outstanding loans to our banks' ten largest borrowers, our 11th to 50th largest borrowers and our 51st to 160th largest borrowers, represented 3.9%, 6.8% and 8.2%, respectively, of our consolidated total gross loan portfolio.

Commercial loan portfolio: consists of general purpose loans (loans with a maturity of over one year), working capital loans (loans with a maturity of up to one year), leases, loans funded by development banks, corporate credit cards and overdraft loans. Loans funded by development banks are loans granted to customers and focused on specific economic sectors and are funded by national or international government or government-related institutions. Interbank and overnight funds are short-term borrowings mostly entered into between banks. The following table presents our commercial loan portfolio at December 31, 2023.

	At December 31, 2023				
	Operating segments				
	Banking Services	Pension and Severance Fund Management	Merchant Banking	Holding(1)	Grupo Aval consolidated(2)
	(in Ps billions)				
General purpose loans	74,951.4	—	—	1,242.0	73,611.9
Working capital loans	16,413.2	—	—	—	16,413.2
Leases	10,123.4	—	1,584.3	—	11,706.7
Loans funded by development banks	4,464.8	—	—	—	4,464.8
Overdrafts	509.5	—	—	—	509.5
Interbank and overnight funds	247.7	—	144.9	—	392.6
Credit cards	341.8	—	—	—	341.6
Commercial loans	**107,051.8**	**—**	**1,729.3**	**1,242.0**	**107,440.3**

(1) General purpose loans reflect the loans extended by Grupo Aval Acciones y Valores S.A. to an unconsolidated related party in December 2022.
(2) Includes eliminations for intercompany or intra-group operations between Grupo Aval subsidiaries.

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Consumer loan portfolio: consists of payroll loans, personal loans, automobile and other vehicle loans, credit cards, overdrafts, leases, and general purpose loans. A payroll loan is a type of loan where payments are deducted directly from an employer's salary. The following table presents our consumer loan portfolio at December 31, 2023.

	At December 31, 2023				
	Operating segments				
	Banking Services	Pension and Severance Fund Management	Merchant Banking	Holding	Grupo Aval consolidated(1)
	(in Ps billions)				
Payroll loans	32,619.6	—	—	—	32,619.6
Personal loans(2)	13,264.5	—	968.4	—	14,232.9
Credit cards	7,596.2	—	—	—	7,596.2
Automobile loans and leases	5,332.4	—	—	—	5,332.4
General purpose loans	127.0	—	—	—	127.0
Overdrafts	76.1	—	—	—	76.1
Leases	15.5	—	—	—	15.5
Consumer loans	**59,031.2**	**—**	**968.4**	**—**	**59,999.6**

(1) Includes eliminations for intercompany or intra-group operations between Grupo Aval subsidiaries.

(2) Mostly composed of personal installment loans.

We provide credit card services to our bank customers mainly through the Visa and MasterCard networks. The following table presents the number of activated issued credit cards of our banks in Colombia at the dates indicated.

	Activated Issued Credit Cards	
Banking subsidiaries in Colombia	December 31, 2023	December 31, 2022
Banco de Bogotá	1,459,171	1,423,079
Banco de Occidente	572,918	572,300
Banco Popular	221,090	226,088
Banco AV Villas	461,490	520,353
Total activated issued credit cards	**2,714,669**	**2,741,820**

Mortgages portfolio: In Colombia, Banco de Bogotá, Banco de Occidente and Banco AV Villas are our main originators of loans to customers for the purchase of real estate secured by mortgages, while Banco Popular is increasing its presence in this business. We have implemented strict underwriting standards: we do not offer mortgage loans in amounts greater than 70% of the value of the property to be purchased. The weighted average maturity of the Colombian mortgage loan portfolio at December 31, 2023 was 191 months (contractual life at the time of origination). Borrowers must also meet certain minimum income levels, and payments may not exceed 30% of the borrower's monthly income in compliance with Colombian regulation. The weighted average maturity of MFH's mortgage portfolio at December 31, 2023 was 266 months (contractual life at the time of origination). MFH has no significant exposure to the higher risk sectors, such as vacation homes or second-home mortgages.

Treasury operations

Our banks' treasury departments are responsible for managing their proprietary trading activities, liquidity and distribution of treasury services and products to customers. Our banks' proprietary trading activities include fixed income trading, derivatives and foreign exchange operations. We do not have any proprietary trading activities in equities and each of our banks has implemented trading activities policies. Our banks also take deposits from financial institutions as part of their treasury operations. These deposits are represented by certificates of interbank deposit, or "CDIs", and earn interest at the interbank deposit rate. Banco de Bogotá and Banco de Occidente have active treasury operations, while Banco Popular and Banco AV Villas have smaller operations.

Deposits

Our banks offer traditional deposit services and products, including checking accounts, savings accounts, time deposits and other deposits. Checking accounts typically bear low or no interest. Checking accounts and savings accounts are payable on demand, although a significant portion of these accounts tend to be stable in amount over time. Moving on to our time deposits, 77.1% have maturities below 12 months and commonly earn interest at a fixed rate. The following table presents our deposits by product type at the dates indicated.

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	At December 31, 2023				
	Operating segments				
	Banking Services	Pension and Severance Fund Management	Merchant Banking	Holding	Grupo Aval consolidated(1)
			(in Ps billions)		
Checking accounts	24,123.0	—	—	—	23,809.9
Savings accounts	73,377.6	—	1,010.9	—	71,149.9
Time deposits	79,836.7	—	7,143.3	—	86,597.5
Other deposits	413.5	1.3	15.5	—	430.2
Customer deposits	**177,750.7**	**1.3**	**8,169.6**	**—**	**181,987.4**

(1) Includes eliminations for intercompany or intra-group operations between Grupo Aval subsidiaries.

Distribution channels

Our banks provide services and products to their customers through our network. Each of our banks manages its own distribution network. In 1998, we created *Red Aval* (Grupo Aval network) in Colombia, which allows customers of any of our banks to make transfers, payments and undertake other basic banking functions in the networks of our other banks, through traditional channels and electronic networks, with results posting in real time to the accountholder's bank with no additional fees. *Red Aval* (Grupo Aval network) services vary for each channel. In Panama, we serve our customers through a diversified distribution network that includes branches, ATMs, a standardized online banking platform, call centers and mobile phone banking.

The following table describes the main channels of our distribution network.

Distribution Channel	Description
Full-service branches	Full-service branches act as part of our sales network and allow our bank customers to perform check cashing, deposits, savings account withdrawals, loan and credit card payments, transfers and advances. In Colombia, our clients can perform transactions of any of our banks at any of our branches thanks to the integration provided by *Red Aval* (Grupo Aval network).
ATMs and electronic service points	Through our ATMs, all of our bank customers can, among other services, consult their balances, execute loan and credit card payments, perform transfers and advances, and pay for certain third-party services where we have a payment collection agreement in place (such as utility service companies).
Payment collection centers (*centros de pagos)*	Payment collection centers allow our customers to pay for certain third-party services where we have a payment collection agreement in place (such as utility service companies).
Banking correspondents (*corresponsales bancarios*)	Our banks enter into agreements with various third parties, including convenience store owners, to provide all of our bank customers with certain services, which can include checking and savings account withdrawals, account balance consultation, loan and credit card payments, transfers and advances, and payments for certain third-party services where we have a payment collection agreement in place (such as utility service companies).
Automated telephone banking, mobile banking and online banking	Through our banks' websites, mobile banking services and automated telephone banking, customers may pay loan and credit card balances, make transfers between accounts and make payments for collection agreements originated in any of our banks.

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During 2023, we continued optimizing our footprint by either closing, relocating or adapting branches to increase the effectiveness of our distribution network. The following table presents our total full-service branches in Colombia and Panama, at December 31, 2023 and 2022.

	At December 31,		Change, December 31, 2023 vs. December 31, 2022	
	2023	2022	#	%
Banco de Bogotá	412	477	(65)	(13.6)
Banco de Occidente	175	176	(1)	(0.6)
Banco Popular	178	189	(11)	(5.8)
Banco AV Villas	236	262	(26)	(9.9)
Colombia	**1,001**	**1,104**	**(103)**	**(9.3)**
Panama	**19**	**20**	**(1)**	**(5.0)**
Full-service branches	**1,020**	**1,124**	**(104)**	**(9.3)**

We continued optimizing our ATM footprint by either closing, relocating or adapting ATMs to increase the effectiveness of our distribution network. The following table presents our total ATMs in Colombia and Panama, at December 31, 2023 and 2022.

	At December 31,		Change, December 31, 2023 vs. December 31, 2022	
	2023	2022	#	%
Banco de Bogotá	1,552	1,648	(96)	(5.8)
Banco de Occidente	267	266	1	0.4
Banco Popular	614	693	(79)	(11.4)
Banco AV Villas	427	507	(80)	(15.8)
Colombia	**2,860**	**3,114**	**(254)**	**(8.2)**
Panama	**49**	**60**	**(11)**	**(18.3)**
ATMs	**2,909**	**3,174**	**(265)**	**(8.3)**

The following table presents our other points of service in Colombia and Central America, at December 31, 2023 and 2022.

	At December 31,		Change, December 31, 2023 vs. December 31, 2022	
	2023	2022	#	%
Banco de Bogotá	22,729	15,277	7,452	48.8
Banco de Occidente	53,891	38,577	15,314	39.7
Banco Popular	120	103	17	16.5
Banco AV Villas	2,314	2,680	(366)	(13.7)
Colombia	**79,054**	**56,637**	**22,417**	**39.6**
Panama	**17**	**—**	**17**	**N.A.**
Other points of service(1)	**79,071**	**56,637**	**22,434**	**39.6**

(1) In Colombia, other points of service include banking correspondents (*corresponsales bancarios*) or "CBs" and payment collection centers (*centros de pago*).

In 2023, our transaction mix continued shifting toward digital channels. As such, successful monetary transactions through non-physical channels accounted for 28.5% of total transactions in 2023, 3.5% more than in 2022.

The following tables present volumes for successful monetary transactions processed through our distribution channels and their share of total transactions, in Colombia, Panama and the aggregate number for Grupo Aval, at the dates indicated.

	At December 31,		Change, December 31, 2023 vs. December 31, 2022		% of total transactions for the year ended December 31,	
	2023	2022	#	%	2023	2022
	(in thousands)					
Branches	63,154	68,818	(5,664)	(8.2)	13.1	17.4
ATMs	120,188	129,374	(9,186)	(7.1)	24.9	32.6
Banking correspondents and other	162,251	99,284	62,967	63.4	33.6	25.1
Online banking	53,919	41,273	12,646	30.6	11.2	10.4
Mobile banking	83,415	57,521	25,894	45.0	17.3	14.5
Automated telephone banking	34	63	(30)	(46.6)	0.0	0.0
Colombia	**482,962**	**396,335**	**86,627**	**21.9**	**100.0**	**100.0**

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	At December 31,		Change, December 31, 2023 vs. December 31, 2022		% of total transactions for the year ended December 31,	
	2023	2022	#	%	2023	2022
	(in thousands)					
Branches	821	888	(67)	(7.6)	29.5	30.8
ATMs	866	905	(38)	(4.2)	31.2	31.3
Online banking	387	436	(48)	(11.1)	13.9	15.1
Mobile banking	705	657	49	7.4	25.4	22.8
Panama	**2,780**	**2,886**	**(106)**	**(3.7)**	**100.0**	**100.0**

	At December 31,		Change, December 31, 2023 vs. December 31, 2022		% of total transactions for the year ended December 31,	
	2023	2022	#	%	2023	2022
	(in thousands)					
Branches	63,975	69,707	(5,732)	(8.2)	13.2	17.5
ATMs	121,054	130,279	(9,225)	(7.1)	24.9	32.6
Banking correspondents and other	162,251	99,284	62,967	63.4	33.4	24.9
Online banking	54,307	41,709	12,598	30.2	11.2	10.4
Mobile banking	84,120	58,178	25,943	44.6	17.3	14.6
Automated telephone banking	34	63	(30)	(46.6)	0.0	0.0
Total	**485,742**	**399,220**	**86,521**	**21.7**	**100.0**	**100.0**

Merchant banking

Corficolombiana is the largest merchant bank in Colombia based on total assets at December 31, 2023. Corficolombiana focuses on four main lines of business: (1) equity investments in strategic sectors of the Colombian economy, including infrastructure, energy and gas, agribusiness and hospitality; (2) investment banking, including services relating to capital markets, mergers and acquisitions and project finance transactions; (3) treasury operations; and (4) financial services such as trust services, among others. Corficolombiana had consolidated total assets and shareholders' equity attributable to owners of the parent of Ps 57,281.2 billion and Ps 12,076.3 billion, respectively, at December 31, 2023. Net income attributable to owners of the parent was Ps 883.3 billion for the year ended December 31, 2023.

Corficolombiana's business model is based on the premise of investing in businesses in strategic sectors of the Colombian economy. Corficolombiana's equity investment strategy is to target acquiring and holding controlling or substantial stakes in strategic businesses. These investments enable Corficolombiana to exert influence or control over these businesses' operations and to promote revenue growth, operational efficiencies and optimization of the capital structures.

Corficolombiana is regulated as a merchant bank (*corporación financiera*) by the Superintendency of Finance. Under Colombian law, a merchant bank is permitted to hold equity ownership positions in both financial and non-financial companies, unlike banks, which may only invest in financial companies. See "Item 4. Information on the Company—B. Business overview—Supervision and regulation".

Corficolombiana's asset distribution by sectors

Corficolombiana primarily invests in five sectors of the Colombian economy: energy and gas; infrastructure; agribusiness; hotels and financial services. It generally seeks to invest in businesses with leading market positions, strong cash flows and growth potential.

The following table provides information regarding Corficolombiana's consolidated assets distributed by sectors at December 31, 2023.

	At December 31, 2023					
	Energy and Gas	Infrastructure	Financial Services & Others	Hospitality	Agribusiness	Total
	(in Ps billions)					
Total assets(1)	**18,528**	**27,335**	**9,832**	**944**	**642**	**57,281.2**
As a percentage of total assets	32.3%	47.7%	17.2%	1.6%	1.1%	100.0%

(1) Eliminations are assigned to each operating segment.

Corficolombiana's main investments in the energy and gas sector include a 50.9% controlling stake in *Promigas S.A. E.S.P.*, the second largest natural gas pipeline and distribution company in Colombia, and a minority stake in *Grupo Energía Bogotá S.A. E.S.P,* or "GEB", an electricity and gas group. Promigas is included in our consolidated financial statements as it is under our "control" as defined in IFRS 10.

However, pursuant to Colombian Regulation (Code of Commerce) Promigas is not a company under direct or indirect control of Grupo Aval.

Corficolombiana's infrastructure investments are concentrated mainly in toll road concession projects, a sector in which it is a leading private investor in Colombia. The main investments of Corficolombiana in the infrastructure sector include *Proyectos de Infraestructura S.A. (Buga-Tuluá-La Paila), Concesionaria Vial de los Andes S.A.S. (Bogotá-Villavicencio), Concesiones CCFC S.A. (Fontibón-Los Alpes, concesión contract ended March 27, 2024), Concesionaria Panamericana S.A.S. (Los Alpes-Villeta and Chuguacal-Cambao), Concesionaria Vial del Pacífico S.A.S. (Ancón Sur-Bolombolo or "Conexión Pacífico 1"), Concesionaria Nueva Vía al Mar S.A.S. (Mulaló-Loboguerrero), Concesionaria Vial Andina S.A.S. (Bogotá-Villavicencio) and Concesionaria Vial del Oriente S.A.S. (Villavicencio-Yopal)*.

In the financial services & others sector, Corficolombiana offers trust and brokerage services to third-party customers through two subsidiaries: Fiduciaria Corficolombiana S.A. and Casa de Bolsa S.A. For information on Corficolombiana's consolidated lending and deposit taking activities see "Item 4. Information on the Company—B. Business overview—Commercial Banking".

Corficolombiana also has investments in the hospitality sector, including controlling stakes in Hoteles Estelar de Colombia S.A. and Promotora y Comercializadora Turística Santamar S.A.

Finally, Corficolombiana's main investments in agribusiness are centered in production of palm oil, rubber, rice and cotton mainly through Unipalma S.A., Valora S.A. and Organización Pajonales S.A.

Investment banking and treasury businesses

Corficolombiana's investment banking team provides advice to third-party clients in the Colombian market covering a broad range of transactions, including, among others, capital markets, mergers and acquisitions and project finance. Corficolombiana has led the participation of private sector companies in infrastructure projects. In 2023, Corficolombiana's investment bank helped raise financing and coordinate projects with third parties and sometimes with related parties.

Corficolombiana is a relevant participant in Colombian capital markets, both in sovereign and corporate debt securities and foreign currency-denominated securities. It is also an active participant in the derivatives market, and an active market maker for Colombian sovereign debt securities. At December 31, 2023, Corficolombiana had consolidated total fixed income assets of Ps 6,097.6 billion.

Pension and severance fund management

Porvenir is controlled by and consolidated under Grupo Aval. Porvenir is the leading private pension and severance fund management business in Colombia, based on assets under management, with a 45.0% market share of assets under management at December 31, 2023. Pension funds provide individual savings for retirement, while severance funds provide temporary income to employees who become unemployed. Through Aportes en Línea, Porvenir manages social security related information systems designed to provide employees with efficient payment solutions.

For the year ended December 31, 2023, 43.2% of Porvenir's revenues were derived from mandatory pension funds, 20.0% from severance funds, 6.9% from voluntary pension funds and 1.4% from third-party sponsored pension liability funds. Porvenir derived the remaining 28.5% of its revenues from a combination of the profitability of its own investment portfolio, stabilization reserves and other income.

The following table presents a breakdown of Porvenir's assets under management at the dates indicated. Favorable capital market conditions throughout 2023 drove the 6.6% increase in the volume of funds managed by Porvenir, which in turn positively affected returns on the stabilization reserve. Regarding third-party sponsored pension funds, the FONPET asset management contract expired on April 2023, which at December 31, 2022 accounted for Ps 18.9 billion. For more information see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Management Discussion and Analysis of Operating Segments—Pension and Severance Fund Management".

	At December 31,		Change, December 31, 2023 vs. December 31, 2022	
	2023	2022	#	%
	(in Ps billions)			
Mandatory pension funds	188,572.0	159,338.6	29,233.4	18.3
Severance funds	9,282.5	7,592.5	1,690.0	22.3
Voluntary pension funds	5,754.3	4,836.0	918.3	19.0
Third-party sponsored pension funds	204.9	19,425.4	(19,220.6)	(98.9)
Total assets under management	**203,813.7**	**191,192.5**	**12,621.2**	**6.6**

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The following table presents a breakdown of Porvenir's clients at the dates indicated.

	At December 31,		Change, December 31, 2023 vs. December 31, 2022	
	2023	2022	#	%
	(in thousands)			
Mandatory pension funds	11,565.9	11,341.2	224.7	2.0
Severance funds	5,424.3	5,095.8	328.4	6.4
Voluntary pension funds	142.4	198.0	(55.6)	(28.1)
Total clients	**17,132.6**	**16,635.1**	**497.6**	**3.0**

Porvenir's investments

Porvenir is required to own at least 1.00% of the funds it manages that are subject to a minimum return, known as the stabilization reserve. This stabilization reserve represents 74.6% of Porvenir's proprietary investments. In addition, Porvenir holds voluntary investments. Revenues related to Porvenir's stabilization reserve and its proprietary portfolio represented 26.9% and (0.8)% of its total revenues for the years ended December 31, 2023 and December 31, 2022, respectively. In 2023 returns were positively affected by the overall capital markets performance described above.

Distribution channels

Porvenir attracts new individual customers mainly through its direct sales force (661 individuals) with direct report to five regional sales managers located in Bogotá, Antioquia, the Southern Region, the Eastern Region and the Northern Region. At December 31, 2023, Porvenir had 51 offices, 5 service modules and 64 electronic service centers. It maintains a presence in all regions of Colombia through its service agreements with Grupo Aval's banks.

Competition

Commercial banking

We are one of the largest financial banking groups in Colombia. In the last 5 years, we have outperformed our peer group's average on key financial metrics, such as ROAA, ROAE, cost to assets efficiency ratio and the ratio of loans classified as past due more than 30 days over gross loans. We believe that these results have been achieved due to our banks' historically strong franchises, results-oriented philosophy and their disciplined risk management approach; all of which has been supported by our multi-brand business model.

The following market share and other data comparing us and our banking subsidiaries to our competitors in the Colombian market is based on information derived from the combined separate financial information reported to the Superintendency of Finance by our 4 commercial banks based on Colombian IFRS. Our main competitors in Colombia are Bancolombia, Davivienda and BBVA Colombia, which are the three leading banking groups following Grupo Aval. Average balances are calculated using the 13 end-of-month average balances from December 2023 to December 2022. Grupo Aval figures reflect aggregated amounts of our separate banking subsidiaries in Colombia.

The following table shows ROAA, ROAE, efficiency ratio and Colombian market share information of our Colombian banking subsidiaries, our aggregate operation and our principal competitors in accordance with Colombian IFRS on a separate basis.

	At and for the Year ended December 31, 2023								
	Grupo Aval entities								
	Banco de Bogotá(1)	Banco de Occidente	Banco Popular	Banco AV Villas	Grupo Aval Aggregate (1)	Bancolombia	Davivienda	BBVA Colombia	Rest of the Colombian market
					(in percentages)				
ROAA(2)	0.9	0.7	-1.1	-0.6	0.4	2.4	0.1	0.2	0.4
ROAE(3)	6.9	8.8	-12.6	-7.2	4.1	16.0	0.8	3.1	4.3
Efficiency ratio(4)	49.8	53.7	107.5	90.1	60.3	37.9	45.1	59.9	59.3
Market share in Colombia:									
Net income	12.4	5.2	-4.2	-1.4	12.0	72.6	1.3	2.4	11.7
Deposits	11.8	7.0	3.5	2.3	24.5	26.2	14.7	11.9	22.7
Gross loans	12.3	6.9	3.3	2.1	24.6	27.1	15.7	11.3	21.3
Assets	12.2	6.7	3.1	2.0	23.9	26.4	14.5	11.0	24.2
Branches	8.0	3.4	3.5	4.6	19.5	13.0	10.7	9.3	47.5
ATMs	9.7	1.7	3.8	2.7	17.9	32.3	14.3	9.2	26.3

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Source: Company calculations based on separate information published by the Superintendency of Finance. Figures relating to branches and ATMs of Grupo Aval's entities are derived from internal data.

(1) Ratios and market share data reflect aggregated separate data of Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas.

(2) ROAA is calculated as net income divided by the 13-month average of month-end total assets.

(3) ROAE is calculated as net income divided by the 13-month average of month-end total equity.

(4) Cost to assets efficiency ratio is calculated as total expenses divided by the 13-month average of month-end total assets.

Lending activities

At December 31, 2023, we had the second largest market share of gross loans in Colombia, with a 24.6% market share. We have a strong presence in commercial loans and in consumer loans (particularly in payroll loans, in which we had a 45.3% market share at December 31, 2023).

The following table presents a breakdown of the market share of our gross loans and that of our competitors by category at December 31, 2023.

	At December 31, 2023				
Colombian IFRS	**Grupo Aval aggregate**	**Bancolombia**	**Davivienda**	**BBVA Colombia**	**Rest of the Colombian market**
			(in percentages)		
Commercial loans	27.1	34.6	12.7	9.0	16.6
Consumer loans	27.9	19.5	14.7	14.6	23.4
Mortgages loans	14.5	21.0	30.6	14.3	19.7
Microcredit loans	1.4	3.0	0.0	0.0	95.6
Gross loans	**24.6**	**27.1**	**15.7**	**11.3**	**21.3**

Source: Company calculations based on separate information published by the Superintendency of Finance.

At December 31, 2023, consumer loans represented a larger share of our total gross loans than that of most of our principal competitor banks, and we had a higher concentration of payroll loans. The table below presents the total gross loan mix and average yield on gross loans across the Colombian market at December 31, 2023.

	At December 31, 2023								
	Grupo Aval entities								
Colombian IFRS	**Banco de Bogotá**	**Banco de Occidente**	**Banco Popular**	**Banco AV Villas**	**Grupo Aval aggregate**	**Bancolombia**	**Davivienda**	**BBVA Colombia**	**Rest of the Colombian market**
					(in percentages)				
Gross loans:									
Commercial loans	64.9	67.7	25.3	22.2	56.7	66.0	41.6	41.3	40.3
Consumer loans	23.9	26.7	69.3	60.5	33.9	21.5	27.9	38.7	32.8
Mortgages loans	10.9	5.6	5.4	17.2	9.2	12.2	30.5	19.9	14.6
Microcredit loans	0.3	-	0.0	0.0	0.2	0.3	0.0	0.0	12.3
Gross loans	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Average yield on gross loans:									
Average yield on commercial loans:	14.2	15.4	15.1	15.7	14.7	14.3	14.3	13.7	15.4
Average yield on consumer loans:	18.5	16.7	12.3	13.9	15.6	20.7	18.6	15.3	19.9
Average yield on mortgages loans:	10.0	10.6	8.7	10.4	10.1	17.1	12.7	9.6	11.2
Average yield on microcredit loans:	28.0	N.A.	16.7	14.1	27.9	26.6	20.9	N.A.	24.4
Average yield on gross loans	**14.9**	**15.5**	**12.9**	**13.7**	**14.6**	**16.1**	**15.1**	**13.5**	**17.3**

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Loan Portfolio Quality

We believe that the credit quality of our gross loans compares favorably against our main competitors. The following table presents credit quality metrics for our gross loans and that of our competitors at the dates indicated.

Colombian IFRS	Loans past due more than 30 days / gross loans	Loans rated C, D, E / gross loans(1)	Gross provision expense / average gross loans(2)	Net provision expense / average gross loans(3)	Allowance / loans past due more than 30 days
	For the year ended December 31, 2023 (in percentages)				
Banco de Bogotá	4.8	6.9	2.2	1.9	114.8
Banco de Occidente	4.2	6.4	2.6	2.1	121.6
Banco Popular	4.1	4.9	1.1	0.9	139.6
Banco AV Villas	4.0	3.9	1.7	1.3	95.0
Grupo Aval aggregate	**4.5**	**6.2**	**2.1**	**1.7**	**118.1**
Bancolombia	5.0	6.4	3.8	3.5	139.8
Davivienda	8.3	8.7	5.4	4.6	80.3
BBVA Colombia	4.3	5.2	2.3	2.1	116.3
Rest of the Colombian market	5.8	6.8	3.7	3.3	103.5

Source: Company calculations based on separate information published by the Superintendency of Finance.

(1) For further information about loan classification categories, see "Item 11. Quantitative and Qualitative Disclosures About Market Risk".

(2) Gross provision expense is defined as provision expenses net of provision recoveries.

(3) Net provision expense is defined as gross provision expense minus recoveries of charged-off loans.

Deposits

At December 31, 2023, we had the second largest market share of total deposits in Colombia, with a market share of 24.5%. At the same date our principal competitors—Bancolombia, Davivienda and BBVA Colombia—had market shares of 26.2%, 14.7% and 11.9%, respectively.

The following table presents a breakdown of market share of deposits by type of deposit at December 31, 2023.

	At December 31, 2023				
Colombian IFRS	Grupo Aval aggregate	Bancolombia	Davivienda	BBVA Colombia	Rest of the Colombian market
	(in percentages)				
Checking accounts	30.4	26.9	11.1	10.5	21.1
Savings accounts	25.1	29.7	13.9	11.2	20.2
Time deposits	23.8	22.5	16.9	13.4	23.4
Other deposits(1)	2.2	23.6	7.8	4.8	61.5
Total deposits	**24.5**	**26.2**	**14.7**	**11.9**	**22.7**

Source: Company calculations based on separate information published by the Superintendency of Finance.

(1) Other deposits include judicial deposits (mainly in Banco Agrario), electronic deposits, remittances payable and deposit guarantees, among others.

At December 31, 2023, checking accounts represented a larger share of our total deposits than that of most of our principal competitor banks. The table below presents the total funding mix, deposit mix and average rate paid on total funding across the Colombian market at December 31, 2023.

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Colombian IFRS	At December 31, 2023				
	Grupo Aval aggregate	Bancolombia	Davivienda	BBVA Colombia	Rest of the Colombian market
			(in percentages)		
Funding:					
Deposits	81.1	87.1	79.8	88.0	73.5
Other funding(1)	18.9	12.9	20.2	12.0	26.5
Total funding	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Deposits:					
Checking accounts	14.5	12.0	8.8	10.3	10.8
Savings accounts	44.6	49.5	41.4	41.1	38.7
Time deposits	40.6	36.1	48.4	47.5	43.1
Other deposits	0.2	2.4	1.4	1.1	7.3
Total deposits	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Average rate paid on funding:					
Average rate paid on deposits	9.4	7.1	9.1	9.0	8.8
Average rate paid on other funding(1)	8.6	9.3	10.3	11.0	9.7
Average rate paid on total funding	9.3	7.4	9.4	9.3	9.0

Source: Company calculations based on information published by the Superintendency of Finance.

(1) Other funding includes interbank borrowings and overnight funds, borrowings from banks, bonds issued and borrowings from development entities.

Merchant banking

Corficolombiana was the largest merchant bank (*corporación financiera*) in Colombia in terms of assets and equity at December 31, 2023. Corficolombiana faces competition from local and global banks focused on merchant and investment banking. Bancolombia, through its subsidiary Banca de Inversión Bancolombia S.A., is Corficolombiana's largest local competitor. Corficolombiana also faces competition from global banks with local investment banking operations. In addition, as an equity investor, Corficolombiana faces competition from other equity investors such as hedge funds, private equity firms and others.

The following table presents the market shares of Corficolombiana and its principal competitors by assets, liabilities, equity and net income at and for the year ended December 31, 2023.

Colombian IFRS	Assets	Liabilities	Equity	Net income
		(in percentages)		
Corficolombiana	**87.0**	**96.0**	**77.9**	**155.4**
Banca de Inversión Bancolombia S.A.	5.6	0.3	11.0	(61.1)
BNP Paribas Colombia Corporación Financiera S.A.	2.1	3.0	1.2	6.7
Corporación Financiera GNB Sudameris S.A.	3.9	0.7	7.2	19.3
Corporación Financiera Davivienda S.A.	1.4	0.0	2.8	(20.3)

Source: Information published by the Superintendency of Finance.

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Distribution channels

Through our banking subsidiaries, we have the largest branch network in Colombia, with 1,001 branches and 2,860 ATMs at December 31, 2023. The following table presents the distribution of branches and ATMs across the market at December 31, 2023.

	At December 31, 2023			
	Branches		ATMs	
	# of branches	Market share %	# of ATMs	Market share %
Grupo Aval aggregate	**1,001**	**19.5%**	**2,860**	**17.9%**
Bancolombia	668	13.0%	5,158	32.3%
Davivienda	547	10.7%	2,286	14.3%
BBVA Colombia	479	9.3%	1,469	9.2%
Rest of the Colombian market	2,436	47.5%	4,199	26.3%

Source: Company calculations based on separate information published by the Superintendency of Finance, except for information for Grupo Aval which reflects aggregate data obtained from our banking subsidiaries. ATMs for the Rest of the Colombian market include "*Servibanca*", an ATM network, as of September 30, 2023, which is the latest available information.

Pension and severance fund management

Porvenir is the leading private pension fund manager in Colombia in terms of assets under management. Porvenir's principal private competitors are other pension fund managers, including Protección, Colfondos and Skandia. Based on separate data prepared under Colombian IFRS, at December 31, 2023, Porvenir was the most efficient pension and severance fund manager in Colombia, with an efficiency ratio of 44.7%.

The following table presents the market shares of the main market participants in the private pension and severance fund management business with respect to assets under management and individual customers at December 31, 2023, as well as net income for the year ended December 31, 2023.

	At and for the year ended December 31, 2023			
	Porvenir	Protección	Colfondos	Skandia
	(in percentages)			
Individual customers to pension funds:				
Mandatory	60.8	29.5	9.1	0.7
Severance	55.6	34.2	9.5	0.7
Voluntary	16.6	63.9	7.5	12.0
Total	**57.8**	**32.0**	**9.2**	**1.0**
Assets under management:				
Mandatory	46.5	35.1	13.0	5.4
Severance	48.3	38.9	10.2	2.6
Voluntary	21.1	42.2	6.3	30.4
Total	**45.0**	**35.7**	**12.4**	**6.8**
Net income:	**53.2**	**27.4**	**10.3**	**9.1**

Source: Information published by the Superintendency of Finance for private pension and severance fund managers. Information does not include data from third-party pension liability funds, which does not comprise a material portion of the market. Net income calculated under Colombian IFRS.

Other corporate information

Technology

We invest in technologies to upgrade our current systems, with the aim of enhancing customer service efficiency, upholding high standards of quality, and ensuring cybersecurity. Our technology architecture prioritizes customer-centricity and supports our business model. Grupo Aval oversees the IT strategies of all entities, focusing on architecture, cybersecurity, processes, infrastructure, cloud computing, and procurement. While we encourage each subsidiary to maintain its own IT system, we actively seek potential synergies and assist in implementing centrally developed technology and products to standardize and optimize processes across all entities.

Although each subsidiary manages its distribution network independently, we strive to maximize effectiveness and customer service levels across all our banks through the Red Aval (Grupo Aval network), which interconnects all our Colombian banks' networks. Our network

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enables banking subsidiaries to access basic services at any ATM or branch office within our network. Additionally, information regarding products and services across Grupo Aval entities is accessible through the websites or mobile banking apps of any of our Colombian banks. These platforms undergo continuous renewal, updating their interfaces, offering new services, and enhancing technology using cloud technologies.

Some of our main projects currently are:

- Migration of main systems to the cloud: Initiated in 2022, this project will continue until 2027, aiming to achieve cost savings upon completion, accelerate the development of new services, and facilitate the maintenance of current applications. Currently, we have achieved approximately 60% progress of our target migration.

- Centralization: We are actively centralizing telecommunications, datacenters, cybersecurity, and fraud management across entities, with an estimated duration of three more years.

- Basic technology activities: We are finalizing the CRM (Siebel) implementation in three entities and the treasury system (Calypso) in two others. By 2024, we aim to complete CRM projects in two more entities and migrate the current version of the MDM (Master Data Management) system. Additionally, we will start updating or replacing the Core Banking System for Bogotá and AV Villas banks. We are also focusing on standardizing processes in banking subsidiaries and implementing biometric systems, and various cybersecurity tools.

- Our Colombian banking subsidiaries currently operate based on a hybrid IT model. Core banking processes are handled directly by each banking subsidiary, and electronic channels and administrative processes such as accounting, purchasing and budgeting operate in our shared services center, ATH and/or Nexa BPO. This model of centralization of our technological operation will continue its development in these shared services in order to achieve medium-term savings that optimize the results of Grupo Aval as a whole.

Cybersecurity

Cybersecurity risks for financial institutions, such as ours, are constantly monitored and updated based on new technologies. In the past years we have significantly increased the scope of our capabilities to respond to the proliferation of new attempts to break our security barriers, the use of the Internet and automated processes, the diversification of channels to perform financial transactions, hand in hand with the development of new techniques of organized crime, hackers, hacktivists, terrorists and other external parties. In 2023 these risks were managed successfully. In addition, we continue introducing new products and services, such as our digital channels, which requires updating processes and could result in new operational risks that we may not fully appreciate or identify.

Given this scenario, it is increasingly a priority for us and our subsidiaries to strengthen security teams. This is particularly in banking, our main activity, where the high demand for specialized personnel in the field of cybersecurity has become a real obstacle, boosted by the new technological tools of hackers, the rapid obsolescence of knowledge in security operation teams, and insufficient preparation in this specific field. We are exposed to potential cybersecurity events both directly in Aval and our subsidiaries as well as through our service providers and other third parties.

We and our subsidiaries are susceptible to malware, ransomware, computer hackers, disgruntled employees, hacktivists and other causes that could affect the IT infrastructure that supports our service channels. We outsource certain services and, although we require that our service providers follow our security standards, we cannot assure that any of our service providers will not experience cyber-attacks that would affect the provision of our services or interrupt our business. In the event of a breakdown or improper operation of our or a third party's systems or unauthorized action by third parties or our employees, we could suffer financial loss, an impairment to our liquidity, a disruption of our businesses, regulatory sanctions or damage to our reputation. While many of our agreements with third party vendors include indemnification provisions, we may not be able to recover sufficiently, or at all, to adequately offset any losses; although we maintain insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber risks, it may be insufficient to cover all losses.

Cybersecurity incidents are immediately reported through the High Impact Event Report and analyzed by the information security and technology security department to assess their consequences both with regards to the entity affected within Grupo Aval and to any affected third parties. We monitor the existence of such situations on a quarterly basis in the Corporate Vice-presidency of Risk and Compliance, allowing us to determine whether any of the incidents, individually or in aggregate, are to be categorized as a high impact event.

Given the increasing sophistication of cyber-attacks, incidents could occur and persist for an extended period without detection. Investigations of cyber-attacks can be unpredictable and take time to complete. During such time we may not necessarily assess the extent

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of the harm caused or how best to remediate it. Additionally, we may fail to take the most appropriate actions to remediate or mitigate a cyber-attack, which would further increase the costs and consequences of a cyberattack.

During 2023, the security controls associated with working remotely were maintained and strengthened in order to restrict and protect access to information and technological resources by our collaborators. In addition, more tools and services supported by emerging technologies such as machine learning, artificial intelligence and user behavior have been acquired and implemented, which allow us to identify, protect, detect and respond in a timely manner to possible incidents and/or cyber-attacks.

To mitigate the risks generated by the increase in the use of digital channels, we have continued with the implementation of additional controls such as: channel restriction for sending double authentication factors, fraud intelligence with rules based on statistical models, as well such as strengthening the enrollment process in digital channels with the adoption of new technologies such as facial biometrics. On the other hand, the transaction monitoring processes have increased and the awareness campaigns for our clients have been reinforced. Additionally, a process has been adopted through which every subsidiary reports the changes made to the controls or the implementation of new ones.

We implemented a policy that seeks to ensure that the risks are identified, measured, controlled and monitored, and considers the international best practices and regulations. The cyber-security risk management system is designed as a three line model: (i) a first line, which is responsible for defining information security strategy and the preventive detection and isolation of advanced threats, (ii) a second line that establishes the risk management framework and is responsible monitor the management of information security risks, and (iii) a third line that supports regulatory compliance, independent supervision of the implementation of the first two lines and report of results to the Audit Committee.

Grupo Aval's senior management is committed to cybersecurity risk management, through a clear strategy which includes the allocation of human, technical and financial resources and a clear definition and disclosure of responsibilities regarding to cybersecurity.

See "Item 16K. Cybersecurity"

Intellectual property

Grupo Aval, we actively manage and protect our intellectual property through the strategic registration and monitoring of our brands and trademarks. This approach aligns with our marketing and commercial strategies in each operating country. We dedicate ongoing efforts to evaluating the potential for registering and renewing our trademarks in key markets like Colombia, the United States, Mexico, and across South and Central America. These actions directly support Grupo Aval's overall business strategy. Our vigilance extends to proactively monitoring competitor activity. We continuously assess and, if necessary, object to third-party registrations in the region that could create confusion or mislead the public due to similarities with our logos and branding. As of today, our commitment to intellectual property protection is reflected in:

- 136 registered trademarks: Ensuring clear ownership and legal protection for our core brand identifiers.
- 2 deposited trade names: Securing unique identities for specific business operations.
- 8 registered trade names: Providing distinct, legally recognized names for specific segments of our business.
- 2 registered slogans: Protecting our impactful marketing messages that resonate with our audience.

This robust portfolio lays the foundation for a strong and recognizable brand presence across the region, fostering trust and clarity for our customers and stakeholders.

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Selected statistical data

The following tables present select statistical information in accordance with subpart 1400 of Regulation S-K.

For the years ended December 31, 2023, 2022 and 2021, the results of discontinued operations are presented separately on the consolidated statement of income; however, following the deconsolidation of a discontinued operation, no retrospective adjustments are permitted to be made to the prior period consolidated statements of financial position under IFRS. To facilitate meaningful analysis and comparability, average statement of financial position balances prior to the consummation of the spin-off, including as used to calculate average yields and average rates, have been adjusted to exclude the impact of discontinued operations substantially in accordance with Article 11 of Regulation S-X, and all information presented under "Item 4. Information on the Company — Selected statistical data" refers to financial data of continuing operations, unless otherwise specifically noted. For more information about the impact of the spin-off and subsequent tender offer, please refer to "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Principal factors affecting our financial condition and results of operations—Transactions related to BHI – Discontinued operations" and Note 1.1 "Discontinued Operations of BAC Holding" to our audited consolidated financial statements.

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

- average statement of financial position for 2023, 2022 and 2021 have been calculated as follows: the average of balances at December 31, at September 30, at June 30, and at March 31 of the corresponding year, and the balance at December 31, of the previous year, adjusted where applicable to exclude the impact of discontinued operations.

Average Statement of Financial Position

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

- average balances for 2023, 2022 and 2021 calculated using the average of balances for our assets and liabilities (based on a five period average) according with the above paragraph;

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

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

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Average statement of financial position and income from interest-earning and non-interest-earning assets for the years ended December 31,

	2023			2022			2021 (1)		
	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield
	(in Ps billions, except percentages)								
ASSETS									
Interest-earning assets									
Fixed Income Investments									
Domestic	28,616.8	2,298.2	8.0 %	27,454.1	1,757.7	6.4 %	26,096.8	841.9	3.2 %
Foreign	3,598.7	87.1	2.4 %	3,714.3	85.8	2.3 %	3,521.1	67.4	1.9 %
Total	**32,215.5**	**2,385.3**	**7.4 %**	**31,168.4**	**1,843.5**	**5.9 %**	**29,617.9**	**909.3**	**3.1 %**
Interbank and overnight funds (2)									
Domestic	2,879.1	1,039.7	36.1 %	3,245.5	477.8	14.7 %	1,703.0	133.6	7.8 %
Foreign	126.7	28.6	22.6 %	69.4	9.9	14.3 %	92.7	1.4	1.5 %
Total	**3,005.8**	**1,068.4**	**35.5 %**	**3,314.9**	**487.7**	**14.7 %**	**1,795.7**	**135.0**	**7.5 %**
Loans - Client portfolio									
Domestic	168,701.1	24,297.7	14.4 %	151,661.6	16,010.7	10.6 %	135,192.9	10,896.4	8.1 %
Foreign	16,030.4	1,168.1	7.3 %	15,674.1	1,061.1	6.8 %	13,030.9	850.8	6.5 %
Total	**184,731.4**	**25,465.7**	**13.8 %**	**167,335.7**	**17,071.8**	**10.2 %**	**148,223.8**	**11,747.2**	**7.9 %**
Loan (3)									
Domestic	171,580.2	25,337.4	14.8 %	154,907.1	16,488.5	10.6 %	136,895.9	11,029.9	8.1 %
Foreign	16,157.0	1,196.7	7.4 %	15,743.6	1,071.1	6.8 %	13,123.6	852.2	6.5 %
Total	**187,737.2**	**26,534.1**	**14.1 %**	**170,650.6**	**17,559.5**	**10.3 %**	**150,019.5**	**11,882.1**	**7.9 %**
Total interest-earning assets									
Domestic	200,197.0	27,635.6	13.8 %	182,361.1	18,246.2	10.0 %	162,992.8	11,871.8	7.3 %
Foreign	19,755.7	1,283.8	6.5 %	19,457.9	1,156.8	5.9 %	16,644.6	919.6	5.5 %
Total interest-earning assets	**219,952.7**	**28,919.4**	**13.1 %**	**201,819.0**	**19,403.0**	**9.6 %**	**179,637.4**	**12,791.4**	**7.1 %**
Total non-interest-earning assets	**78,536.3**	—	—	**72,812.5**	—	—	**63,065.5**	—	—
Total interest-earning and non interest-earning assets									
Domestic	**276,605.9**	**27,635.6**	**10.0 %**	**253,107.0**	**18,246.2**	**7.2 %**	**224,454.8**	**11,871.8**	**5.3 %**
Foreign	**21,883.1**	**1,283.8**	**5.9 %**	**21,524.5**	**1,156.8**	**5.4 %**	**18,248.1**	**919.6**	**5.0 %**
Total assets	**298,489.0**	**28,919.4**	**9.7 %**	**274,631.5**	**19,403.0**	**7.1 %**	**242,702.9**	**12,791.4**	**5.3 %**

(1) For comparative purposes only, including both continuing and discontinued operations, our total average interest-earning assets, interest income earned thereon and average yield thereon for the year ended December 31, 2021 amounted to Ps. 257,453.2 billion, Ps. 19,647.5 billion and 7.6%, respectively, and our total average non-interest-earning assets for the same year amounted to Ps. Ps. 87,080.5 billion, in each case as reported in our Annual Report on Form 20-F for the year ended December 31, 2021.

(2) Reflects operations involving common short-term interbank funds, repurchase transactions (repos), simultaneous operations and transactions involving the temporary transfer of securities.

(3) Includes loans and interbank and overnight funds.

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Average statement of financial position and income from interest-bearing and non-interest-bearing liabilities and equity for the years ended December 31,

	2023			2022			2021 (1)		
	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate
	(in Ps billions, except percentages)								
LIABILITIES AND EQUITY									
Interest-bearing liabilities									
Interest-bearing checking accounts									
Domestic	5,814.3	220.9	3.8 %	6,482.6	148.5	2.3 %	7,465.4	54.5	0.7 %
Foreign	419.8	32.2	7.7 %	214.1	10.6	4.9 %	237.1	7.9	3.3 %
Total	**6,234.1**	**253.0**	**4.1 %**	**6,696.7**	**159.1**	**2.4 %**	**7,702.5**	**62.4**	**0.8 %**
Savings accounts									
Domestic	68,543.4	5,929.0	8.6 %	69,915.4	3,541.8	5.1 %	63,918.2	861.1	1.3 %
Foreign	1,932.8	24.5	1.3 %	1,805.1	14.1	0.8 %	1,492.8	14.4	1.0 %
Total	**70,476.2**	**5,953.4**	**8.4 %**	**71,720.4**	**3,555.8**	**5.0 %**	**65,411.0**	**875.4**	**1.3 %**
Time deposits									
Domestic	73,982.9	9,545.8	12.9 %	52,114.7	3,692.2	7.1 %	46,049.4	1,406.4	3.1 %
Foreign	9,764.9	462.0	4.7 %	9,316.6	349.3	3.7 %	8,163.3	293.7	3.6 %
Total	**83,747.8**	**10,007.8**	**11.9 %**	**61,431.3**	**4,041.5**	**6.6 %**	**54,212.7**	**1,700.1**	**3.1 %**
Total interest bearing deposits									
Domestic	148,340.6	15,695.6	10.6 %	128,512.7	7,382.4	5.7 %	117,433.0	2,322.0	2.0 %
Foreign	12,117.5	518.6	4.3 %	11,335.7	374.0	3.3 %	9,893.2	315.9	3.2 %
Total	**160,458.1**	**16,214.2**	**10.1 %**	**139,848.4**	**7,756.4**	**5.5 %**	**127,326.2**	**2,637.9**	**2.1 %**
Interbank and overnight funds (2)									
Domestic	12,068.5	1,842.1	15.3 %	10,249.6	670.9	6.5 %	9,919.5	160.3	1.6 %
Foreign	281.9	14.1	5.0 %	208.3	7.2	3.4 %	104.7	2.2	2.1 %
Total	**12,350.4**	**1,856.3**	**15.0 %**	**10,457.9**	**678.1**	**6.5 %**	**10,024.2**	**162.5**	**1.6 %**
Borrowings from banks and other									
Domestic	25,802.7	2,153.3	8.3 %	21,518.6	974.6	4.5 %	14,865.6	420.2	2.8 %
Foreign	4,625.2	248.7	5.4 %	5,131.9	162.4	3.2 %	3,446.1	71.6	2.1 %
Total	**30,427.8**	**2,402.0**	**7.9 %**	**26,650.5**	**1,137.0**	**4.3 %**	**18,311.7**	**491.8**	**2.7 %**
Long-term debt									
Domestic	24,566.7	2,049.3	8.3 %	28,909.9	2,033.9	7.0 %	27,710.2	1,301.9	4.7 %
Foreign	1,275.0	110.6	8.7 %	1,366.5	59.0	4.3 %	1,543.0	66.7	4.3 %
Total	**25,841.8**	**2,159.9**	**8.4 %**	**30,276.4**	**2,092.8**	**6.9 %**	**29,253.2**	**1,368.7**	**4.7 %**
Total interest-bearing liabilities									
Domestic	210,778.5	21,740.4	10.3 %	189,190.8	11,061.9	5.8 %	169,928.4	4,204.4	2.5 %
Foreign	18,299.6	892.0	4.9 %	18,042.5	602.5	3.3 %	14,987.0	456.5	3.0 %
Total interest-bearing liabilities	**229,078.1**	**22,632.4**	**9.9 %**	**207,233.3**	**11,664.4**	**5.6 %**	**184,915.4**	**4,660.8**	**2.5 %**
Total non-interest-bearing liabilities and equity	**69,410.9**	**—**	**—**	**67,398.2**	**—**	**—**	**57,787.5**	**—**	**—**
Total liabilities and equity	**298,489.0**	**22,632.4**	**7.6 %**	**274,631.5**	**11,664.4**	**4.2 %**	**242,702.9**	**4,660.8**	**1.9 %**

(1) For comparative purposes only, including both continuing and discontinued operations, our total average interest-bearing liabilities, interest expense paid thereon and average interest rate thereon for the year ended December 31, 2021 amounted to Ps. 266,029.1 billion, Ps. 6,918.7 billion and 2.6%, respectively, and our total average non-interest-bearing liabilities and equity for the same year amounted to Ps. 78,504.6 billion, in each case as reported in our Annual Report on Form 20-F for the year ended December 31, 2021.

(2) Reflects operations involving: common short-term interbank funds, repurchase transactions (repos), simultaneous operations and transactions involving the temporary transfer of securities.

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Analysis of Changes in Volume and Rate on Interest Income and Interest Expense

The following tables allocate by currency of denomination, the changes in our interest income (interest-earning assets) and interest expense (interest-bearing liabilities) between the changes in average volume and changes in average yield (interest-earning assets) and average rates (interest-bearing liabilities) for the year ended December 31, 2023 compared to the year ended December 31, 2022 and the year ended December 31, 2022 compared to the year ended December 31, 2021. Volume and rate variances have been calculated based on variances in average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities as follows: (a) changes in volume (change in volume times new rate) and (b) changes in rates (change in rate times old volume). Net changes attributable to changes in both volume and interest rate have been allocated to changes in volume. You should read the following tables and the footnotes thereto in conjunction to our observations noted in "—Average statement of financial position".

	2023 - 2022 Increase (decrease) due to changes in			2022 - 2021 Increase (decrease) due to changes in		
	Volume	Rate	Net change	Volume	Rate	Net change
	(in Ps billions, except percentages)					
Interest-earning assets:						
Fixed Income Investments						
Domestic	93.4	447.1	540.5	86.9	829.0	915.9
Foreign	(2.8)	4.1	1.3	4.5	13.9	18.4
Total	**77.5**	**464.2**	**541.8**	**91.7**	**842.5**	**934.3**
Interbank and overnight funds (1)						
Domestic	(132.3)	694.3	562.0	227.1	117.1	344.2
Foreign	12.9	5.8	18.7	(3.3)	11.8	8.5
Total	**(109.9)**	**690.5**	**580.7**	**223.5**	**129.2**	**352.7**
Loans						
Domestic	2,454.2	5,832.8	8,287.0	1,738.6	3,375.7	5,114.3
Foreign	26.0	81.0	106.9	178.9	31.4	210.3
Total	**2,398.0**	**5,995.9**	**8,393.9**	**1,949.8**	**3,374.8**	**5,324.7**
Sum interest-earnings assets						
Domestic	2,415.2	6,974.2	9,389.4	2,052.5	4,321.9	6,374.4
Foreign	36.1	90.8	126.9	180.1	57.1	237.2
Total interest-earnings assets	**2,365.7**	**7,150.7**	**9,516.4**	**2,265.0**	**4,346.6**	**6,611.6**
Interest-bearing liabilities						
Checking accounts						
Domestic	(25.4)	97.7	72.3	(22.5)	116.6	94.0
Foreign	15.8	5.8	21.6	(1.1)	3.8	2.7
Total	**(18.8)**	**112.7**	**93.9**	**(23.9)**	**120.6**	**96.7**
Saving accounts						
Domestic	(118.7)	2,505.9	2,387.2	303.8	2,376.9	2,680.7
Foreign	1.6	8.8	10.4	2.4	(2.7)	(0.3)
Total	**(105.1)**	**2,502.7**	**2,397.6**	**312.8**	**2,367.6**	**2,680.4**
Time deposits	—	—	—	—	—	—
Domestic	2,821.6	3,032.0	5,853.6	429.7	1,856.0	2,285.7
Foreign	21.2	91.5	112.7	43.2	12.4	55.6
Total	**2,666.8**	**3,299.5**	**5,966.3**	**474.9**	**1,866.4**	**2,341.3**
Interbank and overnight funds (1)	—	—	—	—	—	—
Domestic	277.6	893.6	1,171.2	21.6	489.1	510.7
Foreign	3.7	3.3	7.0	3.6	1.4	5.0
Total	**284.4**	**893.7**	**1,178.1**	**28.1**	**487.5**	**515.7**
Borrowings from banks and other	—	—	—	—	—	—
Domestic	357.5	821.1	1,178.7	301.3	253.2	554.5
Foreign	(27.2)	113.6	86.3	53.3	37.4	90.7
Total	**298.2**	**966.8**	**1,265.0**	**355.8**	**289.5**	**645.2**
Long-term debt	—	—	—	—	—	—
Domestic	(362.3)	377.8	15.5	84.4	647.5	731.9
Foreign	(7.9)	59.5	51.6	(7.6)	(0.1)	(7.7)
Total	**(370.7)**	**437.8**	**67.1**	**70.7**	**653.5**	**724.2**
Total interest-bearing liabilities	—	—	—	—	—	—
Domestic	2,227.1	8,451.4	10,678.5	1,126.7	5,730.8	6,857.5
Foreign	12.3	277.2	289.5	101.8	44.3	146.1
Total interest-bearing liabilities	**2,158.2**	**8,809.8**	**10,968.0**	**1,256.2**	**5,747.4**	**7,003.6**

(1) Reflects operations involving: common short-term interbank funds, repurchase transactions (repos), simultaneous operations and transactions involving the temporary transfer of securities.

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Interest-earning assets – net interest margin and spread

The following table presents average balances of interest-earning assets as well as our yields on our average interest-earning assets, net interest earned, net interest margin and interest spread of continuing operations for the years ended December 31, 2023, 2022 and 2021.

	For the years ended December 31,		
	2023	2022	2021
	(in Ps billions, except percentages)		
Interbank and overnight funds			
Domestic	2,879.1	3,245.5	1,703.0
Foreign	126.7	69.4	92.7
Total	**3,005.8**	**3,314.9**	**1,795.7**
Loans - Client portfolio			
Domestic	168,701.1	151,661.6	135,192.9
Foreign	16,030.4	15,674.1	13,030.9
Total	**184,731.4**	**167,335.7**	**148,223.8**
Fixed Income Investments			
Domestic	28,616.8	27,454.1	26,096.8
Foreign	3,598.7	3,714.3	3,521.1
Total	**32,215.5**	**31,168.4**	**29,617.9**
Total average interest-earning assets			
Domestic	200,197.0	182,361.1	162,992.8
Foreign	19,755.7	19,457.9	16,644.6
Total	**219,952.7**	**201,819.0**	**179,637.4**
Gross interest earned			
Domestic	27,635.6	18,246.2	11,871.8
Foreign	1,283.8	1,156.8	919.6
Total	**28,919.4**	**19,403.0**	**12,791.4**
Net interest income (1)			
Domestic	5,895.3	7,184.3	7,667.4
Foreign	391.7	554.3	463.2
Total	**6,287.0**	**7,738.6**	**8,130.6**
Average yield on interest-earning assets			
Total Domestic	13.8 %	10.0 %	7.3 %
Foreign	6.5 %	5.9 %	5.5 %
Total	**13.1 %**	**9.6 %**	**7.1 %**
Net interest margin (2)			
Total Domestic	2.9 %	3.9 %	4.7 %
Foreign	2.0 %	2.8 %	2.8 %
Total	**2.9 %**	**3.8 %**	**4.5 %**
Interest spread on loans (3)			
Total Domestic	3.8 %	4.8 %	6.1 %
Foreign	3.0 %	3.5 %	3.3 %
Total	**3.7 %**	**4.7 %**	**5.9 %**
Interest spread on total interest-earning assets (4)			
Total Domestic	3.5 %	4.2 %	4.8 %
Foreign	1.6 %	2.6 %	2.5 %
Total	**3.3 %**	**4.0 %**	**4.6 %**

(1) Net interest income is calculated as interest income less interest paid and includes accrued interest on interbank and overnight funds.
(2) Net interest margin is calculated as net interest income divided by total average interest-earning assets, of continuing operations. Such average interest-earning assets for 2023, 2022 and 2021 are calculated as the sum of such interest-earning assets at each quarter-end during the applicable year and the prior year end divided by five.
(3) Interest spread on loans is calculated as the difference between the average yield on interest-earning loans and leases and the average rate paid on interest-bearing deposits.
(4) Interest spread on total interest-earning assets is calculated as the difference between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities.

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Investment portfolio

The following tables summarizes the weighted average yield for each range of maturities by category of debt securities at fair value through OCI and at amortized cost as of December 31, 2023.

	At December 31, 2023				
Investments in debt securities at fair value through OCI	**In one year or less**	**After one year through five years**	**After five years through ten years**	**After ten years**	**Total**
	Average Yield % (1)	**Average Yield % (1)**	**Average Yield % (1)**	**Average Yield % (1)**	**Average Yield % (1)**
Debt securities					
Peso-denominated					
Securities issued or secured by the Colombian government	9.0 %	7.6 %	7.7 %	9.9 %	8.0 %
Securities issued or secured by Colombian government entities	13.1 %	12.7 %	15.3 %	— %	12.9 %
Securities issued or secured by other financial entities	12.3 %	11.7 %	14.9 %	— %	12.2 %
Other securities	— %	9.0 %	16.8 %	— %	13.5 %
Total weighted average yield, peso-denominated	**9.6 %**	**7.9 %**	**8.6 %**	**9.9 %**	**8.5 %**
Foreign currency-denominated					
Securities issued or secured by the Colombian government	3.8 %	5.6 %	5.8 %	5.9 %	5.3 %
Securities issued or secured by foreign Central Banks	— %	— %	7.4 %	— %	7.4 %
Securities issued or secured by Colombian government entities	— %	6.6 %	7.0 %	— %	6.7 %
US government and agencies	4.9 %	4.2 %	3.8 %	3.0 %	4.2 %
Non-US governments and agencies	— %	— %	— %	— %	— %
Securities issued or secured by other financial entities	6.1 %	5.3 %	5.3 %	— %	5.4 %
Other securities	6.1 %	5.5 %	8.0 %	7.8 %	6.4 %
Total weighted average yield, foreign currency-denominated	**4.2 %**	**4.4 %**	**5.4 %**	**5.0 %**	**4.5 %**
Total Average Yield debt securities at fair value through OCI, net	**8.6 %**	**6.6 %**	**7.6 %**	**8.2 %**	**7.2 %**

(1) The weighted-average yield is computed using the internal rate of return, or "IRR", at December 31, 2023.

	At December 31, 2023				
Investments in debt securities at amortized cost	**In one year or less**	**After one year through five years**	**After five years through ten years**	**After ten years**	**Total**
	Average Yield % (1)	**Average Yield % (1)**	**Average Yield % (1)**	**Average Yield % (1)**	**Average Yield % (1)**
Debt securities					
Peso-denominated					
Securities issued or secured by the Colombian government	11.0 %	— %	— %	— %	11.0 %
Securities issued or secured by Colombian government entities	9.6 %	— %	— %	— %	9.6 %
Other securities	— %	— %	— %	— %	— %
Total weighted average yield, peso-denominated	**10.0 %**	**— %**	**— %**	**— %**	**10.0 %**
Foreign currency-denominated					
US government and agencies	5.4 %	— %	— %	— %	5.4 %
Securities issued or secured by other financial entities	4.6 %	8.9 %	10.0 %	— %	9.9 %
Other securities	— %	— %	— %	— %	— %
Total weighted average yield, foreign currency-denominated	**5.1 %**	**8.9 %**	**10.0 %**	**— %**	**9.9 %**
Total Average Yield debt securities at amortized cost, net	**10.0 %**	**8.9 %**	**10.0 %**	**— %**	**10.0 %**

(1) The weighted-average yield is computed using the internal rate of return, or "IRR", at December 31, 2023.

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Loan portfolio

Maturity Profile of the Loan Portfolio

The following table presents the maturities of our loan portfolio at December 31, 2023.

	At December 31, 2023				
	In one year or less	After one year through five years	After five years through 15 years	After 15 years	Total
	(in Ps billions)				
Domestic					
Commercial					
General purpose loans	36,913.7	27,190.3	5,851.1	3.8	69,958.9
Loans funded by development banks	1,475.8	1,888.9	1,100.1	—	4,464.8
Working capital loans	10,906.7	1,731.9	98.5	—	12,737.1
Credit cards	222.0	119.1	0.4	—	341.6
Overdrafts	287.6	—	—	—	287.6
Leases	2,866.7	6,005.3	2,736.2	72.7	11,680.9
Interbank and overnight funds	321.1	—	—	—	321.1
Total commercial	**52,993.5**	**36,935.5**	**9,786.3**	**76.5**	**99,791.9**
Consumer					
Credit cards	3,979.3	3,190.3	199.5	—	7,369.0
Personal loans	3,464.8	9,639.5	982.3	9.7	14,096.3
Payroll loans	1,930.3	8,396.8	20,561.7	2.9	30,891.7
Automobile and vehicle loans	1,024.8	2,724.1	374.7	0.0	4,123.7
Overdrafts	41.3	—	—	—	41.3
General purpose loans	66.9	57.5	2.6	—	127.0
Leases	5.1	5.5	0.2	—	10.8
Total consumer	**10,512.5**	**24,013.8**	**22,121.0**	**12.6**	**56,659.9**
Mortgages					
Mortgages	707.5	2,057.7	7,247.2	3,159.3	13,171.7
Leases	157.6	441.6	1,106.4	486.4	2,192.0
Total Mortgages	**865.1**	**2,499.3**	**8,353.6**	**3,645.7**	**15,363.7**
Microcredit	**162.7**	**113.4**	**1.5**	**0.0**	**277.5**
Total domestic portfolio	**64,533.9**	**63,561.9**	**40,262.5**	**3,734.9**	**172,093.1**
Foreign					
Commercial					
General purpose loans	943.8	2,504.5	204.7	—	3,653.0
Working capital loans	3,176.7	478.4	18.7	2.4	3,676.1
Overdrafts	222.0	—	—	—	222.0
Leases	4.1	21.7	0.2	—	26.0
Interbank and overnight funds	71.5	—	—	—	71.5
Total commercial	**4,418.0**	**3,004.6**	**223.6**	**2.4**	**7,648.5**
Consumer					
Credit cards	76.0	151.0	0.2	—	227.2
Personal loans	0.1	0.5	10.6	125.4	136.5
Payroll loans	20.4	157.0	832.9	717.5	1,727.8
Automobile and vehicle loans	35.4	496.3	676.9	—	1,208.6
Overdrafts	34.8	0.0	—	—	34.8
Leases	0.5	4.2	—	—	4.7
Total consumer	**167.2**	**808.9**	**1,520.6**	**842.9**	**3,339.7**
Mortgages	**0.1**	**5.4**	**144.4**	**2,972.7**	3,122.5
Total foreign portfolio	**4,585.3**	**3,818.9**	**1,888.6**	**3,818.0**	**14,110.7**
Total loan portfolio	**69,119.2**	**67,380.7**	**42,151.0**	**7,552.8**	**186,203.8**

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The following table presents our loan portfolio due after one year and within one year or less as of December 31, 2023, broken down between fixed and variable rates.

	At December 31, 2023
	(in Ps billions)
Loans with maturity of one year or less	
Variable rate:	
Domestic	42,024.6
Foreign	4,181.0
Total	**46,205.6**
Fixed rate:	
Domestic	22,509.2
Foreign	404.3
Total	**22,913.5**
Total loans with maturity of one year or less	**69,119.2**
Loans with maturity of more than one year	
Variable rate:	
Domestic	42,672.8
Foreign	9,374.3
Total	**52,047.1**
Fixed rate:	
Domestic	64,886.4
Foreign	151.1
Total	**65,037.5**
Total loans with maturity of more than one year	**117,084.6**
Total loan portfolio	**186,203.8**

Credit Ratios

The following table presents our credit ratios for the years indicated, adjusted where applicable to exclude the impact of discontinued operations:

	At December 31,		
	2023	2022	2021 [1]
	(in Ps billions, except percentages)		
Domestic			
Commercial [2]	0.6%	0.8%	1.3%
Net charge-off during the period	576.5	677.8	1,046.2
Average amount outstanding	97,531.0	87,306.2	79,176.6
Consumer	6.0%	4.3%	5.2%
Net charge-off during the period	3,371.1	2,197.5	2,348.6
Average amount outstanding	56,395.6	51,331.9	44,846.7
Microcredit	8.9%	28.4%	14.6%
Net charge-off during the period	24.2	80.6	49.9
Average amount outstanding	270.7	284.3	342.8
Mortgages	0.3%	0.3%	0.2%
Net charge-off during the period	42.4	32.6	25.4
Average amount outstanding	14,503.8	12,739.2	10,826.8
Total domestic	**2.4%**	**2.0%**	**2.6%**
Net charge-off during the period	**4,014.2**	**2,988.6**	**3,470.1**
Average amount outstanding	**168,701.1**	**151,661.6**	**135,192.9**
Foreign			
Commercial [2]	1.0%	0.8%	0.5%
Net charge-off during the period	91.5	68.4	39.2
Average amount outstanding	8,821.7	8,804.3	7,330.1

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	At December 31,		
	2023	2022	2021 (1)
	(in Ps billions, except percentages)		
Consumer	1.7%	4.1%	1.2%
Net charge-off during the period	62.2	145.7	35.0
Average amount outstanding	3,658.7	3,524.0	2,983.8
Mortgages	0.2%	0.3%	0.1%
Net charge-off during the period	8.7	9.2	1.8
Average amount outstanding	3,549.9	3,345.9	2,717.0
Total foreign	**1.0%**	**1.4%**	**0.6%**
Net charge-off during the period	**162.3**	**223.3**	**76.0**
Average amount outstanding	**16,030.4**	**15,674.1**	**13,030.9**
Total loans	**2.3%**	**1.9%**	**2.4%**
Net charge-off during the period	**4,176.5**	**3,211.9**	**3,546.1**
Average amount outstanding	**184,731.4**	**167,335.7**	**148,223.8**

(1) See Note 1.1 "Discontinued Operations of BAC Holding" to our audited consolidated financial statements.
(2) Reflects charge-offs of commercial loans entered into with clients, in the ordinary course of our business charge-offs for interbank and overnight funds are not usual.

For a discussion of Grupo Aval's net impairment loss on financial assets see "Item 5. Operating and Financial Review and Prospects—A. Operating Results".

See Note 4.1.5. "Risk Management" to our audited consolidated financial statements for the breakdown of allowance for credit losses by each loan category.

Deposits

The following table presents our average interest-bearing and non-interest bearing deposits by category for the periods indicated, adjusted where applicable to exclude the impact of discontinued operations:

	Average statement of financial position and income from interest-bearing and non-interest-bearing liabilities for the years ended December 31,								
	2023			2022			2021		
	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate
	(in Ps billions, except percentages)								
Deposits									
Interest-bearing deposits									
Interest-bearing checking accounts									
Domestic	6,571.6	220.9	3.4 %	6,482.6	148.5	2.3 %	7,465.4	54.5	0.7 %
Foreign	165.7	32.2	19.4 %	214.1	10.6	4.9 %	237.1	7.9	3.3 %
Total	**6,737.2**	**253.0**	**3.8 %**	**6,696.7**	**159.1**	**2.4 %**	**7,702.5**	**62.4**	**0.8 %**
Savings accounts									
Domestic	68,543.4	5,929.0	8.6 %	69,915.4	3,541.8	5.1 %	63,918.2	861.1	1.3 %
Foreign	1,932.8	24.5	1.3 %	1,805.1	14.1	0.8 %	1,492.8	14.4	1.0 %
Total	**70,476.2**	**5,953.4**	**8.4 %**	**71,720.4**	**3,555.8**	**5.0 %**	**65,411.0**	**875.4**	**1.3 %**
Time deposits									
Domestic	73,982.9	9,545.8	12.9 %	52,114.7	3,692.2	7.1 %	46,049.4	1,406.4	3.1 %
Foreign	9,764.9	462.0	4.7 %	9,316.6	349.3	3.7 %	8,163.3	293.7	3.6 %
Total	**83,747.8**	**10,007.8**	**11.9 %**	**61,431.3**	**4,041.5**	**6.6 %**	**54,212.7**	**1,700.1**	**3.1 %**
Total interest bearing deposits									
Domestic	149,097.9	15,695.6	10.5 %	128,512.7	7,382.4	5.7 %	117,433.0	2,322.0	2.0 %
Foreign	11,863.3	518.6	4.4 %	11,335.7	374.0	3.3 %	9,893.2	315.9	3.2 %
Total	**160,961.2**	**16,214.2**	**10.1 %**	**139,848.4**	**7,756.4**	**5.5 %**	**127,326.2**	**2,637.9**	**2.1 %**
Non-Interest-bearing deposits									
Non-interest-bearing checking accounts									
Domestic	15,641.4	—	— %	18,458.3	—	— %	17,341.3	—	— %
Foreign	1,635.5	—	— %	1,315.1	—	— %	1,295.8	—	— %
Total	**17,276.9**	**—**	**— %**	**19,773.4**	**—**	**— %**	**18,637.0**	**—**	**— %**
Others deposits									
Domestic	600.2	—	— %	511.4	—	— %	287.5	—	— %
Foreign	6.0	—	— %	8.9	—	— %	7.1	—	— %
Total	**606.2**	**—**	**— %**	**520.2**	**—**	**— %**	**294.5**	**—**	**— %**
Total non-interest bearing deposits									
Domestic	16,241.6	—	— %	18,969.7	—	— %	17,628.7	—	— %

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	Average statement of financial position and income from interest-bearing and non-interest-bearing liabilities for the years ended December 31,								
	2023			2022			2021		
	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate
	(in Ps billions, except percentages)								
Foreign	1,641.5	—	— %	1,323.9	—	— %	1,302.9	—	— %
Total	**17,883.2**	**—**	**— %**	**20,293.6**	**—**	**— %**	**18,931.6**	**—**	**— %**
Total deposits									
Domestic	165,339.5	15,695.6	9.5 %	147,482.4	7,382.4	5.0 %	135,061.7	2,322.0	1.7 %
Foreign	13,504.8	518.6	3.8 %	12,659.6	374.0	3.0 %	11,196.1	315.9	2.8 %
Total deposits	**178,844.3**	**16,214.2**	**9.1 %**	**160,142.1**	**7,756.4**	**4.8 %**	**146,257.8**	**2,637.9**	**1.8 %**

The following table presents the amount of uninsured deposits by geography:

	At December 31, 2023 (1) (in Ps billions)		
	Peso-denominated	Foreign currency-denominated	Total
Barbados	—	895.5	**895.5**
Colombia	137,443.1	6,170.6	**143,613.7**
Panamá	—	19,962.8	**19,962.8**
Total	**137,443.1**	**27,028.9**	**164,472.0**

(1) Includes uninsured: checking accounts, saving accounts, time deposits and other deposits.

The following table presents a maturity profile of our uninsured time deposits by geography:

	Colombia At December 31, 2023 (in Ps billions)		
	Peso-denominated	Foreign currency-denominated	Total
3 months or less	11,749.2	1,566.1	**13,315.4**
Over 3 through 6 months	8,203.7	1,836.4	**10,040.2**
Over 6 through 12 months	23,744.5	803.7	**24,548.1**
Over 12 months	18,192.7	16.1	**18,208.8**
Total	**61,890.2**	**4,222.3**	**66,112.5**

	Barbados At December 31, 2023 (in Ps billions)		
	Peso-denominated	Foreign currency-denominated	Total
3 months or less	—	34.8	**34.8**
Over 3 through 6 months	—	250.3	**250.3**
Over 6 through 12 months	—	294.5	**294.5**
Over 12 months	—	49.7	**49.7**
Total	**—**	**629.3**	**629.3**

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	Panamá At December 31, 2023 (in Ps billions)		
	Peso-denominated	Foreign currency-denominated	Total
3 months or less	—	2,766.8	**2,766.8**
Over 3 through 6 months	—	2,802.1	**2,802.1**
Over 6 through 12 months	—	5,731.3	**5,731.3**
Over 12 months	—	3,186.7	**3,186.7**
Total	**—**	**14,486.9**	**14,486.9**

Supervision and regulation

Colombian Banking Regulators

Pursuant to the Colombian Constitution, the Colombian Congress has the power to prescribe the general legal framework within which the Government and other authorities may regulate the financial system. The Colombian Constitution also permits the Colombian Congress to authorize Government intervention in the economy by statute. The agencies vested with the authority to regulate the financial system are the Board of Directors of the Colombian Central Bank, the Colombian Ministry of Finance, the Superintendency of Finance, the Superintendency of Industry and Commerce and the Securities Market Self-Regulatory Organization.

Central Bank

The Colombian Central Bank exercises the customary functions of a central bank, including price stabilization, legal currency issuance, regulation of currency circulation, credit and exchange rate monitoring and administration of international reserves. Its Board of Directors is the regulatory authority for monetary, currency exchange and credit policies, and is responsible for the direction and execution of the Colombian Central Bank duties. The Colombian Central Bank also acts as a lender of last resort to financial institutions.

Pursuant to the Colombian Constitution, the Colombian Central Bank is autonomous and independent from the Government in the formulation of monetary policy and currency exchange and credit policies. Specifically, the Constitution provides administrative, technical, budgetary and legal autonomy for the Colombian Central Bank and its Board of Directors with respect to monetary, credit and foreign exchange matters. The Colombian Central Bank reports to the Colombian Congress. Its Board of Directors has seven members: one member is the Minister of Finance and Public Credit, one member is the General Manager of the Colombian Central Bank, and the other five members, who are full-time employees, are appointed two at a time by the President of Colombia for four-year terms that can be extended.

Ministry of Finance

The Ministry of Finance designs, coordinates, regulates and executes economic policy, seeking to create an optimal administration of public finances for the economic and social development of the country. The Ministry of Finance regulates all aspects of finance, securities and insurance activities, pursuant to powers conferred by the Colombian Constitution. As part of its duties, the Ministry of Finance issues decrees mainly related to financial, taxation, customs, public credit and budgetary matters that may affect banking transactions in Colombia. In particular, the Ministry of Finance is responsible for regulations relating to financial institutions' capital adequacy, risk limitations, authorized transactions, disclosure of information and accounting.

According to Decree 4172 of 2011, the *"Unidad Administrativa Especial, Unidad de Proyección Normativa y Estudios de Regulación Financiera"* (URF), an independent unit of the Ministry of Finance is responsible for preparing and drafting any new financial, monetary, credit, securities, foreign exchange and insurance regulation to be issued by the Colombian Government.

During 2023, the URF along with the Ministry of Finance issued only 5 decrees, (the lowest number since its creation): Decree 455 of 2023, which amends the regulation regarding the certification of the Current Banking Interest (Interés Bancario Corriente -IBC-) broadened the credit certification into five categories); Decrees 626 and 627 of 2023 regarding the association between credit unions and "multiactive integral savings and credit unions" with micro, small and medium companies; Decree 2105 of 2023 regarding collaborative finance (crowdfunding); and Decree 2276 of 2023 regulating special funding conditions for a public development bank with foreign entities. The implementation of Decree 1533 of 2022 (Great Exposures) is still ongoing. The Decree will enter in force in August 2025. "Item 4. Information on the Company—B. Business overview—Supervision and regulation. —Lending Limits".

Superintendency of Finance

The Superintendency of Finance is a technical entity affiliated to the Ministry of Finance that performs the inspection, supervision and control authority of persons involved in financial, insurance and securities exchange activities, and any other operations related to the management, use or investment of resources collected from the public. The Superintendency of Finance is responsible for supervising the Colombian financial system with the purpose of preserving its stability and trustworthiness, as well as promoting, organizing and developing the Colombian securities market and protecting the users of financial and insurance services and investors in general.

Financial institutions must obtain the authorization of the Superintendency of Finance before commencing operations. In addition, all public offerings of securities require the prior approval of the Superintendency of Finance.

Violations of the financial system rules and regulations are subject to administrative, and in some cases, criminal sanctions. The Superintendency of Finance may inspect Colombian financial institutions on a discretionary basis and has the authority to impose sanctions including admonitions, fines, removals, or administrative takeovers on such institutions and their directors and officers for violations of Colombian laws or regulations, or such financial institutions' by-laws.

The Superintendency of Finance exerts its supervisory powers over the financial sector on a consolidated and comprehensive basis. The consolidated supervision extends to all financial institutions including banks operating in Colombia and their subsidiaries abroad, in the latter case to the extent permitted by the laws of the respective country of incorporation. For these purposes, the Superintendency of Finance has executed several memorandums of understanding with foreign financial sector regulators, including the Superintendency of Banks of Panamá.

According to Decree 2555 of 2010, External Circular 029 of 2014 ("*Basic Legal Circular*") and External Circular 100 of 1995 ("*Basic Accounting and Financial Circular*") as amended, and to facilitate the Superintendency of Finance's supervision, financial institutions are required to consolidate the results of operations of all of their subsidiaries in order to present consolidated financial statements of the controlling entity and its subsidiaries, consolidated solvency ratios and capital adequacy requirements of the group.

The Superintendency of Finance may also conduct onsite inspections of Colombian financial institutions, financial holdings and even their subsidiaries located abroad, in the latter case, subject to the applicable laws of the subsidiary's country of incorporation.

According to Article 2.17.2.4.2.1 of Decree 1068 of 2015, when granting authorizations relating to foreign investment transactions made by direct shareholders of Colombian financial institutions in foreign financial entities, the Superintendency of Finance must take into account the possibility of exercising comprehensive and consolidated supervision. In addition, according to Law 1328 of 2009 and Decree 2555 of 2010: (1) direct capital investments by Colombian financial institutions in foreign financial, brokerage or insurance companies, branches or agencies, require the prior authorization by the Superintendency of Finance, and (2) indirect capital investment (i.e., through a subsidiary) in foreign financial, brokerage or insurance companies, branches or agencies, require the prior authorization by the Superintendency of Finance if: (a) the initial investment equals or exceeds 10% of the investor's paid-in capital, (b) additional investments equal or exceed 5% of the investor's paid-in capital or (c) the financial regulatory authority of the country where the investment is to be made has not executed a memorandum of understanding with the Superintendency of Finance. Other indirect investments do not require the approval of the Superintendency of Finance but must be reported to such entity prior to the respective investment.

As a financial holding and an issuer of securities traded on the Colombian Stock Exchange, Grupo Aval is subject to the inspection and surveillance of the Superintendency of Finance. Additionally, Grupo Aval's financial and stock brokerage subsidiaries located in Colombia (including banks, merchant banks, financing companies, trust companies, managers of pensions and severance payment funds, bonded warehouses and stock brokerage firms) are each subject to the regulatory supervision of the Superintendency of Finance. The level of supervision and regulation is different, though, taking into account that Grupo Aval is not a financial institution. Since February 6, 2019, Grupo Aval became subject to the supervision and regulation of the Superintendency of Finance as the financial holding of the Aval Financial Conglomerate and is required to comply with capital adequacy and additional regulations applicable to financial conglomerates. See "Item 4. Information on the Company—B. Business overview—Supervision and regulation.—Regulatory framework for Colombian Financial Conglomerates".

During 2023, 18 External Circulars ("CE" for its acronym in Spanish) have been issued by the Superintendency of Finance, we highlight the following: CE 01 of 2023 (Credit Derivatives that can be entered by Financial Entities); CE 03 of 2023 (measures regarding the solvency ratio for severance entities managing third parties resources); CE 08 of 2023 (Amends the rules for the Internal Control System of financial entities); CE 011 of 2023 (provides a methodology for the calculation of credit risk on financial derivatives); and CE 017 of 2023 (provides transitory instructions for the activation of countercyclical provisions for credit and consumer portfolio) among others.

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Fondo de Garantías de Instituciones Financieras

The *Fondo de Garantías de Instituciones Financieras* ("FOGAFIN") was created pursuant to Law 117 of 1985. The primary function of FOGAFIN is to administer the deposit insurance system, with the objective of guaranteeing the deposits and savings held by the general public in Colombian financial institutions. See "—Troubled Financial Institutions—Deposit Insurance". The other primary purposes for which FOGAFIN was formed were to support the banking industry, to facilitate the privatization of financial institutions by the Colombian Government, and to liquidate financial institutions under receivership.

FOGAFIN has tools and mechanisms that enable it to administer and temporarily take equity stakes in troubled financial institutions in order to allow it to determine whether a financial institution is viable or requires liquidation.

Securities Market Self-Regulatory Organization

Self-regulation in the capital markets was formally introduced in Colombia by Law 964 of 2005, and the securities market self-regulatory organization (*Autoregulador del Mercado de Valores de Colombia*), or "SRO", was created on June 12, 2006.

The SRO is a private entity that has the power to supervise, sanction and regulate the entities subject to self-regulation (i.e., including securities intermediaries and any entity that voluntarily submits itself to self-regulation).

The SRO's supervisory powers entitle it to review compliance with applicable laws and regulations and impose sanctions in the case of violations. The SRO may also propose regulation aimed at various matters, including conflicts of interest and improving the integrity and quality of the capital markets.

Superintendency of Industry and Commerce

According to Law 1340 of 2009, the Superintendency of Industry and Commerce is the competent national authority for all antitrust, intellectual property and data protection matters in every sector of the economy, including the financial sector.

As such, the Superintendency of Industry and Commerce is responsible for advancing administrative investigations of antitrust violations by financial and non-financial corporations and has the power to impose corresponding sanctions.

The Superintendency of Industry and Commerce is responsible for approving mergers, acquisitions and integrations between and among enterprises, except for mergers, acquisitions or integrations between financial entities. Pursuant to Law 1340 of 2009, the Superintendency of Finance is the authority responsible for approving mergers, acquisitions and integrations between financial institutions. For such approvals, the Superintendency of Finance must obtain a prior written opinion by the Superintendency of Industry and Commerce. Nonetheless, if any of the provisions set forth in numeral 4. of the Resolution 2751 of 2021 of the Superintendency of Industry and Commerce are met, the requirement to obtain such written opinion is not mandatory.

Regulatory framework for Colombian Financial Conglomerates

On September 21, 2017, the Colombian Congress enacted Law 1870 to strengthen the regulation and supervision of the financial conglomerates, also known as Law of Financial Conglomerates (*Ley de Conglomerados Financieros*). This Law sets out the scope of supervision and regulation of financial conglomerates in Colombia with the purpose of ensuring the stability of the financial system and providing the Colombian Government (Ministry of Finance) with regulatory powers to obtain complete and timely information that guarantees the transparency of the operations of the conglomerates and facilitates the exercise of consolidated supervision.

This law defines a financial conglomerate as a set of two or more local or foreign financial entities with a common controller requiring that at least one of these entities conduct financial activities in Colombia. Law 1870 also establishes the criteria for identifying the holding company of each financial conglomerate. Accordingly, any legal person or investment vehicle that exerts the first level of *control* or *significant influence* over the members of the financial conglomerate will be identified as the holding company. The Superintendency of Finance is in charge of identifying each financial conglomerate and its respective holding company.

As a result of Law 1870 of 2017, which became effective February 6, 2019, holding companies, such as Grupo Aval, became subject to the supervision of the Superintendency of Finance and are required to comply with this law. Law 1870 also granted the Colombian Government (Ministry of Finance) the authority to enact regulations regarding:

- Rules of capital adequacy and minimum capital requirements of individual entities within a financial conglomerate,

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- Criteria pursuant to which the Superintendency of Finance will be allowed to exclude certain entities and investment companies from the scope of these regulations,

- Criteria for determining whether certain entities must be identified as members of the financial conglomerate for the purpose of identifying, administering, monitoring and revealing conflicts of interest, and

- Limits of exposure and concentration of risk applicable to the financial conglomerate.

The Law of Financial Conglomerates also provides the Superintendency of Finance with the authority to:

- Instruct holding companies with respect to risk management, internal control, disclosure of information, conflicts of interest and corporate governance of the financial conglomerate,

- Require changes in the organizational structure of the financial conglomerate when the existing structure does not allow adequate disclosure of information, a comprehensive and consolidated supervision and the identification of its beneficial owner,

- Authorize the holding company to effect direct or indirect equity investments in financial entities, insurance companies and securities intermediaries,

- Request information and conduct on-site visits, and

- Cancel operating licenses of members of the financial conglomerate in cases where the controlling entity is domiciled in non-cooperative jurisdictions.

Financial conglomerates that have holding companies incorporated abroad may be exempted from the scope of these regulations if their holding company provides satisfactory evidence that the members of its financial conglomerate are subject to a regime of prudential regulation and comprehensive and consolidated supervision similar to the one established in Colombia. Otherwise, the Superintendency of Finance will have the power to request information that it deems appropriate to exercise a comprehensive and consolidated supervision of the member(s) of the financial conglomerate established in Colombia. If the Superintendency of Finance considers that the information received does not allow the proper exercise of its supervisory functions, it may revoke the operating license of the supervised entity(ies).

Pursuant to Law 1870, the Ministry of Finance enacted the following regulatory decrees:

- Decree 246, issued on February 2, 2018, set the criteria under which the Superintendency of Finance may exclude from the scope of its supervision, entities or investment vehicles of a financial conglomerate. The exclusion criteria are the following: (i) when the size of the entity is not significant in relation to the financial conglomerate to which it belongs, or (ii) when the level of interconnection and risk exposure of the entity has no significant impact on the financial conglomerate.

- Decree 774, issued on May 8, 2018, established Capital adequacy levels applicable to financial conglomerates. The technical assets of the financial conglomerate, as defined in the same decree, at no time may be less than the adequate equity of the financial conglomerate, also defined therein. The financial holding company is responsible for compliance, always, with the appropriate level of capital for the financial conglomerate, notwithstanding the obligations laid down in the regulation applicable to entities that are part of the financial conglomerate. If it becomes apparent that the technical assets of the financial conglomerate are less, the financial holding company must determine and inform the Financial Superintendence of Colombia the way in which it will be corrected.

- Decree 774 of 2018, established the following criteria for the calculation of the capital adequacy applicable to financial conglomerates: (i) technical capital should not be lower than adequate capital, (ii) the financial holding is responsible for the compliance of the capital adequacy applicable to the financial conglomerate, and (iii) in order to determine the adequate and the technical capital applicable to a financial conglomerate, financial holdings shall select a calculation basis using: (a) consolidated information, b) separate information, or (c) a combination of consolidated and separate information. For these purposes, Grupo Aval selected a combination of consolidated and separate information.

- Decree 1486, issued on August 6, 2018, which established obligations for members of a financial conglomerate, with respect to: (i) identifying the entities and individuals that need to be considered as related parties to the financial conglomerate *(vinculados)*, (ii) policies regarding identification, disclosure, management and control of conflicts of interests, and (iii) policies and limits of exposure and concentration of risks for operations between entities of the conglomerate and between these and their related entities or individuals *(vinculados)*.

Technical capital for the Aval Financial Conglomerate complied with the adequate capital required by regulation for each of the reported interim quarterly filings and at December 31, 2023. See “Item 3. Key Information—D. Risk factors—Risks relating to our businesses and industry—Risks relating to our banking business” and “Item 11. Quantitative and Qualitative Disclosures About Market Risk”.

Regulatory framework for Colombian financial institutions

Basic Framework: Decree 663 of 1993

The basic regulatory framework for the operations of the Colombian financial sector is set forth in the Financial System Organic Statute or “EOSF”, as amended by Laws 510 of 1999, 546 of 1999, 795 of 2003, 964 of 2005, 1328 of 2009, 1555 of 2012 and 1735 of 2014, 1870 of 2017, Law Decree 2106 of 2019, 2069 of 2020, 2071 of 2020, 2186 of 2022, 2294 of 2023 and Law Decree 1962 of 2023. Decree 2555 of 2010 (as amended from time to time), as well as in External Resolution 01 of 2018 (exchange control regulation statute) and External Resolution 4 of 2006 issued by the Board of Directors of the Colombian Central Bank.

The EOSF defines the structure of the Colombian financial system and establishes various business entities, including (1) credit institutions (which are further categorized into banks, merchant banks, financing companies and finance cooperatives), (2) financial services entities, (3) capitalization corporations, (4) insurance companies and (5) insurance intermediaries.

The EOSF also provides that no financial, banking or credit institution may operate in Colombia without the prior approval of the Superintendency of Finance. Subject to prior approval of the Superintendency of Finance, foreign banks may operate in Colombia through their subsidiaries established and incorporated in Colombia. Under Law 1328 of 2009, foreign banks, as of July 15, 2013, are permitted to operate through their “branches” and are not obligated to incorporate a Colombian subsidiary. Operations through these branches will be subject to prior approval by the Superintendency of Finance. Among other legal requirements, branches have to meet the same minimum capital requirements as independent entities do.

The main role of banks, merchant banks and financing companies is to receive deposits. Banks place funds back into circulation by means of loans or any active credit operation; merchant banks place funds into circulation by means of active credit operations or investments, with the purpose of promoting the creation or expansion of enterprises; and financing companies place funds back into circulation by means of active credit operations, with the purpose of fostering the sale of consumer goods and services, including leasing operations.

Each credit institution must be authorized by the Superintendency of Finance before it may develop and provide financial services. Furthermore, the activities of credit institutions are subject to limitations and restrictions, including limitations and restrictions relating to the extension of credit, risk concentration, investments, conditional operations, foreign currency loans and negotiations, and the administration of third-party funds. One of the main restrictions on financial activities is that banks may not acquire or hold products, merchandise, equity shares of corporations operating in non-financial activities, income bonds, or other similar securities, except: (i) when the bank has received those goods or securities as collateral for loans it has made or (ii) with respect to shares, when they are issued by companies where banks are permitted to hold investments (mainly financial affiliates). Banks are also subject to other limitations, including limitations on lending activities.

Modifications to Framework

Laws 510 of 1999, 546 of 1999, 795 of 2003 and 1328 of 2009 have substantially modified the control, regulation and surveillance powers of the Superintendency of Finance. In addition, Law 510 of 1999 and Law 1328 of 2009 streamlined the procedures and powers for FOGAFIN. The main purpose of Law 510 of 1999 was to increase the solvency and stability of Colombia’s financial institutions by establishing rules regarding their incorporation, as well as the permitted investments of credit institutions, insurance companies and investment companies. Law 546 of 1999 was enacted in order to regulate the system of long-term housing loans.

Law 795 of 2003 was enacted with the purpose of broadening the scope of activities to be performed by financial institutions and to update Colombian regulations with the latest principles of the Basel Committee at that time. Law 795 of 2003 also increased the minimum capital requirements needed to incorporate a financial institution and authorized the Superintendency of Finance to take precautionary measures with respect to financial institutions whose capital falls below certain thresholds. For example, in order to avoid a temporary receivership or intervention by the Superintendency of Finance, troubled financial institutions must submit a restructuring program to the Superintendency of Finance.

Law 1328 of 2009, as amended by Law 1748 of 2014, provided a new set of rights and responsibilities for customers of the financial system and a set of obligations for financial institutions, in order to minimize disputes. This law also broadened the scope of permitted business activities by regulated entities: following its adoption, banks were allowed to operate leasing businesses under certain circumstances and to extend loans to third parties so that borrowers may acquire control of other companies.

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In order to implement and enforce the provisions related to Colombia's financial system, the Superintendency of Finance has issued periodic circulars and resolutions. The External Circular 029 of 2014, known as the Basic Legal Circular, as amended, consolidates all of the rules and regulations applicable to financial institutions, including rules and regulations relating to the management, operations, investments, lending activities and money-laundering prevention activities of financial institutions. The External Circular 100 of 1995, known as the Basic Accounting and Financial Circular, consolidates all of the regulations applicable to the accounting and financial rules of financial institutions. Furthermore, the Basic Accounting and Financial Circular regulates the assessment of credit institutions' investments, risk management, financial statements, information disclosure and inter-banking credits.

Violations of Laws 510 of 1999, 546 of 1999, 795 of 2003 or 1328 of 2009, as well as of specific provisions of Decree 663 of 1993 and their relevant regulations, are subject to administrative sanctions and, in some cases, criminal sanctions.

Key interest rates

Colombian commercial banks, merchant banks (c*orporaciones financieras*) and financing companies are required to report data to the Colombian Central Bank on a weekly basis regarding the total volume (in pesos) of certificates of deposit issued during the prior week and the average interest rates paid for certificates of deposit with maturities of 90 days. Based on such reports, the Colombian Central Bank calculates the DTF rate, which is published at the beginning of the following week for use in calculating interest rates payable by financial institutions. The DTF rate is the weighted average interest rate paid by commercial banks, merchant banks and financing companies for certificates of deposit with maturities of 90 days.

The Colombian Central Bank also calculates the interbank rate (*Interés Bancario de Referencia*), or "IBR", which acts as a reference of overnight, one-month and three-month interbank loans, based on quotations submitted each business day by eight participating banks to the Colombian Central Bank. Using the median of the quotations submitted, the Colombian Central Bank calculates the overnight IBR each business day. The one-month and three-month IBRs are also calculated using the median of the quotations submitted each business day, based on the prices of interest rate swaps for each of these periods.

Article 884 of the Colombian Commercial Code provides for a limit on the amount of interest that may be charged in commercial transactions. The limit is 1.5 times the current banking interest rate (*Interés Bancario Corriente*), calculated as the average of the interest ordinarily charged by banks within a set period of time. The current banking interest rate is certified by the Superintendency of Finance.

On March 29, 2023, a major amendment to this rule was enacted by means of Decree 455 of 2023, which amended Decree 2555 of 2010 with regards to the certification of *Interés Bancario Corriente* and now includes five different certifications regarding new credit categories such as Rural Popular Productive Credit, Urban Popular Productive Credit, Rural Productive Credit, Urban Productive Credit, Productive Credit and Productive Credit of larger amounts. The certification of these banking interest rates may include any other source of credits (not only regulated banking entities) including lenders, credit originators and natural persons, among others. Given that this is a new regulation, it is uncertain the way in which its implementation will be undertaken. The Decree states that current banking interest rate will be in force for three months, until the methodology and sources for the new credit certifications are clearer.

Capital Adequacy Requirements

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

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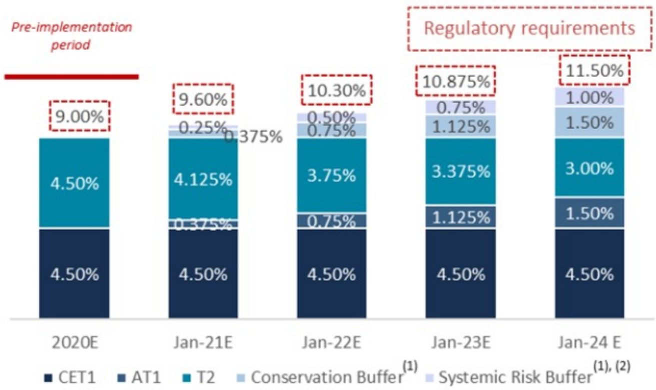
minimum of 9%. Pursuant to Decree 2555 of 2010 (as amended), the Superintendency of Finance must grant prior approval of the eligibility of a debt, equity or hybrid instrument in order to be classified as AT1;

- 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.

The agreement detailed on Note 1 to our audited consolidated financial statements "Reporting Entity" Banco Popular S.A section, 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:

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Banco de Bogotá

	Separate basis At December 31,		Consolidated basis At December 31,	
	2023	2022	2023	2022
	(in Ps billions)		(in Ps billions)	
Subscribed and paid-in capital	4	4	4	4
Reserves and retained earnings	14,636	13,507	14,989	13,301
Other comprehensive income	8	51	(123)	42
Net income for the period	1,025	2,252	954	2,805
Non-controlling interests	—	—	—	—
Deductions:				
Unconsolidated financial sector investments	—	(3,364)	—	(3,262)
Goodwill and other intangibles	(1,220)	(1,054)	(1,504)	(1,416)
Deferred tax assets	(815)	(1,307)	(673)	(1,036)
Other	—	—	(1)	(0)
CET1	**13,637**	**10,088**	**13,645**	**10,438**
Hybrid instruments recognized as additional primary capital	—	—	—	—
Other	—	—	—	—
AT1	**—**	**—**	**—**	**—**
Tier I	**13,637**	**10,088**	**13,645**	**10,438**
Subordinated instruments	2,574	3,136	2,574	3,136
Plus/minus others	161	425	—	—
Tier II capital	**2,734**	**3,561**	**2,574**	**3,136**
Other deductions from technical capital	—	—	—	—
Technical capital	**16,371**	**13,649**	**16,219**	**13,574**
Risk-weighted assets	76,812	68,772	91,626	88,898
Market risk	492	495	639	760
Market risk exposure(1)	5,462	5,504	7,103	8,440
Operational risk	521	527	613	577
Operational risk exposure(1)	5,790	5,860	6,806	6,412
Risk-weighted assets including regulatory market risk and operational risk	**88,064**	**80,136**	**105,534**	**103,751**
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(2)	**18.59%**	**17.03%**	**15.37%**	**13.08%**
Capital measure	13,637	10,088	13,645	10,438
Exposure measure	120,115	106,718	141,767	136,097
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. Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.
(2) Solvency ratio is calculated as technical capital to risk-weighted assets, including regulatory value at risk and regulatory operational risk.

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Banco de Occidente

	Separate basis At December 31,		Consolidated basis At December 31,	
	2023	2022	2023	2022
	(in Ps billions)		(in Ps billions)	
Subscribed and paid-in capital	5	5	5	5
Reserves and retained earnings	4,782	4,526	4,996	4,791
Other comprehensive income	29	(125)	176	(65)
Net income for the period	431	503	474	452
Non-controlling interests	—	—	12	—
Deductions:				
Unconsolidated financial sector investments	—	(224)	—	(227)
Goodwill and other intangibles	(643)	(586)	(595)	(533)
Deferred tax assets	(252)	(145)	—	—
Other	(3)	(4)	(3)	(4)
CET1	**4,348**	**3,949**	**5,065**	**4,419**
Hybrid instruments recognized as additional primary capital	—	—	—	—
Other	—	—	—	—
AT1	**—**	**—**	**—**	**—**
Tier I	**4,348**	**3,949**	**5,065**	**4,419**
Subordinated instruments	649	835	649	835
Plus/minus others	26	85	—	—
Tier II capital	**675**	**920**	**649**	**835**
Other deductions from technical capital	—	—	—	—
Technical capital	**5,024**	**4,870**	**5,714**	**5,254**
Risk-weighted assets	38,074	34,616	41,324	37,592
Market risk	185	229	218	273
Market risk exposure(1)	2,053	2,547	2,426	3,028
Operational risk	236	203	236	227
Operational risk exposure(1)	2,618	2,258	2,625	2,525
Risk-weighted assets including regulatory market risk and operational risk	**42,745**	**39,421**	**46,375**	**43,145**
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(2)	**11.75%**	**12.35%**	**12.32%**	**12.18%**
Capital measure	4,348	3,949	5,065	4,419
Exposure measure	65,856	56,629	70,759	62,212
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. Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.

(2) Solvency ratio is calculated as technical capital to risk-weighted assets, including regulatory value at risk and regulatory operational risk.

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Banco Popular

	Separate basis At December 31,		Consolidated basis At December 31,	
	2023	2022	2023	2022
	(in Ps billions)		(in Ps billions)	
Subscribed and paid-in capital	77	77	77	77
Reserves and retained earnings	2,840	2,752	2,982	2,876
Other comprehensive income	79	69	222	198
Net income for the period	(347)	73	(403)	80
Non-controlling interests	—	—	6,794	30
Deductions:				
Unconsolidated financial sector investments	—	(355)	—	(355)
Goodwill and other intangibles	(361)	(288)	(446)	(294)
Deferred tax assets	—	—	—	—
Other	(88)	(158)	(89)	(158)
CET1	**2,200**	**2,170**	**9,138**	**2,455**
Hybrid instruments recognized as additional primary capital	—	—	—	—
Other	—	—	—	—
AT1	**—**	**—**	**—**	**—**
Tier I	**2,200**	**2,170**	**9,138**	**2,455**
Subordinated instruments	327	177	77	177
Plus/minus others	21	26	—	—
Tier II capital	**348**	**203**	**77**	**177**
Other deductions from technical capital	—	—	(37)	—
Technical capital	**2,548**	**2,372**	**9,178**	**2,632**
Risk-weighted assets	16,670	18,453	36,166	18,473
Market risk	83	137	337	148
Market risk exposure(1)	924	1,517	3,741	1,641
Operational risk	136	113	462	116
Operational risk exposure(1)	1,516	1,253	5,138	1,288
Risk-weighted assets including regulatory market risk and operational risk	**19,109**	**21,223**	**45,046**	**21,402**
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(2)	**13.33%**	**11.18%**	**20.37%**	**12.30%**
Capital measure	2,200	2,170	9,138	2,455
Exposure measure	29,394	32,227	56,066	32,249
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. Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.

(2) Solvency ratio is calculated as technical capital to risk-weighted assets, including regulatory value at risk and regulatory operational risk.

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Banco AV Villas

	Separate basis At December 31, 2023	
	2023	2022
	(in Ps billions)	
Subscribed and paid-in capital	22	22
Reserves and retained earnings	1,658	1,524
Other comprehensive income	57	(30)
Net income for the period	(117)	112
Non-controlling interests	—	—
Deductions:		
Unconsolidated financial sector investments	—	—
Goodwill and other intangibles	(160)	(124)
Deferred tax assets	(10)	—
Other	(124)	(153)
CET1	**1,327**	**1,350**
Hybrid instruments recognized as additional primary capital	—	—
Other	0	0
AT1	**0**	**0**
Tier I	**1,327**	**1,351**
Subordinated instruments	—	—
Plus/minus others	24	25
Tier II capital	**24**	**25**
Other deductions from technical capital	—	—
Technical capital	**1,352**	**1,376**
Risk-weighted assets	10,054	10,420
Market risk	47	97
Market risk exposure(1)	522	1,075
Operational risk	96	82
Operational risk exposure(1)	1,064	909
Risk-weighted assets including regulatory market risk and operational risk	**11,640**	**12,403**
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(2)	**11.61%**	**11.09%**
Capital measure	1,327	1,351
Exposure measure	18,873	19,487
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. Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.

(2) Solvency ratio is calculated as technical capital to risk-weighted assets, including regulatory value at risk and regulatory operational risk.

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Corficolombiana

	Separate basis At December 31,		Consolidated basis At December 31,	
	2023	2022	2023	2022
	(in Ps billions)		(in Ps billions)	
Subscribed and paid-in capital	3	3	3	3
Reserves and retained earnings	11,233	9,929	10,830	9,588
Other comprehensive income	(77)	(383)	366	48
Net income for the period	809	1,774	886	1,714
Non-controlling interests	—	—	1	1
Deductions:				
Unconsolidated financial sector investments	—	—	—	—
Goodwill and other intangibles	(99)	(91)	(78)	(67)
Deferred tax assets	—	—	—	(5)
Other	(1)	(1)	(6)	(6)
CET1	**11,868**	**11,232**	**12,003**	**11,276**
Hybrid instruments recognized as additional primary capital	—	—	—	—
Other	0	0	0	0
AT1	**0**	**0**	**0**	**0**
Tier I	**11,869**	**11,232**	**12,003**	**11,276**
Subordinated instruments	—	—	—	—
Plus/minus others	—	—	—	—
Tier II capital	**—**	**—**	**—**	**—**
Other deductions from technical capital	(37)	(44)	(37)	(44)
Technical capital	**11,832**	**11,188**	**11,966**	**11,232**
Risk-weighted assets	19,894	18,323	20,190	18,239
Market risk	236	186	240	191
Market risk exposure(1)	2,618	2,066	2,667	2,117
Operational risk	291	259	299	303
Operational risk exposure(1)	3,229	2,881	3,319	3,372
Risk-weighted assets including regulatory market risk and operational risk	**25,741**	**23,271**	**26,176**	**23,728**
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(2)	**45.96%**	**48.08%**	**45.71%**	**47.34%**
Capital measure	11,869	11,232	12,003	11,276
Exposure measure	27,069	24,099	27,699	24,590
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. Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.

(2) Solvency ratio is calculated as technical capital to risk-weighted assets, including regulatory value at risk and regulatory operational risk.

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Porvenir

In Colombia, pension and severance fund administrators are subject to specific regulation regarding capital adequacy. On March 2, 2018, Decree 415 of 2018, which amended Decree 2555 of 2010, introduced a new solvency measure for pension and severance fund administrators of minimum 9% of the value of the technical capital requirements (*patrimonio técnico*) divided by:

- Summation of assets weighted by risk level;
- Operational risk exposure value multiplied by 100/9; and
- Market risk exposure value multiplied by 100/9;

On August 6, 2019, the Decree 1420, established additional rules for pension and severance fund administrators related to the percentage of exposure applicable to operational risks. On February 3, 2022 the Decree 175 modified technical capital requirements for pension and severance fund administrators, migrating definitions on technical capital and risk-weighted assets closer to the Basel III framework. The Superintendency of Finance published instructions corresponding to the application of this Decree in December 2022. Pension and severance fund managers thus have a twelve-month transition period starting on January 2023 to comply with this regulation starting on February 2024.

	Separate basis	
	At December 31,	
	2023	2022
	(in Ps billions)	
Subscribed and paid-in capital	109	109
Reserves and retained earnings	2,266	2,312
Deductions:		
Others	(51)	(51)
Primary capital	**2,324**	**2,371**
Unrealized gains/losses on securities available for sale(1)	(8)	(32)
Secondary capital (Tier II)	**(8)**	**(32)**
Deductions:		
Value of the stabilization reserve	(1,912)	(1,782)
Technical capital	**404**	**557**
Risk-weighted assets	887	907
Market risk	11	14
Market risk exposure(1)	121	153
Operational risk	122	128
Operational risk exposure(1)	1,360	1,420
Risk-weighted assets including regulatory market risk and operational risk	**2,368**	**2,481**
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 specific weightings as defined 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.

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Mandatory Investments

Colombian banking institutions are required to invest in agricultural development bonds (*Títulos de Desarrollo Agropecuario*, or "TDAs") issued by Finagro, a Government entity, according to External Resolution 3 of 2000 of the Colombian Central Bank, as amended from time to time.

A major amendment over TDA´s was enacted by means of Law 2186 of 2022, allowing financial entities to substitute up to the 50% of the investments over TDA´s in credits to small and medium agropecuary producers, as regulated by the National Commission of Agropecuary Loans. Such limit of 50% shall be accomplished during the next two years of this Law. (January 2024). Nonetheless some sections of Law 2186 of 2022 are proposed to be eliminated by the draft of the National Development Plan.

The Colombian Central Bank requires that each bank maintains a total investment in these bonds equal to 5.61% of its checking and savings deposits minus legal reserves, plus 4.25% of its time deposits minus legal reserves with a maturity of up to 18 months. Finagro may issue two different types of agricultural development bonds:

- Class A with an interest rate of four percentage points below the DTF effective annual rate (DTF-4%) or with an interest rate of three-point sixty-seven percentage points below the IBR 3-month nominal rate (IBR-3.67%).

- Class B with an interest rate of two percentage points below the DTF effective annual rate (DTF-2%) or with an interest rate of one point seventy one percentage points below the IBR 3-month nominal rate (IBR-1.71%).

If the DTF interest rate falls to 4% or less, the profitability of the Class A TDAs will be 0%, and if the DTF rate falls to 2% or less, the profitability of the Class B TDAs will be 0%. The same applies to IBR rate. Banks are required to invest 50% of the total mandatory investment in Class A TDAs and 50% in Class B TDAs.

Under Government discretion, authorities may extend the scope of current regulations or require additional disbursements on current or new types of mandatory investments.

Pursuant to Decree 562 issued on April 15, 2020, Colombian credit institutions are required to invest in solidarity notes, these notes are public debt notes issued by the Colombian Government with a maturity date of one year (extendable for additional terms) to address COVID-19 effects in Colombia. Each credit institution has to invest:

- 3% of its checking and savings deposits, minus the mandatory reserves, based on its reported monthly financial statements, and

- 1% of its time deposits subject to mandatory reserves, minus the mandatory reserves, based on its reported monthly financial statements.

The Colombian Central Bank lowered reserve requirements as a measure to mitigate the negative impact of the Covid-19 pandemic on credit institutions on April 14, 2020 effective on April 22, 2020. These changes, which remain current, were made to support the acquisition of the solidarity notes with the excess liquidity generated through lower reserve requirements.

Minimum Incorporation Capital Requirements

The Decree 2555 of 2010 establishes minimum incorporation capital requirements for different financial institutions. When a financial institution fails to comply with the minimum required capital after a cure period granted by law, the Superintendency of Finance may intervene, causing the financial institution to be liquidated, merged with another institution or its corporate form may be converted into another category of financial institution, notwithstanding the fact that the institution may be subject to fines imposed by the Superintendency of Finance.

The minimum incorporation capital requirement for Colombian banks on a separate basis for 2023 was Ps 121,999 million. As of the date of this annual report, all our banks have consistently satisfied this incorporation capital requirement.

Capital Investment Limit

All investments in subsidiaries and other authorized capital investments, other than those carried out in order to fulfill legal provisions, may not exceed 100% of the total aggregate of the capital, equity reserves and the equity reappraisal account of the respective bank, financial corporation or financing company, excluding unadjusted fixed assets and including deductions for accumulated losses.

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Foreign Currency Position Requirements

According to External Resolution No. 1 of 2018 and External Regulatory Circular DODM-398 issued by the Board of Directors of the Colombian Central Bank on March 22, 2019, which modified the foreign currency position requirements of Colombian banks, the foreign currency position (defined as the difference between rights and obligations denominated in foreign currencies) based on a three-business-day average, cannot exceed 20% of the bank's technical capital. If the foreign currency position is negative, it cannot exceed 5% of the bank's technical capital.

Currency exchange intermediaries such as Banco de Bogotá, with controlling interest of its overseas investments, are required to exclude those investments and any declared and approved hedging instruments (derivatives or debt) from their foreign currency positions starting on March 26, 2019. At December 31, 2023, Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas had unconsolidated net foreign currency positions of U.S.$(108) million, U.S.$(6.3) million, U.S.$5.4 million and U.S.$(0.01) million, respectively, which fell within these regulatory guidelines.

Lending Limits

As amended from time to time, Decree 2555 of 2010 provides that banking entities may not lend, individually or in the aggregate, to a single borrower an amount in excess of 10% of their technical capital (*Patrimonio Técnico*) if the only security for such operation is the borrower's equity. Nevertheless, commercial banks can lend to a single person an amount equivalent to 25% of their technical capital (*Patrimonio Técnico*), if such loan is secured by eligible collateral and sufficient to secure a risk exceeding 5% of such equity.

Notwithstanding the general rule set above regarding the lending limit of 10%, a 2014 Decree was issued to promote the financing of Fourth Generation Concessions toll roads established that commercial banks are allowed to lend to a single borrower, a sum up to 25% of technical capital (*Patrimonio Técnico*).

In no event may a loan to a shareholder that holds, directly or indirectly, 20% or more of a bank's share capital exceed 20% of their technical capital (Patrimonio Técnico). In addition, this Decree establishes no loan to a single financial institution may exceed 30% of a bank's technical capital (*Patrimonio Técnico*), with the exception of loans funded by Colombian development banks for which no limit exists.

If a financial institution exceeds these limits, the Superintendency of Finance may impose a fine equal to up to twice the amount by which any such loan exceeded the limit.

No concentration limits apply to Grupo Aval on a consolidated basis, however, since 2020, pursuant to the Law of Financial Conglomerates, and its regulatory decrees, the Board of Directors of Grupo Aval approved the policies and limits of exposure and concentration of risks for operations between entities belonging to its financial conglomerate and between these and their related entities or individuals *(vinculados)*. These policies include the identification of material risks, operations between entities of the financial conglomerate and between them and their related parties, responsibilities and obligations of administrators and governing bodies, certain quantitative limits and an early warning scheme, as well as disclosure mechanisms.

On August 4th, 2022, the Colombian government issued Decree 1533. On February 1st, 2024, the Superintendence of Finance issued CE 03 (together, the "New Large Exposures Regulation"). These regulations amend the current regime related to large exposures and lending limits. They limit the maximum loss that financial institutions could face in relation to their capital base, ensuring it does not endanger their solvency, due to the failure of: (i) an individual counterparty; or (ii) a group of related counterparties, considered the same risk consistent with international standards. The New Large Exposures Regulation will be enforceable on August 4th, 2025, and sets forth new or updated rules for:

- Identification and measurement of large exposures.
- The maximum size of the exposures to an individual counterparty or group of connected counterparties to be taken as the same risk.
- The total maximum limit for the large exposures that a financial institution can take.
- Eligible credit risk mitigation measures in order to reduce the value of a large exposures.
- Requirements for the recognition of collateral that may limit a large exposure.
- The creation of groups of connected counterparties (control relationship, financial conglomerates, economic interdependence, family relationship, investment vehicles), with respect to which the exposures must be added and taken as the same risk.
- Exclusion of exposures that should not be included in the calculations of large exposures.
- Specialized project financing as an exception for aggregating exposures.
- Reporting regime

At December 31, 2023, pursuant to Decree 2555 of 2010, our banks were subject to the following lending limits for unsecured and secured loans: Banco de Bogotá's lending limit per borrower on a separate basis was Ps 1.64 billion for unsecured loans and Ps 4.09 billion for

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secured loans, Banco de Occidente's lending limit per borrower on a separate basis was Ps 0.50 billion for unsecured loans and Ps 1.26 billion for secured loans, Banco Popular's lending limit per borrower on a separate basis was Ps 0.25 billion for unsecured loans and Ps 0.64 billion for secured loans, and Banco AV Villas' lending limit per borrower on a separate basis was 0.14 billion for unsecured loans and Ps 0.34 billion for secured loans.

The Colombian Central Bank also has the authority to establish maximum limits on the interest rates that commercial banks and other financial institutions may charge on loans.

Reserve Requirements

Credit institutions are required by the Board of Directors of the Colombian Central Bank to satisfy reserve requirements with respect to deposits and other cash demands. These reserves are held by the Colombian Central Bank in the form of cash deposits. According to External Resolution 5 of 2008, as amended by External Resolution 9 of 2016 and External Resolution 20 of 2020, the reserve requirements for Colombian banks are measured bi-weekly and the amounts depend on the class of deposits.

Reserve requirements for credit institutions presented a range between 0% and 8.0%. Credit institutions have to maintain reserves of 8.0% for checking accounts and savings deposits, reserves of 3.5% for time deposits with a maturity of less than 540 days, and no reserves for time deposits with a maturity equal or greater than 540 days.

Credit institutions must maintain these reserves in their accounts at the Colombian Central Bank or in cash.

Foreign Currency Loans

Colombian residents may only obtain foreign currency loans from foreign entities that obtain a code from the Colombian Central Bank. Such code has to be requested from the foreign exchange intermediary by the resident that wishes to obtain a loan from foreign entities or foreign individuals. Foreign currency loans must be either channeled through foreign exchange intermediaries (such as Colombian financial institutions) or deposited in offshore compensation accounts (i.e., specially designated accounts at foreign banks held by Colombian residents and registered before the Colombian Central Bank).

Under regulations issued by the Colombian Central Bank, every Colombian resident and institution borrowing funds in foreign currency is generally required to post with the Colombian Central Bank non-interest-bearing deposits for a specified term; however, the percentage of the required deposit is currently zero. No such deposits are required for foreign currency loans aimed at financing Colombian investments abroad or for short-term export loans (provided the loan is disbursed against the funds of Banco de Comercio Exterior—Bancoldex).

In addition, pursuant to Law 9 of 1991, the Board of Directors of the Colombian Central Bank is entitled to impose conditions and limitations on the incurrence of foreign currency indebtedness in order to avoid pressure in the foreign exchange market.

Restrictions on Foreign Investment in Colombia

Colombia's foreign investment statute regulates the manner in which non-residents are permitted to invest in Colombia and participate in the Colombian securities market. Among other requirements, Colombian law requires foreign investors to register certain foreign exchange transactions with the Colombian Central Bank and obtain authorization for certain types of investments. Certain foreign exchange transactions, including those between residents and non-residents, must be made through authorized foreign exchange intermediaries.

Non-residents are permitted to hold portfolio investments in Colombia, through a registered stock brokerage firm, a trust company or an investment firm. Investors would only be allowed to transfer dividends abroad after the foreign investment registration procedure with the Colombian Central Bank has been completed. The failure of a non-resident investor to report or register foreign exchange transactions with the Colombian Central Bank relating to investments in Colombia on a timely basis may prevent the investor from remitting dividends, or an investigation that may result in a fine may be commenced.

Loss Allowance

In the consolidated financial statements of Colombian credit institutions, the following rules about loan loss allowances apply:

Regarding the entire loan portfolio, in accordance with IFRS 9, financial institutions must evaluate at the end of each accounting period if there is or has been a significant increase in the credit risk (SICR) of a loan measured in accordance with the amortized cost methodology.

Impairment indicators include significant economic difficulties faced by the borrower, payment default and the probability that the borrower will seek protection from creditors. If impairment is determined, a loan loss provision charged to income is calculated as follows:

- For loans deemed individually significant and impaired, an individual analysis is carried out in accordance with IFRS 9, which takes into consideration expected cash flows, interest rates, the amortization schedule, collateral and information from credit bureaus. A loan is considered impaired when, based on historic and current information and events, including forward-looking information such as macroeconomic indicators, it is concluded that a there is a probability that the lender will be unable to collect in full the amounts owed as per the loan agreement, including interest and commissions. When a loan has been identified as impaired, the value of the loss is measured as: (i) the difference between the book value of the loan and the present value of expected future flows (taking into consideration the condition of the borrower), discounted by the interest rate initially established on the loan, or (ii) the present value of the collateral that guarantees the loan (after deducting the estimated selling costs of the collateral) when it is concluded that the fundamental source of repayment is the sale of the collateral. For the calculation of loss allowances considered individually significant, which are based on their guarantee, estimates of the fair value of such guarantee are established using independent expert appraisers.

- For those loans which are not individually significant and for loans individually significant but not impaired, a collective assessment is effected with loans grouped together by segments having similar characteristics, using statistical assessment techniques based on the analysis of historical losses to determine an estimate of percentage of expected losses in such assets as of the date of the financial statements, but which have not been identified on an individual basis.

For the calculation of expected losses of loan portfolios analyzed collectively, statistical models are utilized which take into consideration three fundamental factors: exposure, probability of default and loss given default.

The calculation process includes analyses of specific, historical and qualitative components. The methodologies used include the following elements: a) detailed periodical analysis of the loan portfolio, b) credit classification system by risk levels, c) periodic review of the summary of loss allowances, d) identification of loans to be evaluated individually due to impairment, e) consideration of internal factors, such as our size, organizational structure, loan portfolio structure, loan administration process, analysis of overdue portfolio and experiences of historical losses, f) consideration of risks inherent to different types of loans, and g) consideration of external factors, including local, regional and national, as well as economic factors.

As of January 1, 2018, IASB adopted the expected credit loss ("ECL") model according to IFRS 9. For more information regarding loss allowance calculations see "Item 11. Quantitative and Qualitative Disclosures About Market Risk".

Separate financial statements for us and our financial subsidiaries in Colombia are based on Colombian IFRS and pursuant to certain requirements under Colombian regulations. Loss allowances are calculated based on specific rules of the Financial and Accounting Basic Circular (*"Circular Básica Contable y Financiera*") issued by the Superintendency of Finance

Requirements for acquiring shares of a financial entity in Colombia.

Pursuant to Article 88 of EOSF, any transaction of national or foreign investors whose purpose is the acquisition of ten percent (10%) or more of the subscribed shares of any kind of entity subject to the supervision of the Superintendency of Finance, whether it is carried out through one or several operations of any nature, simultaneous or successive, or those by means of which said percentage is increased, shall require, under penalty of ineffectiveness, the prior approval of the Superintendency of Finance, who shall examine the suitability and responsibility of the persons interested in acquiring the equity in such entities.

Additionally, the Superintendency of Finance shall ascertain whether the public welfare will be protected during these transactions. Subsequently, the Superintendency of Finance will assure that none of the acquirers of the shares are under any situation that pursuant to the EOSF would not allow such acquirer or acquirers to incorporate a new financial entity, such as AML/TF measures or the breach of Legal Lending Limits, among others. The failure to request the Superintendency of Finance's prior approval may result in the share transfer transaction being declared ineffective. Therefore, any effects of the transaction would be canceled and nullified as a matter of law, without the need for a judicial declaration.

However, the law provides certain exceptions to the requirement to obtain such prior approval. If an investor has been approved by the Superintendency of Finance for the acquisition of 10% or more of the shares of a financial entity during the last three years, such investor is allowed to notify the compliance with certain capital relations as provided by law, without the need of requesting a new approval. This also applies for financial entities, such as Credit Unions, whose capital is not composed of or represented by shares.

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Public Tender Offer Rules

Pursuant to Colombian law, the acquisition of the beneficial ownership of 25.0% or more of the outstanding shares with voting rights of a listed company, or the purchase of 5.0% or more of the outstanding shares with voting rights by a shareholder or group shareholders beneficially owning 25.0% or more of such outstanding shares of a listed company, should be made pursuant to the public tender offer rules. The preferred shares are not shares with voting rights for purposes of this requirement.

Under Article 6.15.2.1.1 of Decree 2555 of 2010, any entity or group of entities ultimately representing the same beneficial owner, directly or through one or more intermediaries, may only become the beneficial owner of more than 25.0% of the outstanding shares with voting rights of a company that is publicly traded in Colombia by making a public tender offer directed to all holders of such shares of that company, following the procedures established by the Superintendency of Finance as per the applicable law.

Moreover, any beneficial owner of more than 25.0% of the outstanding shares with voting rights of a company who wants to acquire additional shares of the company representing more than 5.0% of the company's outstanding shares with voting rights may only do so by making a public tender offer directed to all holders of such company's shares, following the procedures established by the Colombian Superintendency of Finance as per the applicable.

These requirements do not need to be met in certain circumstances described in Article 6.15.2.1.2 of Decree 2555 of 2010, including: (i) if the purchase is approved by 100% of the holders of the outstanding shares of the company, (ii) if the purchaser acquires the percentages indicated above through an offer in a privatization process, (iii) if the company reacquires its own shares or (iv) if the company issues voting shares, among others.

In 2023, and as of the date of this annual report, there have been no public tender offers by third parties with respect to the Company's shares or by Grupo Aval in respect to another company's shares.

Sales of Publicly Traded Stock

Any transaction involving the sale of publicly traded stock of any Colombian company, including any sale of our preferred shares for the peso equivalent of 66,000 UVRs (U.S.$ 6,179.1) or more must be effected through the Colombian Stock Exchange. At December 31, 2023, one UVR equaled Ps 357.8 and 66,000 UVRs equal Ps 23,616,925.2.

Intervention Powers of the Superintendency of Finance – Bankruptcy Considerations

Pursuant to Colombian banking regulations, the Superintendency of Finance has the power to intervene in the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure.

The Superintendency of Finance may intervene in a bank's business: (i) prior to the liquidation of the bank, by taking precautionary measures in order to take remedial actions and prevent the bank from being taken over by the Superintendency of Finance, or (ii) to take control of the bank to either administer the bank or order its liquidation, depending on the severity of the situation.

The purpose of taking control is to allow the Superintendency of Finance to decide: (i) whether the entity should be liquidated, (ii) whether it is possible to place it in a position to continue doing business in the ordinary course, or (iii) whether other measures may be adopted to secure better conditions so that depositors, creditors and investors may obtain the full or partial payment of their credits.

If the Superintendency of Finance takes control of a bank, FOGAFIN must appoint a special agent (who must be accepted by the Superintendency of Finance) to administer the affairs of the bank during such process and until the bank is ordered to be liquidated or the entity is reestablished to continue doing business in the ordinary course.

During the period of the Superintendency of Finance's control (which ends when the liquidation process begins), Colombian banking laws prevent any creditor of the bank from (i) initiating any procedure for the collection of any amount owed by the bank, (ii) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations, (iii) placing a lien or attachment on any of the assets of the bank to secure payment of any of its obligations, or (iv) making any payment, advance or compensation or assuming any obligation on behalf of the bank, with the funds or assets that may belong to it and are held by third parties, except for payments that are made by way of set-off between regulated entities of the Colombian financial and insurance systems.

In the event that the bank is liquidated, the Superintendency of Finance must, among other measures, provide that all term obligations of the bank are due and payable at the date when the order to liquidate becomes effective.

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During the liquidation process, bank deposits and other types of saving instruments will be excluded from the liquidation process and, claims of creditors, as a general rule, rank as follows: (i) the first class of credits includes the court expenses incurred in the interest of all creditors, wages and other obligations related with employment contracts and tax obligations owed to tax authorities regarding national and local taxes; (ii) the second class of credits comprises the credits secured by a security interest on movable assets; (iii) the third class of credits includes the credits secured by real estate collateral, such as mortgages; (iv) the fourth class of credits contains some other obligations before the tax authorities against the debtor that are not included in the first class of credits and debts owed to suppliers of raw materials and other inputs; and (v) finally, the fifth class of credits includes all other obligations without any priority or privilege; provided however, which among credits of the fifth class, subordinated debt shall be ranked junior to the external liabilities (*pasivos externos*), senior only to capital stock. Each category of creditors will collect in the order indicated above, whereby distributions in one category will be subject to completing full distribution in the prior category.

Troubled Financial Institutions – Deposit Insurance

Subject to specific limitations, FOGAFIN is authorized to provide equity and/or secured loans to troubled financial institutions and to insure deposits of commercial banks and certain other financial institutions. In 1998 and 1999, to address the adverse effects of the economic crisis, certain regulations were adopted, among others, Law 546 of 1999 (*Ley de Vivienda*) and Law 550 of 1999 (*Ley de Reactivación Económica*).

To protect the customers of commercial banks and certain financial institutions, Resolution No. 1 of 1988 of FOGAFIN, as amended from time to time, requires mandatory deposit insurance. Under this resolution, banks must pay an annual premium of 0.3% of total funds received on savings accounts, checking accounts, certificates of deposit, special savings deposits, mortgage bonds, special accounts, bank collection services and electronic deposits. If a bank or financial institution is liquidated, the deposit insurance will cover the funds deposited by an individual or corporation with such bank, up to a maximum of Ps 50 million, regardless of the number of accounts held.

Anti-Money-Laundering Provisions

The regulatory framework to prevent and control money laundering is contained in, among others, the EOSF, Part I, Title IV, Chapter IV of Legal Basic Circular (*Circular Básica Jurídica*), as amended, issued by the Superintendency of Finance, as well as the Colombian Criminal Code.

Colombian laws adopt the latest guidelines related to anti-money laundering and other terrorist activities established by the Financial Action Task Force on Money Laundering, or “FATF”. Colombia, as a member of the GAFI-SUD (a FATF-style regional body) follows all of FATF’s 40 recommendations and nine special recommendations.

Anti-money laundering provisions have been complemented with provisions aimed at deterring terrorism financing. For that purpose, by means of the Legal Basic Circular, the Superintendency of Finance has issued regulations requiring the implementation by financial institutions of a system of controls for money laundering and terrorism financing.

The requirements include “know your customer” including ultimate beneficial owners identification, rules and procedures to protect financial institutions from being used directly by shareholders and executives in money-laundering activities, for channeling funds for terrorist activities, or for the concealment of assets from such activities; these rules and procedures set forth detailed instructions for monitoring these risks.

Part III, Title I, Chapter VII of Legal Basic Circular, as amended, issued by the Superintendency of Finance and applicable to issuers of securities in the capital markets, provides rules and guidelines regarding the prevention of money laundering and terrorism financing.

Finally, the Colombian Criminal Code includes criminal rules and regulations to prevent, control, detect, eliminate and prosecute all matters related to financing terrorism and money laundering. The criminal rules and regulations cover the omission of reports on cash transactions, mobilization or storage of cash, and the lack of controls.

On January 18, 2022, Colombia enacted Law 2195 (Anti-bribery law), which increases the penalties, fines, crimes and sanctions that may be emplaced to local and branches of foreign companies, on the matter of corruption and the commitment of certain conducts that may result in crimes or felonies against the public administration, environment, economic and social order, terrorism financing and organization of terrorism groups, money laundering, private corruption, unlawful administration, among others. The new penalties include fines, suspensions or bans on contracting with the government, the disclosure of the conducts in media, the prohibition to receive any subsidy from the government, the dismissal of the staff that has been involved with the conduct, and the dismissal of the staff that tolerated or agreed to the conduct resulting in the crimes once determined by a judge.

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Insolvency Law

On July 12, 2012, the Colombian Congress enacted Law 1564, which provides insolvency protection for non-merchant individuals. Under the new insolvency regulation, which came into effect on October 1, 2012, once a non-merchant individual has ceased paying his or her debts, such individual can initiate a voluntary insolvency proceeding before a notary public or mediator to reach an agreement with his or her creditors. The terms of any agreement reached with two or more creditors that represent more than 50% of the total amount of the claims against such individual will be mandatorily applicable to all relevant creditors. The law also provides for increased debtor protections, including an automatic stay for a maximum of 90 days.

Prepayment of Credit Operations without Penalty

On July 9, 2012, the Colombian Congress enacted Law 1555, allowing consumers of financial services to prepay obligations denominated in pesos owed to financial institutions, without incurring in any penalty. Law 1555 also requires that financial institutions disclose the possibility of such prepayment to borrowers prior to the extension of any loan.

Law 1555 does not apply to (i) mortgage loans, for which prepayment is always allowed according to Law 546 of 1999, (ii) loans having a balance that exceeds 880 times the legal monthly minimum wages, or (iii) to financial obligations acquired prior to this Law’s effective date (July 9, 2012), and for which prepayments are governed by the relevant contractual provisions, or absent an agreement by the parties, by the laws in force at the time when the relevant agreement was executed.

Data Protection Law

On October 17, 2012, Law 1581 of 2012, as amended by Law 2157 of 2021 and Law 2300 of 2023 a new data protection regime that applies to any person that administers databases in Colombia, and this Law was regulated on June 27, 2013, by Decree 1377 of 2013 and Decree 886 of 2014. Although it does not apply in its solely to financial institutions, it provides a set of principles (legality, freedom, truthfulness, quality, transparency, access, confidentiality, among others) that apply to us in the administration of our databases. Additionally, there is a general prohibition of transferring personal data to other countries that do not provide adequate levels of data protection according to the standards set by the Superintendency of Industry and Commerce. This prohibition does not apply to transfers of data that are inherent to banking and securities activities under the applicable law. The 2021 amendment included a new term of permanence in databases from clients of financial services and notification process to execute the report.

In 2023, Law 2300, also known as the "Stop Bothering Law," was enacted. This law regulates the communication frequency and channels used by entities when contacting clients regarding debt collection and product offerings. Its framework aims to reduce the number of times clients are contacted through various channels, such as email, SMS, and calls, within the same week and only using one channel. Additionally, it regulates the timeframe during which such activities can occur.

Regulation on Liens over Movable Assets

On August 20, 2013, the Colombian Congress enacted Law 1676 with the purpose of increasing the public access to credit by providing a new regulation on liens over movable assets. Law 1676 introduced substantial modifications to Colombian regulation on liens over movable assets, including: (a) the creation of a single unified lien public registry, (b) the ability for creditors to directly foreclose on the secured assets for a value determined in an appraisal conducted by an independent expert appointed by the Superintendency of Companies, (c) the ability for creditors to enforce the security upon insolvency of the debtor, provided that the movable assets are not essential for the continuing of business of the insolvent debtor, and (d) an upgrade of priority upon liquidation.

Regulation on Payroll Loans

On April 27, 2012, the Colombian Congress enacted Law 1527, as amended by Law 1607 of 2012 and by Law 1902 of 2018, which consolidated the then existing regulatory framework on payroll deduction loans. Under Law 1527, payroll loans are secured by an irrevocable order or authorization from the clients to their respective employers or to the entity that pays their salary or other financial benefits arising from their employment to directly pay the loan. As opposed to the prior regulatory regime, employees may currently freely determine the financial institution granting the relevant financial product or service. Similarly, Law 1527 provides that the employer is jointly and severally liable for the employee’s payment obligation if the employer fails to effect the deductions required for the debt service of its employee’s obligation.

Regulatory Framework for Non-Financial Subsidiaries

Our Colombian subsidiaries that are not part of the financial sector are governed by the laws and regulations of the Colombian Civil Code and the Colombian Code of Commerce, as well as any regulations issued by the Colombian Superintendency of Industry and Commerce and

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the Superintendency of Corporations or any other type of special regulations that may be applicable to corporations, and the commercial and industrial activities carried out by these subsidiaries.

Service of Process and Enforcement of Judgments

Grupo Aval is incorporated under the laws of Colombia. All of our directors and officers reside outside the United States. Substantially all of our assets are located outside the United States, primarily in Colombia. As a result, it may not be possible, or it may be difficult, for you to effect service of process upon us or these other persons within the United States or to obtain recognition and enforcement of judgments obtained in U.S. courts against us or them, including those predicated upon the civil liability provisions of the U.S. federal securities laws or otherwise.

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

The Colombian Supreme Court will recognize a foreign judgment, without reconsideration of the merits, only if the judgment satisfies the requirements of Articles 605, 606 and 607 of Law 1564 of 2012 (*Código General del Proceso*), provided that the parties affected by the judgment were summoned in the exequatur proceedings in accordance with applicable rules. Law 1564 of 2012 provides that the foreign judgment will be recognized if:

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

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

We have appointed Banco de Bogotá S.A., New York Agency as our authorized agent upon whom process may be served in any action instituted in any U.S. federal or state court having subject matter jurisdiction in the Borough of Manhattan in New York, New York, arising out of or based upon the ADSs or the underwriting agreement related to the ADSs.

Notwithstanding the foregoing, we cannot assure you that a Colombian court would recognize or enforce a judgment issued by a state or federal court in the United States with respect to the preferred shares or ADSs based on U.S. securities laws. We have been advised by our

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Colombian counsel that there is no legal basis for a Colombian court to exert jurisdiction over original actions to be brought against us or our directors and executive officers predicated solely upon the provisions of U.S. securities laws. In addition, certain remedies available under U.S. securities laws may not be admitted or enforced by Colombian courts.

Grupo Aval's articles of incorporation and by-laws contain an arbitration clause that provides for the exclusive jurisdiction of an arbitral tribunal to be seated in Bogotá, D.C., Colombia. The arbitration provision provides that any conflict arising among shareholders, or between shareholders and Grupo Aval in connection with the by-laws, must be resolved by an arbitral tribunal.

Risk Management Framework

In order to comply with the provisions of Law 1870 of 2018, (Conglomerate Law), and specifically the provisions of External Circular 013 of 2019, now Chapter XXX of the CBCF issued by the SFC, enforceable as of June 21, 2021, Grupo Aval implemented these regulations through the Risk Management Framework ("Marco de Gestión de Riesgos" or "MGR" for its acronym in Spanish) of the Financial Conglomerate, which corresponds to the set of policies, procedures, methodologies, and controls that act in an integrated manner.

These metrics allow the Financial Holding, as the visible head of the financial conglomerate Aval, the management of its own risks, which are: (i) Risk of Contagion, (ii) Risk of Concentration; and (iii) Strategic Risk. through the identification, measurement, control and monitoring of such risks; as well as having a general knowledge of the risks of the entities that make up the financial conglomerate Aval.

Pension and Severance Fund Management

Pension business overview

The Ministry of Finance limits the range of assets in which pension and severance fund managers ("AFP") can invest and sets concentration limits regarding the funds under administration. In addition, each AFP is required by law to provide a minimum return on investment for each of its mandatory pension and severance funds. This minimum return is determined pursuant to certain formulas established by means of Decree 2555 of 2010, which vary pursuant to the type of fund. Under the current multi-fund scheme, a risk profile system which differentiates conservative, moderate and aggressive risk portfolios for individual clients of mandatory pension funds, the time horizon for the calculation of the minimum return is between 36 to 60 months, depending on the risk profile of each portfolio. For severance funds, the long-term portfolio will have a 24-month time horizon, and the short-term portfolio will have a three-month time horizon.

If a fund's cumulative return for any month is lower than the minimum return, the AFP must supplement the necessary amount to cover the difference within a period of five days. To do so, the AFP must first apply funds from its "stabilization reserve", which is a portion of the AFP's capital invested in the fund administered by the AFP and which must represent at least 1.0% of the value of that fund. If the stabilization reserve is insufficient to cover the difference, the AFP must provide resources from its remaining capital. If the AFP does not have enough resources to cover the difference, the Superintendency of Finance may order the capitalization of the AFP to its shareholders. If, notwithstanding the above, an AFP fails to observe either the minimum return or the stabilization requirements or the order of capitalization, the Superintendency of Finance may take control over the AFP, in which case FOGAFIN, the Colombian deposit insurance fund, is required to supply funds to cover the shortfall. In that event, the AFP may be dissolved and the funds under administration transferred to another AFP. See "Item 3. Key Information—D. Risk Factors—Risks relating to our businesses and industry—Risks relating to our pension and severance fund management business".

Third party assets under management are held in trusts independent from the assets of the AFP, where the contributions made by each individual customer and its returns are held in an individual account.

Mandatory pension funds

Contributions to these pension funds are mandatory for all employees in Colombia and are jointly funded by the employer and the employee. In the case of contributing clients, the base contribution rate is 16.0% (up to 18.0% for employees meeting a certain salary threshold) of an employee's base salary, whereby the employer contributes 75.0% and the employee 25.0% of the base contribution rate. Contributions are paid on a monthly basis. Of the 16.0%-18.0% total contribution, 11.5% goes to the individual customer's account. The current pension system provides that 300 basis points (3.0%) of the contribution are distributed between (i) life and disability insurance and (ii) compensation for the AFP. In 2023, Porvenir's funds subscribed life and disability coverage insurance with a 2.47% premium, which resulted in a 0.53% retained as compensation. The remainder is distributed between the National Solidarity Fund (Fondo de Solidaridad Pensional), depending on the employee's salary (up to 2.0%), and the National Minimum Pension Warranty Fund (Fondo de Garantía de Pensión Mínima) (at 1.5%).

In the case of non-contributing clients, regulation allows private pension funds to charge a performance-based commission considering that these customers have to be served in the same manner as a contributing client through branches, call-centers, billing and managing of their

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individual customer fund. The established performance-based commission is 4.5% of monthly returns of the clients' individual customer fund, with a cap at 50% of the last value charged as commission over the clients' contribution as an active customer.

Employees may freely select their mandatory pension fund, a private pension and severance fund manager of their choice or the Government-sponsored defined public benefit plan, administered by Colpensiones, and can change plans after meeting minimum tenure requirement of five years to switch from the public fund to a private plan and only up to ten years prior to the retirement age, and six months to switch between private fund providers with no limitation prior to retirement age. Whenever an employee changes from one AFP to another, his/her entire savings balance at the fund is transferred to the pension fund administered by the new AFP. Mandatory pension funds cannot be withdrawn prematurely, and they generally expand over the individual's working years.

In March 2023 the Government filed before the Congress a project of reform to the current pension system. This reform has as purpose the extension of coverage of the system to more Colombians. In general terms, the reform is based on a pillars structure under which employees with salaries up to three monthly minimum legal wages mandatorily contribute to Colpensiones, and people who earn more than three monthly minimum legal wages mandatorily contribute their first three monthly minimum legal wages to Colpensiones and the remaining at an AFP of their choosing. The reform also includes a new commission structure for the AFPs, which would migrate from a contribution based scheme to an assets under management based scheme. This project of reform includes a transition regime according to which the provisions of the reform will not be applicable to women and men who have worked and contributed to the pension system for more than 750 weeks and 900 weeks, respectively. The proposed changes to the pension fund regime would enter into application on January 1, 2025. The severance and voluntary pension funds remain under the same terms and conditions.

In 2023, approximately 88.0% of formal employees or independent contractors that contribute to the pension system and earn up to three monthly minimum salaries. Depending on the fee on assets under management established in the proposed reform (which has not been disclosed yet) the decrease in contribution flows and therefore fee income, could or could not be offset by the new fee based on assets under management.

The text of the reform must be discussed and approved by Congress before June 2024.

Severance funds

Severance funds are independent trusts formed by the accumulated severance payment allowance required by Colombian labor law. The severance payment allowance is a social benefit inuring to employees for which employers are responsible under an employment agreement. The allowance consists of the payment of one month's salary per year of service and pro rata amounts for fractions of a year. This amount is deposited directly with the AFP by the employer. Porvenir and all other pension and severance fund managers in Colombia charge a fee (per year for assets under management) of 1.0% for amounts in the mandatory investments short-term portfolio and 3.0% in the long-term portfolio.

Voluntary pension funds

Voluntary pension funds are independent trusts formed by contributions from their participants and/or sponsors and their respective yields, for the purposes of complying with one or several voluntary retirement or disability pension plans. Porvenir earns annual management commissions for assets under management that range between 0.6% and 3.0%, depending on the balance of the customer and the selected portfolios (lower commissions for liquidity portfolios and higher commissions for more complex portfolios).

In 2020, the Colombian Government, through Decree 1207 issued a new legal framework applicable to voluntary pension funds. This legal framework required AFP to adopt higher standards of corporate governance rules and operating guidelines including a general investment policy. In 2022 Porvenir implemented all the required adjustments and procedures to fulfill the obligations arising from Decree 1207. In 2023, Porvenir adopted the applicable laws for the correct duty of advice (*Also known as "deber de asesoría*") to its clients at the moment of investing their funds in the voluntary pension fund administered by Porvenir. The regulations applicable to the correct duty of advice can be found on the Decree 661 of 2018.

Third-party sponsored pension liability funds

Third-party sponsored pension liability funds are independent trusts made up of deposits from different institutions (both private and publicly owned) that require a professional institution to manage a fund that is usually created to finance special pension regimes (i.e., pensions that are paid by the employer; before 1994, companies were allowed to establish their own internal pension systems).

Third-party sponsored pension liability funds enable Porvenir to receive performance-based commissions, in few cases these funds have a minimum guaranteed return pursuant to their specific terms. Porvenir retains a percentage of the yearly returns of each third-party sponsored pension liability fund, and in some cases, a portion of assets under management.

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On April 25, 2023, the agreements numbered 6.002-2012 and 6.004-2021, entered into by the Ministry of Finance and Porvenir, and by Fiduciara Bogotá, Porvenir, and BBVA Fiduciaria under consortium and temporary union schemes, respectively, for the management of FONPET, were terminated. Following the termination of the agreements, the administrators, including the aforementioned temporary union and consortium in which Porvenir participates, delivered the entire portfolio (Ps 21.5 trillion and related to agreements 6.002 and 6.004) to the Ministry in three installments: April 26, 2023, May 12, 2023, and June 13, 2023.

Currently, the parties are finalizing the bilateral settlement period for the agreements. As the administrators have an outstanding balance in their favor for commissions exceeding the payment limit established in the agreements, the Ministry of Finance has requested a legal opinion from the Consejo de Estado to determine the possibility of proceeding with the payment of these commissions.

Pension fund solvency measures

For information regarding pension and severance fund solvency measures see "Item 4. Information on the Company—B. Business overview—Supervision and regulation—Capital Adequacy Requirements—Porvenir".

C. Organizational structure

See Note 1 of our consolidated financial statements for information on our organizational structure. We conduct our operations through our four banks (Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas), a pension and severance fund manager (Porvenir), and our merchant bank (Corficolombiana).

D. Property, plant and equipment

We have listed below the carrying amount of property, plant and equipment of each of our operating segments at December 31, 2023.

	Buildings and land(1)	Machinery	Equipment	Bearer plants	Other properties	Total
			(Ps billions)			
Banking services	1,030.6	11.4	516.4	—	99.4	1,657.8
Pension and Severance Fund Management	55.0	0.6	19.9	—	1.1	76.5
Merchant Banking	1,116.1	1,247.6	55.6	252.9	18.8	2,691.0
Holding	—	—	0.5	—	0.3	0.7
Consolidation adjustments and eliminations	1.0	0.1	0.0	—	0.7	1.8
Grupo Aval	**2,202.6**	**1,259.6**	**592.3**	**252.9**	**120.3**	**4,427.8**

(1) Includes ongoing constructions.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating results

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements prepared in accordance with IFRS at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 and the related notes thereto, and with the other financial information included in this annual report. The preparation of our audited consolidated financial statements requires the adoption of assumptions and estimates that affect the amounts recorded as assets, liabilities, revenue and expenses in the years and periods addressed and are subject to certain risks and uncertainties. Our future results may vary substantially from those indicated because of various factors that affect our business, including, among others, those identified under "Forward-Looking Statements" and "Item 3. Key Information—D. Risk factors", "Item 5. Operating and Financial Review and Prospects—D. Trend information", and other factors discussed in this annual report. For information regarding the calculation methodology of the main key performance indicators used throughout this section see "Item 3. Key Information—A. Selected Financial Data".

Volume and rate variances are calculated based on changes in average balances over the period. This includes changes in interest rates on average interest-earning assets and average interest-bearing liabilities. The calculations involve: (a) changes in volume (change in volume times new rate) and (b) changes in rates (change in rate times old volume). Net changes attributable to changes in both volume and interest rate have been allocated to changes in volume. Calculations are done on a line-by-line basis to account for changes in mix when analyzing each group of interest-earning assets (gross loans, total gross loans and total interest-earning assets) and interest-bearing liabilities (customer deposits, other funding and total funding). In Item 5, we refer to "N.A." as not applicable.

In March 2022, Banco de Bogotá spun-off 75% of its equity interest in BHI to Banco de Bogotá's shareholders, including Grupo Aval, and Grupo Aval spun-off shares of BHI it received from Banco de Bogotá to its own shareholders (the "Transaction"). Prior to the spin-off, BHI was a significant subsidiary and standalone operating segment of Grupo Aval. As a result of the Transaction, on March 31, 2022, we ceased to report BHI as an operating segment. The reporting perimeter of Grupo Aval's subsidiaries remained unchanged. Banco de Bogotá sold an additional 20.89% stake in BHI in an unsolicited tender offer and sold its remaining 4.11% stake in BHI in March 2023 (see "Item 7. Major Shareholders and Related Party Transactions—B. Related party transactions").

Prior to the spin-off, BHI was a significant subsidiary of Grupo Aval. As a result of the Transaction, on March 31, 2022, we ceased to report BHI as an operating segment and Ps 111,185.8 billion and Ps 98,305.8 billion in total assets and total liabilities, respectively, were deconsolidated from Grupo Aval's consolidated statement of financial position as of that date. Given that Banco de Bogotá retained a 25% equity interest in BHI, the spun-off portion from Grupo Aval's total equity amounted to Ps 9,658.6 billion of which Ps 6,639.0 billion are equity attributable to owners of the parent, given our 68.7% equity interest in Banco the Bogotá at the time of the spin-off.

For the years ended December 31, 2022 and 2021, the results of discontinued operations are presented separately on the consolidated Statement of Income; however, following the deconsolidation of a discontinued operation, no retrospective adjustments are permitted to be made to the prior period consolidated Statements of Financial Position under IFRS. To facilitate meaningful analysis and comparability, average Statement of financial position balances prior to the consummation of the Transaction, including as used to calculate average yields and average rates, have been adjusted to exclude the impact of discontinued operations substantially in accordance with Article 11 of Regulation S-X, and all information presented under "Item 5. Operating and Financial Review and Prospects—Results of Operations for the Year Ended December 31, 2023, compared to the Year Ended December 31, 2022" refers to financial and operating data of continuing operations, unless otherwise specifically noted. For more information on the spin-off and tender offer, please refer to Note 1.1 "Discontinued Operations of BAC Holding" to our audited consolidated financial statements.

We have not included a discussion of year-over-year comparisons between 2022 and 2021 in this annual report on Form 20-F. This discussion can be located in "Item 5. Operating and Financial Review and Prospects—Results of Operations for the Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021" in our annual report on Form 20-F for the year ended December 31, 2022, filed with the SEC on April 14, 2023.

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Principal factors affecting our financial condition and results of operations

International context

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

Colombian economic conditions

Moving to the local context, as reported in our annual report on Form 20-F for the year ended December 31, 2022, filed with the SEC on April 14, 2023 under "Item 5. Operating and Financial Review and Prospects—D. Trend information", we emphasized on the unabated inflation with no foreseeable reasons to subside. What concerned us even more was that high inflation was occurring while GDP growth was materially slowing down. The Central Bank consequently responded with a rapid unprecedented series of repo rate hikes, which increased rates by more than 1,000 basis points in approximately 12 months. Consequently, marginal costs of funds followed this trend but were affected beyond the Central Bank's increases as new liquidity regulation was introduced, which led banks to scramble for certificates of deposit of longer tenures. Asset repricing, on the other hand, did not keep up with cost of funds, especially so in banks with lending portfolios skewed towards consumer lending.

As a byproduct of this situation, 2023 was the most challenging year in recent history for the Colombian economy. GDP grew an underwhelming 0.6%, when compared to growth of 7.3% during 2022, as the 4th quarter GDP grew only 0.3%, when compared to the 4th quarter of 2022. This result was the weakest since the beginning of this century, excluding a 7.2% contraction in 2020 during the COVID-19 pandemic. Economic slowdown during 2023 was mainly driven by a moderation of household demand and a collapse of investment. According to experts, the absence of a rebound in investment levels will compromise the country's potential future growth, jeopardizing fiscal sustainability.

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

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

Interest rates and inflation

Inflation trended downward steadily since March 2023, decreasing from its peak of 13.34% to 9.28% in December 2023, 8.35% in January 2024 and 7.74% in February 2024. Notwithstanding, inflation remains high, still doubling the average seen across Latin America and well above the Central Bank's target range of 2 to 4%. The deceleration in inflation has been driven by lower food inflation and by a softer demand for goods. However, the indexation processes and the de-subsidizing of local gasoline prices pressed the services and regulated components.

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

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Exchange rates

Regarding the exchange rate, a 20.5% yearly appreciation took the exchange rate at year-end down to 3,822.05 pesos per dollar, its lowest level during 2023, correcting the distortion of the Colombian Peso relative to Latin American currencies. This performance was driven by a weaker dollar, the correction of the Colombia's external imbalance, and a lower risk perception of the country as evidenced by its CDS. In the first quarter of 2024, we have seen a slight depreciation of the peso, as the exchange rate has fluctuated between 3,800 and 4,000 pesos per dollar. The yearly average exchange rate depreciated 1.7% to 4,330.14 pesos per dollar between 2023 and 2022.

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

We continue to be subject to impacts on our consolidated financial statements derived from fluctuations of the Colombian peso against the U.S. dollar, the currency in which most of our foreign long-term debt is denominated. At December 31, 2023, 18.6% of our average consolidated assets and 24.3% of our average consolidated liabilities were denominated in foreign currency. On a consolidated basis, we had U.S.$3.6 billion (Ps 13.9 trillion) of long-term debt denominated in U.S. dollars at December 31, 2023.

Fiscal accounts

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

Banking industry overview

At December 31, 2023, gross loans in the Colombian banking system grew 2.0% compared to the prior year end, while at December 31, 2022, growth was 16.7% (1.9% and 16.6% when adjusted for securitized mortgage loans, respectively). The economic deceleration evidenced markedly over the second half of the year reflected on a sharp slowdown of growth in loans for the banking system. As Colombia's nominal GDP expanded 7.0%, the ratio of bank loans (adjusted for securitized mortgage loans) to GDP decreased to 41.8% from 43.9% in 2022, significantly lower than the 47.4% three-year average between 2021 and 2019. Commercial loans grew 2.3% compared to 16.5% the previous year. Consumer loans contracted 2.3% in 2023 after growing 18.2% in 2022. Mortgages grew 8.2% compared to 14.8% the previous year.

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Results of Operations for the Year Ended December 31, 2023 Compared to the Year Ended December 31, 2022

A steep contractionary monetary policy exacerbated by changes in regulations related to banks' liquidity positions, and specifically to the Net Stable Funding Ratio (NSFR or CFEN in Spanish), resulted in an increase of marginal costs of funds, in addition to the already unprecedented steep increase in repo rate of more than 1,100 basis points in the span of a year and a half. The sharp increase in the reference rates hurt our retail banking portfolios, that carry predominantly fixed rates and thus reprice slowly in a falling interest rate environment. In contrast, our commercial banking portfolios, that are mainly priced using floating rates based on the IBR, benefited in this environment. Consequently, 2023 was a subpar year in terms of attributable net income of continuing operations, which amounted to Ps 739 billion, with a return on average assets of 0.7% and a return on average equity of 4.5%, down from Grupo Aval's 2022 attributable net income of continuing operations of Ps 1.9 trillion.

Despite the challenging environment for our banking activity, we did however achieve a 61-basis points market share gain in total loans, we advanced our market share in 86 basis points in commercial loans, a 102 basis points in consumer loans, and 24 basis points in mortgages. This performance was achieved despite stricter credit origination policies than those in effect a year ago.

Given our loan portfolio mix, we fared better in terms of asset quality than our closest peers in the negative quality credit cycle experienced during 2023, particularly in consumer loans. Specifically, our focus on payroll lending allowed us to better weather this situation, thus experiencing a milder deterioration of PDLs in our own consumer portfolios.

The contribution of our non-financial sector to our net income decreased versus 2022, albeit less than we had forecasted, consistent with our toll-road concessions approaching the end of their construction phase. This was driven by the completion of the construction of the *Bogotá – Villavicencio* concession and a slower construction pace of the *Conexión Pacífico 1* and the *Villavicencio – Yopal* concessions. This was partially mitigated by the energy and gas companies and by a 18.4% increase in the profits from our hospitality business.

Porvenir also accomplished its highest net income ever, driven by record high AUMs, commissions from mandatory pension contributions, and a strong performance of its stabilization reserve. The pension funds sector remains very attentive to the proposals filed before Congress to reform the industry. See "Item 3. Key Information—D. Risk Factors—Risks relating to our businesses and industry—Risks relating to our pension and severance fund management business".

This context reflected in the following results:

- Grupo Aval's consolidated loan portfolio grew 1.9% in 2023, with peso denominated loans growing 5.6% and USD denominated loans growing 8.7% in dollar terms; a 13.6% contraction when translated to pesos. Commercial loans grew 2.2% (Peso: 7.2% and USD: 10.6% in dollars), consumer loans grew 1.0% (Peso: 2.3% and USD: 4.6% in dollars) and mortgages grew 3.4% (Peso: 10.2% and USD: 0.2% in dollars). Total deposits grew 5.0% in 2023, with Peso denominated deposits growing 9.0% and USD denominated deposit growing 9.0% in dollar terms.

- Net income from commissions and fees grew 15.5% during the year, driven by a strong performance from our banking services, and our pension and severance fund management segments, which increased 11.3% and 26.3%, respectively.

- Cost control initiatives enabled Other expenses growth on items other than operating taxes and deposit insurance to be 8.1%, well below 2022 and 2023 inflation and wage increase. Other expenses growth of 12.6% was pressured by a 34.3% combined increase in operating taxes and deposit insurance, that added 5.9 percentage points to overall growth.

- Total Net interest margin (NIM) was 3.44% in 2023, down from 3.68% in 2022; our NIM on loans was 4.01% down from to 4.68% in 2022. This behavior was driven by the steep increase in benchmark rate, added to distortions in the Colombian funding markets, a slow repricing of our consumer loans, and higher net interest expenses in our merchant banking segment. The NIM of our banking segment was 4.22%, down from 4.52%; the NIM on loans of our banking segment was 4.85% in 2023, down from 5.29% in 2022. NIM on investments for the year recovered to 1.18%, up from -0.13% in 2022.

- The structure of loan portfolio resulted protective again allowing us to suffer a milder impact on Cost or Risk than our main local peers. Year-over-year, the mix of IFRS Stage 1 loans increased by 117 basis points, while that of Stage 2 loans decreased by 155 basis points and Stage 3 loans increased by 38 basis points. Loans past due more than 90 days were 3.98% at December 31, 2023 up from 3.25% at December 31, 2022. Cost of Risk was 2.27% during 2023, up from 1.48% in 2022.

Our results for the year should be read in conjunction with our audited consolidated financial statements.

Grupo Aval

Overview

The following discussion describes the main drivers of Grupo Aval's results of operations for the year ended December 31, 2023 compared to the year ended December 31, 2022. Further detail is provided in the Management Discussion and Analysis of Operating Segments.

Grupo Aval's net income attributable to owners of the parent for the year ended December 31, 2023 was Ps 739.0 billion (Ps 31.1 per share, including common and preferred shares), decreasing 70.2% or Ps 1,743.9 billion compared to the year ended December 31, 2022. Compared with net income attributable to owners of the parent from continuing operations of 2022, the result for 2023 was Ps 1,149.9 billion or 60.9% lower than in 2022. Return on average equity for 2023 was 4.5% as compared to 14.0% in 2022 (including both continuing and discontinued operations).

	Grupo Aval Consolidated			
	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Total interest income	28,919.4	19,403.0	9,516.4	49.0
Total interest expense	(22,632.4)	(11,664.4)	(10,968.0)	94.0
Net interest income	**6,287.0**	**7,738.6**	**(1,451.7)**	**(18.8)**
Impairment loss on loans and other accounts receivable	(4,751.0)	(3,120.4)	(1,630.6)	52.3
Impairment (loss) recovery on other financial assets	12.9	(16.7)	29.6	(177.0)
Recovery of charged-off financial assets	555.8	644.0	(88.2)	(13.7)
Net impairment loss on financial assets	**(4,182.4)**	**(2,493.1)**	**(1,689.2)**	**67.8**
Net interest income, after impairment losses	**2,104.6**	**5,245.5**	**(3,140.9)**	**(59.9)**
Net income from commissions and fees	3,352.5	2,903.8	448.8	15.5
Gross profit from sales of goods and services	3,218.0	4,545.1	(1,327.1)	(29.2)
Net trading (loss) income	(916.0)	1,559.6	(2,475.7)	(158.7)
Net income from other financial instruments mandatorily at fair value through profit or loss	323.7	278.8	44.9	16.1
Other income	3,751.3	(848.6)	4,599.9	(542.1)
Other expenses	(8,346.5)	(7,409.8)	(936.7)	12.6
Net income before tax expense	**3,487.6**	**6,274.4**	**(2,786.8)**	**(44.4)**
Income tax expense	(1,310.4)	(2,271.4)	961.0	(42.3)
Net income from continuing operations	**2,177.1**	**4,003.0**	**(1,825.8)**	**(45.6)**
Net income from discontinued operations, net of tax	—	866.2	(866.2)	(100.0)
Net income for the year	**2,177.1**	**4,869.1**	**(2,692.0)**	**(55.3)**
Net income attributable to owners of the parent				
Net income for the period from continuing operations	739.0	1,888.9	(1,149.9)	(60.9)
Net income for the period from discontinued operations, net of tax	—	594.0	(594.0)	(100.0)
Owners of the parent	**739.0**	**2,482.9**	**(1,743.9)**	**(70.2)**
Net income attributable to non-controlling interests				
Net income for the period from continuing operations	1,438.1	2,114.1	(676.0)	(32.0)
Net income for the period from discontinued operations, net of tax	—	272.2	(272.2)	(100.0)
Non-controlling interest	**1,438.1**	**2,386.2**	**(948.1)**	**(39.7)**
Net income for the year	**2,177.1**	**4,869.1**	**(2,692.0)**	**(55.3)**

Net interest income

Net interest income decreased 18.8% or Ps 1,451.7 billion to Ps 6,287.0 billion in 2023. Total interest income performance was driven by a 353 basis points increase in the average yield of interest-earning assets and a 9.0% or Ps 18,133.7 billion increase in the average balance of interest-earning assets. Total interest expense increased 94.0% or Ps 10,968.0 billion, more than total interest income, resulting from a 425 basis point increase in interest rates paid on interest-bearing liabilities and a 10.5% or Ps 21,844.8 billion increase in the average balance of interest-bearing liabilities. Yields and rates paid increased rapidly due to monetary policy in place throughout the year, a tighter liquidity environment and due to additional pressures coming from more demanding NSFR requirements, which drove the increase in the cost of interest-bearing deposits. The interest spread between the average yield on gross loans and the average rate paid on interest-bearing liabilities decreased by 67 basis points to 3.9% and net interest margin contracted by 98 basis points to 2.9%.

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The merchant banking segment inherently has significantly more interest-bearing liabilities than interest-earning assets, as a result of a substantial portion of funding used to finance both the ordinary course of non-financial businesses and Corficolombiana's investment portfolio in debt and equity securities. Therefore, the merchant banking segment has a negative net interest margin, which reduces the overall net interest margin of Grupo Aval. Net interest expense contributed (net of eliminations) by our merchant banking segment increased to Ps 2,001.2 billion, 94.2% or Ps 970.6 billion more than in 2022. This performance is explained under "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Management Discussion and Analysis of Operating Segments—Merchant Banking".

Average balance of interest-earning assets for the year ended December 31,		Change, 2023 vs. 2022		Net interest margin for the year ended December 31,		Net interest income for the year ended December 31,		Change, 2023 vs. 2022	
2023	2022	#	%	2023	2022	2023	2022	#	%
(in Ps billions)						(in Ps billions)			
219,952.7	201,819.0	18,133.7	9.0	2.9%	3.8%	6,287.0	7,738.6	(1,451.7)	(18.8)

The following tables show: (i) the average balance, average yield and interest income on interest-earning assets from continuing operations with an analysis of impacts derived from changes in the average balance and the average yield, per type of interest-earning asset; interbank and overnight funds are shown separate from gross loans due to their characteristics and short-term nature and (ii) the average balance, average rate paid and interest expense on interest-bearing liabilities with an analysis of impacts derived from changes in the average balance and the average rate, per type of interest-bearing liabilities.

(i)	Average balance for the year ended December 31,		Change, 2023 vs. 2022		Average yield for the year ended December 31,		Interest income for the year ended December 31,		Impact on interest income due to changes in			Change, 2023 vs. 2022
	2023	2022	#	%	2023	2022	2023	2022	Balance	Yield	Total	%
	(in Ps billions)						(in Ps billions)		(in Ps billions)			
Commercial	106,352.7	96,110.5	10,242.2	10.7	13.6%	9.0%	14,497.9	8,608.6	1,396.2	4,493.1	5,889.3	68.4
Consumer	60,054.2	54,855.9	5,198.4	9.5	15.3%	12.8%	9,208.5	7,048.7	797.1	1,362.7	2,159.8	30.6
Mortgages	18,053.8	16,085.1	1,968.7	12.2	9.3%	8.4%	1,688.0	1,349.9	184.1	154.0	338.1	25.0
Microcredit	270.7	284.3	(13.6)	(4.8)	26.4%	22.7%	71.4	64.6	(3.6)	10.3	6.8	10.5
Gross loans	**184,731.4**	**167,335.7**	**17,395.7**	**10.4**	**13.8%**	**10.2%**	**25,465.7**	**17,071.8**	**2,398.0**	**5,995.9**	**8,393.9**	**49.2**
Interbank and overnight funds	3,005.8	3,314.9	(309.1)	(9.3)	35.5%	14.7%	1,068.4	487.7	(109.9)	690.5	580.7	119.1
Total gross loans	**187,737.2**	**170,650.6**	**17,086.6**	**10.0**	**14.1%**	**10.3%**	**26,534.1**	**17,559.5**	**2,415.0**	**6,559.6**	**8,974.6**	**51.1**
Investments in debt securities	32,215.5	31,168.4	1,047.1	3.4	7.4%	5.9%	2,385.3	1,843.5	77.5	464.2	541.8	29.4
Total interest-earning assets	**219,952.7**	**201,819.0**	**18,133.7**	**9.0**	**13.1%**	**9.6%**	**28,919.4**	**19,403.0**	**2,384.2**	**7,132.2**	**9,516.4**	**49.0**

(ii)	Average balance for the year ended December 31,		Change, 2023 vs. 2022		Average rate paid for the year ended December 31,		Interest expense for the year ended December 31,		Impact on interest expense due to changes in			Change, 2023 vs. 2022
	2023	2022	#	%	2023	2022	2023	2022	Balance	Rate	Total	%
	(in Ps billions)						(in Ps billions)		(in Ps billions)			
Checking accounts	6,234.1	6,696.7	(462.6)	(6.9)	4.1%	2.4%	(253.0)	(159.1)	18.8	(112.7)	(93.9)	59.0
Time deposits	83,747.8	61,431.3	22,316.5	36.3	11.9%	6.6%	(10,007.8)	(4,041.5)	(2,666.8)	(3,299.5)	(5,966.3)	147.6
Savings accounts	70,476.2	71,720.4	(1,244.2)	(1.7)	8.4%	5.0%	(5,953.4)	(3,555.8)	105.1	(2,502.7)	(2,397.6)	67.4
Total interest-bearing deposits	**160,458.1**	**139,848.4**	**20,609.7**	**14.7**	**10.1%**	**5.5%**	**(16,214.2)**	**(7,756.4)**	**(2,082.6)**	**(6,375.2)**	**(8,457.8)**	**109.0**
Interbank borrowings and overnight funds	12,350.4	10,457.9	1,892.5	18.1	15.0%	6.5%	(1,856.3)	(678.1)	(284.4)	(893.7)	(1,178.1)	173.7
Borrowings from banks and others	25,876.1	23,100.8	2,775.3	12.0	7.0%	3.8%	(1,810.7)	(887.1)	(194.2)	(729.4)	(923.6)	104.1
Bonds issued	25,841.8	30,276.4	(4,434.6)	(14.6)	8.4%	6.9%	(2,159.9)	(2,092.8)	370.7	(437.8)	(67.1)	3.2
Borrowings from development entities	4,551.7	3,549.7	1,002.0	28.2	13.0%	7.0%	(591.3)	(249.9)	(130.2)	(211.2)	(341.4)	136.6
Other funding	**68,620.0**	**67,384.9**	**1,235.1**	**1.8**	**9.4%**	**5.8%**	**(6,418.2)**	**(3,908.0)**	**(115.5)**	**(2,394.7)**	**(2,510.2)**	**64.2**
Total interest-bearing liabilities	**229,078.1**	**207,233.3**	**21,844.8**	**10.5**	**9.9%**	**5.6%**	**(22,632.4)**	**(11,664.4)**	**(2,158.2)**	**(8,809.8)**	**(10,968.0)**	**94.0**

Grupo Aval's average balance of gross loans increased 10.4% or Ps 17,395.7 billion in 2023 and the average yield was 13.8%, 358 basis points higher than in 2022. Growth of average balances was higher than that of closing balances (1.9%), partly explained by (i) stronger underwriting during the first half of the year, particularly in consumer loans and (ii) the difference between a 20.5% year-over-year (between December 31, 2023 and December 31, 2022) and a 1.7% average peso depreciation versus the U.S. dollar on foreign currency denominated loans (16.4% of total gross loans) that negatively impacted year-over-year growth metrics of loans and deposits.

Peso denominated loans grew 5.6% year-over-year on closing balances and 10.7% on average balances. Commercial loans grew 7.2% and 10.9%, consumer loans grew 2.3% and 9.9%, mortgage loans grew 10.2% and 13.9%, and microcredit loans grew 3.7% and decreased 4.8%, respectively on a closing balance and average balance basis. As for U.S. dollar denominated loans in U.S. dollar terms, year-over-year growth was 8.7% for closing balances and 8.3% for average balances. Commercial loans grew 10.6% and 9.5%, consumer loans grew 4.6% and 3.1% and mortgages decreased 0.2% and grew 5.3%, respectively on a closing balance and average balance basis.

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The average Central Bank rate in Colombia increased by 583 basis points to 13.03% in 2023 from 7.20% in 2022. Having peaked in May 2023 at 13.25%, the end of period Central Bank rate in Colombia closed at 13.0% at December 31, 2023, up 100 basis points from 12.00% a year earlier. Given that 82.4% of Grupo Aval's commercial loans are variable rate mostly referenced to the 3-month inter-bank rate (IBR) or the 90-day time deposit rate (DTF), average yields on commercial loans increased 467 basis points to 13.63%, slightly below the 583 basis points increase in the average Central Bank rate. Despite 89.3% and 80.8% of Grupo Aval's consumer loans and mortgages being fixed rate, the average yields on these loans priced in a small portion of the rise in reference rates during 2023 and increased 248 basis points and 96 basis points, respectively.

The average balance of interest-earning investments in debt securities increased 3.4% or Ps 1,047.1 billion. The average yield for interest-earning investments in debt securities increased 149 basis points as our subsidiaries invested in securities at higher yields as the Colombian sovereign yield curve (TES) shifted downwards, following global sovereign fixed income rates and aided by the decrease in Colombia's sovereign risk premium.

The end of period balance of interest-bearing liabilities increased 2.0% or Ps 4,439.8 billion, driven by a 19.8% or Ps 14,323.8 billion increase in time deposits partially offset by a 73.3% or Ps 8,090.9 billion decrease in borrowings from banks and other. The average balance of interest-bearing liabilities increased 10.5% or Ps 21,844.8 billion, driven by a 36.3% or Ps 22,316.5 billion increase in time deposits.

Average funding rates moved upwards in line with the average Central Bank rate and were further distorted by competition for stable funding and term funding with tenors longer than one year. More demanding NSFR requirements effective on March 31, 2023 favor these sources of funding rather than those provided by financial institutions and open collective investment funds, which were mostly savings accounts. Consequently, financial institutions and open collective investment funds migrated from savings accounts toward time deposits with tenors longer than one year, with banks demanding longer terms to fund marginal loan growth in compliance with NSFR metrics. This regulatory change compounded with a shift in our customers' deposit demand from checking and savings accounts (at generally lower rates) toward time deposits as rates across the system became increasingly appealing. These changes in banks' funding needs resulted in time deposit growth on closing and average balances. These trends also drove the 1.7% or Ps 1,244.2 billion decrease in the average balance of savings accounts and the 6.9% or Ps 462.6 billion decrease in the average balance of checking accounts.

Funding strategies across the banking system incorporated a view of a dovish interest rate cycle in 2023 that did not materialize. As reported in our annual report on Form 20-F for the year ended December 31, 2022, filed with the SEC on April 14, 2023 under "Item 5. Operating and Financial Review and Prospects—D. Trend information", our economic analysts' estimated the Central Bank rate would peak at 13.25% in May, remain at that level until August and start trending down to 11.0% at year-end 2023, similar to market consensus expectations. Following this view, our banking services segment positioned term funding skewered toward short-term durations. At December 31, 2022 69.2% or Ps 50,027.5 billion of our time deposits outstanding at the time were set to mature in the following nine months. The actual interest rate path widely differed from those expectations as the rate remained stable until December 21, 2023 when it was cut by only 25 basis points to 13.0% with no material effect on funding rates for the year. As a result, refinancing and marginal growth of time deposits at higher prices than in 2022 drove the 537 basis points increase in the average rate paid for this type of funding, pricing in the increase in the average Central Bank rate. At December 31, 2023 66.5% or Ps 57,556.9 billion of our time deposits outstanding are set to mature in the following nine months.

It is worth noting that bond issuance volumes remained underpinned throughout 2023 and 2022, pressuring time deposit rates even further as they remained as the only source of peso denominated term funding. Even though international funding was available throughout the year, the Colombian Peso depreciation implicit in derivatives contracts remained high driven by the ample interest rate differential between Colombia and the United States, leading to a high cost of currency hedging strategies.

Net impairment loss on financial assets

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Impairment loss on loans and other accounts receivable	(4,751.0)	(3,120.4)	(1,630.6)	52.3
Impairment (loss) recovery on other financial assets	12.9	(16.7)	29.6	(177.0)
Recovery of charged-off financial assets	555.8	644.0	(88.2)	(13.7)
Net impairment loss on financial assets	**(4,182.4)**	**(2,493.1)**	**(1,689.2)**	**67.8**

Grupo Aval's impairment loss on loans and other accounts receivable increased 52.3% or Ps 1,630.6 billion to Ps 4,751.0 billion, driven by the deterioration of the loan portfolio's ECL, explained by the weak economic performance and its effect on borrowers' credit risk. For more information regarding risk management please see "Item 11. Quantitative and Qualitative Disclosures About Market Risk".

The following table provides detail by category of impairment loss on loans and other accounts receivable, cost of risk and cost of risk, net. For more information on the calculation methodology please refer to "Item 3. Key Information—A. Selected Financial Data".

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	Impairment loss on loans and other accounts receivable				Cost of risk for the year ended December 31,		Change, 2023 vs. 2022	Cost of risk, net for the year ended December 31,		Change, 2023 vs. 2022
	Year ended December 31,		Change, 2023 vs. 2022							
	2023	2022	#	%	2023	2022	basis points	2023	2022	basis points
	(in Ps billions)									
Commercial	(203.1)	(622.8)	419.7	(67.4)	0.2%	0.6%	(46)	0.1%	0.6%	(44)
Consumer	(4,426.0)	(2,498.7)	(1,927.3)	77.1	7.4%	4.6%	281	6.6%	3.6%	304
Mortgage	(65.9)	25.2	(91.1)	(361.3)	0.4%	(0.2)%	52	0.3%	(0.2)%	51
Microcredit	(31.9)	(5.5)	(26.4)	480.6	11.8%	1.9%	985	9.8%	(3.7)%	1,356
Gross loans	**(4,726.8)**	**(3,101.8)**	**(1,625.0)**	**52.4**	**2.6%**	**1.9%**	**71**	**2.3%**	**1.5%**	**79**
Interbank and overnight funds	1.4	0.9	0.5	51.4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total gross loans	**(4,725.4)**	**(3,100.8)**	**(1,624.6)**	**52.4**	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Other accounts receivable	(25.6)	(19.6)	(6.1)	31.0	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Impairment loss on loans and other accounts receivable	**(4,751.0)**	**(3,120.4)**	**(1,630.6)**	**52.3**	**2.6%**	**1.9%**	**71**	**2.3%**	**1.5%**	**79**

Grupo Aval's cost of risk, net and asset quality measured by delinquency deteriorated driven by the following factors:

Observed deterioration of consumer loans was greater than anticipated by ECL when forward-looking parameters were incorporated into loan loss allowance calculations in 2022, mainly because of a weaker than expected macroeconomic scenario for the year 2023. For context, the following table depicts actual macroeconomic figures for 2023 compared to what was built into our IFRS 9 models at December 31, 2022:

	2023	2022		
	Actual	Scenario A	Scenario B	Scenario C
Inflation	9.28%	7.93%	7.83%	7.86%
Central Bank rate	13.00%	8.00%	8.75%	9.25%
GDP growth	0.60%	-0.53%	1.29%	2.37%
Unemployment rate	10.00%	11.15%	10.44%	9.46%
DTF interest rate	12.63%	8.64%	8.90%	9.36%
Real DTF interest rate (excluding inflation)	3.07%	0.66%	0.99%	1.39%

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Origination activity slowed down significantly in 2023, with new financial assets originated (net of payments) amounting to Ps 14.0 trillion, a 41.8% decrease compared to 2022. Lower origination volumes resulted from high interest rates. Consequently, the negative effects on delinquency ratios of a 59.3% or Ps 2.1 trillion increase in delinquent loan formation were amplified.

Grupo Aval's impairment loss on loans and other accounts receivable is the result of an improvement in the performance of commercial loan portfolio and a deterioration in the consumer loan portfolio. Consumer loans accounted for Ps 1.6 trillion of the Ps 2.1 trillion increase in delinquent loan formation during 2023.

1. Consumer: Impairment loss on consumer loans increased 77.1% or Ps 1,927.3 billion, driven by a notable deterioration in the asset quality of personal loans and credit cards, which have higher PDs than other secured products such as payroll loans and automobile loans and leases. At December 31, 2023, 20.2% and 17.5% of personal loans and credit cards were classified as Stage 2 or Stage 3, respectively. Loan loss coverage measured as loss allowance as a percentage of gross loans increased for Stage 1 loans (2.2% in 2023 and 1.6% in 2022) and Stage 2 (22.5% in 2023 and 17.3% in 2022), while that of Stage 3 loans decreased slightly to 79.4% in 2023 from 82.5% in 2022 as a higher ratio of charge-offs to average consumer loans leads to lower coverage for Stage 3 loans.

2. Commercial: Impairment loss on commercial loans decreased 67.4% or Ps 419.7 billion given that loan migration to Stage 3 was lower than a year earlier and therefore marginal loss allowance needs were lower. In 2023, the balance of Stage 3 commercial loans increased 0.5% or Ps 44.2 billion, which compares to a 7.5% or Ps 641.5 billion in 2022. This implied a Ps 348.8 billion decrease in impairment losses in 2023 relative to a year earlier. In addition, impairment losses for Stage 1 loans decreased Ps 146.2 billion due to slower origination activity, with new financial assets originated (net of payments) amounting to Ps 6.0 trillion, a 45.4% decrease compared to 2022.

Since consumer loans require more provisioning, the net result of the deterioration in the consumer loan portfolio and the improvement in the commercial loan portfolio was an increase in Grupo Aval's cost of risk. Nevertheless, our product mix, richer in lower risk products and segments, prevented further deterioration of our cost of risk and asset quality metrics. For more information on loss allowance calculations, please refer to Note 4 of our audited consolidated financial statements.

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

	At December 31,								Change, 2023 vs. 2022			
	2023				2022							
	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Gross loans
	(in Ps billions)								%			
Commercial	94,328.3	3,530.5	9,189.0	**107,047.8**	89,958.2	5,672.1	9,144.8	**104,775.1**	4.9	(37.8)	0.5	**2.2**
Consumer	52,856.1	4,408.8	2,734.7	**59,999.6**	52,529.1	4,929.0	1,961.4	**59,419.4**	0.6	(10.6)	39.4	**1.0**
Mortgages	16,721.0	1,160.8	604.4	**18,486.2**	16,226.4	1,159.8	497.1	**17,883.4**	3.0	0.1	21.6	**3.4**
Microcredit	226.5	14.0	37.0	**277.5**	224.5	14.1	29.2	**267.7**	0.9	(0.7)	26.9	**3.7**
Gross loans	**164,132.0**	**9,114.0**	**12,565.2**	**185,811.2**	**158,938.3**	**11,774.9**	**11,632.4**	**182,345.6**	3.3	(22.6)	8.0	**1.9**
Commercial	88.1%	3.3%	8.6%	**100.0%**	85.9%	5.4%	8.7%	**100.0%**				
Consumer	88.1%	7.3%	4.6%	**100.0%**	88.4%	8.3%	3.3%	**100.0%**				
Mortgages	90.5%	6.3%	3.3%	**100.0%**	90.7%	6.5%	2.8%	**100.0%**				
Microcredit	81.6%	5.0%	13.3%	**100.0%**	83.9%	5.3%	10.9%	**100.0%**				
Gross loans	**88.3%**	**4.9%**	**6.8%**	**100.0%**	**87.2%**	**6.5%**	**6.4%**	**100.0%**				
Commercial	0.6%	6.2%	48.6%	**4.9%**	0.7%	9.1%	47.9%	**5.2%**				
Consumer	2.2%	22.5%	79.4%	**7.2%**	1.6%	17.3%	82.5%	**5.6%**				
Mortgages	0.3%	5.7%	44.4%	**2.1%**	0.3%	4.5%	50.5%	**2.0%**				
Microcredit	5.3%	45.6%	95.1%	**19.3%**	2.8%	35.0%	95.3%	**14.6%**				
Loss allowance as a percentage of gross loans per Stage	**1.1%**	**14.1%**	**55.2%**	**5.4%**	**0.9%**	**12.1%**	**54.0%**	**5.0%**				

The closing balance of Stage 3 loans for personal loans and credit cards increased Ps 437.6 billion and Ps 166.8 billion respectively, which in turn implied an increase in impairment loss on consumer loans of Ps 599.6 billion and Ps 260.3 billion, respectively. The closing balance of consumer loans classified as Stage 2 decreased Ps 520.2 billion, with increases in loans classified with higher PDs, particularly in personal loans. The closing balance of Stage 2 personal loans increased Ps 360.3 billion, with loans classified between "Normal" and "Appreciable" (PDs of up to 45%) risk categories decreasing Ps 604.9 billion and loans classified as "Significant" (PDs between 45% and 90%) increasing Ps 963.6 billion, which resulted in a Ps 449.9 billion increase in impairment loss on consumer loans. Finally, within Stage 1 a relevant portion of personal loans and credit cards moved from "Normal" risk to "Acceptable" driving additional impairment losses on consumer loans of Ps

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335.9 billion. The abovementioned resulted in an increase in the coverage ratios (loss allowance as a percentage of gross loan) of Stage 1 and Stage 2 consumer loans.

The following table shows the balance of loans at least 91 days past due, delinquency ratios, charge-offs and charge-offs as a percentage of average gross loans for Grupo Aval (interbank and overnight funds are not included as they tend not to be past due or charged-off due to their characteristics and short-term nature).

	Loans at least 91 days past due				Delinquency ratio (1)		Change,
	At December 31,		Change, 2023 vs. 2022		at December 31,		2023 vs. 2022
	2023	2022	#	%	2023	2022	basis points
	(in Ps billions)						
Commercial	4,502.9	3,788.8	714.0	18.8	4.2%	3.6%	59
Consumer	2,138.5	1,575.3	563.2	35.8	3.6%	2.7%	91
Mortgages	717.6	540.9	176.8	32.7	3.9%	3.0%	86
Microcredit	37.0	29.2	7.9	26.9	13.3%	10.9%	245
Gross loans	**7,396.1**	**5,934.2**	**1,461.9**	**24.6**	**4.0%**	**3.3%**	**73**

	Charge-offs				Charge-offs as a percentage		Change,
	At December 31,		Change, 2023 vs. 2022		of average gross loans		2023 vs. 2022
	2023	2022	#	%	2023	2022	basis points
	(in Ps billions)						
Commercial	668.0	746.2	(78.2)	(10.5)	0.6%	0.8%	(15)
Consumer	3,433.2	2,343.2	1,090.0	46.5	5.7%	4.3%	145
Mortgages	51.0	41.9	9.2	21.9	0.3%	0.3%	2
Microcredit	24.2	80.6	(56.4)	(70.0)	8.9%	28.4%	(1,942)
Total charge-offs	**4,176.5**	**3,211.9**	**964.6**	**30.0**	**2.3%**	**1.9%**	**34**

(1) Calculated as loans past due more than 90 days divided by gross loans.

Delinquency coverage ratio for gross loans, measured as loss allowance divided by past due gross loans more than 90 days decreased to 135.7% in 2023 from 155.1% in 2022. Charge-offs as a percentage of average gross loans increased as a result of asset quality deterioration, particularly in consumer loans.

Impairment recovery on other financial assets, of Ps 12.9 billion, was driven by an improvement in fixed income investment credit rating. Recovery of charged-off financial assets decreased 13.7% or Ps 88.2 billion, negatively affected by softer economic conditions.

Net income from commissions and fees

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Banking and other fees	2,726.4	2,448.5	278.0	11.4
Bonded warehouse services	188.2	187.2	1.0	0.5
Trust activities and portfolio management services	463.2	353.3	109.9	31.1
Pension and severance fund management	978.5	885.4	93.1	10.5
Income from commissions and fees	**4,356.3**	**3,874.4**	**481.9**	**12.4**
Expenses from commissions and fees	(1,003.8)	(970.7)	(33.1)	3.4
Net income from commissions and fees	**3,352.5**	**2,903.8**	**448.8**	**15.5**

Income from commissions and fees increased 12.4% or Ps 481.9 billion, positively impacted by an 11.4% or Ps 278.0 billion increase in banking and other fees, a 31.1% or Ps 109.9 billion increase in trust activities and portfolio management services and a 10.5% or Ps 93.1 billion increase in pension and severance fund management fees. The increase in banking and other fees is related to the following:

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1. Banking service fees increased 8.5% or Ps 130.0 billion due to (i) higher transaction volumes on our branch network and (ii) upward price adjustments in banking services.

2. Debit and credit card fees increased 20.7% or Ps 173.4 billion primarily due to by a 22.7% or Ps 102.5 billion increase in debit and credit card fees and an 18.4% or Ps 70.9 billion increase in income from merchant acquiring, as transactions on point-of-sale (POS) were higher in 2023.

Trust activities and portfolio management services increased 31.1% or Ps 109.9 billion amidst favorable capital market conditions that favored performance-based fee income. Pension and severance fund management fees increased 10.5% or Ps 93.1 billion driven by (i) a 7.4% or Ps 40.6 billion increase in fee income from mandatory pension fund management, (ii) a 12.5% or Ps 30.4 billion increase in fee income from severance fund management driven by returns and a 12.4% growth of average AUMs, (iii) a 364.2% or Ps 15.2 billion increase in fee income from third-party pension fund management due to favorable market conditions, and (iv) a 7.8% or Ps 6.8 billion increase in revenues received from voluntary pension fund management, driven by growth of average assets under management (AUMs) and an increase in the implicit weighted average fee charged to investment alternatives. For more information see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Management Discussion and Analysis of Operating Segments—Pension and Severance Fund Management"

The increase in expenses from commissions and fees was mainly driven by an increase in transactional activity, which was partially offset by lower fees paid to third-party sales-forces in connection with lower origination volumes, particularly on consumer loans and mortgages.

Gross profit from sales of goods and services

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Income from sales of goods and services	11,223.6	12,141.3	(917.8)	(7.6)
Costs and expenses of sales of goods and services	(8,005.6)	(7,596.2)	(409.4)	5.4
Gross profit from sales of goods and services	**3,218.0**	**4,545.1**	**(1,327.1)**	**(29.2)**

Gross profit from sales of goods and services mainly reflects income and expenses related to non-financial assets and liabilities of Grupo Aval's non-financial subsidiaries. Results related to financial assets and liabilities of these companies are presented under: i) interest income, ii) interest expense, iii) net income from other financial instruments mandatorily at FVTPL, iv) net trading (loss) income, v) in Other income under foreign exchange gains (losses) and share of profit of equity accounted investees, net of tax (equity method).

	Year ended December 31, 2023					
	Infrastructure	Energy & Gas	Hospitality	Agribusiness	Other	Total
			(in Ps billions)			
Income from sales of goods and services	**3,954.2**	**6,158.6**	**598.9**	**296.8**	**215.0**	**11,223.6**
Costs from sales of goods and services	(1,120.8)	(4,191.0)	(209.7)	(222.4)	(55.8)	(5,799.7)
Personnel expenses	(34.1)	(130.4)	(67.7)	(15.6)	(377.8)	(625.5)
Administrative and other expenses	(325.4)	(332.6)	(215.0)	(30.9)	(85.4)	(989.3)
Depreciation and amortization	(60.3)	(374.0)	(14.8)	(10.5)	(21.1)	(480.7)
Expenses from commissions and fees	(0.6)	(9.1)	(5.9)	(0.4)	(23.5)	(39.5)
Allowance for impairment of receivables	(0.9)	(50.0)	(0.1)	(0.1)	(0.0)	(51.0)
Other expenses	(0.0)	(19.9)	(0.0)	—	(0.0)	(19.9)
Costs and expenses from sales of goods and services	**(1,542.2)**	**(5,106.9)**	**(513.2)**	**(279.7)**	**(563.5)**	**(8,005.6)**
Gross profit from sales of goods and services	**2,412.0**	**1,051.7**	**85.7**	**17.1**	**(348.5)**	**3,218.0**

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	Year ended December 31, 2022					
	Infrastructure	Energy & Gas	Hospitality	Agribusiness	Other	Total
	(in Ps billions)					
Income from sales of goods and services	**5,330.2**	**5,718.8**	**532.3**	**341.0**	**219.0**	**12,141.3**
Costs from sales of goods and services	(1,410.5)	(3,710.9)	(182.3)	(195.2)	(77.4)	(5,576.2)
Personnel expenses	(29.8)	(116.8)	(58.6)	(14.1)	(402.7)	(622.0)
Administrative and other expenses	(176.6)	(361.9)	(199.0)	(29.4)	(76.3)	(843.1)
Depreciation and amortization	(61.1)	(337.9)	(14.6)	(6.9)	(23.9)	(444.5)
Expenses from commissions and fees	(1.9)	(7.4)	(6.0)	(0.3)	(19.1)	(34.6)
Allowance for impairment of receivables	(1.9)	(57.9)	0.6	0.3	(0.2)	(59.1)
Other	(0.0)	(16.7)	(0.0)	—	(0.0)	(16.7)
Costs and expenses from sales of goods and services	**(1,681.7)**	**(4,609.4)**	**(460.0)**	**(245.6)**	**(599.5)**	**(7,596.2)**
Gross profit from sales of goods and services	**3,648.5**	**1,109.4**	**72.4**	**95.4**	**(380.5)**	**4,545.1**

Infrastructure companies continued as the largest contributor to this line item with Ps 2,412.0 billion in 2023. This sector drove the overall performance in gross profit from sales of goods and services decreasing 33.9% or Ps 1,236.5 billion compared to 2022 mainly explained by a 25.8% or Ps 1,376.0 billion decrease in income that was partially offset by an 8.3% or Ps 139.5 billion decrease in costs and expenses. The decrease in income was driven by the 20.5% year-over-year appreciation of the Colombian Peso relative to the U.S. dollar and its negative effect on U.S. dollar denominated future guaranteed payments that was partially offset by a Ps 1,296.4 billion increase in income related to hedging strategies (net trading (loss) income from derivatives and foreign exchange losses) of its financial assets and liabilities. This situation compares to a 20.8% depreciation of the Colombian Peso in 2022, which had positive effects over income and negative effects on hedging strategies. The remaining decrease in income is explained by two effects: (i) given that concessions under construction are nearing their final stages, work progress was slower than in 2022, which in turn drove the reduction in construction income and costs and (ii) the adjustments in observed and expected inflation relative to estimations used in future cash flow projections led to a higher adjustment to the value of intangible assets in 2022 as compared to 2023, therefore financial income related to concession arrangements was lower in 2023 relative to a year earlier.

Costs and expenses of sales of goods and services decreased 8.3% or Ps 139.5 billion, in spite of incorporating a Ps 253.0 billion (U.S.$60.6 million) expense in 2023 resulting from the resolutions with the DOJ and SEC. Expenses different from this particular expense decreased Ps 392.5 billion or 23.3%, given that concessions under construction are nearing their final stages and work progress was slower than in 2022.

Gross profit for energy and gas companies in 2023 was Ps 1,051.7 billion, Ps 57.7 billion less than in 2022. Income increased 7.7% or Ps 439.8 billion and costs and expenses increased 10.8% or Ps 497.5 billion. Income grew less than expenses due to a slower pace of construction of Gases del Norte del Perú's construction progress in 2023 than in 2022, which given its nature yields a high margin. Notwithstanding, gas transportation volumes increased 15.1% to 588 MMSCFD and gas distribution volumes increased 6.1% to 11,207 million m^3.

Gross profit for hospitality companies in 2023 was Ps 85.7 billion, a Ps 13.3 billion improvement relative to Ps 72.4 billion in 2022. Income increased 12.5% or Ps 66.6 billion driven by stable average occupancy rates and higher prices on food and rooms driven by price indexation. Costs increased 11.6% or Ps 53.3 billion amidst efficiency initiatives intended to contain the effects of inflation and wage increases on the business cost structure.

Gross profit for agribusiness companies in 2023 was Ps 17.1 billion, Ps 78.3 billion less than in 2022. Income decreased 13.0% or Ps 44.2 billion due to a lower price of rubber, African palm oil and paddy rice, that was partially offset by higher sales volumes. Costs and expenses increased 13.9% or Ps 34.2 billion mainly explained by the increase in prices for agro-industrial supplies and wages.

Gross loss for other sectors was Ps 348.5 billion in 2023, mainly reflecting operating costs of other services companies (mainly call-centers) that provide Grupo Aval's entities and third parties with call center, BPO and external sales-force services, Ps 32.0 billion less than the Ps 380.5 billion gross loss in 2022.

For a detailed analysis of the different sectors see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Management Discussion and Analysis of Operating Segments—Merchant Banking" and for information related to concession arrangements rights see Note 16 of our audited consolidated financial statements.

Net trading (loss) income

Grupo Aval's net trading loss (refer to Note 29 of our audited consolidated financial statements) was Ps 916.0 billion in 2023, Ps 2,475.7 billion or 158.7% lower than in 2022, resulting from a Ps 4,111.0 billion decrease in net trading (loss) income from derivatives and partially offset by a Ps 1,635.3 billion increase in income from investment securities at fair value through profit or loss. It is worth noting that net trading (loss) income from derivatives should be analyzed in conjunction with foreign exchange gains (losses); in this sense, the performance

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of net trading (loss) income from derivatives was offset by a Ps 4,079.6 billion increase in foreign exchange gains (losses), net, recognized under other income.

Net trading (loss) income from investment securities at fair value through profit or loss consisted of three main drivers: (i) income contributed (net of eliminations) by our banking services segment increased Ps 779.3 billion to a Ps 805.5 billion gain in 2023, (ii) income contributed (net of eliminations) by our merchant banking segment increased Ps 469.5 billion to a Ps 550.8 billion gain in 2023 (see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Management Discussion and Analysis of Operating Segments—Merchant Banking"), and (iii) income contributed (net of eliminations) by our pension and severance fund management segment increased Ps 386.5 billion to a Ps 308.7 billion gain in 2023.

Net trading (loss) income from our non-financial subsidiaries increased Ps 162.7 billion to a Ps 167.8 billion gain, resulting from a Ps 93.2 billion increase in net trading (loss) income from investment securities at fair value through profit or loss and a Ps 69.5 billion increase in net trading (loss) income from derivatives.

Total income from investment securities

Grupo Aval's securities portfolio is classified in the following categories: (i) equity and fixed income investments at FVTPL (described in this section as net trading (loss) income in investment securities at FVTPL), (ii) fixed income investments at FVOCI and (iii) fixed income investments at amortized cost or "AC" (results from (ii) and (iii) are included in net interest income as interest income on investments in debt securities). Grupo Aval manages its investment portfolio in a comprehensive and integral manner that considers individual return of each one of these three categories and the total return of the investment securities portfolio.

Total income from investment securities for Grupo Aval (comprised of interest income on investments in debt securities and net trading (loss) income from investment securities at FVTPL) was Ps 4,050.4 billion for 2023, 116.2% or Ps 2,177.1 billion more than in 2022. This was primarily driven by a 464 basis points increase in the average yield on total investment securities to 9.3% in 2023 up from 4.6% in 2022, generating a Ps 1,875.0 billion increase in interest income. In addition, an 8.1% or Ps 3,258.6 billion increase in the average balance of total investment securities to Ps 43,694.7 billion in 2023 resulted in a Ps 302.1 billion increase in interest income. The main drivers for this performance were discussed above in net interest income and net trading (loss) income.

Net income from other financial instruments mandatorily at FVTPL

Net income from other financial instruments mandatorily at FVTPL reflect the fair value of certain concession arrangements entered between Promigas and the Colombian Government, that meet the requirements for mandatory recognition at FVTPL, and increased by Ps 44.9 billion to Ps 323.7 billion in 2023 as compared to 2022.

Other income

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Foreign exchange gains (losses), net	2,253.9	(1,825.7)	4,079.6	(223.5)
Share of profit of equity accounted investees, net of tax	371.4	372.8	(1.4)	(0.4)
Net gain (loss) on sale of debt and equity securities	108.8	(134.7)	243.5	(180.8)
Dividends	126.3	119.9	6.4	5.3
Gain (loss) on the sale of non-current assets held for sale	48.6	10.5	38.1	363.3
Gain on sale of property, plant and equipment	360.7	142.1	218.6	153.8
Net gain (loss) in asset valuation	74.9	50.5	24.4	48.4
Gain on loss of control of subsidiaries	—	137.4	(137.4)	(100.0)
Other	406.7	278.7	128.1	46.0
Other income	**3,751.3**	**(848.6)**	**4,599.9**	**(542.1)**

Other income increased Ps 4,599.9 billion to Ps 3,751.3 billion, mainly driven by a Ps 4,079.6 billon increase in foreign exchange gains (losses), net and by a Ps 218.6 increase in gain on sale of property, plant and equipment.

The Ps 4,079.6 billion increase in foreign exchange gains (losses), net to a Ps 2,253.9 billion gain should be analyzed in conjunction with net trading (loss) income from derivatives. The net result of both activities (foreign exchange and derivatives) for 2023 was a Ps 327.2 billion loss compared to a Ps 295.9 billion loss in 2022. In 2023, Colombian Peso appreciation implicit in derivatives contracts remained high driven by the ample interest rate differential between Colombia and the United States, leading to a higher cost of the hedging strategy when compared to 2022.

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During 2023, our subsidiaries continued their PP&E structure optimization program by transferring some non-strategic property, plant and equipment in exchange for equity in NEXUS Real Estate Capital Funds (a private equity fund specialized in real estate management), some of which were part of sale & lease-back operations. As such, we recorded an Ps 218.6 billion increase in gain on the sale of property, plant and equipment (as fair value of derecognized PP&E was higher than book value). The Ps 38.1 billion increase in gain (loss) on the sale of non current assets held for sale is related to the transferal of assets to NEXUS Real Estate Capital Funds. In addition, net gain (loss) in asset valuation increased Ps 24.4 billion (see Note 15 to our audited consolidated financial statements for more information), driven by diverging results in two of our operating segments. A Ps 92.3 billion increase in net gain (loss) in asset valuation from our merchant banking segment was partially offset by a Ps 67.6 billion decrease in our banking services segment. For the latter, investment properties were either transferred to NEXUS Real Estate Capital Funds or sold, in some cases at lower valuations than those in December 31, 2022. The Ps 243.5 billion increase in net gain on sale of debt and equity securities was explained by a decline in market interest rates at the end of the year that enabled profit-taking strategies.

Other expenses

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Losses from sales of non-current assets held for sale	(0.6)	(0.8)	0.2	(25.6)
Personnel expenses	(3,055.2)	(2,833.8)	(221.4)	7.8
Administrative and other expenses	(4,367.0)	(3,703.6)	(663.4)	17.9
Depreciation and amortization	(670.5)	(645.7)	(24.7)	3.8
Impairment loss on other assets	(2.9)	(20.8)	17.8	(85.8)
Other	(250.3)	(205.1)	(45.2)	22.0
Other expenses	**(8,346.5)**	**(7,409.8)**	**(936.7)**	**12.6**

In 2023 we continued with our initiatives of cost containment. Other expenses increased 12.6% or Ps 936.7 billion. A 39.4% or Ps 343.4 billion increase in operating taxes in 2023 amounted to 4.6 percentage points of overall other expense growth and 9.3 percentage points of growth in administrative and other expenses. This is primarily explained by the increase in industry and commerce tax or ICA (charged at a department and municipal level) which is charged on a gross income basis and increased in line with income growth (driven by interest income on gross loans); in addition, this tax is set by regional administrations, some of which enacted substantial rate increases during the year. Insurance expenses increased 17.9% or Ps 93.6 billion, driven by deposit insurance premiums paid in Colombia and in line with growth of average deposits for 2023. Service expenses such as staffing, utilities, travel and transportation expenses, and supplies and stationery, among others increased 0.1% or Ps 0.6 billion, below observed inflation.

The 7.8% or Ps 221.4 billion increase in personnel expenses resulted from a 7.2% or Ps 194.9 billion increase in salaries and employee benefits and an 21.6% or Ps 26.4 billion increase in labor severances and bonus plan payments. For reference, the minimum wage in Colombia increased by 16.0% in 2023 as compared to 2022.

Cost to income efficiency ratio was 52.1% in 2023 as compared to 45.8% in 2022, given that Grupo Aval's other expenses increased by 12.6% and its total income before net impairment losses on financial assets (defined as the sum of net interest income, net income from commissions and fees, gross profit (loss) from sales of goods and services, net trading (loss) income, net income from other financial instruments mandatorily at fair value through profit or loss "FVTPL" and other income) decreased by 1.0%. The ratio of other expenses as a percentage of average assets (not including assets previously held through BHI) reached 2.8% in 2023, up from 2.7% in 2022.

Tax expense

Income tax expense for Grupo Aval decreased by 42.3% or Ps 961.0 billion, to Ps 1,310.4 billion in 2023, driven by a 44.4% or Ps 2,786.8 billion decrease in net income before tax expense. Grupo Aval's income tax expense divided by net income before income tax expense excluding dividends, equity method and gain on loss of control of subsidiaries (as they are non-taxable income), was 43.8% in 2023 and 40.2% in 2022. For more information on income tax expense please refer to Note 19 of our audited consolidated financial statements.

Net income from discontinued operations

Net income from discontinued operations, net of tax decreased Ps 866.2 billion in 2023 compared with 2022 considering that there were no events of discontinued operations in 2023. Net income from discontinued operations, net of tax in 2022 includes a Ps 69.6 billion gain related to the BHI transactions (spin-off and sale) including (i) a Ps 1,052.6 billion gain related to the spin-off of 75.0% of equity interest of BHI in March and (ii) a Ps 983.0 billion loss on the sale of a 20.9% equity interest of BHI in December. In addition, in 2022 Grupo Aval through Banco de Bogotá recognized Ps 796.6 billion of BHI's net income during the time it was a subsidiary (January – March) and afterwards, during the time it was accounted for as an investment in associate through the equity method (April – November). The attributable portion

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of net income from discontinued operations reflects Grupo Aval's equity interest in Banco de Bogotá. As a result, net income from discontinued operations attributable to owners of the parent was Ps 594.0 billion in 2022.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest decreased 39.73%, or Ps 948.1 billion, to Ps 1,438.1 billion in 2023 compared to 2022. The ratio of net income attributable to non-controlling interest to net income increased to 66.1% in 2023 from 49.0% in 2022. The increase in this ratio is mainly attributable to a change in the mix of our segment's contribution to net income driven by (i) a lower contribution to net income from our banking services segment, (ii) a higher relative contribution from our merchant banking segment of which 59.5% is attributable to non-controlling interest (see Note 26 of our audited consolidated financial statements) and (ii) a higher contribution from our pension and severance fund management segment, of which 24.2% is non-controlling interest.

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Management Discussion and Analysis of Operating Segments

In the following section we will refer to the consolidated results of our main operating segments. Overall, the principal drivers for our operating segments are the same as those discussed under Grupo Aval's Management Discussion and Analysis. As such, the following section will focus on the drivers affecting each of our operating segments rather than revisiting the general discussion.

The presentation format in the following tables follows the structure of the consolidated Statement of income in our audited consolidated financial statements and may differ from the presentation of our operating segments in Note 31 of our audited consolidated financial statements in that the following tables aggregate intersegment and external income.

Banking Services

Overview

Net income for the year ended December 31, 2023 was Ps 827.2 billion, decreasing 75.1% or Ps 2,493.5 billion compared to the year ended December 31, 2022. Compared with net income from continuing operations of 2022, the result for 2023 was Ps 1,627.4 billion or 66.3% lower than in 2022.

	Banking Services			
	For the year ended December 31,		Change 2023 vs 2022	
	2023	2022	#	%
	(in Ps billions)			
Total interest income	27,669.6	18,561.7	9,107.9	49.1
Total interest expense	(19,260.2)	(9,602.1)	(9,658.1)	100.6
Net interest income	**8,409.4**	**8,959.6**	**(550.3)**	**(6.1)**
Impairment loss on loans and other accounts receivable	(4,721.5)	(3,095.0)	(1,626.4)	52.5
Impairment (loss) recovery on other financial assets	0.8	3.9	(3.0)	(78.4)
Recovery of charged-off financial assets	550.6	644.0	(93.4)	(14.5)
Net impairment loss on financial assets	**(4,170.0)**	**(2,447.2)**	**(1,722.9)**	**70.4**
Net interest income, after impairment losses	**4,239.3**	**6,512.4**	**(2,273.1)**	**(34.9)**
Net income from commissions and fees	2,362.1	2,122.1	240.0	11.3
Gross loss from sales of goods and services	(333.7)	(372.8)	39.2	(10.5)
Net trading (loss) income	(1,245.2)	1,207.1	(2,452.3)	(203.2)
Other income	3,329.7	253.0	3,076.7	1,216.0
Other expenses	(7,710.0)	(6,861.6)	(848.5)	12.4
Net income before tax expense	**642.2**	**2,860.3**	**(2,218.1)**	**(77.5)**
Income tax (expense) recovery	184.9	(405.7)	590.7	(145.6)
Net income from continuing operations	**827.2**	**2,454.5**	**(1,627.4)**	**(66.3)**
Net income from discontinued operations, net of tax	—	866.2	(866.2)	(100.0)
Net income for the year	**827.2**	**3,320.7**	**(2,493.5)**	**(75.1)**

Net interest income

Net interest income decreased 6.1% or Ps 550.3 billion to Ps 8,409.4 billion in 2023. Yields and rates paid increased rapidly due to monetary policy in place throughout the year, a tighter liquidity environment and due to additional pressures coming from more demanding NSFR requirements, which drove the increase in the cost of interest-bearing deposits. Total interest expense increased 100.6% or Ps 9,658.1 billion, more than total interest income, resulting from a 432 basis point increase in interest rates paid on interest-bearing liabilities and a 10.4% or Ps 18,903.2 billion increase in the average balance of interest-bearing liabilities. Total interest income increased 49.1% or Ps 9,107.9 billion, driven by a 349 basis points increase in the average yield of interest-earning assets and a 9.1% or Ps 17,716.5 billion increase in the average balance of interest-earning assets. The interest spread between the average yield on gross loans and the average rate paid on interest-bearing liabilities decreased by 77 basis points to 4.1% and net interest margin contracted by 64 basis points to 3.9%. The main drivers impacting interest-earning assets and interest-bearing liabilities during 2023, are as described under Grupo Aval's analysis.

Average balance of interest-earning assets for the year ended December 31,		Change, 2023 vs. 2022		Net interest margin for the year ended December 31,		Net interest income for the year ended December 31,		Change, 2023 vs. 2022	
2023	2022	#	%	2023	2022	2023	2022	#	%
(in Ps billions)						(in Ps billions)			
212,916.6	195,200.1	17,716.5	9.1	3.9%	4.6%	8,409.4	8,959.6	(550.3)	(6.1)

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The following tables show: (i) the average balance, average yield and interest income on interest-earning assets with an analysis of impacts derived from changes in the average balance and the average yield, per type of interest-earning asset; interbank and overnight funds are shown separate from gross loans due to their characteristics and short-term nature and (ii) the average balance, average rate paid and interest expense on interest-bearing liabilities with an analysis of impacts derived from changes in the average balance and the average rate, per type of interest-bearing liabilities.

(i)	Average balance for the year ended December 31,		Change, 2023 vs. 2022		Average yield for the year ended December 31,		Interest income for the year ended December 31,		Impact on interest income due to changes in			Change, 2023 vs. 2022
	2023	2022	#	%	2023	2022	2023	2022	Balance	Yield	Total	%
	(in Ps billions)						(in Ps billions)			(in Ps billions)		
Commercial	106,096.3	96,456.4	9,639.9	10.0	13.6%	8.9%	14,414.7	8,602.7	1,309.7	4,502.3	5,812.0	67.6
Consumer	59,178.8	54,198.2	4,980.6	9.2	15.1%	12.7%	8,920.2	6,881.1	750.7	1,288.3	2,039.0	29.6
Mortgages	18,033.4	16,067.7	1,965.7	12.2	9.4%	8.4%	1,686.6	1,348.5	183.8	154.2	338.1	25.1
Microcredit	270.7	284.3	(13.6)	(4.8)	26.4%	22.7%	71.4	64.6	(3.6)	10.3	6.8	10.5
Gross loans	**183,579.3**	**167,006.5**	**16,572.7**	**9.9**	**13.7%**	**10.1%**	**25,092.8**	**16,896.9**	**2,265.3**	**5,930.6**	**8,195.9**	**48.5**
Interbank and overnight funds	2,450.5	2,603.5	(152.9)	(5.9)	31.3%	13.0%	768.0	338.7	(47.9)	477.3	429.3	126.8
Total gross loans	**186,029.8**	**169,610.0**	**16,419.8**	**9.7**	**13.9%**	**10.2%**	**25,860.9**	**17,235.6**	**2,282.6**	**6,342.6**	**8,625.2**	**50.0**
Investments in debt securities	26,886.8	25,590.1	1,296.6	5.1	6.7%	5.2%	1,808.7	1,326.1	87.2	395.4	482.6	36.4
Total interest-earning assets	**212,916.6**	**195,200.1**	**17,716.5**	**9.1**	**13.0%**	**9.5%**	**27,669.6**	**18,561.7**	**2,302.3**	**6,805.5**	**9,107.9**	**49.1**

(ii)	Average balance for the year ended December 31,		Change, 2023 vs. 2022		Average rate paid for the year ended December 31,		Interest expense for the year ended December 31,		Impact on interest expense due to changes in			Change, 2023 vs. 2022
	2023	2022	#	%	2023	2022	2023	2022	Balance	Rate	Total	%
	(in Ps billions)						(in Ps billions)			(in Ps billions)		
Checking accounts	6,398.1	7,072.1	(674.0)	(9.5)	4.5%	2.3%	(287.4)	(165.1)	30.3	(152.6)	(122.3)	74.1
Time deposits	77,790.7	58,007.0	19,783.7	34.1	11.8%	6.2%	(9,140.6)	(3,618.6)	(2,324.6)	(3,197.4)	(5,522.0)	152.6
Savings accounts	72,490.8	73,389.1	(898.3)	(1.2)	8.2%	4.9%	(5,977.1)	(3,596.8)	74.1	(2,454.4)	(2,380.3)	66.2
Total interest-bearing deposits	**156,679.6**	**138,468.2**	**18,211.4**	**13.2**	**9.8%**	**5.3%**	**(15,405.2)**	**(7,380.5)**	**(1,790.6)**	**(6,234.1)**	**(8,024.7)**	**108.7**
Interbank borrowings and overnight funds	7,418.3	6,028.4	1,389.9	23.1	15.8%	6.6%	(1,170.9)	(397.0)	(219.4)	(554.5)	(773.9)	194.9
Borrowings from banks and others	16,676.1	16,483.7	192.4	1.2	4.8%	2.5%	(800.1)	(404.5)	(9.2)	(386.4)	(395.6)	97.8
Bonds issued	15,243.6	17,145.1	(1,901.5)	(11.1)	8.5%	6.9%	(1,292.8)	(1,177.4)	161.3	(276.6)	(115.4)	9.8
Borrowings from development entities	4,548.1	3,537.1	1,011.0	28.6	13.0%	6.9%	(591.3)	(242.7)	(131.4)	(217.1)	(348.6)	143.6
Other funding	**43,886.1**	**43,194.3**	**691.8**	**1.6**	**8.8%**	**5.1%**	**(3,855.1)**	**(2,221.6)**	**(60.8)**	**(1,572.7)**	**(1,633.5)**	**73.5**
Total interest-bearing liabilities	**200,565.7**	**181,662.5**	**18,903.2**	**10.4**	**9.6%**	**5.3%**	**(19,260.2)**	**(9,602.1)**	**(1,815.3)**	**(7,842.9)**	**(9,658.1)**	**100.6**

Average balance of gross loans increased 9.9% or Ps 16,572.7 billion in 2023 and the average yield was 13.7%, 355 basis points higher than in 2022. Growth of average balances of 9.9% was higher than growth of closing balances of 2.0%, mainly because average U.S. dollar denominated loans, which represent 15.2% of our loan portfolio, benefited from a 1.7% depreciation in the average exchange rate for the year. On the other hand, closing balances were negatively impacted by a 20.5% year-over-year appreciation of the end of period exchange rate. Additionally, loan portfolio growth was stronger during the first half of the year, particularly in consumer loans.

Peso denominated loans grew 10.5% year-over-year on average balances; commercial loans grew 10.6%, consumer loans grew 9.6%, mortgage loans grew 13.8%, and microcredit loans decreased 4.8%. As for U.S. dollar denominated loans in U.S. dollar terms, year-over-year growth was 6.2% for average balances; commercial loans grew 7.5%, consumer loans decreased 0.5% and mortgages grew 5.2%.

The average Central Bank rate in Colombia increased by 583 basis points to 13.03% in 2023 from 7.20% in 2022. The end of period Central Bank rate in Colombia increased by 100 basis points to 13.0% at December 31, 2023 from 12.00% a year earlier. Given that 83.7% of the segment's commercial loans are variable rate which are mostly referenced to the 3-month inter-bank rate (IBR) or the 90-day time deposit rate (DTF), average yields on commercial loans increased 467 basis points to 13.6%, slightly below the 583 basis points increase in the average Central Bank rate. On the other hand, given that 90.7% and 80.8% of the segment's consumer loans and mortgages are fixed rate, the average yields on these loans priced in during 2023 a small portion of the rise in reference rates and increased 238 basis points and 96 basis points, respectively.

The average balance of interest-earning investments in debt securities increased 5.1% or Ps 1,296.6 billion. The average yield for interest-earning investments in debt securities increased 155 basis points as our subsidiaries invested in securities at higher yields as the Colombian sovereign yield curve (TES) shifted downwards, following global sovereign fixed income rates and aided by the decrease in Colombia's sovereign risk premium.

Finally, as described in Grupo Aval's analysis, average funding rates moved upwards in line with the average Central Bank rate. In addition, cost of funds was pressed by competition for stable retail funding and term funding with tenors longer than one year in order to comply with the more demanding NSFR requirements. Pressures on balances and rates built up during the latter part of the year to comply with NSFR requirements. The end of period balance of interest-bearing liabilities increased 2.4% or Ps 4,778.9 billion, driven by an 18.5% or Ps 12,448.2 billion increase in time deposits partially offset by a 34.6% or Ps 7,055.3 billion decrease in borrowings from banks and others. The average balance of interest-bearing liabilities increased 10.4% or Ps 18,903.2 billion, driven by a 34.1% or Ps 19,783.7 billion increase in time deposits. In addition, the fast-paced growth of time deposits drove the 551 basis points increase in the average rate paid for time deposits, pricing in the increase in the average Central Bank rate and the competition for stable retail and term funding.

Net impairment loss on financial assets

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Impairment loss on loans and other accounts receivable	(4,721.5)	(3,095.0)	(1,626.4)	52.5
Impairment (loss) recovery on other financial assets	0.8	3.9	(3.0)	(78.4)
Recovery of charged-off financial assets	550.6	644.0	(93.4)	(14.5)
Net impairment loss on financial assets	**(4,170.0)**	**(2,447.2)**	**(1,722.9)**	**70.4**

Net impairment loss on financial assets increased 70.4% or Ps 1,722.9 to Ps 4,170.0, resulting from higher impairment losses and lower recoveries.

Impairment loss on loans and other accounts receivable increased 52.5% or Ps 1,626.4 billion to Ps 4,721.5 billion, driven by the deterioration of the loan portfolio's ECL, explained by the weak economic performance and its effect on borrowers' credit risk. For more information regarding risk management please see "Item 11. Quantitative and Qualitative Disclosures About Market Risk".

In addition, recovery of charged-off financial assets decreased 14.5% or Ps 93.4 billion to Ps 550.6 billion, due to the drivers discussed under Grupo Aval's analysis.

The following table provides detail by category of impairment loss on loans and other accounts receivable, cost of risk and cost of risk, net. For more information on the calculation methodology please refer to "Item 3. Key Information—A. Selected Financial Data".

	Impairment loss on loans and other accounts receivable				Cost of risk for the year ended December 31,		Change, 2023 vs. 2022	Cost of risk, net for the year ended December 31,		Change, 2023 vs. 2022
	Year ended December 31,		Change, 2023 vs. 2022							
	2023	2022	#	%	2023	2022	basis points	2023	2022	basis points
	(in Ps billions)									
Commercial	(205.0)	(620.4)	415.4	(67.0)	0.2%	0.6%	(45)	0.1%	0.5%	(44)
Consumer	(4,396.8)	(2,484.5)	(1,912.3)	77.0	7.4%	4.6%	285	6.7%	3.6%	307
Mortgage	(65.9)	25.2	(91.1)	(361.3)	0.4%	(0.2)%	52	0.3%	(0.2)%	51
Microcredit	(31.9)	(5.5)	(26.4)	480.6	11.8%	1.9%	985	9.8%	(3.7)%	1,356
Gross loans	**(4,699.6)**	**(3,085.3)**	**(1,614.4)**	**52.3**	**2.6%**	**1.8%**	**71**	**2.3%**	**1.5%**	**80**
Interbank and overnight funds	1.4	0.9	0.5	51.4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total gross loans	**(4,698.2)**	**(3,084.3)**	**(1,613.9)**	**52.3**	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Other accounts receivable	(23.2)	(10.7)	(12.5)	117.1	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Impairment loss on loans and other accounts receivable	**(4,721.5)**	**(3,095.0)**	**(1,626.4)**	**52.5**	**2.6%**	**1.9%**	**72**	**2.3%**	**1.5%**	**80**

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Cost of risk, net increased to 2.3% driven by an increase in cost of risk, net of consumer loans that was partially offset by the decrease in the cost of risk, net of commercial loans. The increase in impairment losses for consumer loans was driven by a deterioration in the asset quality of personal loans and credit cards, which have higher PDs than other secured products such as payroll loans and automobile loans and leases. At December 31, 2023, 19.8% and 17.5% of personal loans and credit cards were classified as Stage 2 or Stage 3, respectively.

The closing balance of Stage 3 loans for personal loans and credit cards increased Ps 411.3 billion and Ps 166.6 billion respectively, which in turn implied an increase in impairment loss on consumer loans of Ps 594.2 billion and Ps 260.3 billion. The closing balance of consumer loans classified as Stage 2 decreased Ps 611.5 billion, with increases in loans classified with higher PDs, particularly in personal loans. The closing balance of Stage 2 personal loans increased Ps 268.9 billion, with loans classified between "Normal" and "Appreciable" (PDs of up to 45%) risk categories decreasing Ps 693.4 billion and loans classified as "Significant" (PDs between 45% and 90%) increasing Ps 960.7 billion, which resulted in a Ps 446.2 billion increase in impairment loss on consumer loans. Finally, within Stage 1 a relevant portion of personal loans and credit cards moved from "Normal" risk to "Acceptable" driving additional impairment losses on consumer loans of Ps 329.9 billion. The abovementioned resulted in an increase in the coverage ratios (loss allowance as a percentage of gross loan) of Stage 1 and Stage 2 consumer loans.

The decrease in impairment losses for commercial loans was driven by (i) an improvement in transfers from Stage 1 and Stage 2 to Stage 3 relative to 2022, (ii) a decrease in new financial assets originated that became impaired over the year, and (iii) by the reversal of remaining impairment losses booked as overlays for customers relieved during the pandemic, as borrower's payment behavior recovered throughout the year. The abovementioned was evidenced through a Ps 348.8 billion decrease in impairment losses on commercial loans classified as Stage 3.

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

	At December 31,								Change, 2023 vs. 2022			
	2023				2022							
	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Gross loans
	(in Ps billions)								%			
Commercial	94,084.6	3,530.5	9,189.0	**106,804.1**	89,264.0	5,672.1	9,144.8	**104,080.9**	5.4	(37.8)	0.5	2.6
Consumer	52,143.4	4,218.7	2,669.1	**59,031.2**	51,908.9	4,830.2	1,922.1	**58,661.3**	0.5	(12.7)	38.9	0.6
Mortgages	16,697.9	1,160.8	604.4	**18,463.1**	16,207.7	1,159.8	497.1	**17,864.6**	3.0	0.1	21.6	3.3
Microcredit	226.5	14.0	37.0	**277.5**	224.5	14.1	29.2	**267.7**	0.9	(0.7)	26.9	3.7
Gross loans	**163,152.5**	**8,924.0**	**12,499.6**	**184,576.0**	**157,605.2**	**11,676.2**	**11,593.2**	**180,874.5**	3.5	(23.6)	7.8	**2.0**
Commercial	88.1%	3.3%	8.6%	**100.0%**	85.8%	5.4%	8.8%	**100.0%**				
Consumer	88.3%	7.1%	4.5%	**100.0%**	88.5%	8.2%	3.3%	**100.0%**				
Mortgages	90.4%	6.3%	3.3%	**100.0%**	90.7%	6.5%	2.8%	**100.0%**				
Microcredit	81.6%	5.0%	13.3%	**100.0%**	83.9%	5.2%	10.9%	**100.0%**				
Gross loans	**88.4%**	**4.8%**	**6.8%**	**100.0%**	**87.1%**	**6.5%**	**6.4%**	**100.0%**				
Commercial	0.6%	6.2%	48.6%	**5.0%**	0.7%	9.1%	47.9%	**5.3%**				
Consumer	2.2%	23.0%	80.2%	**7.2%**	1.6%	17.4%	83.0%	**5.6%**				
Mortgages	0.3%	5.7%	44.4%	**2.1%**	0.3%	4.5%	50.5%	**2.0%**				
Microcredit	5.3%	45.6%	95.1%	**19.3%**	2.8%	35.0%	95.3%	**14.6%**				
Loss allowance as a percentage of gross loans per Stage	**1.1%**	**14.2%**	**55.3%**	**5.4%**	**0.9%**	**12.1%**	**53.9%**	**5.1%**				

For further detail on credit risk model overlays and transitioning between stages, please refer to Grupo Aval's analysis. For more information on loss allowance calculations and a description of PD risk categories under IFRS 9, please refer to Note 4.1 of our audited consolidated financial statements.

The following table shows the balance of loans at least 91 days past due, delinquency ratios, charge-offs and charge-offs as a percentage of average gross loans for the segment (interbank and overnight funds are not included as they tend not to be past due or charged-off due to their characteristics and short-term nature).

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	Loans at least 91 days past due				Delinquency ratio (1)		Change,
	At December 31,		Change, 2023 vs. 2022		at December 31,		2023 vs. 2022
	2023	2022	#	%	2023	2022	basis points
	(in Ps billions)						
Commercial	4,502.9	3,788.8	714.0	18.8	4.2%	3.6%	58
Consumer	2,113.9	1,555.5	558.4	35.9	3.6%	2.7%	93
Mortgages	717.6	540.9	176.8	32.7	3.9%	3.0%	86
Microcredit	37.0	29.2	7.9	26.9	13.3%	10.9%	245
Gross loans	**7,371.4**	**5,914.4**	**1,457.0**	**24.6**	**4.0%**	**3.3%**	**72**

	Charge-offs				Charge-offs as a percentage		Change,
	At December 31,		Change, 2023 vs. 2022		of average gross loans		2023 vs. 2022
	2023	2022	#	%	2023	2022	basis points
	(in Ps billions)						
Commercial	668.0	746.2	(78.2)	(10.5)	0.6%	0.8%	(14)
Consumer	3,423.1	2,337.6	1,085.5	46.4	5.8%	4.3%	147
Mortgages	51.0	41.9	9.2	21.9	0.3%	0.3%	2
Microcredit	24.2	80.6	(56.4)	(70.0)	8.9%	28.4%	(1,942)
Total charge-offs	**4,166.3**	**3,206.3**	**960.0**	**29.9**	**2.3%**	**1.9%**	**35**

(1) Calculated as loans past due more than 90 days divided by gross loans.

Delinquency ratios increased across loan categories explained by weak economic performance and its effect on borrowers' payment capacity. The underwriting policies were adjusted as the year progressed becoming increasingly restrictive. As a result, most new vintages showed improvement during the second half of the year and growth rates decelerated, particularly in consumer loans. Delinquency coverage ratio for gross loans, measured as loss allowance divided by past due gross loans more than 90 days, was 135.3% in 2023 and 154.7% in 2022. Charge-offs as a percentage of average gross loans increased in connection with higher delinquency during 2023.

Net income from commissions and fees

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Banking and other fees	2,731.1	2,436.0	295.1	12.1
Bonded warehouse services	189.2	188.2	1.0	0.5
Trust activities and portfolio management services	352.0	264.3	87.7	33.2
Pension and severance fund management	0.7	0.9	(0.2)	(23.3)
Income from commissions and fees	**3,272.9**	**2,889.3**	**383.6**	**13.3**
Expenses from commissions and fees	(910.8)	(767.2)	(143.5)	18.7
Net income from commissions and fees	**2,362.1**	**2,122.1**	**240.0**	**11.3**

Income from commissions and fees increased 13.3% or Ps 383.6 billion. Banking and other fees drove this result with a 12.1% or Ps 295.1 billion increase. The main drivers for this performance were the same as those discussed under Grupo Aval's analysis. Debit and credit card fees increased 20.8% or Ps 174.3 billion, driven by a 18.6% or Ps 71.9 billion increase in income from merchant acquiring and a 22.7% or Ps 102.5 billion increase in debit and credit card management fees, supported by higher transactional activity as compared to 2022. Banking service fees increased 8.1% or Ps 126.1 billion. Trust activities and portfolio management services increased 33.2% or Ps 87.7 billion amidst favorable capital market conditions that favored performance based fee income. Bonded warehouse services increased 0.5% or Ps 1.0 billion. Expenses from commissions and fees increased 18.7% or Ps 143.5 billion, driven by an increase in transactional activity and fees paid in relation to income from commissions and fees.

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Gross loss from sales of goods and services

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Income from sales of goods and services	110.2	114.3	(4.1)	(3.6)
Costs and expenses of sales of goods and services	(443.8)	(487.1)	43.3	(8.9)
Gross loss from sales of goods and services	**(333.7)**	**(372.8)**	**39.2**	**(10.5)**

Gross loss from sales of goods and services increased by Ps 39.2 billion to a gross loss of Ps 333.7 billion in 2023. This reflects the non-financial results of Megalinea and Nexa BPO. Costs and expenses of sales of goods and services decreased 8.9% or Ps 43.3 billion to Ps 443.8 billion in 2023 driven by adjustments to the size of payrolls of these companies explained by lower sales volume, particularly in the external salesforce for consumer loans business line. This decrease resulted from a 7.8% or Ps 29.8 billion decrease in personnel expenses and a 17.1% or Ps 9.5 billion decrease in administrative expenses. Income from sales of goods and services decreased 3.6% or Ps 4.1 billion to Ps 110.2 billion in 2023. The gross loss from sales of goods and services results from services provided by the non-financial subsidiaries of Banco de Bogotá and Banco de Occidente to the segment's businesses, for which income is eliminated in the consolidation process.

Net trading (loss) income

Net trading loss for 2023 was Ps 1,245.2 billion, Ps 2,452.3 billion lower than the Ps 1,207.1 billion income in 2022, resulting from a Ps 3,231.7 billion decrease in income from derivatives and partially offset by a Ps 779.4 billion increase in net trading (loss) income from investment securities. The performance of net trading (loss) income from derivatives was partially offset by a Ps 2,861.8 billion increase in foreign exchange gains (losses), net, recognized under other income.

Total income from investment securities

The segment's securities portfolio is classified in the following categories: (i) equity and fixed income investments at FVTPL (described in this section as net trading (loss) income in investment securities at FVTPL), (ii) fixed income investments at FVOCI and (iii) fixed income investments at AC (results from (ii) and (iii) are included in net interest income as interest income on investments in debt securities). The segment's businesses manage their investment portfolio in a comprehensive and integral manner that considers individual return of each one of these three categories and the total return of the investment securities portfolio.

Total income from investment securities (comprised of interest income on investments in debt securities and net trading (loss) income from investment securities at FVTPL) was Ps 2,614.3 billion for 2023, 93.3% or Ps 1,262.0 billion more than in 2022, primarily driven by a 348 basis points increase in the average yield on total investment securities to 8.1% in 2023 from 4.6% in 2022, resulting in a Ps 1,021.5 billion increase in interest income. The main drivers for this performance were discussed above in net interest income.

Other income

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Foreign exchange gains (losses), net	1,575.0	(1,286.8)	2,861.8	(222.4)
Share of profit of equity accounted investees, net of tax	872.0	926.0	(54.0)	(5.8)
Net gain (loss) on sale of debt and equity securities	64.5	(25.6)	90.1	(351.7)
Dividends	11.7	18.0	(6.3)	(35.0)
Gain (loss) on the sale of non-current assets held for sale	48.6	10.5	38.1	363.3
Gain on sale of property, plant and equipment	360.7	142.1	218.6	153.8
Net gain (loss) in asset valuation	(19.7)	47.9	(67.6)	(141.3)
Gain on deconsolidation (loss of control) of subsidiaries	—	137.4	(137.4)	(100.0)
Other	417.0	283.6	133.4	47.0
Other income	**3,329.7**	**253.0**	**3,076.7**	**1,216.0**

Other income increased 1216.0% or Ps 3,076.7 billion, mainly driven by a Ps 2,861.8 billon increase in foreign exchange gains (losses), net and by a Ps 218.6 billion increase in gain on sale of property, plant and equipment.

The Ps 2,861.8 billion increase in foreign exchange gains (losses), net to a Ps 1,575.0 billion gain should be analyzed in conjunction with net trading (loss) income from derivatives. The net result of both activities (foreign exchange and derivatives) for 2023 was a Ps 475.8 billion loss compared to a Ps 105.9 billion loss in 2022. In 2023, Colombian Peso appreciation implicit in derivatives contracts remained high driven by the ample interest rate differential between Colombia and the United States, leading to a higher cost of the hedging strategy when compared to 2022.

During 2023, the segment continued its PP&E structure optimization program by transferring some non-strategic property, plant and equipment in exchange for equity in NEXUS Real Estate Capital Funds (a private equity fund specialized in real estate management), some of which were part of lease-back operations. The resulting effects of these transactions were discussed above in "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Management Discussion and Analysis of Operating Segments—Grupo Aval".

The Ps 90.1 billion increase in net gain on sale of debt and equity securities was explained by temporary favorable conditions in fixed income markets during 2023 that were not present in 2022. The Ps 54.0 billion decrease in share of profit of equity accounted investees, net of tax (equity method) was driven by the decrease in Corficolombiana's net income that was partially offset by a better performance in Porvenir. For more information on the performance of these companies refer to "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Management Discussion and Analysis of Operating Segments—Pension and Severance Fund Management" and "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Management Discussion and Analysis of Operating Segments—Merchant Banking".

Other expenses

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Losses from sales of non-current assets held for sale	(0.6)	(0.8)	0.2	(25.6)
Personnel expenses	(2,672.7)	(2,493.4)	(179.3)	7.2
Administrative and other expenses	(4,185.2)	(3,569.7)	(615.5)	17.2
Depreciation and amortization	(639.7)	(620.3)	(19.4)	3.1
Impairment loss on other assets	(2.9)	(20.8)	17.8	(85.8)
Other	(208.8)	(156.6)	(52.2)	33.4
Other expenses	**(7,710.0)**	**(6,861.6)**	**(848.5)**	**12.4**

Other expenses increased 12.4% or Ps 848.5 billion to Ps 7,710.0 billion. Administrative and other expenses increased 17.2% or Ps 615.5 billion over the year, with operating taxes constituting the main driver for expense growth with a 40.7% or Ps 326.3 billion increase, explaining 9.1 percentage points of growth in administrative and other expenses. Deposit insurance expenses increased 23.0% or Ps 89.0 billion, in line with higher volumes of deposits and explaining 2.5 percentage points of growth in administrative and other expenses. Finally, service expenses such as staffing, utilities, travel and transportation expenses, and supplies and stationery, among others decreased 0.2% or Ps 1.0 billion, well below the observed inflation. The 7.2% or Ps 179.3 billion increase in personnel expenses resulted from a 6.7% or Ps 160.9 billion increase in salaries and employee benefits and a 18.8% or Ps 18.5 billion increase in labor severances and bonus plan payments. Salaries and employee benefits increased below wage increases explained by adjustments to the size of our banks' payrolls amidst the challenging economic conditions as evidenced in a 6.6% decrease in the combined number of direct employees of Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas relative to a year earlier.

Given that other expenses increased by 12.4% and total income before net impairment losses on financial assets (defined as the sum of net interest income, net income from commissions and fees, gross profit (loss) from sales of goods and services, net trading (loss) income and other income) increased by 2.9%, the cost to income efficiency ratio deteriorated 519 basis points to 61.6% in 2023 from 56.4% in 2022. The ratio of other expenses as a percentage of average assets of continuing operations (not including assets previously held through BHI) deteriorated by 15 basis points to 3.1% in 2023 from 2.9% in 2022.

Tax (expense) recovery

Income tax (expense) recovery decreased by Ps 590.7 billion, to a Ps 184.9 billion tax recovery in 2023. Deferred taxes amounted to a Ps 345.2 billion tax recovery in 2023, Ps 671.8 billion less than the Ps 326.6 billion tax expense in 2022. This performance was driven by a Ps 1,442.2 billion decrease in net income before income tax expense excluding dividends, equity method, and gains on deconsolidation (loss of control) (as these are non-taxable income).

Net income from discontinued operations

Net income from discontinued operations decreased Ps 866.2 billion compared with 2022, considering that there were no events of discontinued operations in 2023. Net income from discontinued operations in 2022 includes a Ps 69.6 billion gain related to the BHI transactions (spin-off and sale) including (i) a Ps 1,052.6 billion gain related to the spin-off of 75.0% of equity interest of BHI in March and (ii) a Ps 983.0 billion loss on the sale of a 20.9% equity interest of BHI in December. In addition, in 2022 the Banking Services segment through Banco de Bogotá recognized Ps 796.6 billion of BHI's net income during the time it was a subsidiary (January – March) and afterwards, during the time it was accounted for as an investment in associate through the equity method (April – November).

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Merchant Banking

Overview

Net income for the year ended December 31, 2023 was Ps 1,530.2 billion, decreasing 33.5% or Ps 771.2 billion compared to the year ended December 31, 2022. The following discussion describes the main drivers of our merchant banking segment's results of operations for the year ended December 31, 2023 compared to the year ended December 31, 2022.

	Merchant Banking			
	For the year ended December 31,		Change 2023 vs 2022	
	2023	2022	#	%
	(in Ps billions)			
Total interest income	1,307.3	833.7	473.6	56.8
Total interest expense	(3,471.8)	(2,030.3)	(1,441.5)	71.0
Net interest income(expense)	**(2,164.4)**	**(1,196.5)**	**(967.9)**	**80.9**
Impairment loss on loans and other accounts receivable	(33.0)	(14.4)	(18.7)	129.7
Impairment (loss) recovery on other financial assets	(0.3)	0.1	(0.4)	(363.3)
Recovery of charged-off financial assets	5.2	(0.0)	5.2	N.A.
Net impairment loss on financial assets	**(28.2)**	**(14.3)**	**(13.9)**	**97.5**
Net interest income, after impairment losses	**(2,192.6)**	**(1,210.8)**	**(981.8)**	**81.1**
Net income from commissions and fees	120.1	111.9	8.2	7.3
Gross profit from sales of goods and services	3,572.1	4,928.3	(1,356.2)	(27.5)
Net trading (loss) income	36.6	388.0	(351.4)	(90.6)
Net income from other financial instruments mandatorily at fair value through profit or loss	323.7	278.8	44.9	16.1
Other income	1,287.3	(151.5)	1,438.8	(949.6)
Other expenses	(348.7)	(289.5)	(59.2)	20.4
Net income before tax expense	**2,798.4**	**4,055.1**	**(1,256.7)**	**(31.0)**
Income tax expense	(1,268.3)	(1,753.7)	485.5	(27.7)
Net income for the year	**1,530.2**	**2,301.4**	**(771.2)**	**(33.5)**

Net interest income (expense)

Net interest expense was Ps 2,164.4 billion and Ps 1,196.5 billion in 2023 and 2022, respectively. Net interest expenses are mainly the result of interest-bearing liabilities surpassing interest-earning assets by Ps 22,682.8 billion and Ps 19,869.1 billion in 2023 and 2022, respectively. Net interest expense of the segment's financial businesses increased to Ps 1,328.6 billion, 130.6% or Ps 752.3 billion more than in 2022. In addition, net interest expense of the segment's non-financial businesses increased to Ps 835.8 billion, 34.8% or Ps 215.6 billion more than in 2022.

Consolidated non-financial subsidiaries' net interest income has been and is expected to continue to be negative in the future as these entities are not financial entities and thus pay interest expenses to fund returns of assets that are mostly not considered interest-earning assets. The returns on those assets are primarily registered in the gross profit (loss) from sales of goods and services and net income from other financial instruments mandatorily at FVTPL, and to a lesser extent, in Other income under share of profit of equity accounted investees, net of tax (equity method). Income and expenses related to financial assets and liabilities, in addition to net interest expense, are recognized under net trading (loss) income and foreign exchange gains (losses), net.

This segment' infrastructure business is currently moving from the construction to the operation phase in the projects it has built over the course of the last years, particularly *Bogotá – Villavicencio* (Coviandina), *Conexión Pacífico 1* (Covipacífico) and *Villavicencio – Yopal* (Covioriente). Accordingly, funding volumes in 2023 reached their highest ever, which added to inflationary pressures, a Central bank interest rate surge and distortions in funding rates resulted in all-time high funding costs for the segment in 2023. These volumes and their respective interest expenses are expected to subside as cash flows from future guaranteed payments (*"vigencias futuras")* and revenue guarantee ("*derechos de recaudo" or "DRs"*) are collected in the upcoming years and interest rates progressively return to levels similar to historical averages, independently from marginal funding required for new projects.

Average balance of interest-earning assets for the year ended December 31,		Change, 2023 vs. 2022		Net interest margin for the year ended December 31,		Net interest income for the year ended December 31,		Change, 2023 vs. 2022	
2023	2022	#	%	2023	2022	2023	2022	#	%
(in Ps billions)						(in Ps billions)			
5,712.3	5,193.9	518.4	10.0	(37.9)%	(23.0)%	(2,164.4)	(1,196.5)	(967.9)	80.9

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The following tables show: (i) the average balance, average yield and interest income on interest-earning assets with an analysis of impacts derived from changes in the average balance and the average yield, per type of interest-earning asset; interbank and overnight funds are shown separate from gross loans due to their characteristics and short-term nature and (ii) the average balance, average rate paid and interest expense on interest-bearing liabilities with an analysis of impacts derived from changes in the average balance and the average rate, per type of interest-bearing liabilities.

(i)	**Average balance for the year ended December 31,**		**Change, 2023 vs. 2022**		**Average yield for the year ended December 31,**		**Interest income for the year ended December 31,**		**Impact on interest income due to changes in**			**Change, 2023 vs. 2022**
	2023	**2022**	**#**	**%**	**2023**	**2022**	**2023**	**2022**	**Balance**	**Yield**	**Total**	**%**
	(in Ps billions)						**(in Ps billions)**			**(in Ps billions)**		
Commercial	1,321.4	1,329.6	(8.1)	(0.6)	24.8%	17.4%	328.0	231.2	(2.0)	98.8	96.8	41.9
Consumer	875.4	657.7	217.7	33.1	32.5%	25.5%	284.7	167.6	70.8	46.2	117.0	69.8
Mortgages	20.4	17.4	2.9	16.9	6.7%	8.0%	1.4	1.4	0.2	(0.2)	(0.0)	(2.0)
Gross loans	**2,217.2**	**2,004.6**	**212.6**	**10.6**	**27.7%**	**20.0%**	**614.0**	**400.2**	**58.9**	**154.9**	**213.8**	**53.4**
Interbank and overnight funds	555.1	720.2	(165.1)	(22.9)	72.3%	33.3%	401.1	239.8	(119.3)	280.6	161.3	67.2
Total gross loans	**2,772.3**	**2,724.8**	**47.5**	**1.7**	**36.6%**	**23.5%**	**1,015.1**	**640.0**	**17.4**	**357.7**	**375.1**	**58.6**
Investments in debt securities	2,940.0	2,469.1	470.9	19.1	9.9%	7.8%	292.2	193.7	46.8	51.7	98.5	50.9
Total interest-earning assets	**5,712.3**	**5,193.9**	**518.4**	**10.0**	**22.9%**	**16.1%**	**1,307.3**	**833.7**	**118.6**	**355.0**	**473.6**	**56.8**

(ii)	**Average balance for the year ended December 31,**		**Change, 2023 vs. 2022**		**Average rate paid for the year ended December 31,**		**Interest expense for the year ended December 31,**		**Impact on interest expense due to changes in**			**Change, 2023 vs. 2022**
	2023	**2022**	**#**	**%**	**2023**	**2022**	**2023**	**2022**	**Balance**	**Rate**	**Total**	**%**
	(in Ps billions)						**(in Ps billions)**			**(in Ps billions)**		
Time deposits	6,265.2	4,923.2	1,342.0	27.3	14.0%	9.5%	(876.5)	(467.7)	(187.7)	(221.0)	(408.8)	87.4
Savings accounts	858.6	908.2	(49.7)	(5.5)	13.8%	9.0%	(118.3)	(81.7)	6.8	(43.5)	(36.7)	44.9
Total interest-bearing deposits	**7,123.8**	**5,831.5**	**1,292.3**	**22.2**	**14.0%**	**9.4%**	**(994.8)**	**(549.4)**	**(180.5)**	**(265.0)**	**(445.4)**	**81.1**
Interbank borrowings and overnight funds	4,797.8	4,339.2	458.6	10.6	13.2%	5.8%	(635.7)	(253.1)	(60.8)	(321.9)	(382.6)	151.2
Borrowings from banks and others	11,021.7	9,057.3	1,964.4	21.7	12.0%	8.3%	(1,322.7)	(750.4)	(235.7)	(336.6)	(572.3)	76.3
Bonds issued	5,448.3	5,822.5	(374.3)	(6.4)	9.5%	8.1%	(518.6)	(470.3)	35.6	(83.9)	(48.3)	10.3
Borrowings from development entities	3.6	12.6	(9.0)	(71.3)	0.0%	57.0%	—	(7.2)	—	7.2	7.2	(100.0)
Other funding	**21,271.4**	**19,231.6**	**2,039.8**	**10.6**	**11.6%**	**7.7%**	**(2,476.9)**	**(1,480.9)**	**(237.5)**	**(758.6)**	**(996.1)**	**67.3**
Total interest-bearing liabilities	**28,395.1**	**25,063.0**	**3,332.1**	**13.3**	**12.2%**	**8.1%**	**(3,471.8)**	**(2,030.3)**	**(407.4)**	**(1,034.1)**	**(1,441.5)**	**71.0**

The 56.8% or Ps 473.6 billion increase in total interest income was mainly the result of a 683 basis points increase in the average yield of interest-earning assets to 22.9% in 2023 resulting in a Ps 355.0 billion increase in interest income, and a 10.0% or Ps 518.4 billion increase in the average balance of interest-earning assets that resulted in a Ps 118.6 billion increase in interest income. The segment derives its interest income on total gross loans mainly from the following activities: (i) interests on investment in debt securities and interbank and overnight funds, mainly corresponding to Corficolombiana's treasury operations, (ii) income on commercial loans from the Sociedad Portuaria del Callao (SPEC) LNG regasification terminal, which is classified as a financial lease in accordance with IFRS 16, and (iii) income on consumer loans from Promigas' non-banking financing program under the Brilla brand. As a result, income on total gross loans benefited from the increase in the average Central Bank rate during 2023.

Total interest expense increased 71.0% or Ps 1,441.5 billion mainly because of a 413 basis points increase in the average rate paid on interest-bearing liabilities to 12.2% in 2023 and a 13.3% or Ps 3,332.1 billion increase in the average balance of interest-bearing liabilities to Ps 28,395.1 billion. The increase in net interest expenses was in line with higher interest rates for funding, whether through deposits taken by Corficolombiana or other funding (mostly borrowings from banks and others and bonds) taken by Corficolombiana and its subsidiaries. The Ps 1,964.4 billion increase in the average balance of borrowings from banks and others is mainly attributable to indebtedness incurred by Promigas to refinance bond maturities and fund its expansion plans.

Net impairment loss on financial assets

Corficolombiana's net impairment loss on financial assets increased Ps 13.9 billion to Ps 28.2 billion in 2023. This was driven by a Ps 18.7 billion increase in impairment loss on loans and accounts receivable, mainly as a result of a deterioration of delinquency of consumer loans under the Brilla brand during 2023. These loans were impaired and charged-off throughout the year.

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Net income from commissions and fees

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Banking and other fees	24.0	39.6	(15.6)	(39.5)
Trust activities and portfolio management services	112.3	89.5	22.8	25.4
Income from commissions and fees	**136.2**	**129.1**	**7.1**	**5.5**
Expenses from commissions and fees	(16.1)	(17.2)	1.1	(6.2)
Net income from commissions and fees	**120.1**	**111.9**	**8.2**	**7.3**

Net income from commissions and fees increased 7.3% or Ps 8.2 billion, driven by income from commissions and fees. Banking and other fees decreased Ps 15.6 billion and were driven by a Ps 18.7 billion decrease in fees from Casa de Bolsa, as it was the main broker in several of the tender offers extended in Colombia's Stock Exchange (BVC) throughout 2022 that did not occur as frequently in 2023. Investment banking activity contributed to mitigate this effect on banking and other fees. Trust and portfolio management activities increased 25.4% or Ps 22.8 billion as Fiduciaria Corficolombiana increased its assets under management by 9.7% amidst favorable capital market conditions.

Gross profit from sales of goods and services

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Income from sales of goods and services	11,070.9	11,988.1	(917.2)	(7.7)
Costs and expenses of sales of goods and services	(7,498.9)	(7,059.8)	(439.0)	6.2
Gross profit from sales of goods and services	**3,572.1**	**4,928.3**	**(1,356.2)**	**(27.5)**

Gross profit from sales of goods and services mainly reflects the result of the segment's non-financial companies. The Ps 1,356.2 billion decrease was driven by companies in the infrastructure sector. The following discussion identifies the main drivers contributing to the performance by industry:

Infrastructure

Infrastructure companies continued as the largest contributor to this line item with Ps 2,409.9 billion in 2023. This sector drove the overall performance in gross profit from sales of goods and services decreasing 33.9% or Ps 1,237.8 billion compared to 2022 mainly explained by a 25.8% or Ps 1,375.8 billion decrease in income that was partially offset by an 8.2% or Ps 138.0 billion decrease in costs and expenses. The decrease in income was driven by the 20.5% year-over-year appreciation of the Colombian Peso relative to the U.S. dollar and its negative effect on U.S. dollar denominated future guaranteed payments that was partially offset by a Ps 1,296.4 billion increase in income related to hedging strategies (net trading (loss) income from derivatives and foreign exchange losses) of its financial assets and liabilities. This situation compares to a 20.8% depreciation of the Colombian Peso in 2022, which had positive effects over income and negative effects on hedging strategies. The remaining decrease in income is explained by two effects: (i) given that concessions under construction are nearing their final stages, work progress was slower than in 2022, which in turn drove the reduction in construction income and costs and (ii) the adjustments in observed and expected inflation relative to estimations used in future cash flow projections led to a higher adjustment to the value of intangible assets in 2022 as compared to 2023, therefore financial income related to concession arrangements was lower in 2023 relative to a year earlier.

Costs and expenses of sales of goods and services decreased 8.2% or Ps 138.0 billion, in spite of incorporating a Ps 253.0 billion (U.S.$60.6 million) one-time expense resulting from the resolutions with the DOJ and SEC, meaning expenses different from this one-time decreased Ps 391.0 billion or 23.2% given that concessions under construction are nearing their final stages.

Energy and Gas

Gross profit for energy and gas companies in 2023 was Ps 1,050.7 billion, Ps 53.4 billion less than in 2022. Income increased 7.7% or Ps 439.6 billion and costs and expenses increased 10.7% or Ps 492.9 billion. Income grew less than expenses due to a slower pace of construction of Gases del Norte del Perú's construction progress in 2023 than in 2022, which given its nature yields a high margin. Notwithstanding, gas transportation volumes increased 15.1% to 588 MMSCFD and gas distribution volumes increased 6.1% to 11,207 million m^3.

Other sectors

Gross profit for hospitality companies in 2023 was Ps 84.2 billion, an Ps 11.5 billion improvement relative to Ps 72.7 billion in 2022. Income increased 12.5% or Ps 66.6 billion driven by stable average occupancy rates and higher prices on food and rooms driven by price indexation. Costs increased 11.9% or Ps 55.0 billion amidst efficiency initiatives intended to contain the effects of inflation and wage increases on the business cost structure.

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Gross profit for agribusiness companies in 2023 was Ps 17.0 billion, Ps 78.1 billion less than in 2022. Income decreased 13.0% or Ps 44.2 billion due to a lower price of rubber, African palm oil and paddy rice, that was partially offset by higher sales volumes. Costs and expenses increased 13.8% or Ps 33.9 billion mainly explained by the increase in prices for agro-industrial supplies and wages.

Gross profit for other companies, mainly Tesicol, was Ps 10.3 billion, Ps 1.5 billion more than in 2022. Income decreased 5.2% or Ps 3.4 billion and costs decreased 8.8% or Ps 4.9 billion.

Net trading (loss) income

Corficolombiana's net trading (loss) income was Ps 36.6 billion in 2023, Ps 351.4 billion lower than in 2022, resulting from a loss of Ps 516.4 billion in net trading (loss) income from derivatives and a gain of Ps 553.0 billion in income from investment securities at fair value through profit or loss. Net trading (loss) income from derivatives was Ps 823.5 billion lower than in 2022 and net trading (loss) income from investment securities was Ps 472.1 billion higher than in 2022.

Net trading (loss) income from this segment's non-financial businesses increased Ps 154.5 billion to a Ps 158.0 billion gain, resulting from a Ps 85.0 billion increase in net trading (loss) income from investment securities at fair value through profit or loss and a Ps 69.5 billion increase in net trading (loss) income from derivatives.

Total income from investment securities

The segment's securities portfolio is classified in the following categories: (i) equity and fixed income investments at FVTPL (described in this section as net trading (loss) income in investment securities at FVTPL), (ii) fixed income investments at FVOCI and (iii) fixed income investments at AC (results from (ii) and (iii) are included in net interest income as interest income on investments in debt securities). The investment portfolio is managed in a comprehensive and integral manner that considers individual return of each one of these three categories and the total return of the investment securities portfolio.

Total income from investment securities (comprised of interest income on investments in debt securities and net trading (loss) income from investment securities at FVTPL) was Ps 845.2 billion for 2023, 207.8% or Ps 570.6 billion higher than in 2022. This was primarily driven by a 758 basis points increase in the average yield on total investment securities to 12.3% in 2023 from 4.7% in 2022, resulting in a Ps 441.6 billion increase in interest income. The average balance of total investment securities increased 18.0% or Ps 1,050.1 billion to Ps 6,879.7 billion in 2023. The main drivers for this performance were discussed above in net interest income.

Net income from other financial instruments mandatorily at FVTPL

Net income from other financial instruments mandatorily at FVTPL reflect the fair value of certain concession arrangements entered between Promigas and the Colombian Government, that meet the requirements for mandatory recognition at FVTPL, and increased by Ps 44.9 billion to Ps 323.7 billion in 2023 as compared to 2022.

Other income

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Foreign exchange gains (losses), net	692.1	(483.6)	1,175.8	(243.1)
Share of profit of equity accounted investees, net of tax	326.0	326.9	(0.9)	(0.3)
Net gain (loss) on sale of debt and equity securities	46.0	(104.9)	150.9	(143.9)
Dividends	116.5	104.1	12.4	11.9
Gain (loss) on the sale of non-current assets held for sale	—	—	—	N.A.
Gain on sale of property, plant and equipment	0.0	0.0	(0.0)	N.A.
Net gain (loss) in asset valuation	93.3	0.9	92.3	9,983.7
Other	13.4	5.1	8.3	161.5
Other income	**1,287.3**	**(151.5)**	**1,438.8**	**(949.6)**

Other income increased Ps 1,438.8 billion, mainly as a result of an increase of Ps 1,175.8 billion in foreign exchange gains (losses), net driven by non-financial businesses as explained above. The Ps 150.9 billion increase in net gain on sale of debt and equity securities to Ps 46.0 billion in 2023 was explained by the realization of gains on certain debt investment securities classified at FVOCI in 2023 and the realization of losses of certain debt investment securities classified at FVOCI in 2022 that were reinvested at higher yields, which had a positive effect on interest income on investments in debt securities in 2023. The Ps 92.3 billion increase in net gain (loss) in asset valuation was driven by the update of valuations on a foreclosed asset held by Corficolombiana, for which land use rules changed favorably thus increasing commercial value. The Ps 12.4 billion increase in dividends was driven by an increase in dividend income from Grupo Energía de Bogotá (GEB).

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The Ps 0.9 billion decrease in share of profit of equity accounted investees, net of tax (equity method) was mainly driven by a decrease in Aerocali's net income, which was negatively impacted by the cease of operations of low-cost airlines that resulted in a 9.3% decrease to 13.3 million passengers mobilized in 2023 compared to 2022.

Other expenses

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Personnel expenses	(147.3)	(123.1)	(24.2)	19.7
Administrative and other expenses	(178.9)	(126.7)	(52.2)	41.2
Depreciation and amortization	(14.0)	(11.5)	(2.5)	22.1
Impairment loss on other assets	(0.0)	(0.0)	(0.0)	N.A.
Net loss from liquidation of subsidiaries	—	(0.1)	0.1	N.A.
Other	(8.5)	(28.2)	19.7	(70.0)
Other expenses	**(348.7)**	**(289.5)**	**(59.2)**	**20.4**

Other expenses increased 20.4% or Ps 59.2 billion. The Ps 52.2 billion increase in administrative and other expenses is explained by a Ps 17.7 billion or 66.9% increase in operating taxes, a Ps 9.1 billion increase in marketing expenses as Corficolombiana re-branded itself as "Corfi" and had ample media coverage on radio and TV, a Ps 8.2 billion increase in legal advisory fees and a Ps 4.8 billion or 31.3% increase in deposit insurance. The increase in personnel expenses results from a 20.1% or Ps 23.9 billion increase in salaries and employee benefits and a Ps 0.3 billion increase in labor severances and bonus plan payments. The Ps 19.7 billion decrease in other results from a donation recognized to Centro de Tratamiento e Investigación del Cáncer – CTIC (Cancer Treatment and Research Center) by Corficolombiana in 2022.

Tax expense

Income tax expense decreased by Ps 485.5 billion, or 27.7%, to Ps 1,268.3 billion in 2023. The segment's income tax expense divided by net income before income tax expense excluding dividends and the equity method (as both are non-taxable income), was 53.8% in 2023 and 48.4% in 2022.

Pension and Severance Fund Management

Overview

Net income for the year ended December 31, 2023 was Ps 560.2 billion, increasing 260.9% or Ps 405.0 billion compared to the year ended December 31, 2022. The following discussion describes the main drivers of our pension and severance fund management segment's results of operations for the year ended December 31, 2023 compared to the year ended December 31, 2022.

	Pension and Severance Fund Management			
	For the year ended December 31,		Change 2023 vs 2022	
	2023	2022	#	%
	(in Ps billions)			
Total interest income	120.7	106.3	14.4	13.6
Total interest expense	(56.9)	(63.2)	6.3	(9.9)
Net interest income	**63.7**	**43.1**	**20.7**	**48.0**
Impairment loss on loans and other accounts receivable	1.6	(8.1)	9.7	(120.4)
Impairment (loss) recovery on other financial assets	0.3	0.3	(0.0)	(9.7)
Net impairment loss on financial assets	**1.9**	**(7.8)**	**9.7**	**(124.6)**
Net interest income, after impairment losses	**65.6**	**35.3**	**30.4**	**86.1**
Net income from commissions and fees	873.8	692.1	181.8	26.3
Gross profit from sales of goods and services	5.2	8.2	(3.0)	(36.9)
Net trading (loss) income	300.1	(37.6)	337.7	(897.8)
Other income	(7.4)	(52.6)	45.2	(86.0)
Other expenses	(504.3)	(397.2)	(107.1)	27.0
Net income before tax expense	**733.1**	**248.2**	**484.9**	**195.4**
Income tax expense	(172.9)	(93.0)	(79.9)	86.0
Net income for the year	**560.2**	**155.2**	**405.0**	**260.9**

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Net interest income

Net interest income was Ps 63.7 billion and Ps 43.1 billion in 2023 and 2022, respectively. Net interest income is mainly the result of interest accrued on interest-earning investments in debt securities corresponding to the segment's proprietary investment portfolio (at fair value through other comprehensive income and at amortized cost) and on interbank and overnight funds.

Interest income increased 13.6% or Ps 14.4 billion to Ps 120.7 billion in 2023, mainly as a result of a Ps 36.5 billion increase in interest income on interbank and overnight funds. Interest rates paid on this type of asset were favorable along the year in connection with the high interest rate scenario; during certain periods of time along 2023 the Central Bank's rate paid on overnight deposits to financial institutions resulted more favorable than those paid by deposits in financial institutions and short-term sovereign debt. On the other hand, interest income on investment securities decreased Ps 22.1 billion. This decrease was driven by a 36.6% or Ps 270.4 billion decrease in the average balance of interest-earning investments in debt securities to Ps 468.4 billion in 2023, that resulted in a Ps 34.5 billion decrease in income. This was partially offset by a 168 basis points increase in the average yield of interest-earning investments in debt securities to 12.8% in 2023, that resulted in a Ps 12.4 billion increase in income.

Net impairment loss on financial assets

Net impairment loss on financial assets decreased Ps 9.7 billion to a net recovery of Ps 1.9 billion in 2023. This was driven by a specific recovery of Ps 8.4 billion of life and disability insurance claims that had been accounts receivable impaired.

Net income from commissions and fees

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Banking and other fees	0.8	0.6	0.1	22.0
Pension and severance fund management	977.8	884.6	93.3	10.5
Income from commissions and fees	**978.6**	**885.2**	**93.4**	**10.6**
Expenses from commissions and fees	(104.8)	(193.1)	88.4	(45.7)
Net income from commissions and fees	**873.8**	**692.1**	**181.8**	**26.3**

Net income from commissions and fees increased 26.3% or Ps 181.8 billion. Premiums paid for life and disability insurance coverage on mandatory pensions increased to 2.47% in February 2022 from 2.00% in 2021 as a result of the increased mortality, a consequence of the COVID-19 pandemic. Between February and the first weeks of April in 2022 the increased portion of the insurance cost was accounted as expenses from commissions and fees in an amount of Ps 61.5 billion as regulation requires to notify clients of the change before it can be enforced and therefore was absorbed directly by the segment. From that point on, the mandatory pension funds managed by the segment assumed the higher insurance cost as lower income from mandatory pension fund fees. This event explains most of the decrease in expenses from commissions and fees between 2023 and 2022.

Pension and severance fund management fees increased 10.5% or Ps 93.3 billion driven by (i) a 7.4% or Ps 40.6 billion increase in fee income from mandatory pension fund management, (ii) a 12.5% or Ps 30.4 billion increase in fee income from severance fund management driven by returns and a 12.4% growth of average AUMs (iii) a Ps 15.2 billion increase in fee income from third-party pension fund management, mainly FONPET, due to favorable market conditions, and (iv) an 8.1% or Ps 7.0 billion increase in revenues received from voluntary pension fund management, driven by a 5.0% growth of average assets under management (AUMs) and a 6 basis points increase in the implicit weighted average fee charged to investment alternatives to 1.82% in 2023 from 1.76% in 2022.

Mandatory pension fund management was driven by a 63.3% or Ps 33.4 billion increase in fees charged to non-contributing clients (performance-based) due to favorable returns on AUMs and a 1.5% or Ps 7.2 billion increase in fees charged to contributing clients (contribution-based). Fees charged to contributing clients were affected by the recognition of increased insurance costs, on a comparable basis, fees charged to contributing clients increased 15.8% or Ps 68.7 billion, in line with a 16.3% increase in contributions.

Gross profit from sales of goods and services

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Income from sales of goods and services	85.0	71.3	13.7	19.2
Costs and expenses of sales of goods and services	(79.8)	(63.0)	(16.7)	26.6
Gross profit from sales of goods and services	**5.2**	**8.2**	**(3.0)**	**(36.9)**

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Gross profit from sales of goods and services mainly reflects the results of Porvenir's subsidiary Aportes en Línea, which provides technical and administrative services to Porvenir and third parties, among which are Grupo Aval and its subsidiaries. Another business line for Aportes en Linea consists of social security processing services for employed and self-employed population.

Gross profit from sales of goods and services decreased 36.9% or Ps 3.0 billion in 2023 as compared to 2022, as costs and expenses of sales of goods and services increased 26.6% or Ps 16.7 billion, faster than income from sales of goods and services. This performance was driven by a 32.8% or Ps 7.5 billion increase in administrative and other expenses and a 24.6% or Ps 4.5 billion increase in personnel expenses. Administrative and other expenses increase was driven by investments in IT projects intended to close the entity's technical breach with Group-wide standards. Personnel expenses increased as a result of lower vacancy ratios, following a peak throughout 2022, particularly in IT-related jobs. As employment continued improving during 2023, income from sales of goods and services to third parties increased 19.2% or Ps 13.7 billion.

Net trading (loss) income

Net trading (loss) income was Ps 300.1 billion in 2023, Ps 337.7 billion higher than the Ps 37.6 billion loss in 2022. This performance was driven by a Ps 314.0 billion increase in income from investment securities at fair value through profit or loss and a Ps 13.9 billion decrease in net trading (loss) income from derivatives.

Income from investment securities at fair value through profit or loss mainly reflects the result of the stabilization reserve, which is a portion of the pension and severance fund manager's capital invested in the fund administered by the pension and severance fund manager and which must represent at least 1.0% of the value of that fund. At December 31, 2023, the segment's stabilization reserve amounted to Ps 2.1 trillion and its income increased Ps 371.8 billion to Ps 290.7 billion in 2023. Income resulting from the segment's proprietary investment portfolio held for trading at fair value through profit or loss increased Ps 21.7 billion to Ps 23.3 billion in 2023.

Other income

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Foreign exchange gains (losses), net	(11.8)	(54.8)	43.0	(78.5)
Share of profit of equity accounted investees, net of tax	—	0.0	(0.0)	(100.0)
Net gain (loss) on sale of debt and equity securities	(1.7)	(4.9)	3.2	(65.1)
Gain on sale of property, plant and equipment	—	—	—	N.A.
Net gain (loss) in asset valuation	1.4	1.6	(0.2)	(12.0)
Other	4.7	5.5	(0.8)	(14.2)
Other income	**(7.4)**	**(52.6)**	**45.2**	**(86.0)**

Other income increased Ps 45.2 billion, mainly as a result of lower losses in foreign exchange gains (losses), net, which improved Ps 43.0 billion to a Ps 11.8 billion net loss.

Other expenses

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	#	%
	(in Ps billions)			
Personnel expenses	(195.5)	(168.4)	(27.0)	16.0
Administrative and other expenses	(259.3)	(195.1)	(64.3)	32.9
Depreciation and amortization	(16.8)	(14.5)	(2.3)	15.9
Other	(32.7)	(19.2)	(13.6)	70.8
Other expenses	**(504.3)**	**(397.2)**	**(107.1)**	**27.0**

Other expenses increased 27.0% or Ps 107.1 billion, mainly driven by administrative and other expenses. The 32.9% or Ps 64.3 billion increase in administrative and other expenses was mainly explained by projects that had been postponed in 2022 due to unfavorable market conditions that affected the segment's results.

The 16.0% or Ps 27.0 billion increase in personnel expenses results from a Ps 20.7 billion increase in labor severances and bonus plan payments, mainly severance payments, as the segment adjusted its payroll preempting the possible needs of a business model in accordance with the discussed reforms to pension funds. As a result of this plan, the total number of employees of our pension and severance fund manager Porvenir decreased 17.4% or 465 employees to 2,200 employees. Given that most of the employees belonged to the sales forces and had short tenures in the company on average (equivalent to low severance payments), the restructuring costs were offset by lower salaries and employee benefits as reflected in a 3.9% or Ps 6.4 billion increase. This number was well below the 16.0% increase in the minimum

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wage for the year 2023. If the pension reform were to differ from what is currently being proposed, requiring additional adjustments to the company's payroll (upward or downward), salaries and employee benefits would move in tandem.

Tax expense

Income tax expense increased by Ps 80.0 billion or 86.0%, to Ps 172.9 billion in 2023. Income tax expense divided by net income before income tax expense excluding dividends and the equity method (as both are non-taxable income), was 23.6% in 2023 and 37.5% in 2022.

B. Liquidity and capital resource

The following table sets forth our sources of liquidity and capital resources at the dates indicated.

	At December 31, 2023	At December 31, 2022
	(in Ps billions)	
Liabilities and equity:		
Trading liabilities	2,154.4	1,757.6
Hedging derivatives liabilities	217.6	3.6
Customer deposits	181,987.4	173,341.1
Interbank borrowings and overnight funds	15,081.9	9,087.9
Borrowings from banks and others	22,218.5	30,309.4
Bonds issued	23,427.8	28,362.2
Borrowings from development entities	4,813.1	4,357.3
Provisions	1,083.3	1,227.2
Income tax liabilities	5,815.0	5,291.5
Employee benefits	907.8	890.0
Other liabilities	11,954.4	10,141.8
Total liabilities	**269,661.2**	**264,769.6**
Equity attributable to owners of the parent	16,782.7	16,467.0
Non-controlling interest	14,737.7	14,354.7
Total equity	**31,520.4**	**30,821.7**
Total liabilities and equity	**301,181.6**	**295,591.2**

Capitalization ratios

All of our banking subsidiaries (Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas), Porvenir and Corficolombiana, are subject to inspection and supervision as financial institutions by the Superintendency of Finance. Grupo Aval is now also subject to the inspection and supervision of the Superintendency of Finance as a result of Law 1870 of 2017, also known as Law of Financial Conglomerates, which came in effect on February 6, 2019. Grupo Aval, as the holding company of its financial conglomerate is responsible for the compliance with capital adequacy requirements, corporate governance standards, risk management and internal control and criteria for identifying, managing and revealing conflicts of interest, applicable to its financial conglomerate. See "Item 4. Information on the Company—B. Business Overview—Supervision and regulation—Capital Adequacy Requirements".

Funding

Our banking subsidiaries fund most of their loans with customer deposits. Other sources of funding include interbank borrowings and overnight funds, borrowings from banks and others, borrowings from development entities and bonds issued. For more information on funding, refer to Note 21 of our audited consolidated financial statements.

The following table summarizes Grupo Aval's consolidated funding structure at the dates indicated.

	At December 31, 2023	At December 31, 2022
	(in Ps billions)	
Customer deposits	181,987.4	173,341.1
Interbank borrowings and overnight funds	15,081.9	9,087.9
Borrowings from banks and others	22,218.5	30,309.4
Bonds issued	23,427.8	28,362.2
Borrowings from development entities	4,813.1	4,357.3
Total funding	**247,528.7**	**245,457.9**

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Total funding increased by 0.8% between December 31, 2023 and December 31, 2022, mainly due to an increase in customer deposits and interbank borrowings and overnight funds.

Between December 31, 2023 and December 31, 2022, customer deposits, interbank borrowings and overnight funds and borrowings from development entities as a percentage of total funding increased by 290 basis points, 239 basis points and 17 basis points to 73.5%, 6.1% and 1.9%, respectively. Borrowings from banks and others and bonds issued as a percentage of total funding decreased by 337 basis points and 209 basis points to 9.0% and 9.5%, respectively.

Each of our four Colombian banking subsidiaries and each of Corficolombiana and Porvenir, achieved the highest available local credit ratings as assigned by BRC Investor Services S.A., an affiliate of Standard & Poor's Investors Services LLC, or "S&P". Banco Popular and Banco AV Villas have also achieved the highest available local credit ratings as assigned by Value and Risk Rating S.A. S.C.V.

The following table presents Grupo Aval's and its direct subsidiaries international and local ratings as issuers.

		International						Local	
		Moody's		Fitch Ratings		Standard & Poor's		Fitch Ratings Nacional	BRC Standard & Poor's
		Rating	Outlook	Rating	Outlook	Rating	Outlook		
Grupo Aval	Foreign currency - Long term	Ba2	Negative	BB+	Stable				
	Local currency - Long term	Ba2		BB+					AAA
Banco de Bogotá	Foreign currency - Long term	Baa2	Stable	BB+	Stable	BB+	Stable(1)		
	Foreign currency - Short term	P-2		B		B			
	Local currency - Long term	Baa2		BB+		BB+			AAA
	Local currency - Short term	P-2		B		B			BRC1+
Banco de Occidente	Foreign currency - Long term			BB+	Stable				
	Foreign currency - Short term			B					
	Local currency - Long term			BB+				AAA	AAA
	Local currency - Short term			B				F1+	BRC1+
Banco Popular	Local currency - Long term								AAA
	Local currency - Short term								BRC1+
Banco AV Villas	Local currency - Long term								AAA
	Local currency - Short term								BRC1+
Corficolombiana	Foreign currency - Long term			BB+	Stable				
	Foreign currency - Short term			B					
	Local currency - Long term			BB+				AAA	AAA
	Local currency - Short term			B				F1+	BRC1+

(1) On January 19, 2024 Standard & Poor's changed its outlook to negative, following the outlook adjustments on Colombia's sovereign rating.

The following tables present our consolidated funding from deposits at the dates indicated.

	At December 31, 2023	At December 31, 2022
	(in Ps billions)	
Interest-bearing customer deposits:		
Checking accounts	6,072.1	6,236.6
Time deposits	86,597.5	72,273.7
Savings deposits	71,149.9	74,293.9
Total interest-bearing customer deposits	**163,819.4**	**152,804.2**
Non-interest-bearing customer deposits:		
Checking accounts	17,737.8	19,695.4
Other deposits(1)	430.2	841.5
Total non-interest-bearing customer deposits	**18,168.0**	**20,536.9**
Total customer deposits	**181,987.4**	**173,341.1**

(1) Consists of deposits from correspondent banks, cashier checks and collection services.

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Checking accounts. Our consolidated balance of checking accounts was Ps 23,809.9 billion at December 31, 2023 and Ps 25,932.1 billion at December 31, 2022, representing 9.6% and 10.6% of total funding, respectively.

Time deposits. Our consolidated balance of time deposits was Ps 86,597.5 billion at December 31, 2023 and Ps 72,273.7 billion at December 31, 2022, representing 35.0% and 29.4% of total funding, respectively.

The following table presents time deposits held by amount and maturity for deposits at the date indicated.

	At December 31, 2023		
	Peso-denominated	Foreign currency-denominated	Total
		(in Ps billions)	
Domestic			
Up to 3 months	14,800.6	3,495.5	18,296.1
From 3 to 6 months	8,122.0	3,169.6	11,291.6
From 6 to 12 months	16,370.0	3,164.6	19,534.6
More than 12 months	16,117.6	165.6	16,283.2
Time deposits less than U.S.$100,000(1)	11,848.7	424.0	12,272.7
Total domestic	**67,259.0**	**10,419.3**	**77,678.3**
Foreign	—	8,919.2	8,919.2
Total time deposits	**67,259.0**	**19,338.5**	**86,597.5**

(1) Equivalent to Ps 382.2 million at the representative market rate at December 31, 2023 of Ps 3,822.05 per U.S.$1.00.

Savings deposits. Our consolidated balance of savings deposits was Ps 71,149.9 billion at December 31, 2023 and Ps 74,293.9 billion at December 31, 2022, representing 28.7% and 30.3% of total funding, respectively.

Other deposits. Our consolidated balance of other deposits, which consist mainly of deposits from correspondent banks, cashier checks and collection services, was Ps 430.2 billion at December 31, 2023 and Ps 841.5 billion at December 31, 2022, representing 0.2% and 0.3%, respectively.

Interbank borrowings and overnight funds. Our consolidated balance of interbank borrowings and overnight funds was Ps 15,081.9 billion at December 31, 2023 and Ps 9,087.9 billion at December 31, 2022, representing 6.1% and 3.7% of total funding, respectively.

The following table sets forth our short-term borrowings consisting of interbank borrowings at and for the year ended December 31, 2023.

	At and for the year ended December 31, 2023	
	Amount	Nominal weighted average rate
	(in Ps billions, except percentages)	
Short-term borrowings		
Interbank borrowings and overnight funds		
End of period	15,081.9	—
Average during period	12,350.4	15.0%
Maximum amount of borrowing at any month-end	15,322.5	—
Interest paid during the period	1,856.3	—

As part of their interbank transactions, our banks maintain a portfolio of Government securities and private sector liquid debt instruments that can be used to obtain overnight funds from other financial institutions or investment funds by selling such securities and simultaneously agreeing to repurchase them. Due to the short-term nature of this source of funding, the balance of these transactions is volatile.

Borrowings from banks and others. Our consolidated balance of borrowings from banks and others was Ps 22,218.5 billion at December 31, 2023 and Ps 30,309.4 billion at December 31, 2022, representing 9.0% and 12.3% of total funding requirements, respectively.

Borrowings from development entities. Borrowings from development entities are provided by correspondent banks and by governmental entities to promote lending to specific sectors of the Colombian economy. This funding traditionally has fully matched maturities and interest rates with related loans, and thus have no effect on NSFR, totaled Ps 4,813.1 billion at December 31, 2023 and Ps 4,357.3 billion at December 31, 2022, representing 1.9% and 1.8% of total funding requirements, respectively.

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Bonds issued. Grupo Aval and its subsidiaries issue bonds in the Colombian and international markets. Our consolidated balance of bonds issued outstanding was Ps 23,427.8 billion at December 31, 2023 and Ps 28,362.2 billion at December 31, 2022, representing 9.5% and 11.6% of total funding requirements, respectively.

We and our subsidiaries have also issued bonds in pesos and US$ in the local and international markets. The following bond issuances were placed in the market in 2023:

Local currency issuances	Issuance date	Amount (in Ps billion)	Expiration date	Interest rate
Banco Popular	2023	250.0	October 2033	IBR + 7.70%

Foreign currency issuances	Issuance date	Amount (in Ps billion) (1)	Expiration date	Interest rate
Multibank Inc.	2023	1,183.8	January 2024 and December 2033	Fixed 5.0% to 7.75%
Banco de Bogota	2023	1,090.6	March 2033	SOFR 6M + 3.75%

(1) Translated to pesos using the representative market rate as computed and certified by the Superintendency of Finance at the date of each issuance.

Amounts referred to in the table above reflect the gross amounts issued by each issuer. These are subject to eliminations in the consolidation process if an entity consolidated by Grupo Aval is a bondholder of the issuance.

Capital expenditures

Grupo Aval incurred in Ps 405.2 billion of net capital expenditures in tangible assets in 2023, as compared to Ps 365.6 billion in 2022.

Off-balance sheet arrangements

In the ordinary course of business, our banking subsidiaries have entered into various types of off-balance sheet arrangements, including credit lines, letters of credit and financial guarantees. Our banking subsidiaries utilize these instruments to meet their customers' financing needs. The contractual amount of these instruments represents the maximum possible credit risk should the counterparty draw down the entire commitment or our bank fulfill its entire obligation under the guarantees, and the counterparty subsequently fails to perform according to the terms of the contract. Our banking subsidiaries may hold cash or other liquid collateral to support these commitments, and they generally have legal recourse to recover amounts paid but not recovered from customers under these instruments. Most of these commitments and guarantees expire undrawn. As a result, the total contractual amount of these instruments may not represent our banking subsidiaries' future credit exposure or funding requirements under normal circumstances. In addition, some of these commitments, primarily those related to consumer financing, are cancelable by our banks upon notice.

The following table presents the maximum potential amount of future payments under these instruments and other contingencies at the dates presented for Grupo Aval on a consolidated basis.

	At December 31,	
Grupo Aval	2023	2022
	(in Ps billions)	
Unused credit card limits	12,449.3	11,861.4
Issued and confirmed letters of credit	735.5	1,191.7
Unused lines of credit	6,487.7	6,610.9
Bank guarantees	3,052.6	4,686.1
Approved credits not disbursed	4,818.5	5,037.9
Civil demands against our banks	798.3	755.7
Other	2,311.3	3,585.2
Total	**30,653.1**	**33,728.9**

Contractual obligations

The following tables present our contractual obligations at December 31, 2023.

	At December 31, 2023				
	Payments due by period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
	Grupo Aval (in Ps billions)				
Liabilities:					
Bonds issued	23,427.8	2,363.1	7,355.7	3,650.6	10,058.4
Time deposits	86,597.5	66,800.1	15,129.7	2,823.4	1,844.3
Borrowings from banks and others	22,218.5	10,820.6	5,899.4	1,855.6	3,642.9
Interbank and overnight funds	15,081.9	15,081.9	—	—	—
Borrowings from development entities	4,813.1	1,300.0	1,858.8	629.0	1,025.4
Employee benefits	907.8	466.1	172.2	78.0	191.4
Other liabilities	11,954.4	8,819.3	2,462.8	283.9	388.4
Total	**165,001.0**	**105,651.2**	**32,878.6**	**9,320.6**	**17,150.7**

See Note 21 to our audited consolidated financial statements at December 31, 2023.

C. Research and development, patents and licenses, etc.

N/A.

D. Trend information

The year 2023 was the most challenging year for the Colombian banking sector in the last two decades and also for our “banking services” segment. The contraction in the net interest margin of this operating segment was the result of the high interest rates and the competition generated by the needs of funding for NSFR compliance. Together, these situations led to an increase in the cost of funds greater than the increase in interest-earning asset rates. NIM contraction was accentuated mainly in consumer loans and fixed-income investments, which are mostly at fixed rates.

According to figures reported by Asobancaria as of December 31, 2023, the gross loan portfolio of the banking system contracted 6.7% in real terms (-6.4% in commercial, -10.6% in consumer, -1.0% in mortgage and +2.0% in microcredit). In nominal terms, the system’s loan portfolio increased a modest 2.0%. The low growth resulted from negative factors such as (i) a 4.8% contraction in the amount of loans disbursed (+11.9% in the commercial portfolio and -37.0% in the consumer portfolio) and (ii) a 7.3% increase in the amount of loans written-off compared to 2022. These elements were partially offset by lower prepayments due to an important number of loans disbursed at historically low rates over the last 3 years.

Regarding aggregate figures of Aval Banks (Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas, on a separate basis), the gross loan portfolio increased 4.5% in nominal terms in 2023. Commercial loans increased 5.6%, while consumer, mortgage and microcredit portfolios increased 1.4%, 10.0% and 2.9%, respectively.

Considering our consolidated financial statements, and particularly our banking services segment, gross loans increased 2.0% in 2023. The banking services segment consolidates, in addition to Aval Banks and its financial services subsidiaries in Colombia, other banking and financial services operations such as our local operation in Panama through Multi Financial Holding Inc. (MFH) and other operations of Banco de Bogotá and Banco de Occidente abroad. The commercial portfolio of our banking segment increased 2.6%, the consumer portfolio 0.6%, the mortgage portfolio 3.3% and the microcredit portfolio 3.7%. The 20.5% appreciation of the peso negatively impacted our dollar-denominated portfolio, which increased 7.8% in U.S. dollar terms and as of December 31, 2023 represented 15.2% of the segment’s gross portfolio.

For the banking services segment, the spread between the implied portfolio rate and the total cost of funding decreased 77 basis points to 4.07%, while the segment’s total NIM including trading investment income decreased 30 basis points to 4.22%. NIM on loans contracted 44 basis points to 4.85%. Commercial NIM expanded 67 basis points to 4.77%, while retail NIM contracted 197 basis points to 4.96%. Meanwhile, NIM on investments in this segment increased 44 basis points to 0.90%.

Inflation peaked in March 2023 and has maintained a downward trend throughout 2024, falling to 8.35% in January, 7.74% in February and 7.36% in March. Even though the last three inflation figures have surprised the market favorably, the rate cuts by the Central Bank have been timid compared to our projections and those of the main economic analysts. The market expected a cut between 50 and 75 basis points in December, considering the positive surprise in the closing inflation, however, Colombia's Central Bank opted to cut only 25 basis points. Something similar happened in January, where market expectations anticipated a cut of 50 to 75 basis points and it was reduced by 25 basis points. The speed of rate cuts increased to 50 basis points in the March 2024 meeting, in line with economists' expectations. Nevertheless, the projections of our economic analysts and the implicit terminal rate in the swaps market maintain an outlook for the reference rate at around 8.00% - 8.75% at the end of 2024.

We expect a normalization of the distortions introduced by the accommodation of the system to the final phase of the NSFR regulation. The concentration of time deposits maturities in the market has been decreasing as banks opted to raise funds for terms longer than one year, avoiding a repetition of what happened between July and October 2023, when the institutional time deposits market concentrated maturities for Ps 38.5 trillion, equivalent to slightly less than 15% of the outstanding balance of the system's time deposits at the end of June 30, 2023.

The combination of a less restrictive monetary policy and the normalization of costs of deposits, in addition to the possible reopening of the primary debt securities market, suggest a favorable outlook in terms of the NIM of our banking services segment. We anticipate a progressive improvement in this ratio throughout the year, with divergent trends between our commercial and retail portfolios (which include consumer, housing and microcredit). The commercial portfolio represents 57.9% of the portfolio of this segment, of which 83.7% is indexed to variable rates, mostly to the 3-month IBR or the DTF, both indicators move in synchrony with the Central Bank's rate. In contrast, retail loans are mostly at fixed rates. The magnitude of the increase in the NIM of this segment will depend on our ability to reprice liabilities at a faster rate than assets.

The cost of risk, net for the banking services segment was 2.3% for 2023, 80 basis points higher than 2022. The increase in expected credit loss was the result of a weakening economy and weakening financial conditions for our customers (commercial and retail). Loan quality measured by stage improved, with Stage 1 loans accounting for 88.4% of the total compared to 87.1% in 2022; however, customers within Stage 2 showed a shift to a higher probability of default, and a significant portion of them moved to Stage 3, which has already been or will be written off.

Deterioration was greater in personal loans and credit cards, while products such as payroll loans had a moderate deterioration in the midst of a credit cycle that affected the Colombian financial system as a whole. Although we have seen some positive signs in the evolution of the consumer portfolio quality, incorporating the recent Colombian economic growth figures we do not have conclusive elements to assert that the deterioration peak has already occurred. The performance of the cost of risk for 2024 will depend largely on the evolution of consumer loans vintages and on the evolution of the credit quality of companies, especially those belonging to the SME and corporate segment.

Net income from trading activities presented periods of high volatility throughout the year. This income incorporates the valuation of investment financial assets at fair value and the result of derivatives. It is worth mentioning that the results of the hedging operations for the aforementioned items are accounted in the foreign exchange results, included under other income in our consolidated income statement.

We continue to focus part of our efforts on rigorously controlling operating expense growth in 2023. Other expenses in the banking services segment grew 12.4% compared to 2022, driven by two inflexible expense categories such as operating taxes (industry and commerce tax, V.A.T. and financial transactions tax, among the most relevant) and deposit insurance, which together explain close to half (6.1 percentage points) of expense growth, with the rest of the expenses contributing 6.4% of expense growth. Looking ahead to 2024, we expect expense growth below 2023 inflation of 9.28% as savings from initiatives executed throughout 2023 materialize and given that we expect a lower increase in operating tax expenses.

In 2023, Grupo Aval's merchant banking segment (which refers to Corficolombiana and its subsidiaries) reflected a relevant contribution from infrastructure projects and its energy and gas businesses. Gross profit from sales of goods and services of this segment decreased Ps 1,356.2 billion or 27.5% to Ps 3,572.1 billion. The infrastructure sector reduced its contribution during 2023 mainly because some concession contracts are subject to expected inflation behavior or include dollar components, and both inflation and the exchange rate in Colombia decreased during the year; additionally, concessions such as Coviandina moved to the operation phase (which is of lower contribution under IFRS 15). However, given that a major portion of the dollar exposure of these concessions is hedged, it was possible to mitigate the drop in income from sales of goods and services. The net result between operations with derivatives and foreign exchange of the infrastructure sector increased Ps 1,296.4 billion to a Ps 710.7 billion net income in 2023 from a net expense of Ps 585.7 billion in 2022. In addition, Corficolombiana and its subsidiaries were strongly affected by higher funding costs. Net interest expense (interest income - interest expense) for this segment reached Ps 2,164.4 billion, an annual increase in net expense of Ps 967.9 billion or 80.9%.

We anticipate that the result of real sector operations for 2024, reflected in this segment, will be lower than that observed in 2023. First, Coviandina completed its construction phase in the second half of 2023 and will reduce its contribution to earnings in 2024. On the other hand, as the construction phase of Covioriente and Covipacífico nears completion, its revenue will be below that of 2023. Locally, new initiatives on the road infrastructure front are subject to the country's infrastructure agenda, which has been sluggish to date.

We continue to seek alternatives in other markets to diversify our portfolio of infrastructure projects. As for the funding cost of this operating segment, we expect it to decrease rapidly at the operating subsidiaries, whose indebtedness is tied to the IBR or the DTF. We anticipate a gradual improvement in the interest margin of the parent company, Corficolombiana, as the time deposits captured during the period of high interest rates mature (for those captured with fixed rates) and as inflation corrects (for the funding tied to the CPI or IBR).

Our pension and severance fund management segment had positive results in 2023, after having recorded in 2022 the lowest profits in the last decade. The good returns of the managed funds allowed Porvenir to benefit through the profit of the stabilization reserve. It is important to mention that pension funds managers (AFPs) must invest an important part of their assets in the funds managed as a stabilization reserve, with the same result as their clients. The returns were over 12% in 2023 and helped clients and Porvenir to recover what was lost the previous year, when returns were low and even negative at times. The favorable evolution of employment and the number of contributors allowed for a good performance of fee income.

Porvenir's affiliates in mandatory, voluntary and severance funds as of December 31, 2023 reached 17.1 million (an increase of 3.0%). This resulted from (i) an increase of 225 thousand affiliates in mandatory pensions to 11.6 million clients, (ii) an increase of 328 thousand clients in severance funds to 5.4 million, and (iii) a decrease of 56 thousand clients in voluntary pensions to 142 thousand.

Grupo Aval's results in the following years will be largely dictated by the performance of our banking services segment. In this sense, they will depend on the evolution of loan portfolio volumes, deposit volumes, intermediation margins, cost of risk and operating expenses. The results of our merchant banking segment will be related to the performance of its operations in the infrastructure sector (construction progress, inflation, exchange rate and new projects) and in the energy and gas sector (volumes and prices of gas distribution and transportation), in addition to the evolution of the cost of funding of these operations and Corficolombiana. These results will be affected to a lesser extent by the performance of the tourism and agroindustry sectors. The future results of the pension and severance management segment will largely depend on (i) the performance of the labor market and the flow of commissions obtained from contributing and non-contributing affiliates, (ii) the performance of the national and international stock markets, and (iii) potential changes to the current regulation of the AFPs.

E. Critical accounting estimates

Critical accounting estimates are those that require us to exercise judgment or involve a higher degree of complexity in the application of the accounting policies that currently affect our financial condition and results of operations. The accounting estimates we make in these contexts require us to calculate variables and make assumptions about matters that are highly uncertain. In each case, if we had made other estimates, or if changes in the estimates occur from period to period, our financial condition and results of operations could be materially affected.

Significant accounting policies, including those affected by critical accounting estimates and judgements, are described in Note 3 of our audited consolidated financial statements. See Note 3 to our audited consolidated financial statements for a complete list of the critical accounting judgments and estimates. There are many other areas in which we use estimates about uncertain matters, but we believe the reasonably likely effect of changed or different estimates would not be material to our financial statements.

The following are the critical accounting policies that have the most significant effects on the amounts recognized in our audited consolidated financial statements:

- Impairment of amortized cost financial assets and financial assets measured at fair value through other comprehensive income (FVOCI): the most significant judgments relate to establishing the criteria for determining whether credit risk on a 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. A high degree of uncertainty is involved in making estimations using assumptions that are highly subjective and very sensitive to the risk factors. See Note 4 (4.1.5) of our audited consolidated financial statements.

- Revenue recognition and fair value of concession arrangements: the most significant judgments relate to establishing the criteria for recognizing revenues from concessions in the construction phase and measuring the fair value of concession arrangements. See Note 16 of our audited consolidated financial statements.

- Recognition of deferred tax assets: the most significant judgments relate to availability of future taxable profit against which carry-forward tax losses can be used. See Note 19 of our audited consolidated financial statements.

- Fair value of financial instruments: a variety of valuation techniques are used, some of which are determined using significant unobservable inputs. See Note 5 of our audited consolidated financial statements.

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- Impairment testing for CGUs containing goodwill: a high degree of uncertainty is involved in estimating the recoverable amounts resulting from future cash flows of the cash-generating units (CGU) and discount rates. See Note 17 of our audited consolidated financial statements.
- Recognition and measurement of provisions and contingencies: significant judgment may be required due to the high degree of uncertainty associated with the likelihood and magnitude of an outflow of resources that may arise. See Note 23 of our audited consolidated financial statements.
- Defined benefit obligations: the most significant judgments relate to key assumptions involved in the measurement, including discount rate, inflation rate and mortality, among others. See Note 22 of our audited financial statements.
- Classification of financial assets: the most significant judgments relate to the 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. See Note 2 (2.5) (ii) of our audited financial statements.
- Determination of control over investees. See Note 2 (2.1) of our audited financial statements.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and senior management

Board of Directors

The composition of the Board of Directors of Grupo Aval was amended in the shareholders' meeting held on March 20, 2024, changing from a number of seven principal members and seven alternate members and is now composed of nine members (without alternates), each of whom serves a one-year term and may be reelected indefinitely. The term for the current directors expires on March 31, 2025.

The current members of the Board of Directors were appointed at a shareholders' meeting held on March 20, 2024. The following table presents the names of the current members of the Board of Directors.

Board member
Luis Carlos Sarmiento Gutiérrez
Mauricio Cárdenas Müller
Fabio Castellanos Ordóñez (1)(2)(3)
Andrés Escobar Arango (2) (3)
Luis Fernando López Roca (1)(2)(3)
Esther América Paz Montoya (1)(2)(3)
Jose Mauricio Salgar Hurtado (2)(3)
Jorge Silva Luján (2)(3)
Álvaro Velásquez Cock

(1) Member of the Audit committee.

(2) Independent director under Colombian requirements.

(3) Independent director under SEC Audit Committee rules.

Luis Fernando Pabón Pabón is the secretary of our Board of Directors.

Biographical information of the members of our Board of Directors and the secretary of our board is set forth below. Ages of members of our Board of Directors throughout this annual report are as of April 16, 2024.

Luis Carlos Sarmiento Gutiérrez, age 62, is the President of Grupo Aval's Board of Directors since March 2024. Mr. Sarmiento served as President of Grupo Aval from 2000 until March 2024. Mr. Sarmiento Gutiérrez acted as President of Cocelco S.A. from 1997 until 2000. Previously he served as Executive Vice President at First Bank of the Americas in New York and as an analyst and financial manager at Procter & Gamble's corporate headquarters. He served as Chairman of the Board of Directors of Banco de Bogotá from May 2004 to March 2024, and has been a member of the Board of Directors of Corficolombiana since 2006, currently acting as a Chairman. He holds a Bachelor of Science degree, magna cum laude, in civil engineering from the University of Miami and a MBA with a concentration in Finance from

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the Johnson Graduate School of Management at Cornell University. Mr. Sarmiento Gutiérrez's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Mauricio Cárdenas Müller, age 54, has served as alternate member of the Board of Directors of Grupo Aval since 2015. Previously, when pursuant to the by-laws of the company the Board of Directors was composed by principal and alternate members, Mr. Cárdenas served as a principal member from 2010 until 2014, and as an alternate member since 2002 until 2010. Mr. Cárdenas Müller has acted as chief advisor to Luis Carlos Sarmiento Angulo since 2004. He is a member of the Board of Directors of Seguros Alfa S.A. and of Seguros de Vida Alfa S.A. since 2014, and previously served from 2002 until 2011. He has also served as a member of the Board of Directors of Fundación para el Futuro de Colombia – Colfuturo since 2007, of Porvenir since 2008, and of Casa Editorial El Tiempo since 2011. Mr. Cárdenas holds a degree in Electronic Engineering from Universidad Javeriana and a MBA from Escuela de Dirección y Negocios de la Universidad de la Sabana – INALDE. Mr. Cárdenas Müller's business address is Carrera 13 No. 26A–47, Bogotá, D.C., Colombia.

Fabio Castellanos Ordóñez, age 67, has served as a member of the Board of Directors of Grupo Aval since March 2018 and previously, when pursuant to the by-laws of the company the Board of Directors was composed by principal and alternate members, he served as an alternate member between September 2015 and March 2018. He was, until 2020 the local representative in Colombia of AMF (Ascending Markets Financial Guaranty Corporation) and has previously acted as Chief Country Officer and Executive Director of ABN-AMRO Bank (Colombia) S.A., The Royal Bank of Scotland (Colombia) S.A., Scotiabank Colombia S.A. and Vice President and Corporate Finance Executive of the Representative Office in Colombia, New York and Argentina of The Chase Manhattan Bank, N.A for 22 years. Mr. Castellanos serves as member of the Board of Directors of Ignacio Gómez IHM S.A. He holds a degree in Business Administration from California State Polytechnic University and a Master's Degree in Management in the Network Economy from Universitá Cattolica del Sacro Cuore. Mr. Castellanos Ordóñez's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Andres Escobar Arango, age 53, has served as a member on the Board of Directors of Grupo Aval since March 2024. Mr. Escobar is currently the President of EConcept AEI. Previously, he has served as Deputy Director General of the National Planning Department, Deputy Finance Minister and Professor at the Faculty of Economics of Universidad de los Andes and Universidad Nacional. He also serves as an economic and political advisor on Colombia to major international financial institutions through Global Source Partners (a New York-based company that covers 30+ emerging market economies). He holds a degree in Economics from Universidad de los Andes, a master's degree in economics from Universidad de los Andes, a master's degree in economics from New York University, and is a Ph.D. candidate in Economics from New York University. Mr. Escobar Arango's business address is Carrera 13 No. 26A 47, Bogotá, D.C., Colombia.

Luis Fernando López Roca, age 67, has served as member on the Board of Directors of Grupo Aval since March 2018 (as an alternate member when pursuant to the by-laws of the company the Board of Directors was composed by principal and alternate members). Dr. López Roca is a partner of López Montealegre Abogados S.A., Director of the Financial Law Department at Universidad Externado de Colombia, Alternate Judge of the Constitutional Court for the 2018-2021 period and arbitrator. Dr. López Roca has acted as Superintendent of Securities, President of the Colombian Association of Commercial Financing Companies, and Advisor to the Inter-American Development Bank. He also held several positions in the Superintendency of Corporations, the Chamber of Commerce of Bogotá and the Superintendency of Banks (Superintendency of Finance). Dr. López Roca holds a Law Degree and PhD from Universidad Externado de Colombia, with an LLM in International Business Law at Universidad Francisco Vitoria and graduate studies in Economic, Commercial and Financial law at Universidad Externado de Colombia and Universidad de los Andes. Dr. López Roca's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Esther América Paz Montoya, age 69, has served as a member on the Board of Directors of Grupo Aval since 2010, and previously as an alternate member thereof since 2005, when pursuant to the by-laws of the company the Board of Directors was composed by principal and alternate members. Ms. Paz Montoya is a former President of Banco AV Villas, where she also served as Vice President of Finance and Vice President of Operations, and a former President of Ahorramás Corporación de Ahorro y Vivienda. Ms. Paz Montoya has served as a member of the Board of Directors of Agremiación Cívica Centro Internacional San Diego S.A. and Admincentros. She holds a degree in Business Administration from the Universidad del Valle and graduate studies in finance from Universidad de Los Andes. Ms. Paz Montoya's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Jose Mauricio Salgar Hurtado, age 54 has served as member on the Board of Directors of Grupo Aval since March 2024. Mr. Salgar is currently an independent advisor with Advent International, and a board member of Holding Hotelera GHL in Colombia and Logistics Properties of the Americas (NYSE: LPA). Previously, he served as Managing Director and Head of Andean Region of Advent International in Colombia between 2012 and 2023. As part of his role with Advent, he led various investments in Latin America and served on the board of the following companies: Alianza Fiduciaria, Alianza Valores, Grupo Biotoscana, GTM Holdings, Oleoducto Central (Ocensa), Enjoy S.A., LifeMiles, Canvia and Sophos Solutions. Previously, he was Vice President and member of the executive committee of Grupo Sanford, COO of Ecopetrol S.A., Country manager and co-founder with Despegar.com, and was an associate with Booz & Co. Mr. Salgar holds a BS in Industrial Engineering from the Universidad de los Andes and an MBA from the MIT Sloan School of Management. Mr. Salgar´s business address is Carrera 13 No. 26A 47, Bogotá, D.C., Colombia

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Jorge Silva Lujan, age 65, has served as a member of the Board of Directors of Grupo Aval since March, 2024. Mr. Silva is currently the CEO of Plan de Vida SAS. Previously, he held various leadership positions, including North of Latam Country Manager at Amazon Web Services (Public Sector), General Manager of Microsoft Mexico and Colombia, and Public Sector Andino Country Manager Colombia. He brings over 35 years of experience in management, primarily in the IT industry. Additionally, he possesses a strong background in the hardware, software, and consulting businesses. Mr. Silva holds an Industrial Engineer degree from the Universidad de los Andes and an MBA from California State University. He has also complemented his education with studies in leadership, marketing, and corporate strategy. Mr. Silva Lujan's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia

Álvaro Velásquez Cock, age 84, has served as a member of the Board of Directors of Grupo Aval since 2013 and previously as an alternate member thereof since 2008, when pursuant to the by-laws of the company the Board of Directors was composed by principal and alternate members. Mr. Velásquez Cock has served as advisor to Grupo Ethuss since 1994. He has acted as Dean of the Faculty of Economics of the Universidad de Antioquia, Chief of the Departamento Nacional de Estadística—DANE, President of Pedro Gómez & Cía. S.A. and as a member of the Advisory Committee of the Superintendence of Finance. He has been a member of the Board of Directors of Banco de Bogotá since 2001, of Banco de Bogotá—Panamá since 1984, of Corficolombiana since 1992, of Unipalma since 1996 and of BAC entities since 2011. He holds a degree in Economics from the Universidad de Antioquia. Mr. Velásquez Cock's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Luis Fernando Pabón Pabón, age 65, has served as Secretary of the Board of Grupo Aval since 2000. Mr. Pabón Pabón formerly served as Legal Vice President of Banco de Colombia and as Legal Counsel to the President of Banco de Bogotá. He has been a member of the Board of Directors of Banco AV Villas since 1998, of Porvenir since 2003, of Almaviva S.A. since 2007, of Organización Luis Carlos Sarmiento Angulo Ltda. since 2006 and of Casa Editorial El Tiempo and CEET TV since 2011. He also serves as legal counsel to Organización Luis Carlos Sarmiento Angulo Ltda. Mr. Pabón Pabón holds a law degree from Universidad Javeriana and graduate studies in financial law from the Universidad de los Andes. Mr. Pabón Pabón's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Executive officers

The executive officers of Grupo Aval are responsible for the day-to-day management of our company. The following table lists the names and positions of our executive officers and the presidents of our banking subsidiaries, Corficolombiana and Porvenir. Certain of our executive officers are also members of the boards of directors of our subsidiaries.

Name	Position
Maria Lorena Gutiérrez Botero	President
Diego Fernando Solano Saravia	Chief Financial Officer
Rodolfo Vélez Borda	Chief of Information Technology
Rafael Eduardo Neira Torres	Chief of Internal Control
Jorge Adrián Rincón Plata	Chief Legal Officer
Eduardo Duque Suárez	Chief Risk Officer
María Edith González Flórez	Vice President of Accounting
Banco de Bogotá	
Cesar Prado Villegas	President
Banco de Occidente	
Gerardo Silva Castro	President
Banco Popular	
Maria Fernanda Suárez Londoño	President
Banco AV Villas	
Juan Camilo Ángel Mejía	President
Corficolombiana	
Gustavo Ramírez Galindo	Acting President
Porvenir	
Miguel Largacha Martínez	President

Biographical information of our executive officers and key employees who are not directors is set forth below. Ages of our executive officers throughout this annual report are as of April 16, 2024.

María Lorena Gutiérrez Botero, age 55, has served as President of Grupo Aval since April 1, 2024. She previously served as President of Corficolombiana since August, 2018. Ms. Gutiérrez previously served as Minister of Commerce, Industry and Tourism from 2017 to 2018, Ambassador of Colombia in Germany from 2016 to 2017 and Minister to the Presidency from 2010 to 2016. She has also served in the past as Dean of the Business School at Universidad de Los Andes from 2003 to 2010. Ms Gutiérrez served as a member on the Board of Directors

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of Grupo Aval, Promigas, Proindesa, Fiduciaria Corficolombiana, Gas Comprimido del Perú, Gases del Caribe She holds a degree in Industrial Engineering with a specialization in finance from Universidad de los Andes, a Master of Business Administration (MBA) and a PhD in Finance from the A.B. Freeman School of Business at Tulane University. Her principal business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Diego Fernando Solano Saravia, age 58, has served as Chief Financial Officer since 2010, and formerly as Vice President of Corporate Planning, of Grupo Aval since 2006. He previously served as associate principal at McKinsey & Co. and Corporate Banking Vice President at Banco Santander Colombia. He holds a degree in Systems Engineering from the Universidad de los Andes and a MBA from the Wharton School at the University of Pennsylvania. His business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Rodolfo Vélez Borda, age 59, has served as Chief of Information Technology at Grupo Aval since 2012 and formerly as Vice President of Technology and Operations of Banco AV Villas and Corporación Ahorramás. He has been a member of the Board of Directors of Fondo de Empleados FEVI since 2012, ACH Colombia S.A. since 2006 and A Toda Hora S.A. (“ATH”) since 2005. He holds a degree in Systems Engineering from the Universidad de Los Andes, graduate studies in Telecommunications from the Universidad de Los Andes and a Business Management specialty from Aden Business School and MIT. Mr. Vélez Borda’s business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Rafael Eduardo Neira Torres, age 66, has served as Chief of Internal Control of Grupo Aval since 2009. Mr. Neira Torres acted as Deputy Superintendent of Finance, and formerly as Adjunct Superintendent, at the Superintendency of Finance from 2006 to 2008. He previously worked as Operations Vice President at Banco Davivienda. He holds a degree in Accounting from the Universidad Jorge Tadeo Lozano and graduate studies in Banking Management from the Universidad de los Andes. Mr. Neira Torres’ business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Jorge Adrián Rincón Plata, age 44, has served as our Chief Legal Officer since May 2012. Mr. Rincón previously served as Legal Counsel to Banco de Bogotá. Mr. Rincón serves as a member on the Board of Directors of Banco de Bogotá S.A. He holds a degree in law from the Universidad Autónoma de Bucaramanga and a Masters in International Business Law from Queen Mary University & Westfield College, University of London. Mr. Rincón Plata’s business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Eduardo Duque Suárez, age 58, joined as Chief Risk Officer on March 2022. Previously, he served as Mexico and Latam Global Functions Independent Compliance Risk Management Head in Citi, Regional ICG Risk Manager Senior Credit officer Level 2 for Colombia, Ecuador, Ecuador and Venezuela, Risk Manager Country Officer Chile, Perú and Bolivia, Deputy Country Credit Risk Manager and Vice-president Emerging Markets Corporate Banking EMCB – Institutional Client Group. He also worked as Director in Waventure S.A. de C.V in Mexico, Director in NM Rothschild & Sons Mexico, Assistant Director in NM Rothschild & Sons Colombia and Assistant Director in Deutsche Morgan Grenfell Group Public Limited Company from 1997 to 2005. He holds a degree in Economics and a MSc in Economics from Universidad de Los Andes. Mr. Duque Suarez’ business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

María Edith González Flórez, age 65, has served as Vice President of Accounting since 2010, and formerly as Financial and Administrative Manager, of Grupo Aval since 2004. Ms. González Flórez previously worked as Financial Manager at Cocelco S.A. and Movistar. She holds a degree in Public Accounting from the Universidad de Santiago de Cali and graduate studies in finance from Universidad ICESI. Ms. González Flórez’s business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

B. Compensation

Our common shareholders must approve the compensation of our Board of Directors at the shareholders’ ordinary meeting held in March of every calendar year.

Each member of our Board of Directors, receives a fee based on attendance at each Board of Directors’ session. Committee members, including our audit committee, also receive an additional fee for attending audit committee meetings.

For the April 1, 2023, to March 20, 2024 period, the Board of Directors and the audit committee’ session fee per member was Ps 3,400,000 per meeting. For the March 20, 2024, to March 31, 2025, period, the Board of Directors’ session fee per member is Ps 11,000,000 and the audit committee’s session fee per member is Ps 2,000,000 per meeting.

We are not required under Colombian law to publish information regarding the compensation of our individual executive officers, and we do not make this information public. Our shareholders, however, can request this information prior to our general shareholders’ meetings. The aggregate amount of compensation, inclusive of bonuses, which we and our subsidiaries paid to directors, alternate directors and senior executive officers was Ps 54.1 billion in 2023. We pay bonuses to our executive officers which vary according to each officer’s performance and the achievement of certain goals, and, therefore, the amounts paid may vary for each officer.

We do not have, and have not had in the past, any share option plans.

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C. Board practices

Principal differences between Colombian and U.S. corporate governance practices

Grupo Aval, as a listed company that qualifies as a foreign private issuer under the NYSE listing standards in accordance with the NYSE corporate governance rules, is permitted to follow home-country practice in some circumstances in lieu of the provisions of the corporate governance rules contained in Section 303A of the NYSE Listed Company Manual that are applicable to U.S. companies. We follow corporate governance practices applicable to Colombian companies and those described in our Corporate Governance Code, which in turn follow Colombian corporate governance rules. The Corporate Governance Code is available at Grupo Aval's website at www.grupoaval.com. Information on our website is not incorporated into this annual report.

The following is a summary of the significant differences between the corporate governance practices followed by Grupo Aval and those applicable to domestic issuers under the NYSE listing standards.

Independence of directors

Under NYSE corporate governance rules, a majority of a U.S. company's Board of Directors must be composed of independent directors, although as a foreign private issuer and a company that is controlled, directly or indirectly, by Mr. Luis Carlos Sarmiento Angulo, we would not be required to comply with this rule. Law 964 of 2005 requires that our Board of Directors consist of five to ten members and that at least 25% of such members be independent directors, and Decree 3923 of 2006 regulates their election. "Independence" within the meaning of Law 964 of 2005 is primarily concerned with independence from management and the absence of material related-party transactions between the director and the company. See "Item 10. Additional Information—B. Memorandum and articles of association". In compliance with Colombian law and our by-laws, Grupo Aval's Board of Directors is composed of nine members, of which six are independent under Colombian rules. In addition, Colombian law mandates that all directors exercise independent judgment under all circumstances.

Non-executive director meetings

Pursuant to the NYSE listing standards, non-executive directors of U.S. listed companies must meet on a regular basis without management being present. Under Colombian regulations, there is no prohibition against officers being members of the Board of Directors.

Committees of the Board of Directors

Under NYSE listing standards, all U.S. companies listed on the NYSE must have an audit committee, a compensation committee and a nominating/corporate governance committee, each with a written charter addressing certain minimum specified duties, and all members of such committees must be independent. In each case, the independence of directors must be established pursuant to highly detailed rules promulgated by the NYSE and, in the case of the audit committee, the NYSE and the SEC. We have established an audit committee, a corporate matters committee, compensation committee and risk committee as further described below.

Audit committee

Our audit committee is composed of three principal members and three alternate members, appointed by the Board of Directors, the following members were appointed as principal: Esther América Paz Montoya, Fabio Castellanos Ordónez and Luis Fernando Lopez Roca. Fabio Castellanos Ordóñez is the financial expert on the audit committee. Additionally, the following members were appointed as alternate: Jorge Silva Luján, Andrés Escobar Arango and José Mauricio Salgar Hurtado. All members of our audit committee are independent under the NYSE and SEC corporate governance rules applicable to us. Company officers are not members of the audit committee; however, the meetings and work product of the audit committee are supported by reports and presentations by company officers. Pursuant to Colombian Securities regulation (Law 964 of 2005), the audit committee has a charter approved by the Board of Directors, which sets forth the main aspects related to the operation of such committee, including, among others, its composition and duties. The audit committee charter addresses various corporate governance subjects. Our external auditor KPMG, as our independent registered public accounting firm, is invited to attend all meetings of the audit committee. Pursuant to Colombian law, the audit committee must meet at least quarterly.

Our audit committee advises the Board of Directors generally on internal control matters, and it specifically undertakes to:

- review financial statements prior to their submission to the Board of Directors and to the general shareholders' meeting;
- supervise the internal auditor to verify if its actions address the internal control needs of the company and to identify limitations with respect to its duties;

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- review all internal control reports of the company and supervise compliance with such reports by the company's management;
- issue its opinion on the independence of the external auditor, based on standards set forth by Colombian and U.S. regulations;
- monitor the company's levels of risk exposure at least every six months and propose mitigation measures as needed;
- propose to the Board of Directors control systems to prevent, detect and adequately respond to the risk of fraud and improper conduct by company employees;
- provide assistance to our Board of Directors in fulfilling its responsibilities with respect to our compliance with legal and regulatory requirements;
- make recommendations to the general shareholders meeting concerning the engagement of the independent accounting firm; and
- issue reports to the Board of Directors on matters deemed relevant.

Corporate matters committee

Our corporate matters committee is composed of three members, appointed by the Board of Directors: Mrs. Esther América Paz Montoya, Mr. Fabio Castellanos Ordóñez and Mr. Álvaro Velásquez Cock. The corporate matters committee is responsible for overseeing the activities executed by the internal control of Grupo Aval and its subsidiaries.

Compensation committee

Our compensation committee is composed of two members: Mr. Luis Carlos Sarmiento Angulo and Mr. Mauricio Cárdenas Müller. Our Board of Directors may change the members of the committee at any time. The compensation committee advises the board on remuneration matters and specifically undertakes to (i) review the remuneration of our President and (ii) review the criteria upon which our President will determine the remuneration of our senior management and employees. Colombian law does not require the creation of a compensation committee and the Board of Directors is not required by law to adopt a compensation committee charter.

Risk Committee

Our risk committee is composed of three directors: Mr. Fabio Castellanos Ordóñez, Mr. Jorge Silva Luján and Mr. Andrés Escobar Arango. The committee, which charter is approved by the Board of Directors, assists and advice the board in aspects related to supervision of Grupo Aval's risk management policies.

D. Employees

At December 31, 2023, on a consolidated basis, we employed 74,036 individuals, with 47,527 direct employees, 4,600 personnel provided by staffing service companies and 21,909 outside contractors.

The following table presents the approximate breakdown of the employees, personnel provided by staffing service companies and outside contractors of our banking subsidiaries, Corficolombiana, Porvenir and Grupo Aval (separate), at December 31, 2023.

	Banco de Bogotá(1)(2)	Banco de Occidente(3)	Banco Popular(4)	Banco AV Villas(5)	Porvenir	Corficolombiana(6)	Grupo Aval (separate)	Total
Employees	12,336	14,242	3,763	4,482	2,308	10,277	119	47,527
Personnel provided by staffing service companies	1,094	—	613	288	14	2,591	—	4,600
Outside contractors	3,425	2,495	1,200	1,461	147	13,176	5	21,909
Total	**16,855**	**16,737**	**5,576**	**6,231**	**2,469**	**26,044**	**124**	**74,036**

(1) Includes employees of MFH and its respective subsidiaries.

(2) 49.06% (4,528) of Banco de Bogotá's (separate) direct employees (9,230) are represented by unions and 53.89% (4,974) of such employees are covered by collective bargaining agreements that expire in August 2024.

(3) 41.69% (2,768) of Banco de Occidente's (separate) direct employees (6,639) are represented by unions and are covered by collective bargaining agreements that expire in December 2026.

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(4) 57.81% (1,773) of Banco Popular's (separate) direct employees (3,067) are represented by unions and 94.69% (2,904) of such employees are covered by collective bargaining agreements that expire in December 2026.

(5) 15.30% (591) of Banco AV Villas' (separate) direct employees (3,862) are represented by unions and 83.71% (3,233) of such employees are covered by collective bargaining agreements that expire in December 2026.

(6) Corficolombiana's total employees reflect 24,858 employees from non-financial entities and 1,186 employees from financial entities.

E. Share ownership

Mr. Sarmiento Angulo beneficially owns 97.8% of our outstanding common shares and 45.5% of our preferred shares as determined under SEC rules at April 8, 2024. See "Item 7. Major Shareholders and Related Party Transactions—A. Major shareholders". The following table provides the names of our other directors and key executive officers who owned shares of Grupo Aval at April 8, 2024.

Shareholder	Common shares	Percentage of outstanding common shares	Preferred shares	Percentage of outstanding preferred shares
Esther América Paz Montoya	251,718	*	423,076	*
Diego Fernando Solano Saravia	53,191	*	163,135	*
Luis Fernando Pabón Pabón	83,924	*	123,773	*
Mauricio Cárdenas Müller	40,616	*	76,923	*
Gustavo Ramirez Galindo	—	*	65,067	*
Juan Camilo Ángel Mejía	7,319	*	22,666	*
Álvaro Velásquez Cock	8,264	*	11,538	*
Rodolfo Vélez Borda	7,112	*	11,538	*
Andrés Escobar Arango	—	*	—	*
César Prado Villegas	—	*	—	*
Eduardo Duque Suarez	—	*	—	*
Fabio Castellanos Ordóñez	—	*	—	*
Gerardo Silva Castro	—	*	—	*
Jorge Adrián Rincón Plata	—	*	—	*
Jorge Silva Luján	—	*	—	*
José Mauricio Salgar Hurtado	—	*	—	*
Luis Carlos Sarmiento Gutiérrez	—	*	—	*
Luis Fernando López Roca	—	*	—	*
María Edith González Flórez	—	*	—	*
María Fernanda Suárez Londoño	—	*	—	*
María Lorena Gutiérrez Botero	—	*	—	*
Miguel Largacha Martínez	—	*	—	*
Rafael Eduardo Neira Torres	—	*	—	*

* less than 0.1%.

F. Disclosure of a registrant's action to recover erroneously awarded compensation

Not applicable.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major shareholders

Mr. Luis Carlos Sarmiento Angulo controls Grupo Aval and was the beneficial owner of 81.2% of our issued and outstanding share capital at April 8, 2024. He retained 97.8% of our voting power by virtue of his beneficial ownership of 97.8% of our outstanding common shares, and beneficially owned 45.5% of our outstanding preferred shares, as determined under SEC rules, at April 8, 2024. Beneficial ownership is defined in Form 20-F and generally includes voting or investment power over securities. Percentage of beneficial ownership is based on 23,743,475,754 of our aggregate equity securities outstanding comprised of 16,201,712,499 common shares outstanding and 7,541,763,255 preferred shares outstanding at April 8, 2024.

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The principal shareholder, as a common shareholder and a preferred shareholder, does not have any different or special voting rights in comparison to any other common shareholder or preferred shareholder, respectively.

The following table sets forth information, as of April 8, 2024, regarding the beneficial ownership of our equity securities by:

- Mr. Sarmiento Angulo, who beneficially owns 81.2% of our outstanding share capital;
- all directors and executive officers as a group; and
- other shareholders.

	At April 8, 2024			
Principal beneficial owners	**Common shares**	**Percentage of outstanding common shares**	**Preferred shares**	**Percentage of outstanding preferred shares**
Luis Carlos Sarmiento Angulo	15,844,485,878	97.8%	3,435,043,780	45.5%
Other directors and officers as a group*	452,144	0.0%	897,716	0.0%
Other shareholders	356,774,477	2.2%	4,105,821,759	54.4%
Total	**16,201,712,499**	**100.0%**	**7,541,763,255**	**100.0%**

* Other directors and officers as a group at April 8, 2024 represent less than 0.1%.

As of April 8, 2024, we had 34,852 holders of preferred shares registered in Colombia in addition to JPMorgan Chase Bank, N.A. as depositary of the American Depositary Receipts, or "ADRs", evidencing ADSs. As of April 1, 2024, there were a total of 7,356 ADR holders of record and as of April 8, 2024 there were 11,493,176 ADRs outstanding, representing 229,863,520 preferred shares or 3.05% of outstanding preferred shares. Since some of these ADRs are held by nominees, the number of record holders may not be representative of the number of beneficial holders.

B. Related party transactions

We currently engage in, and expect from time to time in the future to engage in, financial and commercial transactions with "related parties" (within the meaning of the SEC rules). Unless otherwise indicated below, such transactions are conducted on an arm's-length basis in the ordinary course of business, on terms that would apply to transactions with third parties.

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The following chart presents outstanding amounts of related party transactions involving assets or liabilities between Grupo Aval and its consolidated subsidiaries, and each of the following individuals and entities.

	Transactions between Grupo Aval and its subsidiaries, and			
	Grupo Aval's directors and key management and their affiliates(1)	Close family members of Mr. Sarmiento Angulo and their affiliates	Mr. Sarmiento Gutiérrez and his affiliates	Mr. Sarmiento Angulo and his affiliates
	(in Ps billions)			
At December 31, 2023				
Assets				
Cash and cash equivalents	—	—	—	0.9
Financial assets in investments(2)	—	—	—	3,541.8
Loans(2)	272.8	14.1	0.0	3,500.4
Accounts receivable	690.3	0.0	—	1,290.3
Other assets	22.0	—	—	50.2
Liabilities				
Deposits(3)	85.3	187.4	2.9	1,470.0
Financial obligations	1.2	0.1	—	4.8
Accounts payable	0.3	0.7	0.0	438.1
Other liabilities	—	—	—	0.1
At December 31, 2022				
Assets				
Cash and cash equivalents	—	—	—	0.3
Financial assets in investments(2)	—	—	—	4,846.2
Loans(2)	286.5	18.4	0.0	3,665.8
Accounts receivable	675.9	0.0	—	1,492.5
Other assets	22.7	—	—	16.5
Liabilities				
Deposits(3)	75.0	260.1	5.2	1,239.5
Financial obligations	0.1	0.0	0.0	20.3
Accounts payable	5.2	0.4	0.0	173.6
Other liabilities	0.0	—	—	7.1

(1) Excludes Mr. Sarmiento Angulo and Mr. Sarmiento Gutiérrez and their affiliates. Key management includes executive officers of Grupo Aval as well as each of the presidents of our banks, Corficolombiana and Porvenir at December 31, 2023.

(2) Figures based on gross outstanding balances of financial assets. See "—Financial assets and liabilities with related parties". Financial assets in question were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features.

(3) Deposits of related parties held with us were made in the ordinary course of business, were made on substantially the same terms, including interest rates, as those prevailing at the time for comparable transactions with other persons.

For information on related party transactions in accordance with IFRS disclosure rules, see Note 34 to our audited consolidated financial statements. For the purposes of Note 34 to our audited consolidated financial statements, "related parties" includes entities and persons that must be identified as such pursuant to IAS 24. For the purposes of this section, and as required by SEC rules, "related parties" includes enterprises that control, or are under common control with Grupo Aval, associates, individuals owning directly or indirectly an interest in the voting power that gives them significant influence over Grupo Aval, close family members, key management personnel (including directors and senior management) and any enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any of the persons listed above. We determine beneficial ownership under SEC rules. See "—A. Major shareholders".

In the past, affiliates of Mr. Sarmiento Angulo, have obtained authorizations of Grupo Aval's Board of Directors to acquire either common or preferred shares of Grupo Aval. On February 12, 2020, Grupo Aval's Board of Directors authorized companies controlled by Mr. Sarmiento Angulo to acquire up to one hundred million common and/or preferred shares of the company in one or multiple operations during a term of up to two years. Pursuant to such authorizations, as of February 12, 2022 through affiliate companies, Mr. Sarmiento Angulo acquired 1,724,001 preferred shares or Ps 1.4 billion in open market transactions. On May 11, 2022, Grupo Aval's Board of Directors

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authorized companies controlled by Mr. Sarmiento Angulo to acquire up to 3.0% of common and/or preferred shares of the company in one or multiple operations, during a term of up to two years. Pursuant to such authorizations, during the year ended December 31, 2022 through affiliate companies, Mr. Sarmiento Angulo acquired 27,626,300 preferred shares or Ps 15.1 billion in open market transactions. Pursuant to such authorizations, during the year ended December 31, 2023 through affiliate companies, Mr. Sarmiento Angulo acquired 62,309,162 preferred shares or Ps 35.2 billion in open market transactions. As of April 8, 2024 through affiliate companies, Mr. Luis Carlos Sarmiento Angulo has not acquired common or preferred shares.

On October 18, 2022, Esadinco S.A., an entity controlled by Mr. Sarmiento Angulo, launched an unsolicited tender offer for up to 25% of BHI's shares. Banco de Bogotá tendered all its shares in BHI, of which 9,030,422,813 BHI shares or 20.89% of equity interest in BHI (representing approximately 14.4% of Grupo Aval's then-remaining beneficial ownership interest in BHI) were accepted for tender and sold to Esadinco, S.A. at a price of Ps 293 per share in December 2022. The total consideration received by Banco de Bogotá amounted to Ps 2,645.9 billion. On March 17, 2023, Banco de Bogotá sold its remaining 4.11% equity interest representing 1,774,622,820 shares of BHI to Endor Capital Assets S.R.L, an entity controlled by Mr. Sarmiento Angulo at a price of Ps 293 per share. The total consideration received by Banco de Bogotá amounted to Ps 520.0 billion.

Certain members of our Board of Directors and key management own shares of Grupo Aval which, other than in the case of Mr. Sarmiento Angulo, were acquired in the open market or in one of our public offerings and represent less than 0.1% of our total outstanding shares.

Financial assets and liabilities with related parties

In the past, we and some of our subsidiaries have entered into operations with BHI and its subsidiaries in the ordinary course of business. Most recently, in December 2021, Grupo Aval Limited extended a short-term loan to BAC Holding International Corp. in an amount of U.S.$75.0 million that matured in September 2022. In 2020, through Resolution No. 208-20 of May 14, 2020 issued by the Superintendency of the Securities Market of the Republic of Panama, BAC International Bank, Inc. issued perpetual subordinated corporate bonds convertible into common shares for a nominal value of up to U.S.$700.0 million. The bonds bear an interest rate of 10.0% payable quarterly unless the issuer exercises its right not to pay interest. Grupo Aval Limited, a wholly-owned subsidiary of Grupo Aval, subscribed U.S.$520.0 million and as of December 31, 2023 the full balance remained outstanding.

Following the guidelines approved by Grupo Aval's General Shareholders Meeting and authorized by its Board of Directors, Grupo Aval extended a loan operation to Esadinco S.A., subsequently endorsed to Endor Capital Assets S.R.L (affiliate companies of Mr. Sarmiento Angulo) on December 2, 2022 to finance the tender offer of 25% of BHI's shares. The loan operation consisted of two tranches: (i) a peso denominated loan for the equivalent of U.S.$270.0 million with a 3-year (36 months) tenor at 3-month SOFR + 3.5% and (ii) a Ps 200.0 billion loan with a 2-year (24 months) tenor at 3-month IBR + 4.5%. Both tranches are bullet, with interest payable on a quarterly basis. Collateral for both tranches was established at a minimum of 115% of the capital outstanding and the underlying assets deemed acceptable were shares of BHI or any other subsidiary under Grupo Aval's direct control. The transaction was conducted on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features. At December 31, 2023, the outstanding balance at amortized cost of these loans was Ps 1,242.0 billion.

Business and financial reasons for borrowing from entities affiliated with Mr. Sarmiento Angulo

In the past, we have borrowed from entities beneficially owned by Mr. Sarmiento Angulo. These loans have been entered into on an arm's-length basis with us, the holding company, at a rate substantially consistent with rates that would have been available to the holding company from other lenders at the time those borrowings were entered into. In addition to the global and local bond markets, companies affiliated with our controlling shareholder are among our funding alternatives. There are no outstanding loans granted to Grupo Aval by shareholders of Grupo Aval and their respective affiliates since December 20, 2013.

Loans granted to related parties by our banking subsidiaries

Key management of Grupo Aval and our banks, and their respective affiliates, who meet our credit eligibility requirements may subscribe to loans in the ordinary course of business on market terms and conditions available to the general public.

All outstanding loans with our related parties are made in the ordinary course of business and on terms and conditions, including interest rates and collateral, not substantially different from those available to the general public and did not involve more than the normal risk of collectability or present other unfavorable features.

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Other transactions with Mr. Sarmiento Angulo and his affiliates

Beneficial ownership in our banking subsidiaries (outside of Grupo Aval)

In addition to his beneficial ownership in Grupo Aval, Mr. Sarmiento Angulo beneficially owns at April 8, 2024, 8.3% of Banco de Bogotá, 13.3% of Banco de Occidente, 15.5% of Banco AV Villas, 0.8% of Banco Popular, and 11.5% of Corficolombiana.

Except as stated above, Mr. Sarmiento Angulo does not have any other beneficial ownership in our banking subsidiaries. For information on the dividend history of our banking subsidiaries, see "Item 10. Additional Information—F. Dividends and paying agents—Dividend history of our banking subsidiaries".

Insurance services

Seguros de Vida Alfa S.A., or "Vida Alfa", a life insurance affiliate of Mr. Sarmiento Angulo, provides insurance required by law, as well as annuities, relating to the mandatory pension funds managed by Porvenir. The insurance provider is selected by Porvenir through a competitive bidding process once every four years. Premiums under this insurance policy are deducted by Porvenir from the individual customers' account and transferred to Vida Alfa on behalf of the individual customer.

The table below presents the insurance premiums paid for the periods indicated.

Period	Amount (in Ps billions)
For the year ended December 31,	
2023	2,520.7
2022	2,095.8
2021	1,246.2

Vida Alfa also provides:

- life insurance, as sole provider and as co-insurer with non-affiliated insurers (pursuant to a competitive bidding process), for individual borrowers of our banking subsidiaries to cover the risk of non-payment upon death. Premiums are paid by the borrowers; and

- labor risks insurance for employees of Grupo Aval and its subsidiaries in Colombia.

Seguros Alfa S.A., or "Alfa", a property and casualty insurance affiliate of Mr. Sarmiento Angulo, provides fire and earthquake insurance for mortgage loans granted by certain banks of ours. In addition, Alfa provides surety bonds and property insurance for our subsidiaries. Our banking subsidiaries also sell bancassurance products affiliated with Vida Alfa and Alfa. These transactions are conducted on an arm's-length basis in the ordinary course of business.

Other

The following companies are beneficially owned by Mr. Sarmiento Angulo at December 31, 2023, and may continue to provide services to us and our subsidiaries for amounts that are immaterial: Construcciones Planificadas S.A. (office renovations) and Vigía S.A. (security services). At December 31, 2023 we have significant influence with a 34.0% equity interest in ADL Digital Lab S.A.S. (digital development), a company beneficially owned by Mr. Sarmiento Angulo.

C. Interests of experts and counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated statements and other financial information

Financial statements

See "Item 18. Financial Statements", which contains our audited consolidated financial statements prepared in accordance with IFRS.

Legal proceedings

We, our banking subsidiaries, Corficolombiana, Porvenir and our other subsidiaries are party to lawsuits and administrative proceedings incidental to the normal course of our business.

We record contingency provisions when the risk of loss is probable, in which case, we would consider settling. In cases where we litigate a claim, we record a provision for our estimate of the probable loss based on historical data for similar claims. As of December 31, 2023 and 2022, we and our banking subsidiaries had recorded consolidated provisions relating to administrative fines, indemnifications and legal proceedings for a total amount of Ps 217.7 billion and Ps 229.2 billion, respectively. These figures are presented before minority interest and thus do not reflect their potential impact on Grupo Aval's net income attributable to owners of the parent.

Other litigation

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 800.2 billion 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 715.7 billion.

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 715.7 billion and the orders regarding the interim measures This is a final non appealable ruling which terminated this contingency without generating any financial impact.

In late 2018, the U.S. Department of Justice ("DOJ") and the U.S. Securities and Exchange Commission (" SEC") informed Grupo Aval that they had opened investigations on matters related to the *Ruta del Sol* Sector 2 project. Grupo Aval cooperated with the DOJ and the SEC in these investigations. As a result, in August 2023, Corficolombiana entered into a resolution with the DOJ and Grupo Aval and Corficolombiana entered into civil administrative resolutions with the SEC, pursuant to which both agencies concluded their investigations. The investigations concluded without DOJ bringing any enforcement action against Grupo Aval, and neither the settlement with DOJ or SEC contained any allegations of corrupt knowledge or intent against any officer, director or shareholder of Grupo Aval nor Corficolombiana (other than a former CFC executive). The resolutions with the DOJ and SEC established financial penalties, after credits, of U.S.$20,300,000 and U.S.$40,269,289, respectively. These penalties had an approximate impact of U.S.$24,000,000 on Grupo Aval's consolidated financial statements as a result of its direct and indirect ownership stake in Corficolombiana. For further information see Note 27 of our audited financial statements.

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We, our banking subsidiaries, Corficolombiana, Porvenir and our other subsidiaries are, from time to time, subject to claims and parties to legal proceedings incidental to the normal course of our business, including in connection with our lending activities, employees, taxation matters and other general commercial matters. Due to the inherent difficulty of predicting the outcome of legal disputes, we cannot predict the eventual outcome of these pending matters, the timing of the ultimate resolution of these matters or the eventual loss, fines or penalties related to each pending matter may be. We believe that we have recorded adequate provisions for the anticipated costs in connection with these claims and legal proceedings and believe that liabilities related to such claims and proceedings should not, taken together, have a material adverse effect on our business, financial conditions, or results of operations. However, considering the uncertainties involved in such claims and proceedings, the ultimate resolution of these matters may exceed the provisions that we have currently recorded. As a result, the outcome of a particular matter could be material to our operating results for a particular period.

B. Significant changes

Not applicable.

ITEM 9. THE OFFER AND LISTING

A. Offering and listing details

Not applicable.

B. Plan of distribution

Not applicable.

C. Markets

Market price and volume information

Trading history of our ADSs

On September 22, 2014, we completed a SEC-registered initial public offering in the United States. We raised Ps 2.6 trillion (U.S.$1.3 billion) in gross proceeds. Our ADSs began to trade on the New York Stock Exchange, or NYSE, under the symbol "AVAL" on September 23, 2014. Each ADS represents 20 preferred shares.

Trading history of our common and preferred shares

In 1999, we conducted our initial public equity offering in Colombia and listed our common shares on the Colombian Stock Exchange under the ticker symbol "GRUPOAVAL", raising Ps 62.5 billion (U.S.$35.3 million) in gross proceeds. Grupo Aval's initial public offering was the first large-scale equity offering of a Colombian company to the general public, which allowed several thousand investors to become our shareholders. In 2007, we conducted our second public offering of common shares pursuant to a preemptive rights offering in Colombia, raising Ps 372.0 billion (U.S.$210.4 million) in gross proceeds.

Our preferred shares have been listed since February 1, 2011 on the Colombian Stock Exchange under the symbol "PFAVAL". We registered our preferred shares with the SEC and concluded our first offering of our preferred shares pursuant to a preemptive rights offering in Colombia, raising Ps 2.1 trillion (U.S.$1.1 billion) in gross proceeds. On January 17, 2014, we completed our third public offering of common shares pursuant to a preemptive rights offering, or the "Common Share Rights Offering", raising Ps 2.4 trillion (U.S.$1.3 billion). In September 2014, we completed our second public offering of preferred shares pursuant to an initial public offering in the United States, as stated above in "—Trading history of our ADSs".

Trading on the Colombian Stock Exchange

The Colombian Stock Exchange is the sole trading market for our common and preferred shares. The aggregate equity market capitalization of the 77 issuers listed on the Colombian Stock Exchange at April 8, 2024 was Ps 329.1 trillion.

Regulation of Colombian Securities Markets

Colombian securities markets are subject to the supervision and regulation of the Superintendency of Finance, which was created in 2005 following the merger of the Superintendency of Banking and the Superintendency of Securities. The Superintendency of Finance is an

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independent regulatory entity ascribed to the Ministry of Finance. The Superintendency of Finance has the authority to inspect, supervise and control the financial, insurance and securities exchange sectors and any other activities related to the investment or management of public savings. Accordingly, we are subject to the control of the Superintendency of Finance as an issuer of securities, and our subsidiaries are subject to its control, supervision and regulation as financial institutions and issuers of securities. See "Item 4. Information on the Company—B. Business Overview—Supervision and regulation—Colombian banking regulators—Ministry of Finance" and "—Superintendency of Finance".

Registration of the ADR Program and Investment in Our ADSs by Non-Residents of Colombia

The International Investment Statute of Colombia as provided by Decree 1068 of 2015, as amended, regulates the manner in which foreign investors may participate in the Colombian securities markets and undertake other types of investment, prescribes registration with the Colombian Central Bank of certain foreign exchange transactions and specifies procedures under which certain types of foreign investments are to be authorized and administered.

The International Investment Statute provides specific procedures for the registration of ADR programs as a form of foreign portfolio investment, which is required for the acquisition of the preferred shares to be offered in the form of ADSs. In addition, a holder of our ADSs or preferred shares may under certain circumstances be required to comply directly with certain registration and other requirements under the foreign investment regulations. Under these regulations, the failure of a non-resident investor to report or register foreign exchange transactions relating to investments in Colombia with the Colombian Central Bank on a timely basis may prevent the investor from obtaining remittance payments, including for the payment of dividends, and constitute an exchange control violation and/or result in a fine.

Each individual investor who deposits preferred shares into the ADR facility in exchange for our ADSs will be required, as a condition to acceptance by Fiduciaria Bogotá S.A., or "Fidubogotá", as custodian of such deposit, to provide or cause to be provided certain information to Fidubogotá and/or the Depositary to enable it to comply with the registration requirements under the foreign investment regulations relating to foreign exchange. A holder of ADSs who withdraws preferred shares from the ADS deposit facility under certain circumstances may be required to comply directly with certain registration and other requirements under the foreign investment regulations. Under these regulations, the failure of a non-resident investor to report or register foreign exchange transactions relating to investments in Colombia with the Central Bank on a timely basis may prevent the investor from obtaining remittance payments, including for the payment of dividends, constitute an exchange control violation and/or result in a fine.

Under Colombian law, foreign investors receive the same treatment as Colombian citizens with respect to the ownership and voting of our ADSs and preferred shares. See "Item 3. Key Information—D. Risk factors—Risks relating to our businesses and industry—Risks relating to our preferred shares and ADSs" and "Item 4. Information on the Company—B. Business overview—Supervision and regulation—Restrictions on foreign investment in Colombia".

D. Selling shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share capital

Not applicable.

B. Memorandum and articles of association

The following is a summary of certain significant provisions of our by-laws, Colombian corporate law, the rules and regulations of the Superintendency of Finance and the Listing Rules of the Colombian Stock Exchange that pertain to our capital, management, periodical and

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occasional disclosures, as well as other corporate issues applicable to us. The description below includes the material provisions of our by-laws and Colombian corporate law. In Colombia, by-laws are the principal governing document of a corporation.

Our by-laws provide for an authorized share capital of 120,000,000,000 shares of par value of Ps 1.00 each, which may be either of two classes: common shares or shares with a preferred dividend, liquidation preference and no voting. At April 8, 2024, we had 16,201,712,499 common shares outstanding, and 7,541,763,255 preferred shares outstanding.

Our shareholders' meeting held on December 7, 2010, determined that outstanding common shares may be converted into preferred shares on a 1-to-1 basis. Conversion of common shares into preferred shares may only be made once a month, provided that, as required by Colombian law and in accordance with our by-laws, our preferred shares shall not exceed 50% of our subscribed capital.

Our by-laws also provide for the conversion of common shares into preferred shares only when such conversion is approved or authorized at a general shareholders' meeting. A shareholders' meeting must define, in each case, the procedure to be followed for such conversion and must determine, among other matters, the maximum number or percentage of shares that may be converted. The shareholders' meeting may also authorize the Board of Directors or the President of our Company to approve the agreements, forms and other documents to be executed in order to give effect to a conversion.

For a description of offerings of our shares see "Item 4. Information on the Company—A. History and development of the company—Our history".

Voting Rights

Common Shares

The holders of common shares are entitled to vote on the basis of one vote per share on any matter subject to approval at a general shareholders' meeting according to articles 14 through 19 of the by-laws, as amended from time to time. These general meetings may be ordinary meetings or extraordinary meetings. Ordinary general shareholders' meetings occur once a year, no later than the last business day of March, for the following purposes:

- to review the general situation of the Company;
- to determine the general economic policy of the Company;
- to consider the approval of our report for the preceding year ending on December 31, as applicable, including the financial statements for the above-mentioned term;
- to review the report prepared by the external auditor for the preceding year ending on December 31;
- to elect directors and the external auditor (on an annual basis);
- to determine the compensation of the members of the Board of Directors and the external auditor (on an annual basis); and
- to determine the dividend to be distributed and the allocation of profits, if any, of the preceding year ending on December 31, as well as any retained earnings from twelve months.

Pursuant to Law 964 of 2005, at least 25% of the members of our Board of Directors must be independent within the meaning of Colombian rules. A person who is an "independent director" is understood to mean a director who is not:

- an employee or executive officer of the issuer or any of its parent or subsidiary companies, including any person acting in such capacity during the year immediately preceding that in which they were appointed to the board, except in the case of an independent member of the Board of Directors being re-elected;
- a shareholder, who either directly or by virtue of an agreement directs, guides or controls the majority of the entity's voting rights or who determines the majority composition of the administrative, directing or controlling bodies of this same entity;
- a partner or employee of any association or firm that provides advisory or consultancy services to the issuer or to companies belonging to the same economic group to which such issuer belongs, in the event that income obtained from such services represent for said association or firm at least twenty percent (20.0%) of its total operating income;

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- an employee or executive officer of a foundation, association, partnership or corporation that receives significant donations from the issuer. The term "significant donations" is quantified as twenty percent (20.0%) or more of the total amount of donations received by the respective institution;
- an administrator of any entity on whose Board of Directors a legal representative of the issuer participates; or
- a board member who receives from the issuer any kind of remuneration other than fees as a member of the Board of Directors, member of the audit committee or any other committee established by the Board of Directors.

Pursuant to Decree 3923 of 2006, the election of independent directors must be in a ballot separate from the ballot to elect the rest of the directors, unless the reaching of the minimum number of independent directors required by law or by the by-laws is assured, or when there is only one list that includes the minimum number of independent directors required by law or by the by-laws.

Both elections are made under a proportional representation voting system named electoral quotient "*cociente electoral*" (except for the elections unanimously approved by the general shareholders' meeting). Under that system:

- each holder of common shares is entitled at the annual general shareholders' meeting to nominate candidates for the election of directors;
- each nomination of one or more directors by a shareholder constitutes a list for the purposes of the election;
- each list of nominees must contain a hierarchy as to the order of preference for nominees in that list to be elected;
- once all lists have been nominated, holders of common shares may cast one vote for each common share held in favor of a particular list of nominees. Votes may not be cast for particular nominees in a list; they may be cast only for the entire list;
- the total number of votes cast in the election is divided by the number of directors to be elected. The resulting quotient is the quota of votes necessary to elect particular directors. For each time that the number of votes cast for a list of nominees is divisible by the quota of votes, one nominee from that list is elected, in the order of the hierarchy of that list; and
- when no list has enough remaining votes to satisfy the quota of votes necessary to elect a director, any remaining board seat or seats are filled by electing the next nominee from the list with the highest number of remaining votes cast until all available seats have been filled.

There is no maximum age limit requirement for the election or retirement of directors. No minimum number of shares is required for a director's qualification. Directors may be removed in a general shareholders' meeting prior to the expiration of their term.

Extraordinary general shareholders' meetings may take place when duly called for a specified purpose or purposes, or, without prior notice, when holders representing all outstanding shares entitled to vote on the issues presented are present at the meeting. Extraordinary meetings of shareholders may be called by our president, our Board of Directors or Auditor, directly or by request of a plural number of shareholders representing no less than 25.0% of the company's common voting shares, in which case an announcement must be made by the Board of Directors, the legal representative or Auditor. In addition, meetings may be called by the Superintendency of Finance, directly or by request of shareholders holding at least 15.0% of the common voting shares. Notice of extraordinary meetings should be given at least five calendar days in advance.

Quorum for ordinary and extraordinary general shareholders' meetings to be convened at first call requires the presence of multiple shareholders who represent at least 50.0% plus one of the outstanding shares entitled to vote at the relevant meeting. If no quorum is present for a general shareholders' meeting, a subsequent meeting may be called within 10 to 30 business days at which the presence of two or more shareholders entitled to vote at the relevant meeting constitutes quorum, regardless of the number of shares represented.

Notice of ordinary general meetings must be published in one newspaper of wide circulation, at least 15 business days prior to the proposed date of a general shareholders' meeting. Notice of extraordinary general meetings, listing the matters to be addressed at such meetings, must be published in one newspaper of wide circulation, at least five calendar days prior to the proposed date of an extraordinary general shareholders' meeting.

Except where Colombian law requires a supermajority, decisions made at a shareholders' meeting must be approved by a majority of the shares present. Pursuant to Colombian law and/or our by-laws, special-majorities are required in the following cases:

- the vote of at least 70.0% of the shares present and entitled to vote at a shareholders' meeting is required to approve the issuance of common shares not subject to preemptive rights;

- the Company must distribute (i) at least 50.0% of the annual's net profits according to Article 155 of the Colombian Code of Commerce, or (ii) at least 70.0% of the annual's net profits if the total amount segregated in the legal, statutory and other reserves exceeds the Company's outstanding capital, according to Article 454 of the Colombian Code of Commerce; however, the vote of at least 78.0% of the shares represented and entitled to vote may approve the distribution of a lower percentage of dividends;

- the vote of at least 80.0% of the shares present and entitled to vote is required to approve the payment of dividends in shares; however, according to Law 222 of 1995, if a "situation of control" exists, whereby the decision-making power is subject to the will of a person or group of persons, a company may only pay dividends by issuing shares, to the shareholders that so accept;

- unanimity is required to replace a vacancy on the Board of Directors without applying the electoral quotient system described above; and

- the vote of 70.0% of the issued and outstanding common shares and 70.0% of the outstanding and issued preferred shares is required to approve any amendment that may impair the rights of the preferred shares.

The adoption by a shareholders' meeting of certain corporate actions such as mergers, spin-offs, and share conversions are also subject to authorization by the Superintendency of Finance.

Preferred Shares

The holders of preferred shares are not entitled to receive notice of, attend or vote at any general shareholders' meeting of holders of common shares, except as described below.

The holders of preferred shares will be entitled to vote on the basis of one vote per share at any shareholders' meeting, whenever a shareholder vote is required on the following matters:

- in the event that amendments to our by-laws may impair the conditions or rights assigned to such preferred shares and when the conversion of such shares into common shares is to be approved. In both such cases, the vote of 70.0% of the outstanding and issued common shares and preferred shares is required; and

- if at the end of any accounting period, our profits are not sufficient to pay the minimum dividend on the preferred shares and the Superintendency of Finance, by its own decision or upon request of holders of at least 10.0% of preferred shares, determines that benefits were concealed or shareholders were misled with regard to benefits thereby decreasing the profits to be distributed, the Superintendency of Finance may resolve that holders of preferred shares should participate with deliberation and voting rights at the general shareholders' meeting, in the terms established by law.

We must issue a notice of any meeting at which holders of preferred shares are entitled to vote. The notice must be published in a newspaper of wide circulation. Depending on the matters to be subjects of the shareholders meeting, notice to preferred shareholders must be delivered at least 15 business days prior to the ordinary meeting or 5 calendar days before the extraordinary meetings. Each notice must contain the following:

- the date of the meeting;

- a description of any resolution to be proposed for adoption at the meeting on which the holders of preferred shares are entitled to vote; and

- instructions for the delivery of proxies.

Redemption

All shareholders (whether holders of common or preferred shares) have, at their option, a redemption right in the following cases:

- if, as a result of a merger, transformation or spin-off of the Company, (a) the shareholders must assume a higher level of liability (i.e., by transforming a corporation into a partnership), or (b) the economic rights of the shareholders are impaired. In these events,

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the shareholders that were not present at the meeting in which the decision was taken or that voted against it, may exercise the redemption right.

Pursuant to Colombian Law (Article 12 of Law 222 of 1995), the economic rights of shareholders are deemed to be impaired if:

- their ownership percentage is reduced as a result of the merger, transformation or spin-off of the Company;
- the equity value or the par value of the shares is reduced (in the latter case, only to the extent that the reduction of the par value implies a decrease in the Company's stock capital); and
- the negotiability of the shares is restricted or diminished.
- If the Company decides to withdraw the listing of its shares from a stock exchange or its registration before the National Registry of Shares and Issuers.

The exercise of this right is regulated by Articles 15 and 16 of Law 222 of 1995. According to Article 15, within five days following notice of the exercise of this right by a shareholder, the Company must offer to the other shareholders the shares owned by the exercising shareholder. Within the following 15 days, the other shareholders may acquire the shares on a pro rata basis. If all or a part of the shares are not acquired by the other shareholders, then the Company must reacquire them to the extent there are profits or reserves built up by the Company for those purposes. If neither the shareholders nor the Company acquires all of the shares owned by the exercising shareholder, then pursuant to Article 16 of Law 222 of 1995, such exercising shareholder is entitled to the reimbursement of the capital contributions made to the Company.

In both cases, the redemption price of the shares will be established by the agreement of seller and buyer. In the absence of such agreement, the redemption price will be determined by an expert appraiser. Notwithstanding the above, the by-laws may establish other methods for determining the redemption price to be paid in the foregoing circumstances. Our current by-laws do not contemplate such other methods.

Dividends

Common Shares

Following the approval of the financial statements at a general shareholders' meeting, shareholders may determine the allocation of distributable profits, if any, of the preceding accounting period by a resolution approved by the majority of the holders of common shares present at the ordinary general shareholders' meeting, pursuant to the recommendation of the Board of Directors and Management.

Under the Colombian Code of Commerce, a company must, after payment of income taxes and appropriation of legal reserves, and after off-setting losses from prior periods distribute at least 50.0% of net profits to all shareholders, payable in cash, or as determined by the shareholders, within a period of one year following the date on which the shareholders determine the payment of dividends. If the total amount segregated in the legal, statutory and occasional reserves of a company exceeds its outstanding capital, this percentage is increased to 70.0%. The minimum common shares dividend payment requirement of 50.0% or 70.0%, as the case may be, may be waived by a favorable vote of the holders of 78.0% of a company's common shares present at the meeting, in which case the shareholders may distribute any percentage of the net profits. The dividends may be paid in shares if such proposal is approved by representatives of eighty (80%) of the shares present at the meeting.

Under Colombian law and our by-laws, net profits obtained in each accounting period are to be allocated as follows:

- first, an amount equivalent to 10.0% of net profits is segregated to build a legal reserve, until that reserve is equal to at least 50.0% of our subscribed capital;
- second, payment of the minimum dividend on the preferred shares; and
- third, allocation of the balance of the net profits is determined by the holders of a majority of the common shares entitled to vote on the recommendation of the Board of Directors and the president and may, subject to further reserves required by the by-laws, be distributed as dividends.

Under Colombian law, the dividends payable to the holders of common shares, for each common share, cannot exceed the dividends per share payable to holders of the preferred shares, for each preferred share. All common shares that are fully paid-in and outstanding at the time a dividend or other distribution is declared are entitled to share equally in that dividend or other distribution. Common shares that are only partially paid-in participate in a dividend or distribution in the same proportion as the shares have been paid in at the time of the dividend or distribution.

The general shareholders' meeting may allocate a portion of the profits to, among others, welfare, education or civic services.

Preferred Shares

Holders of preferred shares are entitled to receive a minimum dividend after deducting losses and deducting any amounts set aside for legal reserve, but before creating or accruing for any other reserve and before any declared dividends are paid to holders of common shares, so long as dividends have been approved by the shareholders' meeting of Grupo Aval. Dividends to holders of common and preferred shares must be approved by the shareholders. If no dividends are declared, no holder of Grupo Aval's preferred or common shares will be entitled to payment. Pursuant to the offering memorandum of the preferred shares, the minimum dividend will be equal to Ps 1.00 in each calendar semester, so long as this value is higher than the dividend paid to the holders of common shares. If the minimum preferred dividend is not equal or higher than the per share dividend on the common shares, the minimum dividend will be equal to the dividend paid to the holders of common shares, if any. So long as the dividend declared is equal to or in excess of the aforementioned minimum, the same dividend must be paid on both the common and the preferred shares.

Payment of the preferred dividend shall be made at the time and in the manner established in the general shareholders' meeting and with the priority indicated by Colombian law.

Grupo Aval is "under control" (whereby the decision-making power is subject to the will of a person or group of persons). As a result, the Company may only pay stock dividends to the shareholders that so accept it. Those shareholders that do not accept to receive a stock dividend, are entitled to receive their dividend in cash.

For additional information regarding dividends, see "—F. Dividends and paying agents—Dividend policy of Grupo Aval".

General Aspects Involving Dividends

The dividend periods may be different from the periods covered by the balance sheet. In the general shareholders' meeting, shareholders will determine such dividend periods, the effective date, and the method and the place for payment of dividends.

Dividends declared on the common shares and the preferred shares will be payable to the record holders of those shares, as they are recorded on our share registry, on the appropriate dates as determined in the general shareholders' meeting. However, in accordance with Decree 4766 of December 14, 2011 (which amended articles 2.23.1.1.4 and 2.23.1.1.5 of Decree 2555 of 2010), issued by the Ministry of Finance:

- companies whose shares are registered with the National Registry of Shares and Issuers must establish a period of at least three trading days between the date that they receive approval to distribute profits from the General Shareholders Meeting and the date of payment; and
- the ex-dividend period (*fecha ex-dividendo*) is the period during which it is understood that a purchase of shares does not include the right to receive dividends. The ex-dividend date shall be set forth by stock exchanges, and it cannot be less than two trading days. According to Colombian Stock Exchange regulations, a transaction is "ex-dividend" if it takes place between the first day of dividend payment and the four trading days preceding that date.

Liquidation Rights

We will be dissolved if certain events take place, including the following:

- Pursuant to our by-laws, unless otherwise extended by the shareholders, our term of existence will expire at May 25, 2044;
- losses cause the decrease of our shareholders' equity below 50% of the amount of outstanding share capital, unless one or more of the corrective measures described in the Colombian Code of Commerce are adopted by the shareholders within six months;
- by decision at the general shareholders' meeting; and
- in certain other events expressly provided by law and in the by-laws.

Upon dissolution, a liquidator must be appointed by a general meeting of the shareholders to wind up the affairs of our company.

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Upon liquidation, and out of the surplus assets available for distribution to shareholders, holders of fully paid preferred shares are entitled to a preference in the reimbursement of the portion of their contribution ("*aporte*" as provided by Article 63 of Law 222 of 1995) to Grupo Aval attributable to the nominal value of the outstanding preferred shares (i.e., Ps.1.00 per share). This reimbursement, if any, is payable in pesos before any distribution or payment may be made to holders of common shares. If, upon any liquidation, assets that are available for distribution among the holders of preferred shares are insufficient to pay in full their respective liquidation preferences, such assets will be distributed among those holders pro rata.

Subject to the preferential liquidation rights of holders of preferred shares, and provided there are still sufficient assets remaining, all fully paid common shares will be entitled to participate in any distribution upon liquidation. Partially paid common shares must participate in a distribution upon liquidation in the same proportion that those shares have been paid at the time of the distribution.

To the extent there are surplus assets available for distribution after full payment to the holders of preferred and common shares of their contribution to Grupo Aval, the surplus assets will be distributed among all holders of shares of share capital (common or preferred), pro rata, in accordance with their respective holdings of shares.

Preemptive Rights and Other Anti-Dilution Provisions

Pursuant to the Colombian Code of Commerce, we are allowed to have an outstanding amount of share capital that is less than the authorized share capital set out in our by-laws. Under our by-laws, the holders of common shares determine the amount of authorized share capital, and our Board of Directors has the power to (1) order the issuance and regulate the terms of subscription of common shares up to the total amount of authorized share capital, and (2) regulate the issuance of preferred shares, when expressly delegated at the general shareholders' meeting. The issuance of preferred shares must be approved by the general shareholders' meeting, which shall determine the nature and extent of any rights, according to our by-laws and Colombian law.

At the time of incorporation of a Colombian company, its outstanding share capital must represent at least 50% of the authorized capital. Any increases in the authorized share capital or decreases in the outstanding share capital must be approved by the majority of shareholders required to approve a general amendment to the by-laws.

Colombian law requires that, whenever we issue new common shares, we must offer to the holders of common shares the right to subscribe a number of common shares sufficient to maintain their existing ownership percentage of the aggregate share capital. These rights are preemptive rights. On the other hand, holders of preferred shares are entitled to preemptive rights only in the specific situations that the shareholders' meeting so decides. See "Item 3. Key Information—D. Risk factors—Risks relating to our businesses and industry—Risks relating to our preferred shares and ADSs."

Common shareholders at a general shareholders' meeting may waive preemptive rights of common shares with respect to a particular capital increase by the favorable vote of at least 70.0% of the shares represented at the meeting. Preemptive rights must be exercised within the period stated in the share placement terms of the increase, which cannot be less than 15 business days following the publication of the notice of the public offer of that capital increase. From the date of the notice of the share placement terms, preemptive rights may be transferred separately from the corresponding shares.

The Superintendency of Finance will authorize a decrease in the outstanding share capital approved by the holders of common shares only if:

- we have no outstanding liabilities;
- our creditors consent in writing; or
- the outstanding share capital remaining after the reduction represents at least twice the amount of our liabilities.

Restrictions on Purchases and Sales of Share Capital by Related Parties

Pursuant to the Colombian Code of Commerce, the members of our Board of Directors and certain of our principal executive officers may not, directly or indirectly, buy or sell shares of our share capital, unless they obtain the prior approval of the Board of Directors passed with the vote of two-thirds of its members (excluding, in the case of transactions by a director, such director's vote). Furthermore, pursuant to Article 262 of the Colombian Code of Commerce, Grupo Aval's subsidiaries are prohibited from owning (directly or indirectly) shares of Grupo Aval.

In addition, as our shares are publicly traded on the Colombian Stock Exchange, the transfer of the shares is subject to the applicable securities regulation and the rules of the Colombian Stock Exchange.

Pursuant to Article 23 of Law 222 of 1995, the members of our Board of Directors and our legal representatives generally must perform their duties according to the principles of good faith, due diligence and loyalty. In particular, the directors and legal representatives must refrain from entering into any transaction (including any sale and purchase of shares) which may imply competition with the Company or a conflict of interest, unless they obtain the prior approval of the General Shareholders Meeting, which, in any case, shall only be granted if the respective transaction does not harm the Company's interests. The Company, in the ordinary course of its business, may enter into transactions with its directors.

Under the Company's by-laws, directors have no power to vote on compensation to themselves or any members of the Board of Directors. This task is specifically assigned to the shareholders entitled to vote.

Transfer and Registration of Shares

Grupo Aval's common and preferred shares are listed on the Colombian Stock Exchange. According to Colombian regulations, shares listed on a stock exchange must be sold and transferred only through such exchange, unless such shares were issued outside Colombia and are transferred outside Colombia, or unless the share purchase transaction amounts to a value that is lower than the regulatory threshold of 66,000 UVRs, as required by Article 6.15.1.1.2 of Decree 2555 of 2010. In addition, among others, the following transactions are not required to be undertaken through the relevant stock exchange:

- transfers between shareholders with the same beneficial owner;
- transfers of shares owned by financial institutions that are being liquidated under the control and supervision of the Superintendency of Finance;
- issuer repurchases;
- transfers by the State; and
- any other transactions as may be authorized by the Superintendency of Finance.

Under Colombian law, shares may be traded either in physical form or electronic form. Transfers of shares are subject to a registry system which differs depending on whether the shares are evidenced in electronic form or physical form. Transfers of shares evidenced by electronic certificates must first be registered with a securities central depositary through a stockbroker. The main purpose of the securities central depositary is to receive, safe keep and manage securities certificates issued by corporations in order to keep a record of the transactions undertaken over such securities, including transfers, pledges and withdrawals. Accordingly, they are not allowed to hold, invest or otherwise use the securities held under their custody.

Transfer of shares evidenced by electronic or physical certificates, as the case may be, must be registered on the company's share ledger. Only those holders registered on the share ledger are recognized as shareholders. Registration requires endorsement of the certificates or a written instruction from the holder. In the case of electronic certificates, the securities central depositary notifies us regarding the transfer of shares after registering it in its system.

All of our shares are currently deposited with the securities central depositary (Deceval).

C. Material contracts

On February 4, 2020, we entered into an indenture in connection with our issuance of U.S.$1.0 billion (Ps 3,401.6 billion at the date of the issuance) of 4.375% Senior Notes due 2030. The indenture was among us, as guarantor, Grupo Aval Limited, as Issuer, Deutsche Bank Trust Company Americas, as Trustee, Registrar, Paying Agent and Transfer Agent. Such Indenture was supplemented and amended on February 23, 2022 in connection with the spin-off of BHI.

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D. Exchange controls

Restrictions on Foreign Investment in Colombia

Colombia's foreign investment statute regulates the way in which non-residents are permitted to invest in Colombia and participate in the Colombian securities market. Among other requirements, Colombian law requires foreign investors to register certain foreign exchange transactions with the Colombian Central Bank and obtain authorization for certain types of investments. Certain foreign exchange transactions, including those between residents and non-residents, must be made through authorized foreign exchange intermediaries.

Non-residents are permitted to hold portfolio investments in Colombia, through a registered stock brokerage firm, a trust company or an investment firm. Investors would only be allowed to transfer dividends abroad after the foreign investment registration procedure with the Colombian Central Bank has been completed. The failure of a non-resident investor to report or register foreign exchange transactions with the Colombian Central Bank relating to investments in Colombia on a timely basis may prevent the investor from remitting dividends, or an investigation, that may result in a fine, may be commenced.

E. Taxation

The following summary contains a description of certain Colombian and U.S. federal income tax considerations in connection with ownership and disposition of ADSs and preferred shares, but it does not purport to be a comprehensive description of all of the Colombian and United States tax considerations. The summary is based upon the tax laws of Colombia and regulations thereunder and on the tax laws of the United States and regulations thereunder as of date hereof, which are subject to change. A change in such laws and regulations could apply retroactively and could affect the validity of this summary.

Colombian Tax Considerations

For Colombian tax purposes, the residence status is triggered depending on the type of individual as follows:

- *Aliens*: Residence is established by the continuous or discontinuous presence in the country for more than 183 days including entry and exit days, within any period of 365 consecutive calendar days taking into account the day of the arrival and the day of departure of the individual. For this purpose, when the continuous or discontinuous presence in the country takes place in more than one taxable year, the person would be considered as a Colombian resident for the second taxable year.

- *Diplomatic employees of the Colombian State and their companions*: These persons are totally or partially exempted from income tax or capital gains tax in the country in which they are performing their work, according to the Vienna Conventions on Diplomatic and Consular Relations.

- *Colombian Nationals*:

  Individuals:

  An individual is considered a tax resident under different circumstances, one of which is the permanence in Colombian territory either continuously or discontinuously (considering days between arrival and departure) for 183 days in any given 365-day period. If the 365-day period covers more than one taxable year, the individual will be deemed as a taxpayer for the second year.

  In addition, domestic tax law also deems as tax residents those individuals who hold the Colombian nationality and fulfill at least one of the following requirements in the corresponding taxable year: (i) the individual's spouse or permanent companion or dependent children are Colombian tax residents in the corresponding tax year; or, (ii) 50% or more of the individual's income is considered to be generated in Colombia; or, (iii) 50% or more of the individual's assets are managed within Colombia; or, (iv) 50% or more of the individual's assets are deemed to be possessed in Colombia; or, (v) if once required by the Tax Authorities, the Colombian national fails to demonstrate that the tax residence is held abroad or, (vi) the tax residence is held in non-cooperative jurisdictions as defined by the Colombian Government.

  As an exception to the previous rule, if the referred individual (who holds the Colombian nationality) (i) perceives 50% or more of income in the country of domicile, or (ii) has 50% or more of its assets possessed in the country of domicile, the individual will not be considered a tax resident in Colombia.

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Legal entities:

For Colombian tax purposes, a legal entity is considered a tax resident generally when its effective place of management is located in Colombia during the relevant taxable year (the possibility that nonresident entities have an effective place of management in Colombia can exist based on the day-to-day activities). In addition, a Legal Entity incorporated under the laws of Colombia or whose principal place of business is located in Colombia, is also considered a Colombian resident.

Pursuant to the Colombian Tax Code, resident individuals and Colombian entities are subject to tax over their worldwide income, while non-resident individuals and foreign entities are only taxed on their Colombian-source income. Foreign entities with permanent establishments (e.g. branches in Colombia) are subject to taxation over the worldwide income attributable to the permanent establishment.

Colombian Tax Law includes a definition of permanent establishment for foreign entities or individuals applicable when the entity or individual trigger the events described in Article 20-1 of the Colombian Tax Code. In this case, as stated before, the permanent establishment is considered a Colombian taxpayer regarding its attributable worldwide income.

Taxation of Dividends

As a general rule, dividends distributed out of profits that were taxed at the level of a Colombian entity (e.g., because there was an application of the tax benefit, a different treatment between accountability books and Colombian tax framework, Net Operating Losses –NOLs– amortization, etc.), are subject to the corresponding Income Tax rate applicable in the year in which the dividends are paid or become payable to the shareholder. In this case, the Colombian entity should apply a withholding income tax that can be credited by the shareholder against its income tax liability. The applicable withholding tax rate is the same as the general income tax, 35% for 2023.

Financial institutions, insurance and reinsurance companies, stockbrokers, among others, will be subject to a 5% corporate income tax surtax (for a total corporate income tax rate of 40%) until 2027, to the extent their taxable income exceeds 120,000 UVTs (Ps 5,647.4 billion).

Colombian tax legal framework modified the tax rate applicable on dividends paid after January 1, 2023. This special tax will be collected by the dividend paying entity. In the case of a distribution to foreign legal entities or non-resident individuals, a withholding tax of 20% relative to the payment or book entry will be applied.

Regarding tax resident individuals, dividends paid after January 1, 2023, must be taxed under the progressive rate under the section 241 of the Colombian Tax Code (capped at a rate of 39%). Under specific situations, the national dividend paying entity has to apply a withholding tax of 15%.

Before applying the previously mentioned tax rate, the following scenarios must be considered:

- **Dividends which were taxed at a corporate level:** In accordance with current regulations, dividends which have been taxed at a corporate level will be subject to:
  - When the investor is a national entity, dividends distributed out of profits taxed at the corporate level will be subject to a 10% withholding tax. Such withholding tax may be offset against the dividend taxed on the shareholder in the case of individuals tax residents in Colombia and foreign investors. The exceptions for the application of the dividend withholding tax will still apply.
  - When the investor is a foreign entity or non-resident individual, dividends distributed out of profit taxed at the corporate level will be subject to a 20% withholding tax.
  - When the investor is a resident individual, dividends distributed out of profit taxed at the corporate level must be taxed under the progressive rate of the section 241 of the Colombian Tax Code.
- **Dividends which have not been taxed at a corporate level:** On the other hand, in cases where the dividends subject to distribution have not been taxed at a corporate level, they should first be taxed at the current general income tax rate in the period of distribution (hereinafter "*recapture tax*"); and subsequently the rules mentioned above must be applied.
- **Dividends distributed within corporate group / under situation of control / Colombian Holding Companies Regime ("*Compañía Holding Colombiana or CHC*"):** when the first dividend distribution payment is executed by a national entity to another national entity and both pertain to (i) an enterprise group, (ii) are under situation of control, or (iii) are duly registered under CHC Regime, the dividend withholding tax does not apply.

- **Transition regime for tax on dividends:** If the profits were generated prior to December 31, 2016 ("pre-2017") and appropriated to be distributed in the future, dividends are not subject to the provisions of the current regulations **in the case of profits that were taxed at the corporate income tax rate**. For profits that were not **taxed at the corporate income tax rate, the recapture tax will be applicable**.

Based on the above, the following table summarizes the tax treatment of dividends in the absence of a tax treaty:

	Dividend tax rate	Withholding rate	Recapture tax
Dividend distributions from **pre-2017** profits that **were taxed** at the corporate income tax rate distributed to Colombian tax resident individuals, Colombian entities and Non-Colombian tax residents.	Non-taxed	N.A.	N.A.
Dividend distributions from **pre-2017** profits that **were not** taxed at the corporate income tax rate distributed to Colombian tax resident individuals	Non-taxed	N.A.	Corporate income tax rate
Dividend distributions from **pre-2017** profits that **were not** taxed at the corporate income tax rate distributed to Colombian entities	Non-taxed	N.A.	Corporate income tax rate
Dividend distributions from **pre-2017** profits that **were not** taxed at the corporate income tax rate distributed to Non-Colombian tax residents	Non-taxed	N.A.	Corporate income tax rate
Dividend distributions from **pre-2017** profits that **were not** taxed at the corporate income tax rate to Non-Colombian tax residents complying with the portfolio investment definitions under the Colombian Tax Code	25%	N.A.	N.A.
Withholding tax on dividend distributions from **post-2017** profits that **were** taxed at the corporate income tax rate distributed to Colombian tax resident individuals	N.A.	2023: 15% for amounts equal or in excess of 1,090 UVTs 2024: 15% for amounts equal or in excess of 1,090 UVTs	N.A.
Withholding tax on dividend distributions from **post-2017** profits that **were** taxed at the corporate income tax rate distributed to Colombian entities	N.A.	2023: 10.0% 2024: 10.0%	N.A.
Withholding tax on dividend distributions from **post-2017** profits that **were** taxed at the corporate income tax rate distributed to Non-Colombian tax residents (including dividend distributions made to permanent establishments)	N.A.	2023: 20.0% 2023: 20.0%	N.A.
Dividend distributions from **post-2017** profits that **were not** taxed at the corporate income tax rate distributed to Colombian tax resident individuals	Applicable income tax rate for the individual (taxed at a maximum rate of 39%)	2023: 15% for amounts equal or in excess of 1,090 UVTs 2024: 15% for amounts equal or in excess of 1,090 UVTs	Corporate income tax rate
Dividend distributions from **post-2017** profits that **were not** taxed at the corporate income tax rate distributed to Colombian entities	2023: 10.0% 2024: 10.0%	N.A.	Corporate income tax rate
Dividend distributions from **post-2017** profits that **were not** taxed at the corporate income tax rate distributed to Non-Colombian tax residents	2023: 20.0% 2024: 20.0%	N.A.	Corporate income tax rate
Dividend distributions from **post-2017** profits that **were not** taxed at the corporate income tax rate to Non-Colombian tax residents complying with the portfolio investment definitions under the Colombian Tax Code	40.00%	N.A.	N.A.

The dividend payment approved by Grupo Aval's General Meeting of Shareholders held on March 20, 2024, will be distributed from the profits of year 2019, subject to be distributed with benefit for the shareholders. Dividend tax on dividends on profits generated by the company depends on the subject receiving it (Colombian tax resident individuals, Colombian entities, Non-Colombian tax residents or Non-Colombian tax residents complying with the portfolio investment definitions under the Colombian Tax Code).

Dividends paid to Non-Colombian tax residents complying with the portfolio investment definitions under the Colombian Tax Code who hold ADSs through the depositary will be subject to income taxes and withholding in Colombia as mentioned in the previous chart.

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As a general rule, foreign companies, foreign investment funds, and Non- Colombian tax residents are not required by law to file an income tax return in Colombia. However, they are subject to the withholding tax, which can be understood as the dividend tax for the foreign entity or non-resident individual (in accordance with Section 592 of the Colombian Tax Code).

"UVT" or "*Unidad de Valor Tributario*" refers to a tax unit established each year by the Colombian Tax Authority ("DIAN") for the calculation of tax returns. UVT was established at an equivalent to Ps 42,412 for 2023 and Ps 47,065 for 2024.

Taxation of Capital Gains Derived from the Sales of ADSs

Pursuant to Article 24 of the Colombian Tax Code, gains derived by non-resident entities or non-resident individuals of Colombia from the sale of the ADSs are not subject to income, withholding, remittance or other taxes in Colombia. If the holder is a resident in Colombia, this capital gain will be taxed in Colombia according to the general tax rules.

Taxation of Capital Gains Derived from the Sales of Shares in Colombia

Since 2023, according to Article 36-1 of the Colombian Tax Code, capital gains from the sale of shares listed on the Colombian Stock Exchange are not subject to income tax in Colombia, provided that the shares sold by the same beneficial owner during each fiscal year do not represent more than 3% of the issued and outstanding shares of the listed company. ADSs are not subject to the same tax framework as equity investments in Colombia. Although ADSs represent our preferred shares, they are subject to a different tax regulatory regime.

Tax on Foreign Portfolio Investment Income in Colombia

The 2012 Tax Reform (see "Item 4. Information on the Company-B. Business Overview-Supervision and regulation-Regulation on Payroll Loans") established a new tax regime for foreign capital portfolio investments. Investors will be required to pay income tax for the profits obtained in the development of their activities, regardless of the vehicle used to carry them out, pursuant to Article 18-1 of the Colombian Tax Code.

The withholding rate of such tax is generally 14%; however, a 5% rate will apply for investments in fixed income securities or in derivatives whose underlying assets is a fixed income security, and a 25% rate will apply to investors domiciled in non-cooperative tax jurisdictions. Article 260-7 of Colombian Tax Code was modified by Law 1819 of 2016 which establishes a new legal framework and provides criteria pursuant to which certain jurisdictions may be classified as non-cooperative jurisdictions with low or no taxation or as jurisdictions with preferential tax regimes.

Payment of this tax will be accomplished through withholding that is performed on a monthly basis by the administrator of such investment portfolio, based on the profits earned by the investor during the corresponding month. When the income corresponds to dividends, the withholding will be made by the company paying the dividend at the time of payment. As a general rule, the withholding, performed according to the rules established in the Colombian Tax Code, shall constitute a final tax and investors will not be required to file an income tax return.

Other Colombian Taxes

- Financial institutions, insurance and reinsurance companies, stockbrokers, among others, will be subject to a 5% income tax surcharge (total corporate income tax rate of 40%) until 2027, to the extent their taxable income exceeds 120,000 UVTs (Ps 5,647.4 billion).

- **15% minimum tax rate (adjusted tax rate):** Law 2277 of 2022 established a 15% minimum tax rate (referred to as adjusted tax rate - ATR). The ATR will be determined based on the ratio between the adjusted income tax (AIT) divided by the adjusted income (AI). Law establishes the factors to be considered when calculating the AIT and AI. If the ATR is lower than 15%, income tax must be adjusted to achieve the 15% rate. This rule does not apply, among others, to non-residents, hotels and concessions.

- **Significant economic presence:** Non-residents with a "significant economic presence" (SEP) in Colombia will be subject to a general 10% withholding tax (unless another withholding tax rate applies). Nevertheless, the non-resident entity may opt to assess its income tax liability at a 3% rate over the gross income of Colombian source, subject to the filing of an income tax return.

  Law 2277 of 2022 allows a Double Tax Treaty to prevail over Colombian domestic law. In case Colombia has subscribed to international agreements forbidding this form of taxation, this does not apply to fiscal periods following the effective date of the international agreement.

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A significant economic presence is triggered when the following criteria are met:

- The non-resident entity has a deliberate and systematic interaction with the Colombian market. This type of interaction is presumed to exist when the non-resident has interaction or marketing activities with more than 300,000 users in Colombia during the prior year, or within the relevant tax year, or displays the price of goods in Colombian Pesos or allows payment in Colombian Pesos.

- Gross income for the non-resident entity from transactions with customers in Colombia is higher than 31,300 UVTs (Ps 1,459.5 billion) during the prior year or the current taxable year.

If the activities in Colombia are developed by different related parties, the aforementioned criteria will consider the aggregate transactions of all related entities. This rule became effective January 1, 2024.

- **Tax deductions, benefits and incentives**: Certain non-taxable income, special deductions, exempt income, and tax credits will be limited to 3% of net taxable income prior to the special deductions subject to the limitation. The limitation will apply only to the tax benefits expressly provided by the rule. Although some special treatments were repealed, it is generally provided that acquired rights should be respected until the term originally provided by the repealed Law.
- **Effective place of management ("*Sede Efectiva de Administración*")**: The considerations that qualify a non-resident entity to have an effective place of management in Colombia were broadened. Amongst the new considerations, an effective place of management may exist based on the day-to-day activities as opposed to previously considered strategic activities. A non-resident that has an effective place of management is considered by tax authorities as a Colombian tax resident.

As of the date of this annual report, there was no income tax treaty and no inheritance or gift tax treaty in effect between Colombia and the United States. Pursuant to Articles 24 and 36-1 of the Colombian Tax Code, transfers of ADSs from non-residents or residents to non-residents of Colombia by gift or inheritance are not subject to Colombian income tax. Transfers of ADSs by gift or inheritance from residents to residents or from non-residents to residents will be subject to Colombian income tax at the income tax rate applicable for capital gains obtained by residents of Colombia. There is no Colombian stamp, issue, registration, transfer or similar taxes or duties payable by holders of shares or ADSs.

United States Federal Income Taxation Considerations for U.S. Holders

The following is a description of the material U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of our ADSs or preferred shares, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to hold the securities. This discussion applies only to a U.S. Holder that holds our ADSs or preferred shares as capital assets for U.S. federal income tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of the U.S. Holder's particular circumstances, including alternative minimum tax consequences, the potential application of certain provisions of the Internal Revenue Code of 1986, as amended (the "Code") known as the Medicare contribution tax, and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers in securities or currencies or traders in securities that use a mark-to-market method of tax accounting;
- persons holding ADSs or preferred shares as part of a hedging transaction, straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the ADSs or preferred shares;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes;
- tax-exempt entities, "individual retirement accounts" or "Roth IRAs";
- persons that own or are deemed to own ten percent or more of the voting power or value of our stock;
- persons who acquired our ADSs or preferred shares pursuant to the exercise of an employee stock option or otherwise as compensation; or
- persons holding our ADSs or preferred shares in connection with a trade or business conducted outside of the United States.

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If an entity that is classified as a partnership for U.S. federal income tax purposes holds our ADSs or preferred shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding our ADSs or preferred shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of the ADSs or preferred shares.

This discussion is based on the Code, administrative pronouncements, judicial decisions, and final, temporary and proposed Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect. It is also based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms.

A "U.S. Holder" is a beneficial owner of our ADSs or preferred shares that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

In general, a U.S. Holder who owns ADSs will be treated as the owner of the underlying preferred shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs.

U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of owning and disposing of our ADSs or preferred shares in their particular circumstances.

Except as described in "—Passive Foreign Investment Company Rules" below, this discussion assumes that we have not been, and will not become, a passive foreign investment company, or "PFIC", for any taxable year.

Taxation of Distributions

The preferred shares constitute equity of our company for U.S. federal income tax purposes. Distributions paid on our ADSs or preferred shares will be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. Holders as dividends. Subject to applicable limitations (including a minimum holding period requirement), dividends paid to certain non-corporate U.S. Holders that constitute "qualified dividend income" will be taxable at rates applicable to long-term capital gains. Dividends paid on our ADSs will generally constitute qualified dividend income, provided the ADSs are readily tradable on an established securities market in the United States (such as the NYSE, where our ADSs are traded). It is unclear whether these reduced rates will apply to dividends paid with respect to our preferred shares that are not backed by ADSs. U.S. Holders should consult their tax advisers regarding the availability of the reduced tax rate on dividends in their particular circumstances.

The amount of a dividend generally will include any amounts withheld by our company in respect of Colombian taxes. The amount of the dividend will generally be treated as foreign-source dividend income to U.S. Holders and will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Dividends will be included in a U.S. Holder's income on the date of the depositary's receipt of the dividend, in the case of ADSs, or on the date actually or constructively received by the U.S. Holder, in the case of the preferred shares. The amount of any dividend income paid in Colombian pesos will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the applicable date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the applicable date of receipt, a U.S. Holder should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

The rules governing foreign tax credits are complex. For example, Treasury regulations impose additional requirements for foreign taxes to be eligible for credit. We have not determined whether these requirements have been met with respect to any withholding tax imposed on dividends on ADSs or preferred shares. However, recent notices from the IRS indicate that the Treasury and the IRS are considering proposing amendments to such regulations and allow taxpayers, subject to certain conditions, to defer the application of many aspects of such regulations until the date when a notice or other guidance withdrawing or modifying this temporary relief is issued (or any later date specified in such notice or other guidance). U.S. Holders should consult their tax advisers regarding the availability of foreign tax credits for any amounts withheld with respect to distributions on ADSs or preferred shares. In lieu of claiming a foreign tax credit, U.S. Holders may,

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at their election, deduct foreign taxes, including the Colombian tax, in computing their taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the taxable year.

Sale, Redemption or Other Taxable Disposition of ADSs or Preferred Shares

Subject to the PFIC rules described below, for U.S. federal income tax purposes, gain or loss realized on the sale, redemption or other taxable disposition of our ADSs or preferred shares will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder held the ADSs or preferred shares for more than one year, provided that in the case of redemption, (i) the U.S. Holder does not actually or constructively own any of our voting stock after giving effect to such redemption or (ii) the redemption is not otherwise treated as essentially equivalent to a dividend under the Code. The amount of the gain or loss will equal the difference between the U.S. Holder's tax basis in the ADSs or preferred shares disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. This gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes.

Passive Foreign Investment Company Rules

Based on proposed Treasury regulations, including those which are proposed to be effective for taxable years beginning after December 31, 1994, we believe we were not a PFIC for U.S. federal income tax purposes for the 2023 taxable year. However, because the proposed Treasury regulations may not be finalized in their current form, because the application of the proposed regulations is not entirely clear and because the composition of our income and assets will vary over time, there can be no assurance that we were not or will not be a PFIC for any taxable year. The determination of whether we are a PFIC is made annually and is based upon the composition of our income and assets (including the income and assets of, among others, entities in which we hold at least a 25% interest) and the nature of our activities. In general, we will be a PFIC for any taxable year in which at least 75% of our gross income is passive income, or at least 50% of the value (determined on a quarterly basis) of our assets is attributable to assets that produce or are held for the production of passive income.

If we were a PFIC for any taxable year during which a U.S. Holder held our ADSs or preferred shares, any gain recognized by a U.S. Holder on a sale or other disposition of ADSs or preferred shares (including certain pledges) would be allocated ratably over the U.S. Holder's holding period for the ADSs or preferred shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year within the holding period would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the tax on such amount. Further, any distribution in respect of ADSs or preferred shares in excess of 125% of the average of the annual distributions on ADSs or preferred shares received by the U.S. Holder during the preceding three years or the U.S. Holder's holding period, whichever is shorter, would be subject to taxation in the same manner as described immediately above with respect to gains. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the ADSs or preferred shares. U.S. Holders should consult their tax advisers to determine whether any of these elections would be available and, if so, what the consequences of the alternative treatments would be in their particular circumstances.

If we were a PFIC or, with respect to a particular U.S. Holder, were treated as a PFIC for the taxable year in which we paid a dividend or for the prior taxable year, the favorable dividend rates discussed above with respect to qualified dividend income paid to non-corporate holders would not apply. In addition, if we are a PFIC for any taxable year during which a U.S. Holder owned our ADSs or preferred shares, the U.S. Holder will generally be required to file IRS Form 8621 (or any successor form) with their annual U.S. federal income tax returns, subject to certain exceptions.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.- related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is an exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Certain U.S. Holders who are individuals (and certain specified entities) may be required to report information relating to their ownership of shares of a non-U.S. entity or non-U.S. accounts through which such shares are held. U.S. Holders are urged to consult their tax advisers regarding any reporting obligation with respect to our ADSs or preferred shares.

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F. Dividends and paying agents

Dividend policy of Grupo Aval

The amount of dividends, if any, that we pay are influenced by the amount of dividends received from our subsidiaries. Our subsidiaries declared Ps 567.1 billion and Ps 1,032.5 billion of dividends payable to us based on the net income reported for the years ended December 31, 2023 and 2022, respectively. We declared an aggregate of Ps 569.8 billion and Ps 1,025.7 billion of dividends to our shareholders with respect to net income for the years ended December 31, 2023 and 2022, respectively.

Unless noted otherwise, the following table presents the net profits of, and dividends (cash and stock) declared by us and each of our direct subsidiaries, and the amount of dividends that we would be entitled to receive from each of them during the periods indicated.

	Dividends declared with respect to net income for the year ended December 31,													
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Banco de Bogotá		Banco de Occidente		Banco Popular		Banco AV Villas		Corficolombiana		Porvenir		Total	
	(in Ps billions, except percentages)													
Direct ownership interest held by Grupo Aval	68.9%	68.9%	72.3%	72.3%	93.7%	93.7%	79.9%	79.9%	8.7%	8.7%	20.0%	20.0%	—	—
Separate net profits	1,024.9	2,251.7	430.6	502.6	(347.4)	73.0	(117.1)	112.0	809.0	1,774.0	558.7	153.9	2,358.6	4,867.4
Dividends declared	515.8	1,112.6	215.1	251.3	—	—	—	0.4	21.8	500.2	280.5	200.5	1,033.2	2,065.1
Dividends contributed to Grupo Aval	355.5	766.9	155.5	181.6	—	—	—	0.3	—	43.5	56.1	40.1	567.1	1,032.5
Dividends declared by Grupo Aval	—	—	—	—	—	—	—	—	—	—	—	—	569.8	1,025.7

The allocation of our distributable profits, if any, is determined by our common shareholders following approval of our annual financial statements. Our general shareholders' meetings generally take place during March.

In the past we have usually paid and received most of our dividends on a monthly basis. We have not, however, adopted a specific dividend policy with respect to future dividends. The amount of any distributions will depend on many factors, such as the results of operations and financial condition of our company and our subsidiaries, their cash requirements and other factors deemed relevant by our Board of Directors and shareholders.

Our company pays dividends based on our net income as reported in our separate audited financial statements prepared under Colombian IFRS. For the year ended December 31, 2023 separate net income as reported in our Colombian IFRS financial statements was Ps 723.0 billion, 2.2% lower than net income attributable to the owners of the parent as reported in our audited consolidated financial statements. For the year ended December 31, 2022 separate net income as reported in our Colombian IFRS financial statements was Ps 2,541.2 billion, 2.3% higher than net income attributable to the owners of the parent as reported in our audited consolidated financial statements.

We expect that differences between Colombian IFRS and IFRS financial statements will continue to occur in future periods. The amount of dividends expected from our subsidiaries will also depend on the future share ownership in our subsidiaries.

Dividend history of Grupo Aval

The following table presents the annual cash dividends paid by Grupo Aval on each share during the periods indicated.

Dividends declared with respect to net income	Cash dividends per share (Ps)	Stock dividends per share(1) (Ps)	Total dividends per share (Ps)	Total dividends per share (U.S.$)
Year ended:				
2021	—	54.00	54.00	0.014
2022	43.20	—	43.20	0.011
2023	24.00	—	24.00	0.006

(1) In accordance with regulation, payment in stock dividends must be explicitly consented by shareholders. If the shareholder does not explicitly express the desire to receive stock dividends, the payment will be done in cash the same day in which the payment of stock dividends is made.

Given that Grupo Aval's dividends have been to some extent dependent on the dividends received from its direct stakes in each of its equity investments, we detail below the cash and stock dividends per share paid by each of Grupo Aval's direct equity investments for the periods indicated.

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Banco de Bogotá

Dividends declared with respect to net income	Cash dividends per share (Ps)	Stock dividends per share(1) (Ps)	Total dividends per share (Ps)	Total dividends per share (U.S.$)
Year ended:				
2021	—	3,336.00	3,336.00	0.873
2022	3,132.00	—	3,132.00	0.819
2023	1,452.00	—	1,452.00	0.380

(2) In accordance with regulation, payment in stock dividends must be explicitly consented by shareholders. If the shareholder does not explicitly express the desire to receive stock dividends, the payment will be done in cash the same day in which the payment of stock dividends is made.

Banco de Occidente

Dividends declared with respect to net income	Cash dividends per share (Ps)	Cash dividends per share (U.S.$)
Year ended:		
2021	962.16	0.252
2022	1,612.08	0.422
2023	1,380.00	0.361

Banco Popular

Dividends declared with respect to net income	Cash dividends per share (Ps)	Cash dividends per share (U.S.$)
Year ended:		
2021	18.96	0.005
2022	—	—
2023	—	—

Banco AV Villas

Dividends declared with respect to net income	Cash dividends per share (Ps)	Cash dividends per share (U.S.$)
Year ended:		
2021	390.00	0.102
2022(1)	1.85	0.000
2023	—	—

(1) Cash dividend paid to preferred shares, corresponding to 4.5% of the respective issuance price for each issuance between 1994 and 2005.

Porvenir

Dividends declared with respect to net income	Cash dividends per share (Ps)	Cash dividends per share (U.S.$)
Year ended:		
2021	2,748.00	0.719
2022	1,836.00	0.480
2023	2,568.00	0.672

Banco de Bogotá, Fiduciaria Bogotá, Banco de Occidente and Fiduciaria de Occidente received dividend payments from Porvenir in their respective ownership of the company (see Item 4—B. Business overview—Our operations).

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Corficolombiana

Dividends declared with respect to net income	Cash dividends per share (Ps)	Stock dividends per share(1) (Ps)	Total dividends per share (Ps)	Total dividends per share (U.S.$)
Year ended:				
2021	—	2,260.00	2,260.00	0.591
2022	1,368.00	—	1,368.00	0.358
2023(2)	1,135.00	—	1,135.00	0.297

(1) In accordance with regulation, payment in stock dividends must be explicitly consented by shareholders. If the shareholder does not explicitly express the desire to receive stock dividends, the payment will be done in cash the same day in which the payment of stock dividends is made.

(2) Cash dividend to be paid in one installment to 19,227,075 preferred shares.

Banco de Bogotá, Banco de Occidente and Banco Popular received dividend payments from Corficolombiana in their respective ownership of the company (see Item 4—B. Business overview—Our operations).

General aspects involving dividends

The dividend periods may differ from the periods covered by our financial statements. Shareholders will determine, in the general shareholders' meeting, such dividend periods and the effective date.

Dividends declared on the shares of common and preferred shares will be payable to the record holders of those shares, as they are recorded on our stock registry, on the appropriate record dates. However, pursuant to External Circular 13 of 1998 issued by the former Superintendency of Securities (currently, the Superintendency of Finance), if a shareholder sells shares during the ten business days immediately preceding the payment date, dividends corresponding to those shares will be paid by us to the seller.

The vote of at least 80.0% of the shares present and entitled to vote is required to approve the payment of dividends in shares; however, according to Law 222 of 1995, if the company is in a situation "under control", whereby the decision-making power is subject to the will of another person or group of persons, a company may only pay dividends by issuing shares, to the shareholders that so accept.

G. Statement by experts

Not applicable.

H. Documents on display

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website, where you can inspect those reports and other information filed with the SEC, is www.sec.gov.

I. Subsidiary information

Not applicable.

J. Annual Report to Security Holders

Not applicable

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ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT RISK

Risk Management

Grupo Aval and its subsidiaries in the financial sector including, among others, 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 those according to Grupo Aval's policies.

The Board of Directors leads the process of establishing a sound risk management culture, that supports and provides appropriate standards for responsible behavior. The Risk Framework dully approved by the Board of Directors requires risk management practices to be integrated into key processes across Grupo Aval, ensuring risks are appropriately identified, assessed, monitored, and mitigated in a timely manner, depending on a range of factors, including the nature, size, complexity, and risk profile.

The Risk management team should ensure the identification and assessment of the inherent risks of material activities, processes and systems pertaining to the holding nature of Aval to make sure those inherent risks are properly controlled and mitigated in alignment with the approved risk appetite.

The following sections outline the key risks that are inherent to the business activities of our subsidiaries, as well as the way in which those are managed:

1. **Financial risks:** Financial risks managed by Grupo Aval's financial subsidiaries include liquidity risk, market risk, credit risk, interest rate risk and operational risk. For further details, see note 4 of our audited consolidated financial statements.

2. **Non-Financial risks:** Main non-financial risks managed by Grupo Aval include anti-money laundering and terrorist financing, anti-bribery and anticorruption and compliance with local regulation, the U.S. Sarbanes-Oxley Act of 2002, among others.

3. **Conglomerate risks:** Law 1870 of 2017 (Financial Conglomerates Law) requires financial conglomerates to manage the risks to which they are exposed. For this purpose, the Superintendency of Finance, through External Circular 013 of June 20, 2019, established the risks that financial conglomerates must manage from June 2021 onwards. These risks are Concentration risk, Contagion risk, and Strategic risk.

Control Environment and Risk Culture

Our risk management system ("Sistema de Gestión de Riesgos" (SGR)) seeks to comply not only with local regulation but also to align with best practices and international standards as many jurisdictions move to adopt Basel Committee principles. Accordingly, the SGR model adopts commonly accepted risk taxonomy and provides oversight and guidance to our subsidiaries who operate under a similarly guided regulatory defined relevant risks, related to the business model and characterization of each subsidiary.

At the holding level, our risk control environment is governed independently, and is based on 14 principles (see footnote), focusing on concentration, contagion and strategic risk. The holding level risk control principles align with the applicable local holding regulations, which have been introduced and developed particularly since 2017 under Law 1870 Sept 2017. Based on a general risk appetite framework established and approved by the Board of Directors and the limits and thresholds thereby approved, we ensure effective risk identification and assessment; monitoring and reporting; and control and mitigation. Furthermore, our risk management team implements processes and procedures to regularly report at the board, senior management, and business line levels. These and procedures allow us to assure a strong risk management based fundamentally on:

- active board and senior management oversight;
- adequate policies, procedures, processes and limits;
- adequate risk measurement, assessment, monitoring, and management information systems;
- comprehensive internal controls; and
- an independent assessment by internal audit.

Grupo Aval promotes a culture of risk management that reaches all the entities, whether they are financial or non-financial, under a strict, permanent and cohesive "tone from the top".

The risk culture is conveyed to all our entities and units, relying on the following elements:

- we have independent risk management, monitored at the individual entity level and at consolidated level;
- we use detailed manuals on policies and processes to manage the risks we are subject to;
- we use different technological tools, for the analysis, monitoring and control of risks;
- we have a risk limit system that is updated on a regular basis to address new market conditions and risks to which we are exposed;
- we use information systems to monitor risk exposure on a recurring basis, seeking to ensure that approval limits are systematically met and, if necessary, allow for appropriate corrective actions;
- our main risks are analyzed on a continuous basis; and
- we provide ongoing training on risk, at every level within the organization.

Risk Governance in Grupo Aval

As part of Grupo Aval's risk management and control architecture, the following corporate structure has been established:

Grupo Aval Board of Directors

The Board of Directors is responsible for establishing the risk appetite and for the approval of the general scope of the risk management function. It also sets and oversees risk management corporate policies applicable at the Grupo Aval level.

Boards of Directors of the Financial Subsidiaries

The responsibilities of the boards of directors of Grupo Aval's financial subsidiaries regarding risk management include:

- to define and approve the general policies and strategies related to internal control systems for risk management;
- to approve risk management policies;
- to approve trading and counterparty limits;
- to approve risk appetite and exposure limits;
- to approve procedures and methodologies for risk management;
- to ensure the adequate assignment of resources required for an effective risk management;
- to set forth responsibilities and attributes for risk management roles;
- to set forth and define committees' functions leading to a proper organization, control and monitoring of risk generating operations;
- to require Grupo Aval financial subsidiaries' management to submit periodic reports on risk exposure levels; and
- to periodically review any risk-management reports on control or mitigation of risks, submitted by the Audit Committee.

Audit Committee of Grupo Aval and Audit Committees of our Financial Subsidiaries:

The Audit Committees' principal objective is to evaluate and monitor the Internal Control System.

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The Audit Committee is responsible for:

- assessing the structure of the internal control function to establish: (i) whether the procedures are appropriate to protect our assets, and those of third parties under our administration and custody, and (ii) whether transactions are being properly authorized and registered. For such purpose, the areas in charge of the administration of the risk systems, the External and Internal Auditors present any established periodical or occasional reports to the Committee;

- monitoring risk exposure levels and their potential consequences; and

- overseeing the risk management policy applicable to Grupo Aval.

Corporate Risk Unit

The corporate risk unit is led by Grupo Aval's Chief Risk Officer, whose responsibilities include:

- to identify and transfer best practices regarding corporate risk management;

- to support the Board of Directors and the financial subsidiaries in structuring their risk appetites;

- to establish and ensure compliance with policies and guidelines aimed at maintaining an adequate risk exposure;

- to consolidate and monitor Grupo Aval's risk exposures;

- to lead and align risk management processes across Grupo Aval subsidiaries, through corporate guidelines and processes; and

- to report the outcomes of risk management to Grupo Aval's Presidency and Audit Committee.

Risk Management Committees of the financial subsidiaries

Grupo Aval´s financial subsidiaries have Risk Management Committees which periodically and proactively are engaged in anticipating, identifying and are also being constantly informed by the risk management units of each of the subsidiaries, based on activities, procedures and systems that allow them to early in advance identify, measure, control and analyze the credit risk management system (SARC - for its initials in Spanish), market risk management systems (SARM), operating risk management system (SARO) and business continuity plan management (PCN). Additionally, our financial subsidiaries have an asset-liability committee - ALCO), which makes decisions regarding asset liability management and evaluates the effectiveness of the liquidity risk management system (SARL). The ALCO establishes adequate procedures and mechanisms for liquidity management and identifies sources of risk through sensitivity analysis, assessing probabilities of lower returns or additional liquidity needs. Legal risk is monitored by general counsel in each subsidiary of the financial sector. Key to highlight that these different committees are constantly developing and assessing processes that allows them to anticipate and to proactively handle the risks they face, as well as following up on the activities to handle, mitigate, hedge and/or reduce risks to levels agreed upon through risk appetite thresholds defined and approved by the higher levels of each of the subsidiaries through the risk appetite limits they permanently have to comply with. They are also actively engaged in the follow up of remedial actions defined. Core activities of all risk management units is to make sure they anticipate as early as possible potential risks and mitigate them also as soon as feasible.

The main functions of the Risk Management Committees include among others:

- reviewing and proposing risk appetite and exposure limits to the Board of Directors;

- designing systems to measure risk appetite and exposure limits;

- assessing inherent risks involved in entering new markets, products, segments and countries, among others; and

- ensuring that risk management and measurement methodologies are appropriate and aligned with the characteristics and activities of the entity.

Risk Management Unit and its equivalent in our financial subsidiaries

The Risk Management Unit and their equivalents, have the following functions:

- to oversee the adequate compliance with the policies and procedures established by the Board of Directors and the Risk Management Committees;
- to design methodologies and procedures for risk management;
- to ensure the timely identification of deviations relating to compliance with the policies established for risk management; and
- to prepare timely reports for the Board of Directors, the risk committees, and the Government entities in charge of the control and supervision of the financial subsidiaries' risk policies compliance.

Internal Audit and Internal Control Unit

The internal audit units at each financial subsidiary have independent criteria and carry out periodic independent compliance assessments of risk management policies and procedures, regarding risk management and control environment. Reports are submitted directly to the audit committees responsible for monitoring risks and proposing corrective measures, if necessary.

In addition to the internal audit units at the financial subsidiaries, there is a Corporate Internal Control unit that ensures the compliance of our subsidiaries with corporate policies. The Chief of Internal Control participates in the audit committees of significant subsidiaries. The corporate internal control unit performs periodic independent audits of Grupo Aval's subsidiaries to monitor their compliance with corporate risk management policies. Its reports are presented directly to senior management at each of the subsidiaries and to the corresponding audit committees, including the corporate matters committee of Grupo Aval.

Non-financial Subsidiaries

Corficolombiana consolidates most of our interests in non-financial subsidiaries. As such, its Government, Risk and Compliance (GRC) Vice Presidency provides oversight through these subsidiaries' risk management and internal controls. This monitoring activity covers subsidiaries in the infrastructure and the energy and gas sectors, where most its investment portfolio is concentrated, and is currently being expanded to the remaining sectors. Corficolombiana ensures that its non-financial sector subsidiaries follow guidelines in relation to risk management set forth by Corficolombiana and Grupo Aval's policies and best practices established by law.

For all other non-financial subsidiaries of Grupo Aval, the Board of Directors of each consolidating financial entity has the faculty to establish guidelines in terms of risk policies and risk monitoring processes, which must be implemented at each of such subsidiaries.

Risk Framework by the Superintendency of Finance (SFC)

On February 6, 2019, the Colombian national government, through Law 1870 of 2017, defined the regulatory framework applicable to financial conglomerates in Colombia and the scope of supervision of the Superintendency of Finance, aimed to ensure the stability of the financial system and aligning the regulatory framework to international standards. This law created the category of financial holding and financial conglomerates. Whilst developing this law, the Superintendency of Finance identified Grupo Aval as a financial conglomerate and determined the entities belonging to the Aval Financial Conglomerate.

For more information, see "Item 4. Information on the Company — B. Business overview—Supervision and regulation—Regulatory framework for Colombian Financial Conglomerates".

Risk Management Systems

Financial Risk

Credit Risk Management

The credit risk management processes of our banks take into consideration the requirements of the Superintendency of Finance, local regulators, Grupo Aval's credit-risk management guidelines and the composition of each of our bank's loan portfolio. See Note 4 to our audited consolidated financial statements.

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The guiding principles of risk management at Grupo Aval and our banks are the following:

- collective decision making for commercial loans of significant amount at the board level of each of our banks;
- extensive and in-depth market knowledge, a result of our market leadership and our experienced, stable and seasoned senior management;
- clear top-down guidelines in accordance with: (i) know-your-customer policies; and (ii) commercial loan credit structures based on the clear identification of sources of repayment and the cash-flow generating capacity of the borrower;
- use of common credit analysis tools and risk based loan pricing tools across all our banks;
- diversification of the commercial loan portfolio with respect to industries and economic groups;
- specialization in retail banking product niches; and
- extensive use of continuously updated rating and scoring models to ensure the growth of high-credit quality consumer loans;

For more information, see Note 4 of our audited consolidated financial statements.

Commercial Lending

At December 31, 2023, 57.70% of our total gross loan portfolio is made up of commercial loans to corporate, small, and medium sized enterprises. However, the share of commercial loans varies across of our banks. As of December 31, 2023, the percentage of commercial loans was 64.20%, 69.55%, 29.81%, 22.40% and 63.56% for Banco de Bogotá, Banco de Occidente, Banco Popular, Banco AV Villas and Corficolombiana, respectively.

The credit approval process for commercial loans at each of our banks in Colombia follows the policies and lending authorities established by each banking subsidiary. The highest lending authority in all banks, other than the Board of Directors, is the national credit committee (*Comité Nacional de Crédito* at Banco de Bogotá and Banco AV Villas, *Comité de Crédito Dirección General* at Banco de Occidente and *Comité de Presidencia* at Banco Popular). These have approval authority of lending limits that range between Ps 7.9 billion at Banco AV Villas and Ps 50.0 billion at Banco de Bogotá.

Following the approval of an application by the national credit committee of any of our banks, information regarding the approval is sent to the Grupo Aval Credit Projects unit if it could result in aggregate exposure to the borrower exceeding Ps 5.5 billion. The credit approval process includes the presentation to Grupo Aval's credit committee of all potential credit exposures per client (or client's economic group) that, across all our banks, represent an exposure in excess of Ps 32.0 billion, or if it is considered to be part of a sector under special watch.

The committee consolidates requests for loans across all banks and evaluates our total exposure to potential borrowers. In each case, the committee evaluates the relevant bank's application of its credit analysis policy and it may make recommendations according to the structure of the loan.

Grupo Aval evaluates, when applicable based on concentration thresholds, credit applications submitted to it by Grupo Aval's banks and makes recommendations with respect to such loans. The Boards of Directors of the banks make the final decisions with respect to such applications. To facilitate the analysis of commercial loan applications which meet the threshold and are thus reviewed by Grupo Aval, we have developed certain tools, including a standardized "*Proyecto de crédito*".

We seek to achieve a profitable, high-quality commercial loan portfolio and an efficient procedure for analyzing potential loans across our banks. For that purpose, we have established policies and procedures for the analysis and approval of potential commercial credit transactions that seek to focus lending on:

- borrowers whose shareholders and management have, in our opinion, solid character (considering not only an analysis of the borrower's credit profile but also its reputation in the business community, among other factors);
- borrowers that participate in key industries;
- borrowers that are leaders or strong players in the industries where they participate;

- clearly identify and quantify primary and secondary sources of repayment, with a bias towards operational cash flow;
- transaction structures, including covenants and guarantees, which provide adequate protection; and
- adequate pricing to properly compensate capital invested and market and credit risks incurred.

As part of our commercial banking activity, we make loans to public sector entities. For purposes of evaluating the extension of credit to public sector entities, our banks follow two criteria: (i) the loan must be used to finance an investment that has been approved by local authorities; and (ii) a source of repayment, primarily tax revenues, must be clearly identified.

For more information, see Note 4 of our audited consolidated financial statements.

Consumer Lending

Consumer lending represented 32.22% of the total gross loan portfolio as of December 31, 2023. However, our share of consumer lending and specialization by product varies across of our banks. As of December 31, 2023, Banco Popular's consumer lending represented 65.25% of its total gross loan portfolio and is concentrated mainly in payroll loans (*libranzas*), a product in which it is the leader in Colombia. Consumer lending represented 60.11% at Banco AV Villas, 23.25% at Banco de Bogotá and 25.18% at Banco de Occidente. At Corficolombiana, 35.59% of total gross loans were consumer loans granted primarily by Promigas and its subsidiaries to its residential gas utility users.

The credit approval process for consumer loans at each of our banks follows the policies and lending authorities established by each bank. The highest consumer lending authority at all banks, other than the Board of Directors, is the Consumer Management Committee or National Consumer Credit Committee.

For consumer banking, each bank has developed risk models designed to take into consideration the product offering. For example, Banco Popular, for which payroll loans represent 87.45% of the consumer loan portfolio, has developed a business model that, in addition to considerations on the borrower, includes an analysis on the credit and operational risks of the borrower's employer supported with statistical origination and behavior models. Each bank has developed different niches in consumer lending. The fast growth of consumer lending with above average credit quality has been the result of the development of in-house statistical origination and behavior models and the development of multiple view vintage analysis tools, which have allowed the origination of consumer loan products to the lower income population, which is a more profitable customer segment in which relatively few banks compete. For example, Banco de Bogotá has a full-service consumer loan portfolio of credit cards, personal loans, payroll loans, automobile loans and overdrafts.

Mortgage Lending

Mortgage lending represented 9.93% of our total gross loan portfolio as of December 31, 2023, with Banco de Bogotá and Banco AV Villas being the highest share. Mortgage lending represented 12.27% and 17.49% of Banco de Bogotá's and Banco AV Villas' total gross loan portfolios, respectively, as of December 31, 2023.

Microcredit Lending

Microcredit loans represented 0.15% of the total gross loan portfolio as of December 31, 2023.

Credit Classification and Provisioning

Our banks are continually engaged in the determination of risk factors associated with their credit-related assets, through their duration, including restructurings. For such purposes, they have designed and adopted the credit risk administration system in accordance with Superintendency of Finance guidelines. The SARC (*Sistema de Administración de Riesgo de Crédito*) has integrated credit policies and procedures for the administration of credit risks, models of reference for the determination and calculation of anticipated losses, allowances for coverage of credit risks and internal control procedures.

Our banks are required to classify the loan portfolio in accordance with the rules of the Superintendency of Finance, which established the following loan classification categories: "AA", "A", "BB", "B", "CC" and "Default", depending on the strength of the credit and its past due status.

Each bank reviews the outstanding loan portfolio components under the above-mentioned criteria and classifies individual loans under the risk-rating categories below, based on minimum objective criteria, such as balance sheet strength, profitability, and cash generation capacity.

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The classification of new commercial loans is made based on these objective criteria. The criteria are also evaluated on an ongoing basis, together with loan performance, in reviewing the classification of existing commercial loans.

Category	Approval	Commercial loan portfolio	Consumer loan portfolio
"AA"	New loans with risk rating at approval of "A"	Outstanding loans and financial leases with past due payments not exceeding 29 days (i.e., between 0 and 29 days past due). The debtor's financial statements or its projected cash flows, as well as all other credit information available to the financial subsidiaries, reflect excellent paying capacity.	Loans whose risk rating is "AA" according to the methodology of the Consumer Reference Model (MRCO), as established by the Superintendency of Finance
"A"	New loans with risk rating at approval of "B"	Outstanding loans and financial leases with delayed payments in excess of 30 days but not exceeding 59 days (i.e., between 30 and 59 days past due). The debtor's financial statements or its projected cash flows, as well as all other credit information available to the financial subsidiaries, reflect appropriate paying capacity.	Loans whose risk rating is "A" according to the methodology of the MRCO as established by the Superintendency of Finance
"BB"	New loans with risk rating at approval of "B"	Outstanding loans and financial leases past due more than 60 days but less than 90 days (i.e., between 60 and 89 days past due). Loans in this category are acceptably serviced and collateralized, but there are weaknesses which may potentially affect, on a transitory or permanent basis, the debtor's ability to pay or its projected cash flows, to the extent that, if not timely corrected, would affect the normal collection of credit or contracts.	Loans whose risk rating is "BB" according to the methodology of the MRCO as established by the Superintendency of Finance
"B"	New loans with risk rating at approval of "C"	Outstanding loans and financial leases past due over 90 days but less than 120 days (i.e., between 90 and 119 days past due). The debtor shows insufficient paying capacity of its obligations.	Loans whose risk rating is "B" according to the methodology of the MRCO as established by the Superintendency of Finance
"CC"	New loans with risk rating approval of "C"	Outstanding loans and financial lessees past due more than 120 days but less than 150 days (i.e., between 120 and 149 days past due). Loans in this category represent grave insufficiencies in the debtors' paying capacity or in the project's cash flow, which may compromise the normal collection of the obligations.	Loans whose risk rating is "CC" according to the methodology of the MRCO as established by the Superintendency of Finance
"Default"	–	Outstanding loans and financial leases past due for 150 days or more, or that, being restructured, reach days past due greater than or equal to 60 days This category is deemed uncollectible. These loans are considered in default.	Consumer loan portfolio past due over 90 days or more, or that, being restructured, reach days past due greater than or equal to 60 days

For new consumer loans, our banks use their internal statistical origination models to develop an initial classification category ("AA", "A", "BB", "B" and "CC"). Once the loan is disbursed, the banks use formulas provided by the Superintendency of Finance, which incorporate payment performance of the borrower to calculate a score which in turn is used to determine the loan classification.

For financial leases the risk categories are established in the same manner as commercial or consumer loans.

For separate financial statement reporting purposes under Colombian IFRS, the Superintendency of Finance requires that loans and leases be given a risk category on the scale of "A", "B", "C", "D" and "E". As a result, the risk classifications are aligned to the risk categories as follows.

	Risk classification – Banks	
Risk category – Superintendency of Finance	Commercial	Consumer
"A"	"AA"	"AA"
		"A" – between 0 and 30 days past due
"B"	"A"	"A" – more than 30 days past due
	"BB"	"BB"
"C"	"B"	"B"
	"CC"	"CC"
"D"	"Default"	"Default" – all past due loans not classified in "E"
"E"	"Default"	"Default" – past due loans with a Loss given default (LGD) of 100%(1)

(1) LGD is defined as a percentage to reflect the credit loss incurred if an obligor defaults. LGD for debtors depends on the type of collateral and as a percentage would gradually increase depending on the number of days elapsed after being classified in each category.

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For our mortgage and microcredit loan portfolios the risk categories, based on past due status, are as follows.

Category	Microcredit	Mortgage
"A" Normal Risk	In compliance or up to date and up to 30 days past due	In compliance or up to 60 days past due
"B" Acceptable Risk	Past due between 31 and 60 days	Past due between 61 and 150 days
"C" Appreciable Risk	Past due between 61 and 90 days	Past due between 151 and 360 days
"D" Significant Risk	Past due between 91 and 120 days	Past due between 361 and 540 days
"E" Uncollectable	Past due over 120 days	Past due over 540 days

Loss allowance

Grupo Aval's banks regularly review their loan portfolio to evaluate for impairment; while determining if an impairment should be recorded with a charge to results of the year, management performs judgments for determining if there is observable data indicating a decrease in the estimated cash flow of the loan portfolio before the decrease in such flow may be identified for a particular loan of the portfolio.

The loan loss allowance calculation process includes analysis of specific, historical and subjective components. The methodologies used by our banking subsidiaries include the following elements:

- a detailed periodic analysis of the loan portfolio;
- a credit classification system by risk levels;
- a periodic review of the summary of loss allowances;
- identification of individually evaluated loans due to impairment;
- consideration of internal factors such as size, organizational structure, loan portfolio structure, loan administration process, analysis of overdue portfolio and experiences of historical losses;
- consideration of risks inherent to different types of loans; and
- consideration of external factors, including local, regional, and national, as well as economic factors.

For credits individually considered as significant and impaired, the amount of the loan loss allowance is calculated using the discounted cash flow method. Management of each financial entity makes assumptions regarding the amount to be recovered for each client and the time in which such amount will be recovered. During the calculation of allowances for credits considered individually as significant and impaired, based on their guarantee, management performs estimates of the fair value of such guarantees with the support of independent expert appraisers.

For loans not considered individually significant, or for those credits individually significant but not impaired, loan loss allowances are calculated collectively using elements such as the historical loss rate, periodically updated data reflecting current economic conditions, performance trends of the industry, geographic concentrations of debtors within each portfolio of the segment and any other relevant information that may affect the payment. Grupo Aval's banking subsidiaries also determine whether the credit risk (i.e., risk of default) of a financial instrument has increased significantly since initial recognition. They consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on their historical experience, expert credit assessment and forward-looking information.

To quantify expected credit losses in portfolios evaluated collectively the banking subsidiaries of Grupo Aval have calculation methodologies that consider three fundamental factors: exposure, probability of default and loss given default.

- Exposure at default – "EAD" is the expected exposure from a counterparty at the time of a possible default.
- Probability of default – "PD" is the probability that the counterpart defaults in its payment obligations of capital and/or interest. The probability of default is associated to the rating/scoring or level of delinquency of the borrower. When a financial instrument's

credit risk has increased significantly since initial recognition, a PD for the remaining life of the credit (PD-lifetime) is used, while a PD for the next 12 months is used when the credit risk has not increased significantly.

- Loss given default – "LGD" is the estimated loss in case a payment default occurs taking into consideration the guarantees and the corresponding appraisal.

For more information, see Note 4.1 Credit Risk.

Liquidity Risk Management

In each of our financial subsidiaries, the asset and liability management ALM team is responsible for managing the bank´s balance sheet and ensuring that the bank can meet its financial obligations. This includes managing the bank´s liquidity, interest rate risk, and other financial risks. The ALM team works closely with other teams within the bank, such as the treasury, risk management, and investment teams, to ensure that the bank´s overall risk profile is consistent with the risk appetite and regulatory requirement. The financing and liquidity models are decentralized and based on the autonomous management of each subsidiary. However, liquidity risk policies at the financial subsidiaries are compliant with guidelines established by the Superintendency of Finance and local regulators.

These guidelines require Grupo Aval's Colombian financial subsidiaries to establish a liquidity risk management system (*Sistema de Administración de Riesgo de Liquidez*), which includes the identification, measurement, control and monitoring functions to ensure the management of day-to-day liquidity needs, adjust minimum liquidity buffers and establish liquidity contingency plans to deal with unexpected situations. Grupo Aval, as a holding company, is not required to maintain minimum liquidity positions.

Grupo Aval's Colombian banking subsidiaries and Corficolombiana maintain as deposits in Colombian Central Bank or cash on hand to comply with the reserve requirements of the Colombian Central Bank and the Superintendency of Finance. Daily averages of these funds are taken into account to determine the compliance with reserve requirements. This requirement is 8% on demand and saving deposits, and 3.5% for time deposits with a term up to 18 months. For time deposits with tenors exceeding 18 months, the reserve requirement is 0%.

Following a strong rebound in 2022, the rise in inflation has become the main concern for Central Banks. The short-term and long-term rate volatility has driven asset management and risk areas to increase the priority of liquidity risk indicators monitoring. This has allowed decisions to be made in a timely manner, mitigating risk situations that could affect the stability of our entities.

Our Corporate risk unit and our subsidiaries' risk units, monitor the behavior of our clients' deposits daily. Our subsidiaries at the same time monitored and followed up on strategies to maintain liquidity at adequate levels.

Moreover, financial subsidiaries controlled by Grupo Aval 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 7 and 30 day liquidity. This index is defined as the difference between adjusted liquid assets and net liquidity requirements:

- Liquid assets include (i) debt securities adjusted by market liquidity and exchange rate excluding investments in securities at amortized cost, different from mandatory investments; (ii) Central Bank deposits; and (iii) available cash.

- Net liquidity requirements result from the difference between expected contractual asset and contractual and non-contractual liability cash flows. Cash flows from loans past due more than 30 days are not included in this calculation.

During 2023, Grupo Aval's financial subsidiaries in Colombia maintained adequate levels of high-quality liquid assets to meet the 30-day liquidity requirements, according to the methodology of the Superintendency of Finance. There is no evidence of any upcoming liquidity risk threat. Notwithstanding the foregoing, the liquidity units of the financial subsidiaries have worked to measure the future impacts on the index considering the economic and commercial environment.

The following tables show the consolidated 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 S.A.		Banco de Occidente S.A.		Banco Popular S.A.		Banco AV Villas S.A.		Corficolombiana S.A.	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(in Ps billions)									
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

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	At December 31,									
	Banco de Bogotá S.A.		Banco de Occidente S.A.		Banco Popular S.A.		Banco AV Villas S.A.		Corficolombiana S.A.	
	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 weekly to the Superintendency of Finance a short-term liquidity risk indicator. The Liquidity Risk Indicator (IRL for its initials in Spanish) is calculated over periods of 7 and 30 days and should be at least 100 percent. During 2023, Grupo Aval’s Colombian banks complied with the regulatory minimum requirement.

The Superintendency of Finance issued External Circular 019 of 2019, setting the objective, rules, and definition of the metric for the CFEN ratio (Coeficiente de Financiación Estable Neto). The CFEN ratio, based on the Basel NSFR (Net Stable Funding Ratio) standard, limits excessive dependence on unstable funding resources for strategic assets that are often illiquid and at the same time, allows entities to maintain a stable funding profile in relation to their assets.

The CFEN ratio is defined as a ratio of the available amount of stable funding (ASF) to a required amount of stable funding (RSF). “Stable funding” is defined as those types and amounts of equity and liability financing, expected to be reliable sources of funds over a one-year time horizon under conditions of long-term stress.

Available stable funding (ASF) is defined as the sum of: (i) capital; (ii) preferred stock with maturity of equal to or greater than one year; (iii) liabilities with effective maturities of one year or greater multiplied by an ASF factor of 100%; and (iv) the portion of “stable” non-maturity deposits and/or term deposits with maturities of less than one year that would be expected to stay with the institution for an extended period in a stress scenario multiplied by an ASF factor between 0% and 90%.

The required amount of stable funding is calculated as the sum of the value of the assets held and funded by the institution, multiplied by a specific required stable funding (RSF) factor assigned to each particular asset type, multiplied by its associated RSF factor. The total RSF is the sum of the corresponding weighted amounts. RSF factors are intended to approximate the amount of a specific asset that would have to be financed, either because it will be renewed, it could not be liquidated through its sale, or it is engaged in a money market operation, during a year without incurring in significant losses. That amount must be financed with ASF.

In accordance with the timeline specified in the 2019 publication, the CFEN became a minimum requirement of 100% in March 2022. The Superintendency of Finance issued External Circular 013 of 2023, which incorporated changes in the calculation of the CFEN indicator. These changes included (i) the definition and requirements applicable to operating deposits and the incorporation of these items as of the information cut-off date of September 30, 2025, (ii) instructions for demand deposits related to real estate, administration, and guarantee trust businesses, (iii) instructions for the temporary adoption of a 25% weighting factor for demand deposits of supervised financial entities and open investment collective funds (FICs) without a permanence covenant as of the cut-off date of September 30, 2023. For the latter, the factor applicable to these deposits will be 0% or 50% as of the information cut-off date of September 30, 2025, depending on whether they correspond to non-operating or operating deposits, respectively. In 2023, Grupo Aval's Colombian banks complied with the regulatory minimum requirement.

The following tables show the consolidated CFEN ratio for each of our banks in Colombia as well as for Corficolombiana, expressed as a percentage as of December 31, 2023, and 2022 as follows:

	At December 31, 2023				
	Banco de Bogotá S.A.	Banco de Occidente S.A.	Banco Popular S.A.	Banco AV Villas S.A.	Corficolombiana S.A.
	(in Percentage)				
CFEN	108.6	108.8	108.8	111.1	98.2

	At December 31, 2022				
	Banco de Bogotá S.A.	Banco de Occidente S.A.	Banco Popular S.A.	Banco AV Villas S.A.	Corficolombiana S.A.
	(in Percentage)				
CFEN	105.1	108.6	102.2	108.7	98.6

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Market Risk Management

Market risk management focuses on the probability of changes in the value of the investment's portfolios due to fluctuations in financial instruments' prices. Market risk management systems are composed by a set of policies, procedures, and controls to identify, measure, monitor and control the sources of risk.

The holding company of Grupo Aval does not have material market risk on its own. However, it monitors and oversees market risk at a consolidated entities level through reports received from its financial subsidiaries, which have the primary responsibility of managing their market risk. The financial subsidiaries present substantial market risk, primarily derived from the banks' lending, trading and investment activities. The main sources of market risks to which financial subsidiaries are exposed to are interest rate risk, foreign exchange rate risk, variations in stock price risk and investment fund risk.

- Interest rate risk: because of mismatches between interest-rate-sensitive assets and liabilities, we are engaged in using interest rate swaps or other off-balance sheet derivative instruments. Interest rate risk arises in connection with trading and non-trading activities.

- Foreign exchange rate risk: because of mismatches between assets and liabilities, and off-balance sheet derivative instruments denominated in foreign currencies.

- Variations in stock price risk: in connection with investments in equity securities, including our merchant banking investments.

- Investment fund risk: primarily from investments in mutual funds.

Grupo Aval and its financial subsidiaries' respective Boards of Directors, through their Risk Management Committees, are responsible for establishing policies, procedures, and limits regarding market risk. Additionally, these committees monitor overall performance considering the risks assumed. These policies and procedures describe the control framework used by Grupo Aval and its financial subsidiaries to identify, measure, and manage market risk exposures inherent in financials activities. The main purpose of these policies and procedures is to set risk limits.

Risk managers in our entities must ensure that each business activity is performed in accordance with the financial subsidiaries policies. These policies and procedures are followed in market risk decision-making in all business units and activities. Financial subsidiaries have established a Market Risk Management System "*Sistema de Administración de Riesgos de Mercado*", or SARM (for its initials in Spanish), which meets the requirements of the Superintendency of Finance. Each financial subsidiary is responsible for setting limits and monitoring market risk.

Market risk management employees at Grupo Aval and financial subsidiaries are responsible for:

- identifying, measuring, managing and controlling market risk exposures inherent to their businesses;

- analyzing exposures under stress scenarios;

- confirming compliance with risk management policies, reporting deviation from such policies, and proposing changes to policies when required;

- designing value securities and financial instruments methodologies; and

- reporting trading instruments' market risk levels to senior management on a daily basis.

Financial subsidiaries hold trading and non-trading instruments which are classified in the treasury or banking book, according with the strategy, nature, and financial instruments risks.

Grupo Aval's financial subsidiaries manage their investment portfolios in a comprehensive and integral manner that is intended to assess the level of market risk exposure for each one of the three categories of the investment securities portfolio. Therefore, test measures such as DVO1 or duration sensitivity are used in the market risk assessment process.

Trading Instruments

Trading instruments include positions in financial instruments acquired to take advantage of current and/or expected differences between purchase and sale prices. As a result of trading fixed rate and floating rate securities, equity securities, investment funds and foreign exchange,

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Grupo Aval and its financial subsidiaries are exposed to interest rate risk, stock prices risk, investment fund and foreign exchange rate risks, as well as volatility risk when derivatives are used. Financial subsidiaries trade foreign exchange, fixed income instruments, including fixed and floating rate securities, and derivative instruments (forwards, options, cross currency swaps and interest rate swaps).

Market risk areas use value at risk, or "VaR", to measure their exposure to market risk in trading instruments. VaR is an estimate of the expected maximum loss in market value of a given portfolio over a time horizon at a specific confidence interval, subject to certain assumptions and limitations discussed below.

VaR models have inherent limitations, including the fact that they rely on historical data, which may not be indicative of future market conditions or trading patterns. As a result, VaR models could overestimate or underestimate the value at risk and should not be viewed as predictions of future results. Furthermore, it can be possible to incur in losses materially in excess of the amounts indicated by the VaR models on a specific trading day or over a period. VaR does not calculate the greatest possible loss. In addition, VaR models are subject to the reasonable judgment of market risk management's employees.

As described below, financial subsidiaries measure interest rate risk, foreign exchange risk, variations in stock price risk and investment fund risk in accordance with VaR models. They use two types of approaches to measure VaR: (i) internal VaR models and (ii) regulatory VaR.

Internal VaR

Financial subsidiaries use internal models to manage market risk. Parameters are set to adapt to the evolution of volatility of the risk factors over time using statistical methods to estimate them. Internal VaR models usually give more weight to recent data in the time of calculations to reflect actual market conditions. The corporate governance bodies of the financial subsidiaries set limits based on this VaR measure to control the market risks. Parametric VaR and historical simulation methodologies are also used.

Each financial subsidiaries' Board of Directors, assets and liabilities committee and/or risk management committee establishes the maximum VaR for each type of investment and for each type of risk using their own internal VaR models as well as the Superintendency of Finance methodology. Financial subsidiaries use VaR estimates to alert senior management whenever the statistically estimated losses in the banks' portfolios exceed pre-established levels. Limits on VaR are used to control exposure on a portfolio-by-portfolio basis.

To strictly control the trading portfolios, each entity has limits for every risk factor. To determine the limits, the impact of the variation in each asset class is considered. These risk limits are validated through stress testing based on historical extreme scenarios.

Regulatory VaR

The Regulatory VaR calculation is mainly used for the Superintendency of Finance's capital ratio (solvency ratio) calculations and the methodology is based on the Basel II model.

This model applies only to the banks' investment portfolio and excludes investments at amortized cost and other specific non-trading positions included in the "Available for sale" portfolios. Total market risk is calculated daily by aggregating the VaR for each risk exposure category on a ten-day horizon using risk factors calculated in extreme market stress scenarios. VaR at month-end comprises part of the capital adequacy ratio calculation (as set forth in Decree 2555 of 2010). The Superintendency of Finance's policy issues require financial subsidiaries to calculate VaR for the following risk factors: interest rate risk, foreign exchange rate risk, variations in stock price risk and fund risk; correlations between risk factors are not considered. The fluctuations in the portfolio's VaR depend on volatilities determined by the Superintendency of Finance, 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. Moreover, the Superintendency of Finance has not made publicly available technical information on how it determines the volatilities used in this model, and only limited information is available. The volatilities used in the Superintendency of Finance's model are of a similar magnitude to those observed in very high volatility or stress periods.

The VaR calculation for each parent company is the aggregate of the parent and its financial subsidiaries' VAR, using, the standard methodology defined by the Superintendency of Finance.

- Interest Rate Risk

Financial subsidiaries' exposure to interest rate risk in their trading portfolios primarily arises from investments in securities (floating and fixed rate) and derivative instruments. According to the Superintendency of Finance rules, financial subsidiaries calculate interest rate risk for positions in pesos, foreign currency and UVRs separately. UVR is a Colombian inflation-adjusted monetary index calculated by the Colombian Central Bank's Board of Directors and generally used as an alternative for home-mortgage loans pricing floating rates. The

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interest rate risk model is designed to measure the risk of losses arising from changes in market interest rates. It includes the sum of the net short or long position in the whole trading book, a proportion of the matched positions in each time band (vertical disallowance) and a proportion of the matched positions across different time bands (horizontal disallowance).

A significant portion of market risk of the financial subsidiaries is interest rate risk generated by long positions held in peso-denominated Colombian government debt. Financial subsidiaries prefer these securities because the government debt market is the largest and most developed of the local financial markets. Additionally, government debt securities support the liquidity management as they are eligible for Colombian Central Bank overnight repo funding and are classified as high-quality liquid assets. Government debt securities also carry a zero weight for capital adequacy calculations making them attractive in terms of use of capital. These factors provide an incentive to invest in government debt securities and diversify less into other debt securities that do not possess these characteristics.

- Foreign Exchange Rate Risk

Financial subsidiaries use a sensitivity factor to calculate the probability of losses because of fluctuations in currencies in which they hold positions. Regulatory VaR is computed daily by multiplying the net position by the maximum probable variation in the price of such positions on a ten-day horizon, determined by the Superintendency of Finance as shown in the following table:

U.S. dollar	12.5%
Euro	11.0%
Other currencies	13.0%

Our banks' exposure to foreign exchange rate risk arises mainly from changes in the U.S. dollar/peso exchange rate. Our banks use an approximation to estimate the risk in exchange-rate-related option positions based on delta, gamma and vega sensitivities, which is included in foreign exchange risk.

The foreign exchange rate risk VaR calculation under the standard model of the Superintendency of Finance includes the trading and non-trading book.

- Equity Price Risk

In determining regulatory VaR variations in stock price risk, certain investments are excluded: (i) equity securities in financial institutions supervised by the Superintendency of Finance; and (ii) equity securities derived from corporate restructuring processes or received as in-kind payment for non-performing loans. In addition, as part of the solvency ratio calculation, equity securities in financial entities supervised by the Superintendency of Finance an in financial entities abroad that do not consolidate, are generally deducted from primary capital. Investments in entities that consolidate but are not supervised by Superintendency of Finance (non-financial investment), are included in VaR calculations.

Variations in stock price risk in Grupo Aval, derive mainly from Corficolombiana's non-financial investment portfolio. The Superintendency of Finance's methodology for determining VaR for variations in stock price risk outlined above resulted in the incorporation of Corficolombiana's consolidated and non-consolidated equity securities in non-financial institutions.

In December 2010, the Superintendency of Finance issued a methodology that excludes from the VaR calculation investments that are available for sale, equity securities that are acquired as strategic investments and intended to be held on a long-term horizon.

Variations in stock price risk VaR are computed daily by multiplying the net position by the maximum likely variation in the price of such positions on a ten-day horizon, determined by the Superintendency of Finance to be 14.7%. This coefficient is based on historic volatilities and is seldom adjusted.

- Investment Fund Risk

Investment fund risk comes from temporary investment of cash in portfolios managed by trust companies. Investment fund risk VaR is computed daily by multiplying the net position by the maximum probable variation in the price of such positions on a ten-day horizon, determined by the Superintendency of Finance to be 14.7%.

The following tables show the Regulatory VaR calculation, for each subordinate on a consolidated basis and Porvenir, relating to of the risk factors described above and based on the Superintendency of Finance's methodology (Regulatory VaR) for the years ended December 31,

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2023, and 2022. The average, minimum and maximum levels are determined based on end-of quarterly calculations, using 4-quaterly data points of the year analyzed.

Banco de Bogotá

	Year ended December 31, 2023				At December 31, 2022
	Period end	Average	Maximum (in Ps millions)	Minimum	Period end
Interest rate risk VaR	440,804	428,765	440,804	423,347	440,531
Foreign exchange rate risk VaR	160,165	138,671	175,945	105,390	171,517
Variations in equity price risk VaR	37,830	12,573	37,830	3,891	3,870
Fund risk VaR	429	3,860	13,085	106	143,705
Total market risk VaR	**639,228**	**583,869**	**667,664**	**532,734**	**759,623**

Banco de Occidente

	Year ended December 31, 2023				At December 31, 2022
	Period end	Average	Maximum (in Ps millions)	Minimum	Period end
Interest rate risk VaR	217,031	205,998	251,416	179,858	173,355
Foreign exchange rate risk VaR	717	3,662	11,894	717	15,681
Variations in equity price risk VaR	—	—	—	—	—
Fund risk VaR	607	15,259	85,455	569	83,479

Banco Popular

	Year ended December 31, 2023				At December 31, 2022
	Period end	Average	Maximum (in Ps millions)	Minimum	Period end
Interest rate risk VaR	299,985	114,642	299,985	82,783	121,194
Foreign exchange rate risk VaR	7,221	6,783	7,759	5,050	5,796
Variations in equity price risk VaR	6,586	687	6,586	148	147
Fund risk VaR	22,926	16,714	22,926	7,255	20,548

Banco AV Villas

	Year ended December 31, 2023				At December 31, 2022
	Period end	Average	Maximum (in Ps millions)	Minimum	Period end
Interest rate risk VaR	46,209	65,592	86,967	46,209	84,749
Foreign exchange rate risk VaR	10	46	153	1	98
Variations in equity price risk VaR	—	—	—	—	—
Fund risk VaR	785	6,930	14,175	221	11,864

Porvenir

	Year ended December 31, 2023				At December 31, 2022
	Period end	Average	Maximum (in Ps millions)	Minimum	Period end
Interest rate risk VaR	18,822	24,500	38,914	12,190	29,363
Foreign exchange rate risk VaR	597	978	2,900	115	976
Variations in equity price risk VaR	1,973	2,347	3,091	1,710	2,541
Fund risk VaR	3,094	2,650	5,829	457	788

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Corficolombiana

	Year ended December 31, 2023				At December 31, 2022
	Period end	Average	Maximum	Minimum	Period end
			(in Ps millions)		
Interest rate risk VaR	221,409	209,769	227,913	190,139	160,195
Foreign exchange rate risk VaR	4,381	16,757	24,799	4,381	23,090
Variations in equity price risk VaR	7,221	7,501	8,007	7,086	6,557
Fund risk VaR	7,057	8,187	9,856	7,057	692

Considerations on Equity Price Risk Regulatory VaR

As stated above, variations in equity price risk measured based on the regulatory VaR methodology include 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 consolidated and those which are not. It focuses on investments in non-financial institutions.

Holding periods for many of Corficolombiana's equity investments exceed ten years. Its largest investments have been in the portfolio for many years and are intended to remain as permanent investments. At December 31, 2023 and 2022, the investments subject to regulatory VaR were the 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	43,765	6,433	100%	44,122	6,486	100%
Total	**43,765**	**6,433**	**100%**	**44,122**	**6,486**	**100%**

Non-Trading Instruments

Non-trading instruments consist mainly of loans and deposits. Our banks' primary market risk exposure in non-trading instruments is interest rate risk, which arises from the possibility of changes in market interest rates. Those changes in market interest rates affect our banks' net interest income due to timing differences on their assets and liabilities repricing. Additionally, our banks are affected by gaps in maturity dates and interest rates in different asset and liability accounts.

For more information, see Note 4.2.4 Interest Rate Risk to our audited consolidated financial statements for a breakdown of our financial assets and liabilities by maturity bands and by interest rate type.

As part of their management of interest rate risk, 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 the composition of Grupo Aval's balance sheet remains constant over the period being measured.

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 255.0 billion higher, which represents 4% of net interest income of 2023 (2022: Ps 353.8 billion representing 4.6% of net interest income of 2022). Other comprehensive income in equity would have been Ps 518.2 billion lower at December 31, 2023 and Ps 538.4 billion lower at December 31, 2022, mainly because of a decrease in the fair value of fixed rate financial assets classified as fair value through OCI.

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Additionally, Superintendency of Finance guidelines require financial subsidiaries to measure foreign exchange rate risk VaR not only for treasury book positions but also for all assets and liabilities denominated in foreign currencies. Our non-trading instruments are exposed to foreign exchange rate risk mainly from loans and deposits denominated in dollars. This foreign exchange rate risk is monitored under the VaR methodology described above.

Interest Rate Risk in the Banking Book

In line with the requirements of the Basel Committee (BCBS-IRRBB), External Circular 025 of 2022 issued by the Superintendency of Finance for the management of interest rate risk in the banking book (RTILB) will oblige institutions to implement a reference framework (set of policies, limits, systems and controls) that will allow them to identify, measure, monitor and control these risks adequately.

In the qualitative aspect, the Circular establishes a series of Corporate Governance requirements focused on achieving an adequate separation of functions for the measurement, reporting and control of risks, documentation and validation of models and assumptions, as well as specific requirements for data quality assurance (governance, accuracy and integrity, completeness), information disclosure and regulatory reporting.

In the quantitative aspect, the Circular establishes a standardized model and the possibility of implementing internal models (with prior authorization from the SFC) with a total coverage of the banking book portfolio (figured out as everything that is not in the trading book), establishing specific requirements regarding the modeling of the different components and specifically in relation to the optionality contained in different products and the credit spread risk in the banking book (RSCLB). The Aval Banks must have the capacity to model different scenarios (regulatory and internal) in a flexible and timely manner, perform stress tests and model different balance sheet growth assumptions determining their impact on the Economic Value of Equity (EVE), Net Interest Margin (NIM) and Capital Adequacy.

On December 15, 2023, the subsidiary banks in Colombia submitted the Implementation Plan, which included the specific activities and the responsible parties.

The circular contemplates the reporting in the corresponding formats (EVE and NIM) the information at individual and consolidated level, on the following dates and conditions:

- Individual: Test period with the first submission in August 2024 (with information corresponding to June 2024) and regular reports starting with information corresponding to December 2024.

- Consolidated: Test period with the first submission in August 2025 (with information corresponding to June 2025) and regular reports starting with the information corresponding to December 2024.

- The remaining instructions come into effect on December 1, 2024.

In the specific case of interest rate risk management in the banking book, an adequate implementation of these requirements represents an opportunity to have a more profitable and effective balance sheet management.

Operational Risk Management

Grupo Aval defines operational risk as "the risk of incurring losses due to deficiencies, failures or inadequate functioning of our processes, technology, infrastructure or human resources, as well as the occurrence of external events associated with them, including legal risk". Operational risk is inherent to all services, products, activities, processes and systems, and affects all business and support areas, so all employees are responsible for managing and controlling the risks that arise in the development of their activities.

The operational risk policies in Grupo Aval and financial subsidiaries are approved by the Board of Directors of each of them and are aimed at complying with the guidelines established by Superintendency of Finance. These guidelines require that we establish a system of operational risk management (SARO) that includes identification, measurement, control and monitoring of functions required to ensure adequate risk management..

As a part of the processes achieved in the management of operational risk the execution of missionary, strategic and support processes and implements the necessary controls to meet its obligations with clients, shareholders and other stakeholders. SARO's management is complemented by the definition, implementation, testing and maintenance of the Business Continuity Plan, which is part of strengthening the operational risk control stage.

To comply with the implementation of SARO, each of our financial subsidiaries established within its organizational structure an Operational Risk Unit independent of the operational and control areas of each financial subsidiary. The responsibilities of these units are the establishment and definition of policies, methodologies and procedures for communicating within each organization all information related to operational risk. In addition to the staff of each Operational Risk Unit, the financial subsidiaries have established the role of operational risk leaders, which are employees in key areas who, in addition to their functional responsibilities, are required to report events or situations which may result in eventual operational losses. Additionally, each financial subsidiary has an operational risk management committee which meets on a periodical basis to review operational risks policies and follow up on the execution of action plans.

The Operational Risk Unit (URO) maintains its monitoring process to the risk profile of the entity, reports to senior management, and validated that risks levels are adequate and accepted.

Grupo Aval and its subsidiaries participate in the corporate operational risk management committee, made up of the heads of the Operational Risk Units of each financial subsidiary and Grupo Aval's risk management personnel. The main activities of this committee are as follows:

- reviewing, studying and updating corporate policies and guidelines for operational risk management.;
- coordinate the analysis of regulation and the impact in Grupo Aval's financial subsidiaries;
- identify and apply operational risk management best practices;
- Supervise the operational risk management systems of the financial subsidiaries, including corporate indicators and their results;
- coordinate the standardization of operational risk methodologies; and
- identify and implement operational risk management tools.

Grupo Aval and its subsidiaries adopted the guidelines established in the Basic Accounting and Financial Circular (CBCF) related to operational risk management, complying with the capital requirements for operational risk and integrating it into their solvency calculation.

For the determination of capital requirements for Operational Risk, the Value at Operational Risk (VeR RO) calculated in accordance with the instructions established in the Basic Accounting and Financial Circular (CBCF) is used. The credit institutions base their calculation on the standard method to determine the exposure to operational risk; currently the subordinates have operational risk event bases certified by the regulator, so the internal loss indicator (IPI) is determined based on this element.

In the case of the pension and severance fund management company, the Superintendency of Finance has established a different methodology in the same circular.

Below are the consolidated figures by Entity as of the end of December 2023 compared to 2022:

	At December 31, 2023		At December 31, 2022	
Entity	Value	Basis Points of Regulatory Capital	Value	Basis Points of Regulatory Capital
	(in Ps millions)			
Banco de Bogotá and subsidiaries	6,806	106	6,412	86
Banco de Occidente and subsidiaries	2,625	74	2,525	76
Banco Popular and subsidiaries	5,138	109	1,288	79
Banco AV Villas S.A.	1,064	117	909	88
Corficolombiana and subsidiaries	3,319	664	3,372	806
Porvenir S.A.	1,360	101	1,420	113

Business Continuity Management

The maturity of the Business Continuity Management system represents our commitment to a strong and resilient culture, providing all stakeholders with contingency solutions that enable them to increase their confidence in managing events that disrupt the normal operation of our business. The execution of business continuity testing has been developed to identify strengths and opportunities for improvement in the entities' operation scheme. As a result, the strategies and preparation of the functional teams and technological processes proved to be effective in facing disruption scenarios.

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The guidelines established by Grupo Aval's Corporate Business Continuity Committee aim to support compliance with business continuity requirements based on knowledge of the policies and activities developed by each entity. The main activities of this committee are as follows:

- Best practices in relation to business impact analysis (BIA), risk assessment, evaluation of critical suppliers, among others.
- Follow-up of compliance with corporate policy and guidelines.
- Monitoring of corporate indicators and follow-up of reports to Grupo Aval.
- Crisis management for each of the subsidiaries.

Furthermore, recovery and restoration strategies have been strengthened, increasing the levels of business resilience, and strengthening the continuity plans of the subsidiaries. Remote work has been an effective contingency strategy for Grupo Aval and its Subsidiary Entities with which it has responded in a timely manner to the needs of all stakeholders.

Risk of external transactional fraud

During 2023 our subsidiaries implemented the system of External Transactional Fraud Risk Management, under the best market practices for the mitigation of this type of risk and following a corporate approach.

The Corporate Policy of External Transactional Fraud Risk Management was published, which includes the corresponding Corporate Committee, set up to study the most significant cases identified in the entities and to establish corporate indicators for an appropriate follow-up.

Non-Financial Risk Review

Grupo Aval and its subsidiaries are committed to the preservation of integrity through compliance with applicable laws, regulations, and ethical standards in each of the markets in which we operate. All employees are expected to adhere to these laws, regulations and ethical standards and management of each subsidiary is responsible for ensuring such compliance. Compliance is an essential ingredient of good corporate governance.

The compliance function covers all matters relating to regulatory compliance, the prevention of money laundering and terrorist financing, consumer protection, antibribery and anticorruption, as well as compliance with the standards of the U.S. Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) in some subsidiaries including the most significant from a quantitative perspective.

The compliance function is independent of the business areas in all our subsidiaries and promotes adherence to the rules, oversight requirements, principles, and values of good conduct through all our companies. The corporate governance structure at Grupo Aval establishes standards, policies and best practices that apply to each company to enforce the standard requirements, that business units should follow. The compliance or risk units in each subsidiary enforce the application of the corporate and internal policies providing advice and information in the interest of employees, customers, shareholders, and supervisors.

The compliance function in our financial subsidiaries is incorporated into the risk areas with access to the Board of Directors and its committees through the Chief Risk Officer or its equivalent. In addition, the legal departments of each financial subsidiary, have access to these bodies on a regular basis. This structure is aligned with banking regulatory requirements and supervisory expectations.

The compliance unit assists Senior Management at the entity level in identifying and assessing potential compliance issues as well as providing guidance to staff on compliance laws, rules, and standards, and performs a monitoring and reporting role. The legal departments or its equivalent in our subsidiaries have the primary responsibility for identifying and interpreting compliance laws, rules, and standards, and for aiding in drafting related policies and procedures. The internal audit units review the adequacy of controls established to ensure compliance with policies, plans, procedures, and business objectives, in accordance with the annual internal audit plan and legal requirements, as well as COSO 2013 as internal control framework.

Anti-money laundering and terrorist financing

Grupo Aval and its financial subsidiaries must comply with the guidelines established by local authorities and the Superintendency of Finance of Colombia (which, in turn, follows international standards). These guidelines require that Colombian financial entities establish a risk management system for risks related to money laundering and terrorist financing (Sistema de Administración de Riesgo de Lavado de

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Activos y Financiación del Terrorismo - SARLAFT) which includes the identification, measurement, control, and monitoring functions to prevent and mitigate the materialization of risks related to money laundering and terrorist financing.

In compliance with the regulations of the Superintendency of Corporations, our non-financial sector entities that are regulated by this superintendency, have implemented the control system for the prevention of the money laundering and financing of terrorism called SAGRILAFT (*Sistema de Autogestión de Riesgo Integral de Lavado de Activos y Financiación del Terrorismo*). A methodology for measuring the maturity level of the system to prevent money laundering and terrorist financing was defined, consisting of an annual self-evaluation that includes qualitative factors of the compliance program ranging from the control environment to monitoring the effectiveness of the controls.

Bimonthly Corporate Committees are held with the participation of the Compliance Officers of the principal entities. Through these instances, Grupo Aval ensures that best practices are adopted by the entities, and undertakes a periodic review of the methodology, risk factors and risks materializations. Depending on their impact an assessment is made in these committees to determine if there are gaps in the factors considered (ranging from policies, organization, knowledge of the client, identification of unusual operations, status of communications, acquisition, development and maintenance of systems, incident management, degree of compliance, strategy, government, and control architecture, among others) or improvement opportunities. Compliance Officers in each subsidiary are required to report periodically the main findings and assessment of the anti-money laundering risk to the Board of Directors.

All local financial subsidiaries and those in the non-financial sector that are required to implement the control system for the prevention of money laundering and financing of terrorism – SAGRILAFT, in compliance with local regulations, must report suspicious transactions to the UIAF (*Unidad de Información y Análisis Financiero*) of the Ministry of Finance.

Annually, each subsidiary must certify to Grupo Aval holding the degree of compliance with corporate policies and procedures for the calendar year that ends, based on program maturity goals. According to this, each of our subsidiaries must comply the standards defined by Grupo Aval, in addition to those set by applicable regulation.

Anti-bribery and anti-corruption

Grupo Aval has designed controls to safeguard that its employees act with integrity in all their dealings and strictly prohibits bribery and corruption in any form. Grupo Aval is committed to a policy of zero tolerance against corruption. Anti-corruption principles are stated in the Corporate Anti-Corruption Policy and are summarized below, based on the fundamental principle of zero tolerance:

- Employees of Grupo Aval and of all its subsidiaries must conduct their business fairly, honestly, accountably and transparently; therefore, all forms of corruption, including facilitation payments, are strictly prohibited;

- Ethical lines of Grupo Aval and its subsidiaries are available to employees and third-parties. Any complaints are carefully investigated, ensuring appropriate actions and the whistleblowers anonymity. Other means such as email and web pages can be used to report corruption events;

- Gifts or entertainment must always be proportionate and reasonable, must have a legitimate purpose and must not create a conflict of interest or the perception thereof;

- Donations and sponsorships are controlled, regulated by strict principles, and should be reported to Compliance Officers; and

- Questionable behavior should be challenged, and rumors of improper payments or activities should be reported to management or could be reported via the whistleblower reporting channels.

In accordance with the above, Grupo Aval monitors that the accounting records of transactions with high exposure to anti-corruption and anti-bribery laws accurately reflect such transactions and their proper accountancy.

A corporate methodology has been established to identify, assess, document and manage corruption risks. It includes semi-annually updating of the risk – controls matrix, applying the approved methodology and annual evaluation of the risk of corruption at the level of each entity.

We have designed a process of self-assessment and annual certification applicable to all the Grupo Aval subordinates which consists of evaluating the environment of control and the way in which each subordinate is mitigating the anti-corruption risks identified, with a special emphasis on donations, gifts, invitations, sponsorships, and TPI (third parties intermediaries) administration. The policies also apply to acquisitions and joint ventures.

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Legal Risk

Each subsidiary's legal department supports operational risk management in its area of expertise. These areas define and establish the necessary procedures to adequately control the legal risks inherent in financial subsidiaries' operations, making sure legal risks are well mitigated and that the controls meet legal standards. It also analyzes and drafts contracts for operations carried out by the different business units.

With respect to the legal situation of each subsidiary, each legal department ensures that the allowances for contingencies have been appropriately created whenever required. Grupo Aval has assessed the relevant claims filed against it, based on the analysis and criteria of the lawyers in charge.

Regarding copyrights, Grupo Aval and each of its subsidiaries exclusively use software or licenses that have been legally acquired.

Details of the litigation filed against Grupo Aval are disclosed in Note 23 and 27 to our audited consolidated financial statements.

Conglomerate Risk

As of December 31, 2023, Aval Financial Conglomerate includes 28 Colombian and foreign entities that undertake activities under the supervision of the Superintendency of Finance (SFC).

Grupo Aval S.A., as holding company defined by the Superintendency of Finance, approved the Risk Management Framework (MGR) in its Board of Directors, and through the Risk Committee, studied and approved the MGR and the Early Warning System methodology and procedure for the implementation.

To develop the guidelines established in the Risk Management Framework Policy of the Aval Financial Conglomerate, through MGR's methodology, the aspects that the Financial Holding must consider for risks management of Financial Conglomerate's risks are:

1. **Contagion Risk**: Risk that results from the deterioration of the financial conditions of one or more of the entities belonging to a financial conglomerate, the stability of this or any of its entities will be compromised, or that of the financial system.

To assess this risk, Grupo Aval's risk management unit, considers the relationships and exposures between entities of the conglomerate, and between these and their related entities or affiliates. Once those relationships are considered, through subject matter expert criteria and correlation analysis, it considers if also due to market perception and/or the potential materialization of reputational risk, those related entities can be affected by potential contagion. Reputational risk is defined broadly as: "risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect a bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding"-Basel definition. This risk is understood by local regulators as the possibility of loss incurred by a financial conglomerate's entity due to dispute, bad image, negative publicity, true or not, with respect to the same institution or its business practices, which causes loss of customers or decrease in income.

The materiality of the risk will depend, among other factors, on the amount, type, and frequency of interconnections that entities of the financial conglomerate have and those with which they relate.

2. **Strategic risk:** this risk arises from the inadequate consideration of risks in the strategic planning process of the Financial Holding and its implementation, as well as the impossibility of adapting to changes or the development of the economies and markets where the financial conglomerate operates.

This risk can also arise when the Financial Conglomerate ventures into new markets.

Grupo Aval as the Financial Holding of the Aval Financial Conglomerate, if required, will establish additional corporate governance policies that allow to identify circumstances that lead to materialization of this risk and mechanisms that allow its mitigation.

3. **Concentration risk:** Corresponds to the risk that an exposure to a single counterparty can: (i) generate losses that compromise the stability and financial position of the financial conglomerate, or (ii) disturbs the normal development of its business; or (iii) generate a material change in the risk profile of the financial conglomerate.

As part of the management of concentration risk in the financial conglomerate, Grupo Aval analyzes risk factors such as lines of business, geographical location, economic sector, and counterparties. Additionally, the concentration of service providers, shared service centers and the eventual occurrence of natural disasters are analyzed.

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The Financial Holding has an organizational structure that promotes and facilitates the risk management of the financial conglomerate, while recognizing the organizational structure and the legal and governance autonomy of the entities that belong to the financial conglomerate.

Grupo Aval, with the support of Risk Committee, monitors Risk Management Framework, Risk Appetite Framework of the Financial Holding, and the Financial Conglomerate's Risk Profile to communicate in a timely manner to the Board of Directors about possible deviations from risk levels established and issue recommendations to take corrective actions and/or to modify policies when it is necessary.

As of December 31, 2023, financial conglomerate's risks management function was carried out in accordance with the defined policies, procedures, and methodologies.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt securities

Not applicable.

B. Warrants and rights

Not applicable.

C. Other securities

Not applicable.

D. American depositary shares

Fees and Expenses

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of preferred shares, issuances in respect of preferred share distributions, rights and other distributions, issuances pursuant to a share dividend or share split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities in any manner permitted by the deposit agreement or whose ADRs are cancelled or reduced for any other reason, up to U.S.$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a preferred share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The following additional charges will be incurred by the ADR holders, by any party depositing or withdrawing preferred shares or by any party surrendering ADSs or to whom ADSs are issued (including, without limitation, issuances pursuant to a share dividend or share split declared by our company or an exchange of securities regarding the ADRs or the deposited securities or a distribution of ADSs), whichever is applicable:

1. a fee of U.S.$0.05 or less per ADS for any cash distribution made pursuant to the deposit agreement;

2. a fee of U.S.$1.50 per ADR or ADRs for transfers of ADRs;

3. a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the fee for the execution and delivery of ADSs that would have been charged as a result of the deposit of such securities (treating all such securities as if they were preferred shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;

4. an aggregate fee of U.S.$0.05 per ADS per calendar year (or portion thereof) for services performed by the depositary in administering our ADR program (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders as of the record date or record dates set by the depositary during each calendar year and will be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);

5. any other charge payable by any of the depositary, any of the depositary's agents, including, without limitation, the custodian, or the agents of the depositary's agents in connection with the servicing of our preferred shares or other deposited securities (which

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charge will be assessed against registered holders of our ADRs as of the record date or dates set by the depositary and will be payable at the sole discretion of the depositary by billing such registered holders or by deducting such charge from one or more cash dividends or other cash distributions);

6. stock transfer or other taxes and other governmental charges;
7. cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares;
8. transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities;
9. expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars; and
10. such fees and expenses as are incurred by the depositary (including without limitation expenses incurred in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable laws, rules or regulations.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time.

Direct and indirect payments

Our depositary has agreed to reimburse us for certain expenses we incur that are related to the establishment and maintenance of the ADR program upon such terms and conditions as we and the depositary may agree from time to time. The depositary may make available to us a set amount or a portion of the depositary fees charged in respect of the ADR program or otherwise upon such terms and conditions as we and the depositary may agree from time to time.

The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary will generally set off the amounts owing from distributions made to holders of ADSs. If, however, no distribution exists and payment owing is not timely received by the depositary, the depositary may refuse to provide any further services to holders that have not paid those fees and expenses owing until such fees and expenses have been paid. At the discretion of the depositary, all fees and charges owing under the deposit agreement are due in advance and/or when declared owing by the depositary. The depositary may generally refuse to provide services to any holder until the fees and expenses owing by such holder for those services or otherwise are paid.

For the year ended December 31, 2023 we received U.S.$0.06 million in payments from J.P. Morgan Chase Bank, N.A. as depositary of the ADR program.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

A. Defaults

No matters to report.

B. Arrears and delinquencies

No matters to report.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A. Material modifications to instruments

Not applicable.

B. Material modifications to rights

Not applicable.

C. Withdrawal or substitution of assets

Not applicable.

D. Change in trustees or paying agents

Not applicable.

E. Use of proceeds

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure controls and procedures

As of December 31, 2023, under the supervision and with the participation of our management, including our President and Chief Financial Officer, we performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). There are inherent limitations to the effectiveness of our disclosure controls and procedures system, including the possibility of human error and circumventing or overriding them. Even if effective, disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives.

Based on such evaluation, our President and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that the information we are required to disclose in the reports we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management to allow timely decisions regarding required disclosures.

B. Management's annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining an adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act.

Our internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes, in accordance with generally accepted accounting principles. These include those policies and procedures that:

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1. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets;

2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements, in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorization of our management and directors; and

3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, effective control over financial reporting cannot, and does not, provide absolute assurance of achieving our control objectives. Also, projections of and any evaluation of effectiveness of the internal controls in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We have adapted our internal control over financial reporting based on the guidelines set by the Internal Control – Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

Under the supervision and with the participation of our management, including our President, our Chief Financial Officer, our Chief Risk Officer and our Chief of Internal Control, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2023, based on the guidelines set forth by the COSO 2013.

Based on this assessment, management believes that, as of December 31, 2023, its internal control over financial reporting was effective.

C. Attestation report of the registered public accounting firm

The effectiveness of the internal control over financial reporting, as of December 31, 2023, has been audited by KPMG, an independent registered public accounting firm. KPMG’s Report of Independent Registered Public Accountant Firm appears on page F-2.

D. Changes in internal control over financial reporting

There was no significant change in our internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. Audit committee financial expert

The Board of Directors has determined that Fabio Castellanos Ordóñez is an audit committee financial expert. All members of our audit committee, including Esther América Paz Montoya, Luis Fernando López Roca, Fabio Castellanos Ordóñez, and the alternates Andrés Escobar Arango, Jorge Silva Lujan and José Mauricio Salgar are independent audit committee members under the standards of the New York Stock Exchange, which applies the audit committee independence requirements of the Securities and Exchange Commission.

ITEM 16B. Code of ethics

New York Stock Exchange rules for U.S. companies require that listed companies adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. We have in place a code of ethics that applies to the Company’s officers and employees, which is available on Grupo Aval’s website (www.grupoaval.com).

ITEM 16C. Principal accountant fees and services

Amounts billed by KPMG for audit and other services were as follows:

	2023	2022
	(In Ps millions)	
Audit fees	30,857	32,508
Audit-related fees	—	—
Tax fees	61	56
All other fees paid	—	—

The aggregate fees billed under the caption audit fees for professional services rendered to Grupo Aval for the audit of its financial statements and for services that are normally provided to Grupo Aval, in connection with statutory or regulatory filings or engagements totaled Ps 30,857 million and Ps 32,508 million for the years 2023 and 2022, respectively.

Additionally, tax fees paid, which include other consultancy fees different from audit and audit-related fees, totaled Ps 61 million and Ps 56 million for the years ended 2023 and 2022, respectively.

The services commissioned from our auditors meet the independence requirements stipulated by the Board of Accountants (*Junta Central de Contadores*) and by SEC rules and regulations, and they did not involve the performance of any work that is incompatible with the audit function.

If we are required to engage an auditing firm for audit and audit-related services, those services have to be pre-approved by the Audit Committee.

The Audit Committee is regularly informed of all fees paid to the auditing firms by our company.

ITEM 16D. Exemptions from the listing standards for audit committees

All the members of our audit committee satisfy the independence requirements of the NYSE applicable to foreign private issuers.

ITEM 16E. Purchases of equity securities by the issuer and affiliated purchasers

Grupo Aval may repurchase its shares only with retained earnings. On the other hand, Colombian law prohibits the repurchase of shares of entities under the comprehensive supervision of and subject to inspection and surveillance as financial institutions by, the Superintendency of Finance. As such, Banco de Bogotá, Banco de Occidente, Banco Popular, Banco AV Villas, Corficolombiana and Porvenir and their respective financial subsidiaries are not permitted to repurchase their shares or Grupo Aval's shares.

The following table presents the number of our preferred shares approved for purchase by our company or by "affiliated purchasers" (as that term is defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
January, 2023	12,790,924	568	12,790,924	628,013,290
February, 2023	16,802,401	566	16,802,401	611,210,889
March, 2023	19,800,932	550	19,800,932	591,409,957
April, 2023	12,914,905	586	12,914,905	578,495,052
May, 2023	—	—	—	578,495,052
June, 2023	—	—	—	578,495,052
July, 2023	—	—	—	578,495,052
August, 2023	—	—	—	578,495,052
September, 2023	—	—	—	578,495,052
October, 2023	—	—	—	578,495,052
November, 2023	—	—	—	578,495,052
December, 2023	—	—	—	578,495,052

ITEM 16F. Change in registrant's certifying accountant

Not applicable.

ITEM 16G. Corporate governance

Grupo Aval, as a listed company that qualifies as a foreign private issuer under the NYSE listing standards in accordance with the NYSE corporate governance rules is permitted to follow home-country practice in some circumstances in lieu of the provisions of the corporate governance rules contained in Section 303A of the NYSE Listed Company Manual that are applicable to U.S. companies. We follow corporate governance practices applicable to Colombian companies and those described in our Corporate Governance Code, which in turn follow Colombian corporate governance rules. The Corporate Governance Code is available at Grupo Aval's website at www.grupoaval.com. Information on our website is not incorporated into this annual report.

The following is a summary of the significant differences between the corporate governance practices followed by Grupo Aval and those applicable to domestic issuers under the NYSE listing standards.

Independence of directors

See "Item 6. Directors, Senior Management and Employees—C. Board practices— Principal differences between Colombian and U.S. corporate governance practices—Independence of directors".

Non-executive director meetings

See "Item 6. Directors, senior management and employees—C. Board practices— Principal differences between Colombian and U.S. corporate governance practices—Non-executive director meetings".

Committees of the Board of Directors

See "Item 6. Directors, senior management and employees—C. Board practices— Principal differences between Colombian and U.S. corporate governance practices—Committees of the Board of Directors".

Shareholder approval of equity compensation plans

Under NYSE listing standards, shareholders of U.S. companies must be given the opportunity to vote on all equity compensation plans and to approve material revisions to those plans, with limited exceptions set forth in the NYSE rules. Grupo Aval and its subsidiaries currently have no equity compensation plans. Under Colombian law, shareholder approval is required for the compensation of members of the Board of Directors.

Shareholder approval of dividends

While NYSE corporate governance standards for U.S. companies do not require listed companies to have shareholders approve or declare dividends, in accordance with the Colombian Code of Commerce, all dividends must be approved by Grupo Aval's shareholders.

Corporate governance guidelines

NYSE rules for U.S. companies require that listed companies adopt and disclose corporate governance guidelines. The Superintendency of Finance recommends, but does not require, that listed companies adopt corporate governance guidelines; instead, it requires an annual corporate governance survey that compares a company's corporate governance practices to those recommended by the Superintendency of Finance, and mandates periodic disclosure thereof to the Colombian securities market information system. The annual corporate governance survey is available at Grupo Aval's website at www.grupoaval.com.

Code of business conduct and ethics

See "Item 16B. Code of Ethics."

Compliance with corporate governance rules

NYSE rules require the chief executive officer to certify annually that such officer is not aware of any non-compliance with NYSE corporate governance rules, and executive officers are required to promptly notify the NYSE of any material non-compliance. Companies must also submit a written affirmation annually or promptly upon the occurrence of certain changes in corporate governance. No similar requirements exist under Colombian law.

Internal audit function

NYSE rules for U.S. companies require that listed companies maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management processes and system of internal control. Grupo Aval maintains an internal auditor, and a Chief of Internal Control to coordinate this function at the corporate level.

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ITEM 16H. Mine safety disclosure

Not applicable.

ITEM 16I. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections

Not Applicable.

ITEM 16J. Insider Trading Policies

We have adopted a Securities Trading Policy that governs the trading in our securities by our directors, officers and certain other covered persons, and which is reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and any listing standards applicable to the Company. A copy of the Securities Trading Policy is included as an exhibit to this annual report. Since its effective date, we have not waived compliance with our statement of trading policies

ITEM 16K. Cybersecurity

At Grupo Aval and its subsidiaries, cybersecurity risk management is an integral part of our overall enterprise risk management program by establishing policies, methodologies, and procedures. Our corporate cybersecurity risk management program is designed to align with local regulation, some international standards and industry best practices and provide a framework for handling cybersecurity threats and incidents, including threats and incidents associated with the use of applications developed by third-party service providers, and facilitate coordination across different areas of our entities. This framework includes steps for assessing the severity of a cybersecurity threat, identifying the source of a cybersecurity threat including whether the cybersecurity threat is associated with a third-party service provider, implementing cybersecurity countermeasures and mitigation strategies, and informing management and our boards of directors of material cybersecurity threats and incidents. We and our financial subsidiaries also engages third-party security experts for risk assessment and system enhancements. In addition, our cybersecurity team provides training to all employees annually.

The Board of Directors of the financial subsidiaries have overall oversight responsibility for our risk management, and delegates cybersecurity risk management oversight to Cybersecurity and Information Security committee and their equivalents of the Board of Directors. Grupo Aval and its subsidiaries have other high-level committees in charge of monitoring cybersecurity risk. The Cybersecurity and Information Security committee and their equivalent in the financial subsidiaries are responsible for ensuring that management has processes in place designed to identify and evaluate cybersecurity risks to which the company is exposed and implement processes and programs to manage cybersecurity risks and mitigate cybersecurity incidents. The Cybersecurity and Information Security committee or Cybersecurity teams and their equivalents also reports material cybersecurity risks to their full Board of Directors and to the Corporate Vice presidency of Risk and Compliance of Grupo Aval.

At Grupo Aval the Board of Directors' delegates cybersecurity risk management oversight to a member of the Board, who is responsible for ensuring the processes and program in corporative level and report to the board material cybersecurity issues and risks. Management of Grupo Aval and the financial subsidiaries is responsible for identifying, considering and assessing material cybersecurity risks on an ongoing basis, establishing processes to ensure that such potential cybersecurity risk exposures are monitored, putting in place appropriate mitigation measures and maintaining cybersecurity programs. Our corporate cybersecurity programs are under the direction of our Corporate Vice presidency of Risk and Compliance and Corporative Vice president Information Technology who receive reports from the cybersecurity team of the subsidiaries and monitors the prevention, detection, mitigation, and remediation of cybersecurity incidents. Our Corporate Vice Presidents of Risk and Compliance and Corporative Vice president Information Technology dedicated personnel are certified and experienced information systems security professionals and information security managers with many years of experience.

Management, including the Vice presidents of Risk and Compliance and the cybersecurity team and their equivalents in our financial subsidiaries, regularly update their Boards of Directors and Cybersecurity and Information Securities committee on the companies' cybersecurity programs, material cybersecurity risks and mitigation strategies and provide cybersecurity reports semi-annually or quarterly in some subsidiaries that cover, among other topics, third-party assessments of the company's cybersecurity programs, developments in cybersecurity and updates to the company's cybersecurity programs and mitigation strategies.

In 2023, we did not identify any cybersecurity threats that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. However, despite our efforts, we cannot eliminate all risks from cybersecurity threats, or provide assurances that we have not experienced an undetected cybersecurity incident. For more information about these risks, please see "Item 3. Key Information—Risk Factors—Other Risks Relating to Our Businesses—We are subject to cybersecurity threats," "Item 3. Key Information—Risk Factors—Other Risks Relating to Our Businesses—Failure of our information systems could materially and adversely affect the effectiveness of our risk management and internal control processes as well as our results of operations and financial condition" and "Item 4. Information on the company—Other corporate information—Cybersecurity" in this annual report on Form 20-F.

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PART III

ITEM 17. Financial statements

We have responded to Item 18 in lieu of this item.

ITEM 18. Financial statements

Financial Statements are filed as part of this annual report, see page F-1.

ITEM 19. Exhibits

1.1	English translation of By-laws of Grupo Aval.
2.1	Form of Deposit Agreement among Grupo Aval, JPMorgan Chase Bank, N.A., as depositary, and the holders from time to time of American depositary shares issued thereunder, including the form of American depositary receipts (incorporated by reference to Exhibit 99(a) to our Registration Statement on Form F-6 (File No. 333-198614) filed with the SEC on September 8, 2014).
2.2	Indenture among Grupo Aval Limited, as Issuer, Grupo Aval Acciones y Valores S.A., as Guarantor, Deustche Bank Trust Company Americas, as Trustee, Registrar, Paying Agent and Transfer Agent, dated as of February 4, 2020. (incorporated by reference Exhibit 2.3 to our Annual Report on Form 20 – F for the year ended December 31, 2020, filed with the SEC on April 12, 2021)
2.3	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
2.4	Supplemental Indenture to the Indenture dated as of February 4, 2020 among Grupo Aval Limited, as Issuer, Grupo Aval Acciones y Valores S.A., as guarantor and Deutsche Bank Trust Company Americas, as Trustee, Registrar, Paying Agent and Transfer Agent, dated as of February 23, 2022. (incorporated by reference Exhibit 2.6 to our Annual Report on Form 20 – F for the year ended December 31, 2021, filed with the SEC on April 21, 2022).
8.1	Subsidiaries of the registrant.
11.1	Securities Trading Policy
12.1	Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
12.2	Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
13.1	Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
13.2	Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
97.1	Grupo Aval Clawback Policy
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104.	Inline XBRL Cover Page Interactive Data File (embedded within the Inline XBRL document).

We will furnish to the SEC, upon request, copies of any unfiled instruments that define the rights of holders of long-term debt of Grupo Aval.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Grupo Aval Acciones y Valores S.A.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated statements of financial position of Grupo Aval Acciones y Valores S.A. and subsidiaries (Grupo Aval) as of December 31, 2023 and 2022, the related consolidated statements of income, other comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). We also have audited Grupo Aval's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Grupo Aval as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Also in our opinion, Grupo Aval maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

Grupo Aval's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's annual report on internal control over financial reporting". Our responsibility is to express an opinion on Grupo Aval's consolidated financial statements and an opinion on Grupo Aval's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Grupo Aval in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS) A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

(i) Assessment of the loss allowance on the loan portfolio

As discussed in Notes 4.1.5 and 11 to the consolidated financial statements, Grupo Aval's loss allowance for its loan portfolio was 10,035,715 million of Colombian pesos as of December 31, 2023. The Group measures the loss allowance for its loan portfolio at an amount equal to lifetime Expected Credit Losses (ECL), except for those loans that have not experienced a Significant Increase in Credit Risk (SICR) since their initial recognition for which Grupo Aval calculates a twelve-month ECL. The loss allowance for the loan portfolio reflects a probability weighted outcome that considers multiple economic scenarios based on forecasts of future economic conditions and is determined as a function of Grupo Aval's estimate of the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) of each loan. Grupo Aval uses complex models which incorporate inputs and assumptions that require knowledge of the market and experience in the industry.

We identified the assessment of the loss allowance for the loan portfolio as a critical audit matter. Significant auditor judgment was required because there is a high degree of measurement uncertainty due to significant judgments inherent to the methodology, including judgments on forward-looking information. Assessment of the loss allowance on the loan portfolio required significant auditor attention and complex auditor judgment; as well as, specialized skills and industry knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to Grupo Aval's process for calculating the loss allowance for loans. This included controls related to: (i) the models and assumptions used; (ii) the economic forecasting; (iii) the completeness and accuracy of data; and (iv) the review of the overall allowance for impairment losses, including the application of judgment applied by Grupo Aval's credit expert. We involved credit risk professionals with specialized skills and knowledge who assisted in: (i) evaluating the models and key inputs used in determining PD, LGD and EAD parameters; (ii) evaluating the forecasts of macroeconomic variables and the probability weighting of scenarios; (iii) assessing the qualitative adjustments applied to the loss allowance for loans; (iv) for a sample of individually significant loans, checking the accuracy of the impairment calculation and analyzing the values of the guarantees; and (v) for a sample of individually significant loans, assessing the credit risk rating assigned by Grupo Aval.

(ii) Assessment of the revenue recognized from concession arrangements in the construction phase and the fair value of financial assets related to concession arrangements.

As discussed in Notes 2.20, 5 and 16 to the consolidated financial statements Grupo Aval has 3,830,916 million of Colombian pesos of financial assets arising from concession contracts which are measured at fair value and classified as level 3 and 7,964,822 million of Colombian pesos of intangible assets derived from concession contracts in the construction phase as of December 31, 2023. Grupo Aval is party to concession arrangements with the Colombian Government for the construction and subsequent maintenance of infrastructure, for a given period of time. In exchange Grupo Aval is entitled to receive direct payments from the government and / or fees charged to the end users of the infrastructure. During the construction phase Grupo Aval recognizes revenue and a financial asset for payments that are unconditionally guaranteed, and / or an intangible asset for payments which are linked to the use of the infrastructure. Performance obligations related to the construction services are satisfied over time and the amount of revenue recognized is dependent on the stage of completion of the construction services and the fair value of the asset being recognized. Grupo Aval has designated some of the financial assets related to concession arrangements to be measured at fair value through profit or loss subsequent to initial recognition.

We identified the assessment of the revenue recognized from concession arrangements in the construction phase and the fair value of financial assets related to concession arrangements as a critical audit matter. It involved significant auditor judgment and audit effort, including the involvement of valuation professionals with specialized skills and knowledge. For contracts in the construction phase, auditor judgment was required to assess the estimated costs to completion and to evaluate the models developed by Grupo Aval to estimate the fair value at recognition of the financial and intangible assets as well as the significant unobservable inputs and assumptions to these models. For financial assets related to concession arrangements subsequently measured at fair value through profit or loss, auditor judgment was required to evaluate the models developed by Grupo Aval to estimate their fair value as well as the significant unobservable inputs and assumptions to these models. The significant unobservable inputs and assumptions to the models include the weighted average cost of capital (WACC), the future inflation rates and the projected income from the use of the infrastructure.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to Grupo Aval's process to determine the fair value of financial assets arising from concession contracts and the revenue to be recognized from contracts in the construction phase. This included controls related to: (i) the review of the inputs and assumptions used; (ii) the review of the estimation of costs to completion; and (iii) the review and approval of the fair value of the assets and the amount of revenue to be recognized. We involved valuation professionals with specialized skills and knowledge who assisted in: (i) assessing whether the internally developed models are consistent with valuation practices generally used for that purpose and IFRS; (ii) comparing the WACC to a range determined using market-verified macroeconomic assumptions; (iii) evaluating the future inflation rates by comparing to available market data; (iv) assessing estimated costs to completion including the assumptions used; (v) evaluating the projected income from the use of the infrastructure by comparing to internal and external data, where available; and (vi) evaluating Grupo Aval´s ability to accurately forecast inflation and construction costs, by comparing a selection of previously estimated values to the actual values realized.

/s/ KPMG S.A.S.

KPMG S.A.S
We have served as Grupo Aval's auditor since 1985

Bogotá Colombia
April 16, 2024

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Grupo Aval Acciones y Valores S.A.
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:	**15**				
Property, plant and equipment for own-use and given in operating lease, net			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

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Grupo Aval Acciones y Valores S.A.
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**

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

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Grupo Aval Acciones y Valores S.A.
Consolidated Statement of Income
For the years ended December 31, 2023, 2022 and 2021
(Amounts expressed in millions of Colombian pesos)

		For the years ended		
Continuing operations	**Notes**	**2023**	**2022**	**2021**
Interest income calculated using the effective interest method				
Loan portfolio	11	Ps. 26,534,115	Ps. 17,559,516	Ps. 11,882,144
Investments in debt securities		2,385,289	1,843,516	909,265
Total interest income		**28,919,404**	**19,403,032**	**12,791,409**
Interest expense	**21.3**			
Deposits		(16,214,226)	(7,756,432)	(2,637,945)
Financial obligations		(6,418,204)	(3,907,963)	(2,022,885)
Total interest expense		**(22,632,430)**	**(11,664,395)**	**(4,660,830)**
Net interest income		**6,286,974**	**7,738,637**	**8,130,579**
Impairment (losses) recoveries on financial assets				
Loans and other accounts receivable		(4,751,039)	(3,120,403)	(3,192,335)
Other financial assets		12,871	(16,723)	(660)
Recovery of charged-off financial assets		555,774	643,978	471,912
Net impairment loss on financial assets		**(4,182,394)**	**(2,493,148)**	**(2,721,083)**
Net interest income, after impairment losses		**2,104,580**	**5,245,489**	**5,409,496**
Income from commissions and fees		4,356,336	3,874,439	3,795,929
Expenses from commissions and fees		(1,003,813)	(970,676)	(731,742)
Net income from commissions and fees	**28**	**3,352,523**	**2,903,763**	**3,064,187**
Income from sales of goods and services		11,223,556	12,141,327	10,450,914
Costs and expenses of sales goods and services		(8,005,597)	(7,596,231)	(7,351,979)
Gross profit from sales of goods and services	**28**	**3,217,959**	**4,545,096**	**3,098,935**
Net trading (loss) income	**29**	**(916,049)**	**1,559,626**	**922,281**
Net income from other financial instruments mandatorily at FVTPL	**16**	**323,685**	**278,751**	**270,095**
Other income	**30**	**3,751,306**	**(848,571)**	**389,680**
Other expenses	**30**	**(8,346,454)**	**(7,409,783)**	**(6,790,056)**
Net income before tax expense		**3,487,550**	**6,274,371**	**6,364,618**
Income tax expense	19	(1,310,434)	(2,271,404)	(2,323,428)
Net income from continuing operations		**Ps. 2,177,116**	**Ps. 4,002,967**	**Ps. 4,041,190**
Net income from discontinued operations, net of tax	**1.1**	**—**	**866,166**	**1,627,312**
Net income for the year		**Ps. 2,177,116**	**Ps. 4,869,133**	**Ps. 5,668,502**
Net income attributable to owners of the parent				
Net income for the period from continuing operations		739,003	1,888,895	2,179,180
Net income for the period from discontinued operations, net of tax	1.1	—	593,990	1,118,556
Owners of the parent	**25**	**Ps. 739,003**	**Ps. 2,482,885**	**Ps. 3,297,736**
Net income attributable to non-controlling interests				
Net income for the period from continuing operations		1,438,113	2,114,072	1,862,010
Net income for the period from discontinued operations, net of tax	1.1	—	272,176	508,756
Non-controlling interests	**26**	**Ps. 1,438,113**	**Ps. 2,386,248**	**Ps. 2,370,766**
Net income for the year		**Ps. 2,177,116**	**Ps. 4,869,133**	**Ps. 5,668,502**
Net income per share basic and diluted (in Colombian pesos, see note 25)		**31.12**	**107.29**	**148.01**

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

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Grupo Aval Acciones y Valores S.A.
Consolidated Statement of Other Comprehensive Income
For the years ended December 31, 2023, 2022 and 2021
(Amounts expressed in millions of Colombian pesos)

	Notes		2023		2022		2021
Net income for the year		**Ps.**	**2,177,116**	**Ps.**	**4,869,133**	**Ps.**	**5,668,502**
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)		2,565,637
Hedging derivative instrument			—		4,051,499		(403,983)
Hedging non-derivative instrument			760,997		2,549,821		(1,198,919)
Cash flow hedges	10, 25.5		(35,923)		(2,396)		7,980
Foreign currency translation differences from unhedged foreign operations	25.5		(409,671)		1,356,213		(180,798)
Unrealized gains (losses) on securities at FVOCI							
Debt financial instruments	9, 25.5		1,795,666		(2,187,495)		(1,346,315)
Investments in associates and joint ventures	14, 25.5		(35,892)		81,730		(846)
Income tax expense	19, 25.5		(818,733)		(1,926,071)		1,089,263
			458,930		**(2,752,028)**		**532,019**
Items that will not be reclassified to profit or loss							
Transfer from owner-occupied property to investment property	25.5		(1,963)		461		4,718
Unrealized gains (losses) on equity securities at FVOCI	9.4, 25.5		156,383		(439,150)		(110,397)
Actuarial (losses) gains from defined benefit pension plans	22, 25.5		(56,324)		95,819		61,665
Income tax expense	19, 25.5		5,501		(67,977)		(35,246)
			103,597		**(410,847)**		**(79,260)**
Other comprehensive income, net of taxes	**25.5**	**Ps.**	**562,527**	**Ps.**	**(3,162,875)**	**Ps.**	**452,759**
Total comprehensive income, net of taxes		**Ps.**	**2,739,643**	**Ps.**	**1,706,258**	**Ps.**	**6,121,261**
Total comprehensive income for the year attributable to:							
Owners of the parent			1,341,349		219,138		3,552,905
Non-controlling interests			1,398,294		1,487,120		2,568,356
		Ps.	**2,739,643**	**Ps.**	**1,706,258**	**Ps.**	**6,121,261**

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

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Grupo Aval Acciones y Valores S.A.
Consolidated Statement of Changes in Equity
For the years ended December 31, 2023, 2022 and 2021
(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 January 1, 2021	**Ps. 22,281**	**Ps. 8,470,870**	**Ps. 11,302,134**	**Ps. 862,013**	**Ps. 20,657,298**	**Ps. 14,782,259**	**Ps. 35,439,557**
Issuance of shares	—	—	—	—	—	120	**120**
Dividends declared in cash (1)	—	—	(1,203,175)	—	**(1,203,175)**	(870,500)	**(2,073,675)**
Equity transactions	—	19,929	—	—	**19,929**	(19,929)	—
Preferred shares	—	—	(14,302)	—	**(14,302)**	(310)	**(14,612)**
Effect of realization	—	—	6,738	—	**6,738**	3,567	**10,305**
Other comprehensive income	—	—	—	255,169	**255,169**	197,590	**452,759**
Withholding Tax over dividends	—	—	(5,740)	—	**(5,740)**	(5,569)	**(11,309)**
Net income	—	—	3,297,736	—	**3,297,736**	2,370,766	**5,668,502**
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	—	—	(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	—	—	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

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Grupo Aval Acciones y Valores S.A.
Consolidated Statement of Cash Flows
For the years ended December 31, 2023, 2022 and 2021
(Amounts expressed in millions of Colombian pesos)

	Notes	2023	2022 [1]	2021 [1]
Cash flows from operating activities:				
Net income before income tax		Ps. 3,487,550	Ps. 6,274,371	Ps. 8,520,297
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	886,949
Amortization of intangible assets	28, 30	594,109	530,625	559,403
Impairment losses on loans and other accounts receivable	4.1.5, 28	4,802,074	3,179,476	4,551,160
Net interest income		(6,286,974)	(7,738,637)	(12,728,861)
Accrued dividends	30	(126,274)	(119,888)	(159,122)
Net gains on sales of non-current assets held for sale	30	(47,994)	(9,687)	(33,046)
Gain on sale of property plant and equipment for own-use		(344,742)	(140,229)	(23,436)
Loss on sale of investment property		22,177	17,305	9,964
Gain on biological assets		(10,467)	(13,041)	(34,635)
Valuations and interest from concession agreements		(3,916,465)	(5,136,704)	(4,158,048)
Foreign exchange losses (gains)	30	(2,253,925)	1,825,718	(87,235)
Profit of equity accounted on investments in associates and joint ventures	14, 30	(371,397)	(372,777)	(300,217)
Net (gains) or losses on fair value adjustments of:				
Derivatives	29	2,581,132	(1,529,855)	(798,187)
Non-current assets held for sale	13	268	76	3,874
Investment properties	15	(84,958)	(55,930)	(22,775)
Biological assets	15	(18,601)	(56,859)	(28,546)
Changes in operating assets and liabilities:				
Trading assets		(2,764,761)	545,497	696,846
Other accounts receivable		(975,734)	(2,376,815)	(617,745)
Derivatives		(2,091,326)	1,379,945	43,979
Other assets		(78,251)	121,837	(316,886)
Other liabilities and provisions		1,434,088	462,871	1,912,622
Employee benefits		(27,517)	7,928	(8,388)
Loans		(7,600,446)	(27,840,725)	(16,024,938)
Customer deposits		15,352,172	17,835,153	6,916,177
Interbank borrowings and overnight funds		5,881,960	(1,352,653)	3,218,258
Borrowings from development entities		(240,498)	408,018	(1,898)
Borrowings from banks and others		(3,864,609)	8,719,782	3,509,251
Interest received		**26,104,288**	**16,944,928**	**19,423,325**
Interest paid		**(21,529,719)**	**(10,608,415)**	**(7,091,527)**
Interest paid on leases		**(202,362)**	**(146,275)**	**(168,966)**
Income tax paid		**(1,974,359)**	**(1,537,039)**	**(1,746,019)**
Net cash provided (used in) operating activities		**Ps. 6,005,501**	**Ps. (222,124)**	**Ps. 5,901,630**

1 - See note 1.1, Information was not modified with respect to previous years.
The accompanying notes are an integral part of these Consolidated Financial Statements

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Grupo Aval Acciones y Valores S.A.
Consolidated Statement of Cash Flows
For the years ended December 31, 2023, 2022 and 2021, continued
(Amounts expressed in millions of Colombian pesos)

	Notes		2023		2022 (1)		2021 (1)
Cash flows from investing activities:							
Acquisition of property, plant and equipment for own use and operating lease	15	Ps.	(589,071)	Ps.	(519,368)	Ps.	(664,506)
Acquisition of investment property	15		(163)		(2,266)		(876)
Additions of cost of biological assets	15		(26,118)		(28,368)		(27,213)
Capitalization and payments in concession contracts			853,778		452,612		(994,639)
Additions of others intangibles assets			(683,457)		(598,177)		(569,920)
Acquisition of investments at FVOCI			(24,353,596)		(21,008,926)		(41,292,437)
Proceeds from sale of investments at FVOCI			25,675,840		23,492,758		35,457,164
Proceeds from sale of own property and equipment			76,699		72,991		76,726
Proceeds from sale of investment properties			111,542		76,306		67,463
Proceeds from sale of biological assets			37,144		40,624		58,083
Proceeds from sale of non-current assets held for sale			61,652		41,635		76,846
Purchases of financial assets at amortized cost			(8,016,108)		(6,914,604)		(5,743,019)
Redemptions of financial assets at amortized cost			8,219,792		6,403,372		6,589,962
Dividends received from investments			477,568		411,369		368,964
Acquisition of investments in associates	14		(2,433)		(7,267)		(4,539)
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)**	**Ps.**	**(6,601,941)**
Cash flows from financing activities:							
Dividends paid to shareholders	21.4		(766,537)		(414,267)		(1,230,841)
Dividends paid to non-controlling interest	21.4, 26		(915,933)		(615,177)		(913,356)
Issuance of debt securities	21.4		2,609,994		695,136		2,931,280
Payment of outstanding debt securities	21.4		(4,072,742)		(7,837,898)		(1,631,318)
Leases	21.4		(391,667)		(383,472)		(472,084)
Redemption of preferred shares	21.4		—		—		(29,751)
Equity transaction	21.4		—		(15,014)		120
Net cash used in financing activities			**(3,536,885)**		**(8,570,692)**		**(1,345,950)**
Effect of foreign currency changes on cash and cash equivalents			**(2,744,259)**		**3,588,921**		**4,663,555**
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)**		**2,617,294**
Cash and cash equivalents at beginning of year	**7**	**Ps.**	**17,032,857**	**Ps.**	**36,642,829**	**Ps.**	**34,025,535**
Cash and cash equivalents at end of year	**7**	**Ps.**	**18,597,861**	**Ps.**	**17,032,857**	**Ps.**	**36,642,829**

1. See note 1.1, information was not modified with respect to previous years.

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

(Amounts expressed in millions of Colombian pesos)

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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%

(*) Discontinued operations of BAC Holding Corp. (BAC Holding) (see note 1.1.)

(**) During September 2021, as part of the strategic reorganization that Banco de Bogotá and its subsidiaries have been carrying out, by transferring the control of MFG to Banco de Bogotá, through a new holding company established in Panama named Multi Financial Holding (MFH), whose only shareholder is Banco de Bogotá with a 100% stake. MFH received a 99.57% interest in MFG, becoming its direct parent. This transaction had no effect on the consolidated financial statements.

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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.

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.)

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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:

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.

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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%

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:

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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)

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)

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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**

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**

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		From January 1, to March 31, 2022
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**

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).

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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**
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**

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

	Spin-off From January 1, to March 31, 2022	Sale December 2022	Net 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)
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**

(Amounts expressed in millions of Colombian pesos)

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Impact on the cash flow report:

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

		December 31, 2022		December 31, 2021
Net gain discontinued operations, net of taxes	**Ps.**	**(866,166)**	**Ps.**	**(1,118,556)**
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		1,118,556
Loss on sale of investment and recognition of retained interest		(1,359,709)		-
Net cash provided by operating activities	**Ps.**	**-**	**Ps.**	**-**
Cash flows from investing activities:				
Loss of control in subsidiary	Ps.	(17,570,390)	Ps.	(18,963,992)
Proceeds from sale of investments in associates		2,645,914		-
Net cash by investing activities	**Ps.**	**(14,924,476)**	**Ps.**	**(18,963,992)**
Decrease in cash and cash equivalents	Ps.	(1,393,602)	Ps.	838,598
Decrease in cash and cash equivalents		(16,318,078)		(18,125,394)
Cash and cash equivalents at beginning of year	**Ps.**	**18,963,992**	**Ps.**	**18,125,394**
Cash and cash equivalents at end of year	**Ps.**	**2,645,914**	**Ps.**	**-**

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

The Consolidated Financial Statements of Grupo Aval have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Consolidated Financial Statements have been prepared on the basis of historical cost, except for financial assets at Fair Value Through Profit or Loss ("FVTPL"), at Fair Value Through Other Comprehensive Income ("FVOCI"), derivative financial instruments, investment properties, non-current assets held for sale and biological assets which are measured at fair value. Additionally, non-current assets held for sale are measured at the lower value of their carrying value at the time of transfer and fair value, minus estimated costs of disposal and employee benefits which are measured at the present value of the defined benefit obligation (see note 2.22).

The Consolidated Financial Statements were authorized for issuance by the Audit Committee on April 16, 2024.

The following are the main accounting policies applied in preparing the Consolidated Financial Statements of Grupo Aval as of December 31, 2023, 2022 and 2021.

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.

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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”.

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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.

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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.

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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

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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.

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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.

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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

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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

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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" under line "net gain (loss) on sale of debt 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)

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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".

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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.

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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;

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- 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.

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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.

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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.

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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.

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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.

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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

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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.

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- *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.

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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.

(Amounts expressed in millions of Colombian pesos)

(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.		
Lease Liability in Sale and Leaseback	Amendments to IFRS 16 Leases	January 1,2024
Classification of Liabilities as Current or Non-current	● Amendments to IAS 1 Presentation of Financial Statements	January 1,2024
Supplier Finance Arrangements	Amendments to IAS 7 and IFRS 7	January 1,2024
Lack of Exchangeability	Amendments to IAS 21	January 1,2025
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures	Available for optional adoption / effective date deferred indefinitely

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.

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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.

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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:

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- 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)

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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)

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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

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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.

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.

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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.

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**

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	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**

	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**

(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. 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**

	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**

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	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**

	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**

(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.	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 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**

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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).

	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).

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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).

	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).

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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**

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).

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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.

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.

(Amounts expressed in millions of Colombian pesos)

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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

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”.

(Amounts expressed in millions of Colombian pesos)

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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)

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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.

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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

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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.

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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%	8.00%	8.75%	9.25%
GDP Growth	0.60%	(0.53%)	1.29%	2.37%
Unemployment rate	10.00%	11.15%	10.44%	9.46%
DTF Interest rate	12.63%	8.64%	8.90%	9.36%

The following table presents one-year projections for Panama made in December 2022, compared to the official data for December 2023 for inflation and for the nominal interest rate variation and the GDP growth with the data for September 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%

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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%

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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.

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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.

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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.

(Amounts expressed in millions of Colombian pesos)

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

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)

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	December 31, 2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 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	As of December 31, 2021
Commercial	Ps. 203,061	Ps. 622,783	Ps. 1,468,182
Consumer	4,426,014	2,498,699	2,813,445
Mortgage	65,856	(25,202)	170,176
Microcredit	31,901	5,497	17,524
Interbank and overnight funds	(1,422)	(942)	1,535
Total loan portfolio	**Ps. 4,725,410**	**Ps. 3,100,835**	**Ps. 4,470,862**
Other receivables	76,664	78,641	80,298
Net portfolio provision impact on income statement [(1)]	**Ps. 4,802,074**	**Ps. 3,179,476**	**Ps. 4,551,160**

[(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) and as of December Ps. (51,064).

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)

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	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, 2021	**Ps. 1,760,076**	**Ps. 3,039,056**	**Ps. 6,106,039**	**Ps. 10,905,171**
Transfers:				
Transfer from stage 1 to stage 2	(202,725)	202,725	—	—
Transfer from stage 1 to stage 3	(61,953)	—	61,953	—
Transfer from stage 2 to stage 3	—	(811,072)	811,072	—
Transfer from stage 3 to stage 2	—	151,978	(151,978)	—
Transfer from stage 2 to stage 1	207,626	(207,626)	—	—
Transfer from stage 3 to stage 1	45,635	—	(45,635)	—
Net remeasurement of loss allowance (6)	(529,125)	560,032	2,616,359	2,647,266
New financial assets originated or purchased	926,752	274,290	510,673	1,711,715
Financial assets that have been derecognized	(441,892)	(335,489)	(409,840)	(1,187,221)
Unwind of discount (3)	—	1	440,451	440,452
FX and other movements	5,140	14,524	9,488	29,152

(Amounts expressed in millions of Colombian pesos)

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Discontinued operations [1]	(274,758)	583,619	990,241	1,299,102
Reclassification BAC [1] [2]	461,534	(570,239)	(915,249)	(1,023,954)
Write-offs	(71,864)	(198,682)	(3,275,525)	(3,546,071)
Loss allowance as of December 31, 2021	**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 [5]	(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 [3]	—	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)
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 [4]	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 [7]	(2,369)	(1,809)	(357,202)	(361,380)
Unwind of discount [3]	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) Correspond to reclassification for comparability of the movements of BAC Holding consider the deconsolidation of this entity during year 2022.
(3) 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)
(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, 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

(Amounts expressed in millions of Colombian pesos)

(5) 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)

(6) 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, 2021 versus parameters as of December 31,2020 and the loan portfolio as of December 31, 2021.

December 31, 2021							
Stage 1 12-month ECL		Stage 2 Lifetime ECL not credit-impaired		Stage 3 Lifetime ECL credit-impaired		Total	
Ps.	(73,359)	Ps.	588,507	Ps.	139,586	Ps.	654,734

(7) 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 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
Total portfolio as of January 1, 2021	**Ps. 167,489,648**	**Ps. 26,588,199**	**Ps. 12,369,318**	**Ps. 206,447,165**
Transfers:				
Transfer from stage 1 to stage 2	(10,995,706)	10,995,706	—	—
Transfer from stage 1 to stage 3	(1,463,566)	—	1,463,566	—
Transfer from stage 2 to stage 3	—	(3,879,203)	3,879,203	—
Transfer from stage 2 to stage 1	5,474,571	(5,474,571)	—	—
Transfer from stage 3 to stage 2	—	809,475	(809,475)	—
Transfer from stage 3 to stage 1	333,523	—	(333,523)	—
New financial assets originated or purchased	112,304,857	3,354,034	1,387,110	117,046,001
Financial assets that have been paid	(97,996,142)	(5,649,252)	(3,708,436)	(107,353,830)
Net remeasurement of amortized cost and other receivables	(2,094,986)	723	2,228,841	134,578
Write-offs	(71,864)	(198,682)	(3,275,525)	(3,546,071)
Discontinued operations (1)	5,034,757	866,278	308,754	6,209,789
Reclassification BAC (1) (2)	9,531,734	(1,103,917)	130,807	8,558,624
FX and other movements	3,272,295	589,783	215,103	4,077,181
Total portfolio as of December 31, 2021	**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

(Amounts expressed in millions of Colombian pesos)

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
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 (3)	(2,369)	(1,809)	(357,202)	(361,380)
Sale of loan portfolio-cash (3)	—	(694)	(112,766)	(113,460)
Gain or loss on sale portfolio (3)	—	(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) Correspond to reclassification for comparability of the movements of BAC Holding consider the deconsolidation of this entity during year 2022.
(3) 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:

(Amounts expressed in millions of Colombian pesos)

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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, 2021	**Ps. 656,830**	**Ps. 805,097**	**Ps. 3,818,479**	**Ps. 5,280,406**
Transfers:				
Transfer from stage 1 to stage 2	(46,649)	46,649	—	—
Transfer from stage 1 to stage 3	(8,714)	—	8,714	—
Transfer from stage 2 to stage 3	—	(210,321)	210,321	—
Transfer from stage 3 to stage 2	—	48,748	(48,748)	—
Transfer from stage 2 to stage 1	64,201	(64,201)	—	—
Transfer from stage 3 to stage 1	20,081	—	(20,081)	—
Net remeasurement of loss allowance (6)	(274,271)	275,616	1,050,553	1,051,898
New financial assets originated or purchased	403,839	137,181	280,899	821,919
Financial assets that have been derecognized	(196,873)	(105,018)	(347,386)	(649,277)
Unwind of discount (3)	—	—	291,393	291,393
FX and other movements	5,283	3,020	6,543	14,846
Discontinued operations (1)	(22,433)	99,910	166,165	243,642
Reclassification BAC (1) (2)	58,788	(24,946)	(148,509)	(114,667)
Write-offs	(4,427)	(4,913)	(1,076,075)	(1,085,415)
Loss allowance as of December 31, 2021	**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 (5)	(124,267)	(192,441)	1,129,665	812,957
New financial assets originated or purchased	392,719	137,383	317,361	847,463
Financial assets that have been derecognized	(213,019)	(109,718)	(714,900)	(1,037,637)
Unwind of discount (3)	—	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 (4)	(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 (3)	—	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) Correspond to reclassification for comparability of the movements of BAC Holding consider the deconsolidation of this entity during year 2022.
(3) 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)
(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, 2023 versus parameters as of 2022 and the loan portfolio as of 2023.

(Amounts expressed in millions of Colombian pesos)

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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)

(5) 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

(6) 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, 2021 versus parameters as of December 31,2020 and the loan portfolio as of December 31, 2021.

December 31, 2021			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. 26,567	Ps. 539,703	Ps. 85,264	Ps. 651,534

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
Total portfolio as of January 1, 2021	**Ps. 92,626,136**	**Ps. 9,843,700**	**Ps. 8,517,102**	**Ps. 110,986,938**
Transfers:				
Transfer from stage 1 to stage 2	(6,217,821)	6,217,821	—	—
Transfer from stage 1 to stage 3	(1,074,291)	—	1,074,291	—
Transfer from stage 2 to stage 3	—	(1,757,273)	1,757,273	—
Transfer from stage 2 to stage 1	2,585,939	(2,585,939)	—	—
Transfer from stage 3 to stage 2	—	499,834	(499,834)	—
Transfer from stage 3 to stage 1	189,944	—	(189,944)	—
New financial assets originated or purchased	64,413,391	1,819,955	779,974	67,013,320
Financial assets that have been paid	(60,721,302)	(2,836,505)	(2,475,498)	(66,033,305)
Net remeasurement of amortized cost and other receivables	(841,693)	(42,188)	1,210,120	326,239
Write-offs	(4,427)	(4,913)	(1,076,075)	(1,085,415)
Discontinued operations [1]	1,592,033	161,627	137,064	1,890,724
Reclassification BAC [1] [2]	5,333,890	236,162	(9,177)	5,560,875
FX and other movements	2,976,581	195,694	196,153	3,368,428
Total portfolio as of December 31, 2021	**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)	—	—
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

(Amounts expressed in millions of Colombian pesos)

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
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”
(2) Correspond to reclassification for comparability of the movements of BAC Holding consider the deconsolidation of this entity during year 2022.

Grupo Aval Acciones y Valores S.A.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2023, 2022 and 2021
(Amounts expressed in millions of Colombian pesos)

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, 2021	**Ps. 1,013,071**	**Ps. 1,948,030**	**Ps. 1,977,870**	**Ps. 4,938,971**
Transfers:				
Transfer from stage 1 to stage 2	(144,734)	144,734	—	—
Transfer from stage 1 to stage 3	(51,891)	—	51,891	—
Transfer from stage 2 to stage 3	—	(545,940)	545,940	—
Transfer from stage 3 to stage 2	—	89,458	(89,458)	—
Transfer from stage 2 to stage 1	126,680	(126,680)	—	—
Transfer from stage 3 to stage 1	18,283	—	(18,283)	—
Net remeasurement of loss allowance (6)	(233,642)	222,504	1,482,010	1,470,872
New financial assets originated or purchased	493,695	131,386	222,117	847,198
Financial assets that have been derecognized	(223,040)	(211,872)	(54,758)	(489,670)
Unwind of discount (3)	—	—	121,699	121,699
FX and other movements	(27)	6,989	2,564	9,526
Reclassification BAC (1) (2)	(212,651)	450,272	747,424	985,045
Entity desconsolidation	345,830	(528,905)	(735,990)	(919,065)
Write-offs	(65,031)	(183,875)	(2,134,666)	(2,383,572)
Loss allowance as of December 31, 2021	**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 (5)	(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 (3)	—	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	—
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 (4)	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 (3)	—	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) Correspond to reclassification for comparability of the movements of BAC Holding consider the deconsolidation of this entity during year 2022.
(3) 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)
(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, 2023 versus parameters as of 2022 and the loan portfolio as of 2023.

(Amounts expressed in millions of Colombian pesos)

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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

(5) 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)

(6) 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, 2021 versus parameters as of December 31,2020 and the loan portfolio as of December 31, 2021.

December 31, 2021			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. (97,455)	Ps. 56,801	Ps. 15,669	Ps. (24,985)

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
Total portfolio as of January 1, 2021	**Ps. 51,453,521**	**Ps. 11,382,726**	**Ps. 2,999,210**	**Ps. 65,835,457**
Transfers:				
Transfer from stage 1 to stage 2	(3,955,559)	3,955,559	—	—
Transfer from stage 1 to stage 3	(363,213)	—	363,213	—
Transfer from stage 2 to stage 3	—	(1,869,405)	1,869,405	—
Transfer from stage 2 to stage 1	2,193,145	(2,193,145)	—	—
Transfer from stage 3 to stage 2	—	252,599	(252,599)	—
Transfer from stage 3 to stage 1	102,385	—	(102,385)	—
New financial assets originated or purchased	41,759,298	1,448,809	595,885	43,803,992
Financial assets that have been paid	(32,129,847)	(2,570,086)	(1,102,267)	(35,802,200)
Net remeasurement of amortized cost and other receivables	(1,170,836)	15,274	921,205	(234,357)
Write-offs	(65,031)	(183,875)	(2,134,666)	(2,383,572)
Discontinued operations (1)	2,732,637	506,255	133,900	3,372,792
Reclassification BAC (1) (2)	3,256,691	(1,111,052)	(48,484)	2,097,155
FX and other movements	(1,451)	195,067	6,262	199,878
Total portfolio as of December 31, 2021	**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)

(Amounts expressed in millions of Colombian pesos)

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Net remeasurement of amortized cost and other receivables	(788,200)	69,133	681,170	(37,897)
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”
[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)

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, 2021	**Ps. 72,294**	**Ps. 225,889**	**Ps. 262,721**	**Ps. 560,904**
Transfers:				
Transfer from stage 1 to stage 2	(5,944)	5,944	—	—
Transfer from stage 1 to stage 3	(322)	—	322	—
Transfer from stage 2 to stage 3	—	(26,501)	26,501	—
Transfer from stage 3 to stage 2	—	10,387	(10,387)	—
Transfer from stage 2 to stage 1	14,441	(14,441)	—	—
Transfer from stage 3 to stage 1	6,819	—	(6,819)	—
Net remeasurement of loss allowance (6)	(7,201)	80,638	37,248	110,685
New financial assets originated or purchased	13,900	5,093	7,636	26,629
Financial assets that have been derecognized	(15,995)	(14,577)	(6,981)	(37,553)
Unwind of discount (3)	—	1	13,944	13,945
FX and other movements	(116)	4,515	381	4,780
Discontinued operations (1)	(39,674)	33,437	76,652	70,415
Reclassification BAC (1) (2)	56,916	(16,388)	(30,750)	9,778
Write-offs	(1,996)	(7,094)	(18,086)	(27,176)
Loss allowance as of December 31, 2021	**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 (5)	(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 (3)	—	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 (4)	(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)
Unwind of discount (3)	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) Correspond to reclassification for comparability of the movements of BAC Holding consider the deconsolidation of this entity during year 2022.
(3) 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)
(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, 2023 versus parameters as of 2022 and the loan portfolio as of 2023.

(Amounts expressed in millions of Colombian pesos)

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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

(5) 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)

(6) 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, 2021 versus parameters as of December 31,2020 and the loan portfolio as of December 31, 2021.

December 31, 2021							
Stage 1 12-month ECL		Stage 2 Lifetime ECL not credit-impaired		Stage 3 Lifetime ECL credit-impaired		Total	
Ps.	7,918	Ps.	(1,149)	Ps.	38,678	Ps.	45,447

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
Total portfolio as of January 1, 2021	**Ps. 18,537,882**	**Ps. 5,217,872**	**Ps. 803,017**	**Ps. 24,558,771**
Transfers:				
Transfer from stage 1 to stage 2	(773,274)	773,274	—	—
Transfer from stage 1 to stage 3	(18,990)	—	18,990	—
Transfer from stage 2 to stage 3	—	(164,767)	164,767	—
Transfer from stage 2 to stage 1	657,398	(657,398)	—	—
Transfer from stage 3 to stage 2	—	47,618	(47,618)	—
Transfer from stage 3 to stage 1	39,085	—	(39,085)	—
New financial assets originated or purchased	4,417,205	85,222	6,750	4,509,177
Financial assets that have been paid	(2,315,419)	(207,019)	(105,803)	(2,628,241)
Net remeasurement of amortized cost and other receivables	(99,596)	22,411	76,779	(406)
Write-offs	(1,996)	(7,094)	(18,086)	(27,176)
Discontinued operations [1]	708,558	198,396	37,790	944,744
Reclassification BAC [1] [2]	1,548,735	(229,027)	188,468	1,508,176
FX and other movements	43,561	199,022	12,688	255,271
Total portfolio as of December 31, 2021	**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)

(Amounts expressed in millions of Colombian pesos)

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
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)	—	—
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”
(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)

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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, 2021	**Ps. 17,089**	**Ps. 60,040**	**Ps. 46,910**	**Ps. 124,039**
Transfers:				
Transfer from stage 1 to stage 2	(5,398)	5,398	—	—
Transfer from stage 1 to stage 3	(1,026)	—	1,026	—
Transfer from stage 2 to stage 3	—	(28,310)	28,310	—
Transfer from stage 3 to stage 2	—	3,385	(3,385)	—
Transfer from stage 2 to stage 1	2,304	(2,304)	—	—
Transfer from stage 3 to stage 1	452	—	(452)	—
Net remeasurement of loss allowance (4)	(11,869)	(18,726)	46,548	15,953
New financial assets originated or purchased	9,648	630	21	10,299
Financial assets that have been derecognized	(4,050)	(4,022)	(656)	(8,728)
Unwind of discount (1)	—	—	13,415	13,415
Write-offs	(410)	(2,800)	(46,698)	(49,908)
Loss allowance as of December 31, 2021	**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.

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.

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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)

(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, 2021 versus parameters as of December 31,2020 and the loan portfolio as of December 31, 2021.

December 31, 2021			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. (10,466)	Ps. (6,848)	Ps. (25)	Ps. (17,339)

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
Total portfolio as of January 1, 2021	**Ps. 178,570**	**Ps. 143,901**	**Ps. 49,850**	**Ps. 372,321**
Transfers:				
Transfer from stage 1 to stage 2	(49,052)	49,052	—	—
Transfer from stage 1 to stage 3	(7,072)	—	7,072	—
Transfer from stage 2 to stage 3	—	(87,758)	87,758	—
Transfer from stage 2 to stage 1	38,089	(38,089)	—	—
Transfer from stage 3 to stage 2	—	9,424	(9,424)	—
Transfer from stage 3 to stage 1	2,109	—	(2,109)	—
New financial assets originated or purchased	183,192	48	4,501	187,741
Financial assets that have been paid	(158,470)	(35,642)	(24,868)	(218,980)
Net remeasurement of amortized cost and other receivables	463	5,226	20,876	26,565
Write-offs	(410)	(2,800)	(46,698)	(49,908)
Total portfolio as of December 31, 2021	**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)

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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, 2021	**Ps. 792**	**Ps. —**	**Ps. 59**	**Ps. 851**
Net remeasurement of loss allowance [3]	(2,142)			(2,142)
New financial assets originated or purchased	5,670			5,670
Financial assets that have been derecognized	(1,934)		(59)	(1,993)
Write-offs	—	—	—	—
Loss allowance as of December 31, 2021	**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)

(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, 2021 versus parameters as of December 31,2020 and the loan portfolio as of December 31, 2021.

December 31, 2021			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. 77	Ps. —	Ps. —	Ps. 77

(Amounts expressed in millions of Colombian pesos)

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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
Total portfolio as of January 1, 2021	**Ps. 4,693,539**	**Ps. —**	**Ps. 139**	**Ps. 4,693,678**
New financial assets originated or purchased	1,531,771	—	—	1,531,771
Financial assets that have been paid	(2,671,104)	—	—	(2,671,104)
Net remeasurement of amortized cost and other receivables	16,676	—	(139)	16,537
Discontinued operations [1]	1,529	—	—	1,529
Reclassification BAC [1] [2]	(607,582)	—	—	(607,582)
FX and other movements	253,604	—	—	253,604
Total portfolio as of December 31, 2021	**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"
[2] Correspond to reclassification for comparability of the movements of BAC Holding consider the deconsolidation of this entity during year 2022.

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 as of January 1, 2021	**Ps. 96,307**	**Ps. 179**	**Ps. —**	**Ps. 96,486**
Net remeasurement of loss allowance [5]	(1,829)	—	—	(1,829)
New financial assets originated or purchased	7,809	—	—	7,809
Financial assets that have been derecognized	(8,948)	2	—	(8,946)
Discontinued operations [1]	16,821	(180)	—	16,641
Reclassification BAC [1] [2]	12,702	1	—	12,703
FX and other movements	1,116	(2)	—	1,114
Loss allowance balance as of December 31, 2021	**Ps. 123,978**	**Ps. —**	**Ps. —**	**Ps. 123,978**
Net remeasurement of loss allowance [3]	(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 [3]	(892)	—	—	(892)
New financial assets originated or purchased	6,470	—	—	6,470
Financial assets that have been derecognized	(4,342)	—	—	(4,342)

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
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) Correspond to reclassification for comparability of the movements of BAC Holding consider the deconsolidation of this entity during year 2022.

(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 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)

(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 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)

(5) 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, 2021 versus parameters as of December 31, 2020 and the investments portfolio as of December 31, 2021.

December 31, 2021			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. (12,852)	Ps. —	Ps. —	Ps. (12,852)

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 balance as of January 1, 2021	**Ps. 7,188**	**Ps. 7**	**Ps. —**	**Ps. 7,195**
Transfer from stage 1 to stage 2	(1,796)	1,796	—	—
Net remeasurement of loss allowance (4)	(2,443)	4,069	—	1,626
New financial assets originated or purchased	2,179	1,443	—	3,622
Financial assets that have been derecognized	(1,622)	—	—	(1,622)
Discontinued operations (1)	(1,087)	5	—	(1,082)
Reclassification BAC (1) (2)	(417)	(5)	—	(422)
FX and other movements	1,295	86	—	1,381
Loss allowance as of December 31, 2021	**Ps. 3,297**	**Ps. 7,401**	**Ps. —**	**Ps. 10,698**
Net remeasurement of loss allowance (3)	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)

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
FX and other movements	4,910	1,509	—	6,419
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 (3)	(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) Correspond to reclassification for comparability of the movements of BAC Holding consider the deconsolidation of this entity during year 2022.

(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 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

(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 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)

(5) 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, 2021 versus parameters as of December 31, 2020 and the investments portfolio as of December 31, 2021.

December 31, 2021			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. (225)	Ps. —	Ps. —	Ps. (225)

(Amounts expressed in millions of Colombian pesos)

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, 2021	**Ps. 18,136**	**Ps. 13,548**	**Ps. 107,471**	**Ps. 139,155**
Net remeasurement of loss allowance	2,378	2,865	41,515	46,758
FX and other movements	(49)	358	1,223	1,532
Write-offs	(1,526)	—	(20,760)	(22,286)
Loss allowance as of December 31, 2021	**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**

Simplified approach

	Loss allowance
Loss allowance as of January 1, 2021	**Ps. 203,902**
Reclassification BAC [(1)(2)]	(1,157)
Discontinued operations [(1)]	8,659
Provision charged to profit or loss	30,039
Recovery of partial payments from the clients	(5,157)
Write-offs	(25,951)
Exchange gains (losses) in foreign currency	7,308
Transfer from general approach to simplified approach	—
Loss allowance as of December 31, 2021	**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"
(2) Correspond to reclassification for comparability of the movements of BAC Holding consider the deconsolidation of this entity during year 2022.

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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, 2021	**Ps. 57,226**	**Ps. 8,679**	**Ps. 1,488**	**Ps. 67,393**
Transfers:				
Transfer from stage 1 to stage 2	(1,260)	1,260	—	—
Transfer from stage 1 to stage 3	(132)	—	132	—
Transfer from stage 2 to stage 3	—	(169)	169	—
Transfer from stage 3 to stage 2	—	36	(36)	—
Transfer from stage 2 to stage 1	4,585	(4,585)	—	—
Transfer from stage 3 to stage 1	84	—	(84)	—
Net remeasurement of loss allowance	(26,378)	830	(4,755)	(30,303)
New loan commitments and financial guarantees issued	12,057	4,025	4,924	21,006
FX and other movements	(264)	—	1	(263)
Discontinued operations [1]	(290)	(8)	4,138	3,840
Reclassification BAC [1] [2]	288	29	51	368
Loss allowance as of December 31, 2021	**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”
[2] Correspond to reclassification for comparability of the movements of BAC Holding consider the deconsolidation of this entity during year 2022.

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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 %**

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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.

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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**

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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:

In Colombian Pesos		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
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**

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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 %**

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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)

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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.

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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.

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)**

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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)**

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.

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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.

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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.

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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.

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.	759,624	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	185		147,685	116
Corficolombiana S.A. (1)		240,068	519		190,534	484
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

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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.

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
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
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
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
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.

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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.

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

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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.

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:

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Grupo Aval Acciones y Valores S.A.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2023, 2022 and 2021
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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.

(Amounts expressed in millions of Colombian pesos)

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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.

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:

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Grupo Aval Acciones y Valores S.A.
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For the years ended December 31, 2023, 2022 and 2021
(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**

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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.

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). 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**

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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,”

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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.

- 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).

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(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.

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.

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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)

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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.

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Grupo Aval's financial subsidiaries

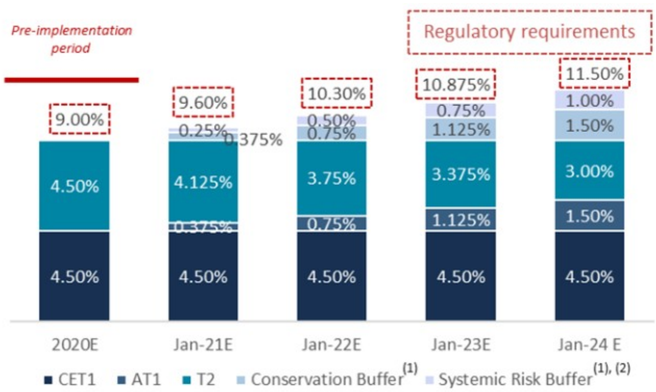
Decree 2555 of 2010 (as modified by Decree 1771 of 2012, Decree 1648 of 2014, Decree 2392 of 2015, Decrees 1477 of 2018 and 1421 of 2019) sets forth capital adequacy requirements for Colombian credit institutions. Starting on January 1, 2021, technical capital for Colombian credit institutions consisted 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

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conservative approach that encourages excess capitalization. Capital allocation decisions also considers each subsidiary's long-term strategic objectives.

The agreement detailed on Note 1 "Reporting Entity" Banco Popular S.A section, 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 At December 31,		Consolidated basis 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 (1)	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 (2)	**18.59%**	**17.03%**	**15.37%**	**13.08%**
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%**

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(1) 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.
(2) 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 At December 31, 2023	Separate basis At December 31, 2022	Consolidated basis At December 31, 2023	Consolidated basis At December 31, 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 (1)	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 (2)	**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. Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.
(2) Solvency ratio is calculated as technical capital to risk-weighted assets, including regulatory value at risk and regulatory operational risk.

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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 (1)	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 (2)	**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. Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.

(2) Solvency ratio is calculated as technical capital to risk-weighted assets, including regulatory value at risk and regulatory operational risk.

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Banco Popular S.A.

	Separate basis At December 31,		Consolidated basis 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 (1)	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 (2)	**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. Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.

(2) Solvency ratio is calculated as technical capital to risk-weighted assets, including regulatory value at risk and regulatory operational risk.

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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 At December 31,		Consolidated basis 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 (1)	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 (2)	**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. Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.

(2) 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 (1)		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

(Amounts expressed in millions of Colombian pesos)

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	Level 1	Level 2	Level 3	Total
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**
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

(Amounts expressed in millions of Colombian pesos)

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	Level 1	Level 2	Level 3	Total
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
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)

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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 (*)								

(Amounts expressed in millions of Colombian pesos)

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	December 31, 2023			
	Level 1	Level 2	Level 3	Total
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**

(*) 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.

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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	Theoretical price / estimated price(1)
	Market approach	Average price / market price(2)
Securities issued or secured by other Colombian Government entities	Income approach	Theoretical price / estimated price(1) Yield and margin
	Market approach	Average price / market price(2)
In Foreign Currency		
Securities issued or secured by the Colombian Government	Income approach	Theoretical price / estimated price(1)
	Market approach	Average price / market price(2)
Securities issued or secured by foreign Governments	Income approach	Discounted cash flows using yields from similar securities outstanding
	Market approach	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	Theoretical price / estimated price(1) Discounted cash flows using yields from similar securities outstanding
	Market approach	Bloomberg Generic Market price(2)
Securities issued or secured by non-financial sector entities	Income approach	Theoretical price / estimated price(1) Discounted cash flows using yields from similar securities outstanding
	Market approach	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	Discounted cash flow FWD points, discount rates of different currencies and Spot exchange rates Cash exchange rate and interest rate US$ and CRC
	Market approach	TRM, curves and market price(2)
Debt securities forward	Income approach	Discounted cash flow
Interest rate swap Cross currency swap	Income approach	Discounted cash flow
	Market approach	IBR and fixed rate

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ASSETS AND LIABILITIES	Valuation technique Level 2	Significant inputs
Currency options	Income approach	Discounted cash flow Black&Sholes&Merton model
	Market approach	TRM, delta rates interest
Hedging derivatives		
Currency forward	Income approach	Discounted cash flow
	Market approach	TRM, curves
Interest rate swap	Income approach	Discounted cash flow
	Market approach	IBR, Fixed and SORF 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		
In Colombian Pesos		
Others	Income approach	Yield and margin
In Foreign Currency		
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	- Growth in values after 5 years - Income - Discount interest rates - Gradient
	Comparable Multiples	- 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

(Amounts expressed in millions of Colombian pesos)

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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.

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)**

The following table includes a sensitivity analysis of main equity securities amounting to Ps. 55,027 as of December 31, 2022 classified at FVOCI level 3.

Methods and Variables	**Variation**		**Favorable impact**		**Unfavorable impact**
Comparable multiples / Recent transaction price					
EBITDA Number of times	+/-1 x	Ps.	5,039	Ps.	(5,043)
Adjusted discounted cash flow					
Growth in residual values after 5 years	+/-1%		250		(217)
	+/- 30 pb		305		(267)
Income	+/-1%		1,790		(1,680)
Discount interest rates	+/- 50 pb		1,078		(976)
		Ps.	**8,462**	**Ps.**	**(8,183)**

(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)**

(Amounts expressed in millions of Colombian pesos)

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The following table includes a sensitivity analysis of main equity securities amounting Ps. 1,602,297 Includes investments in the Nexus Real Estate Capital Funds as of December 31, 2022, classified at FVTPL level 3:

	Scenario 1		Scenario 2	
Sensitivity impacts	Ps.	17,951	Ps.	(29,162)
	Ps.	**17,951**	**Ps.**	**(29,162)**

	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

(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

(Amounts expressed in millions of Colombian pesos)

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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:

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.

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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**

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, 2021	**Ps. 95,349**	**Ps. 1,159,963**	**Ps. 2,958,385**	**Ps. 122,675**	**Ps. 808,556**
Changes in fair value recognised in profit or loss (3)	4,222	173,954	270,095	28,546	22,775
Changes in fair value recognised in OCI	85,096	(6,431)	—	—	7,991
Transfers to/from non-current assets held for sale	—	—	—	—	22,847
Reclassifications	—	—	—	—	4,490
Effect of movements in exchange rates	—	—	—	—	2,964
Additions	—	3,553	—	27,213	77,157
Sales / redemptions	(95,846)	(15,665)	—	(23,448)	(93,845)
Discontinued operations [1]	—	3,403	—	—	—
Reclassification BAC [1] [2]	—	(47)	—	—	—
Transfers from level 2 to level 3	—	73,859	—	—	—
Transfers from level 3 to level 2	—	(35,425)	—	—	—
December 31, 2021	**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 [3]	(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 [3]	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[4]	—	830,718	—	26,118	56,307
Sales / redemptions[5]	—	(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**

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(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) Included in a) debt and equity securities in "Net trading income" – "Trading investment 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.
(4) 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.
(5) 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				
Net 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.

(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.

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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**

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.

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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 as of December 31, 2023 and 2022, respectively.

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**

(Amounts expressed in millions of Colombian pesos)

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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]		4,079,070		3,855,604
Pension and severance funds [2]		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) 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.

(2) 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.

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.

(Amounts expressed in millions of Colombian pesos)

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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**

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**

(Amounts expressed in millions of Colombian pesos)

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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		(104,012)		(135,465)
ECL allowance		1,236		3,678
Total reclassified to profit or loss	**Ps.**	**(102,775)**	**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**

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**

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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.	585,352	Ps.	121,017	Ps.	(33,137)	Ps.	673,232
In foreign currency								
Corporate stock		9,227		440,562		(5,672)		444,117
Total equity securities	**Ps.**	**594,579**	**Ps.**	**561,579**	**Ps.**	**(38,809)**	**Ps.**	**1,117,349**

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.

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**

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(*) 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, 2023 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, 2021	3,981.16	548.66
December 31, 2022	4,810.20	829.04
December 31, 2023	3,822.05	(988.15)

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:

December 31, 2023

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)**

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December 31, 2022

Investment	Hedged Item	Hedging non-derivative instrument	Hedging derivative instrument	Net OCI account
Multi Financial Holding and BAC Holding	Ps. (6,991,093)	Ps. 2,756,328	Ps. 4,048,523	Ps. (186,242)
Other subsidiaries and branches Banco de Bogotá	105,255	(3,470)	2,976	104,761
Occidental Bank Barbados Ltd.	23,104	(23,104)	—	—
Banco de Occidente (Panamá) S.A.	26,838	(26,838)	—	—
Sociedad Portuaria El Cayao S.A. E.S.P.	21,903	(21,903)	—	—
Gases del Pacífico S.A.C.	26,391	(18,919)	—	7,472
Gas Natural de Lima y Callao S.A.C. – Calidda	90,633	(90,633)	—	—
Promigas Perú S.A.C.	3,996	(3,996)	—	—
Gases del Norte del Perú S.A.C.	17,639	(17,639)	—	—
Promigas Panamá Corporation	5	(5)	—	—
Total	**Ps. (6,675,329)**	**Ps. 2,549,821**	**Ps. 4,051,499**	**Ps. (74,009)**

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.

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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, 2022 and 2021 is as follows:

	December 31, 2023	**December 31, 2022**	**December 31, 2021**
Balance at the beginning of the year	**Ps. 5,542**	**Ps. 7,938**	**Ps. (42)**
Changes in the fair value FwD - Future transactions	(26,203)	6,995	(8,879)
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)	16,859
Balance at the end of the year	**Ps. (30,381)**	**Ps. 5,542**	**Ps. 7,938**

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.

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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	420,670	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 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 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	17	—

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

Fair value hedges		Notional amount		Carrying amount Assets		Carrying amount 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

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December 31, 2022

Fair value hedges		Notional amount		Carrying amount Assets		Carrying amount Liabilities
Hedging instruments						
Interest rate Swap	Ps.	235,000	Ps.	1,228	Ps.	—
Items designated hedged						
Time Deposits issued		235,000		—		1,242

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.	(61,905)
Banco de Occidente		116		(1,428)
Total	**Ps.**	**79,980**	**Ps.**	**(63,333)**

(1) See note 21.3 “Interest expense”.

(Amounts expressed in millions of Colombian pesos)

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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 2023, 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 instrument, 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)

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10.5 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:

Item	December 31, 2023 Assets	December 31, 2023 Liabilities	December 31, 2022 Assets	December 31, 2022 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.

(Amounts expressed in millions of Colombian pesos)

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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**

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	December 31, 2021(1)
Commercial – Client portfolio	Ps. 14,497,926	Ps. 8,608,592	Ps. 4,698,563
Consumer	9,208,508	7,048,747	5,890,691
Mortgage	1,687,962	1,349,898	1,080,022
Microcredit	71,352	64,582	77,880
Repos, interbank loans portfolio	1,068,367	487,697	134,988
Total interest income	**Ps. 26,534,115**	**Ps. 17,559,516**	**Ps. 11,882,144**

(1) Comparative information has been re-presented due to a discontinued operation disclosed in Note 1.1.

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)**

(Amounts expressed in millions of Colombian pesos)

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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.

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)

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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 compensations		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, 2022 and 2021 is as follows:

		December 31, 2023		**December 31, 2022**		**December 31, 2021**
Balance at the beginning of the year	**Ps.**	**92,830**	**Ps.**	**208,426**	**Ps.**	**240,412**
Additions		72,466		74,812		137,710
Assets sold, net (1)		(118,808)		(51,863)		(60,747)
Increase / decrease by changes in fair value		(268)		(76)		(3,780)
Reclassifications (2)		62,058		(88,609)		(135,643)
Effect of movements in exchange rates		(7,094)		13,960		(8,310)
Loss of control in subsidiary (3)		—		(72,014)		—
Discontinued operations (3)(4)		—		8,194		(94)
Balance at year end	**Ps.**	**101,184**	**Ps.**	**92,830**	**Ps.**	**208,426**

(1) From the leaseback operation with the NEXUS Real Estate Capital Funds includes withdrawals for December 31, 2023 by Ps. (79,546), for December 31, 2022 by Ps. (15,179) and for December 31, 2021 by Ps. (32,365).
(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 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 and for December 31, 2021 reclassifications to: i) to investment properties by Ps. (22,847), ii) to other assets by Ps. (111,442); iii) from Properties, plant and equipment for own use Ps. 1,074; iv) to concession arrangements by Ps. (2,516) and v) from Right-of-use assets by Ps. 102.
(3) See note 1.1 "Discontinued operations of BAC Holding"
(4) 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)

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 non-current assets held for sale	**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**

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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.

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A roll-forward of investments in associates and joint ventures accounts is shown below for the years ended December 31, 2023, 2022 and 2021:

Associates

	December 31, 2023	December 31, 2022	December 31, 2021
Balance at the beginning of the year	Ps. **1,419,296**	Ps. **1,170,435**	Ps. **1,029,243**
Acquisitions	2,433	7,267	4,539
Participation in the profit or loss of the period	373,402	371,127	298,705
Participation in Other Comprehensive Income	(35,892)	81,730	(846)
Dividends declared	(363,466)	(301,895)	(225,844)
Liquidated entity	(282)	—	—
Exchange difference	(106,850)	90,632	63,654
Realization of Other Comprehensive Income	—	—	1,059
Dilution effect	—	—	(75)
Year-end balance	Ps. **1,288,641**	Ps. **1,419,296**	Ps. **1,170,435**

Joint ventures

	December 31, 2023	December 31, 2022	December 31, 2021
Balance at the beginning of the year	Ps. **4,047**	Ps. **2,394**	Ps. **79**
Participation in the period profit or loss	(2,005)	1,650	1,512
Dividends received	—	—	(70)
Acquisitions	—	3	—
Exchange difference	—	—	873
Year-end balance	Ps. **2,042**	Ps. **4,047**	Ps. **2,394**

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**

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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, 2022 and 2021 is as follows:

	For own use (1)	Right-of-use assets	Investment properties (2)	Given in operating leases	Biological assets	Total
Cost						
Balance as of January 1, 2021	**Ps. 9,718,210**	**Ps. 2,721,904**	**Ps. 808,556**	**Ps. 16,105**	**Ps. 122,675**	**Ps. 13,387,450**
Increase / (decrease) due to changes in the lease variables	—	45,650	—	—	—	45,650
Purchases or capitalized expenses (3)	368,570	173,793	77,157	34,306	27,213	681,039
Withdrawals / Sales	(224,241)	(175,139)	(93,845)	—	(23,448)	(516,673)
Changes in fair value	—	—	22,775	—	28,546	51,321
Revaluation of investment properties	—	—	7,991	—	—	7,991
Transfers to/from non-current assets held for sale	(1,861)	—	22,847	—	—	20,986
Reclassification BAC (4)(5)	503,724	44,454	—	—	—	548,178
Discontinued operations (4)	(16,779)	—	—	—	—	(16,779)
Effect of movements in exchange rates	74,598	17,978	2,964	—	—	95,540
Reclassifications	(36,864)	11,162	4,490	(2,208)	—	(23,420)

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	For own use (1)	Right-of-use assets	Investment properties (2)	Given in operating leases	Biological assets	Total
Balance as of December 31, 2021	**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 (6)	(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 (4)	(3,071,270)	(928,279)	—	—	—	(3,999,549)
Discontinued operations (4)	(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
Purchases or capitalized expenses (3)	561,009	236,652	56,307	30,587	26,118	910,673
Withdrawals / Sales (6)	(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 January 1, 2021	**Ps. (3,715,017)**	**Ps. (686,385)**	**Ps. —**	**Ps. (7,110)**	**Ps. —**	**(4,408,512)**
Depreciation of the year charged against profit or loss	(321,527)	(225,195)	—	(5,077)	—	(551,799)
Withdrawals / Sales	117,844	107,225	—	—	—	225,069
Transfers to/from non-current assets held for sale	733	—	—	—	—	733
Reclassification BAC (4)(5)	(91,640)	(4,635)	—	—	—	(96,275)
Discontinued operations (4)	(203,847)	(116,023)	—	—	—	(319,870)
Effect of movements in exchange rates	(10,488)	(1,120)	—	—	—	(11,608)
Reclassification	(1,667)	(13,273)	—	2,208	—	(12,732)
Balance December 31, 2021	**Ps. (4,225,609)**	**Ps. (939,406)**	**Ps. —**	**Ps. (9,979)**	**Ps. —**	**(5,174,994)**
Depreciation of the year charged against profit or loss	(308,642)	(236,587)	—	(14,646)	—	(559,875)
Withdrawals / Sales (6)	183,180	84,643	—	—	—	267,823
Transfers to/from non-current assets held for sale	3,638	—	—	—	—	3,638
Loss of control in subsidiary (4)	1,679,433	370,917	—	—	—	2,050,350
Discontinued operations (4)	(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. —**	**(3,505,547)**
Depreciation of the year charged against profit or loss	(289,999)	(248,488)	—	(18,575)	—	(557,062)
Withdrawals / Sales (6)	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, 2021	**Ps. (4,902)**	**Ps. —**	**Ps. —**	**Ps. (84)**	**Ps. —**	**Ps. (4,986)**
Year impairment charge	(674)	—	—	(72)	—	(746)
Transfers to/from non-current assets held for sale	54	—	—	—	—	54
Reclassification	(58)	—	—	—	—	(58)
Balance as of December 31, 2021	**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)**

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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, 2021	**Ps. 6,154,168**	**Ps. 1,900,396**	**Ps. 852,935**	**Ps. 38,068**	**Ps. 154,986**	**Ps. 9,100,553**
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; Ps. 64,429 at December 31, 2022 and Ps. 75,788 at December 31, 2021. Includes at December 31, 2022 Ps. 5,652 by the recognition a new investment property in Corficolombiana and Ps. 493 at December 31, 2021 in Banco de Occidente.
(3) The amount of purchases for own use assets include: (i) Capitalized expenses at December 31, 2023 for Ps. 802, at December 31, 2022 for Ps. 2,113 and at December 31, 2021 for Ps. 6,152; (ii) Dismantling cost at December 31, 2023 for Ps. 1,723, at December 31, 2022 for Ps. 666, and at December 2021 for Ps. 1,189; 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) For 2021 and 2022, 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).
(5) Correspond to reclassification for comparability of the movements of BAC Holding consider the deconsolidation of this entity during year 2022.
(6) 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 31, 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).

15.1. Tangible assets for own use

The following tables shows the balance as of 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.

(Amounts expressed in millions of Colombian pesos)

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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**

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, 2022 and 2021 in relation to investments properties:

		December 31, 2023		December 31, 2022		December 31, 2021
Income from rents	Ps.	9,618	Ps.	11,930	Ps.	7,862
Direct operating expenses deriving from property investments which create income from rent		(1,294)		(919)		(1,793)
Direct operating expenses deriving from property investments which do not create income from rent		(13,733)		(6,852)		(5,292)
	Ps.	**(5,409)**	**Ps.**	**4,159**	**Ps.**	**777**

(Amounts expressed in millions of Colombian pesos)

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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) As of December 31, 2023 and 2022, the balance of the financial asset at amortized cost includes an impairment expense of Ps. (223); Ps. (1,220) and Ps. (3,050) respectively, see note 16.1.
(2) See note 12.1, "Contract assets".

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, 2022 and 2021:

	Gas and Energy						Infrastructure			
		At fair value		At amortized cost		Total		At amortized cost		Total
Balance as of January 1, 2021	**Ps.**	**2,958,385**	**Ps.**	**—**	**Ps.**	**2,958,385**	**Ps.**	**6,769,123**	**Ps.**	**9,727,508**
Additions or new concession arrangements (1)		—		—		—		2,613,987		2,613,987
Collections during the year		—		—		—		(273,665)		(273,665)
Adjustment to fair value		270,095		—		270,095		—		270,095
Accrued interest		—		—		—		746,657		746,657
Impairment expense		—		—		—		(3,050)		(3,050)
Balance as of December 31, 2021	**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; as of December 31, 2022 Ps. 1,043,138 and Ps. 621,988 respectively and as of December 31, 2021 Ps. 1,264,543 and Ps. 1,306,580 respectively.

(Amounts expressed in millions of Colombian pesos)

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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, 2022 and 2021:

Cost		**Gas and energy**		**Infrastructure**		**Total**
Balance as of January 1, 2021	**Ps.**	**4,654,890**	**Ps.**	**5,495,855**	**Ps.**	**10,150,745**
Additions (1)		982,508		922,203		1,904,711
Reclassification to / from PPE		20,301		—		20,301
Transfer to non-current assets held for sale		2,516		—		2,516
Withdrawals		(5,104)		—		(5,104)
Effect of movements in exchange rates		238,721		—		238,721
Balance as of December 31, 2021	**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, 2021	**Ps.**	**(821,017)**	**Ps.**	**(136,926)**	**Ps.**	**(957,943)**
Amortization of the year		(222,894)		(9,921)		(232,815)
Reclassification to / from PPE		45		—		45
Withdrawals		1,236		—		1,236
Effect of movements in exchange rates		(12,895)		—		(12,895)
Balance as of December 31, 2021	**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, 2021	**Ps.**	**(2,296)**	**Ps.**	**(2,942)**	**Ps.**	**(5,238)**
Period impairment charge		(4,850)		(1,314)		(6,164)
Balance as of December 31, 2021	**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)**
Total Intangible Assets		**Gas and energy**		**Infrastructure**		**Total**
Balance as of January 1, 2021	**Ps.**	**3,831,577**	**Ps.**	**5,355,987**	**Ps.**	**9,187,564**
Cost		1,238,942		922,203		2,161,145
Amortization		(234,508)		(9,921)		(244,429)
Impairment loss		(4,850)		(1,314)		(6,164)
Balance as of December 31, 2021 (2)	**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**

(Amounts expressed in millions of Colombian pesos)

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(1) Gas and Energy, includes borrowing costs capitalized for Ps. 31,672 as of December 31, 2023; Ps. 26,134 as of December 31, 2022 and Ps. 13,856 as of December 31, 2021 with a capitalized interest rate (weighted average) of 12.17%, 8.98% and 5.39% 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; Ps. 7,136,073 and Ps. 193,627 as of December 31, 2022 respectively; and Ps. 6,266,955 and Ps. 669,540 as of December 31, 2021 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
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

(Amounts expressed in millions of Colombian pesos)

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Concession Owner	Recognition	Business and country	Objective	Current stage	Contract date	Year of construction start	% progress of construction		Concession end date
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 2023 has an advance of 54.33%.

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. (35,995) in 2023 and 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.

(Amounts expressed in millions of Colombian pesos)

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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.

	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.

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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.

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.

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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.

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.

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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.

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.

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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.

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.

(Amounts expressed in millions of Colombian pesos)

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NOTE 18 – OTHER INTANGIBLE ASSETS

The following table shows the movements of the other intangible assets during years ended on December 31, 2023, 2022 and 2021:

	Internally generated		Separate	
	Developing	In use	acquisition	Total
Balance as of January 1, 2021	**Ps. 473,204**	**Ps. 227,555**	**Ps. 922,911**	**Ps. 1,623,670**
Capitalizations / Acquisitions / Purchases	376,344	—	106,184	482,528
Amortization	—	(44,916)	(192,712)	(237,628)
Impairment loss	—	—	(3,000)	(3,000)
Transfers	(290,425)	197,235	93,190	—
Withdrawals	(9,962)	(918)	(7,826)	(18,706)
Discontinued operations (1)	13,538	—	(90,873)	(77,335)
Reclassification BAC (2)	—	—	93,639	93,639
Effect of movements in exchange rates	562	—	22,312	22,874
Balance as of December 31, 2021	**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 (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	—
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.

(Amounts expressed in millions of Colombian pesos)

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NOTE 19 – INCOME TAX

19.1 Components of the income tax expense:

The income tax expense for the years ended on December 31, 2023, 2022 and 2021 comprises the following:

		December 31, 2023		December 31, 2022		December 31, 2021
Current period income tax	Ps.	1,017,411	Ps.	822,758	Ps.	1,075,407
Income tax surcharge		27,627		15,625		60,730
Subtotal current period taxes	**Ps.**	**1,045,038**	**Ps.**	**838,383**	**Ps.**	**1,136,137**
Prior years adjustments		(20,491)		(35,553)		(102,937)
Adjustment due to settlement of uncertain tax positions from prior years		(772)		(6,802)		(933)
Deferred taxes						
Deferred taxes current period		286,824		1,467,519		1,256,588
Deferred taxes - Prior years adjustments		(165)		7,857		34,573
Subtotal deferred taxes	**Ps.**	**286,659**	**Ps.**	**1,475,376**	**Ps.**	**1,291,161**
Total continued operations	**Ps.**	**1,310,434**	**Ps.**	**2,271,404**	**Ps.**	**2,323,428**

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, 2022 and 2021, 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 and 31% plus an income tax surcharge of 3% applicable to financial institutions in 2021.

- 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 and 2021.

- 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 and 2021, 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.

- 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

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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, 2022 and 2021:

	Years ended on:		
	December 31, 2023	**December 31, 2022**	**December 31, 2021**
Profit before income tax	Ps. 3,487,550	Ps. 6,274,371	Ps. 6,364,618
Enacted tax rate in Colombia	40 %	38 %	34 %
Theoretical income tax expense	1,395,020	2,384,261	2,163,970
Nondeductible expenses	872,723	465,986	378,301
Tax losses considered non recoverable for income tax purpose (1)	71,741	192,470	9,480
Presumptive income considered non recoverable for income tax purpose	(23)	(7,666)	(7,845)
Nontaxable dividends	(47,242)	(40,420)	(51,334)
Nontaxable income under equity method in associates	(150,626)	(141,655)	(111,736)
Profit (loss) on sales or appraisal of investment	(5,009)	(439)	(695)
Nontaxable interest income and other income	(274,758)	(281,715)	(133,711)
Other nontaxable income	(182,121)	(578,592)	(283,755)
Non-accountable tax revenues in Sale of BHI	114,201	543,879	—
Revenues taxable at different tax rate	47,139	9,218	1,453
Tax benefits in the acquisition of property and equipment	(32,493)	(34,018)	(22,431)
Tax Discounts	(25,086)	(80,804)	(91,829)
Profits (losses) in Subsidiaries in tax free countries or with different tax rate	(246,999)	(188,701)	(55,366)
Effect on the deferred income tax due to changes in tax rates (2)	(176,764)	56,129	587,939
Prior year adjustments	(20,491)	(35,553)	(102,937)
Adjustments due to uncertain tax positions in previous year	(772)	(6,802)	(933)
Deferred taxes - Prior years adjustments	(165)	7,857	34,573
With holding tax	9,479	654	4,399
Other	(37,320)	7,315	5,885
Total tax expense of the year	**Ps. 1,310,434**	**Ps. 2,271,404**	**Ps. 2,323,428**
Effective income tax rate	**37.57 %**	**36.20 %**	**36.51 %**

(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 and 9,480 in 2021, 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 2021 corresponds to the effect of the difference in rate applied by entities with respect to the statutory rate 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.

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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)

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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, 2022 and 2021, 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)**

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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)**

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Year ended on December 31, 2021

	Balance as of January 1, 2021	Business combination (1)	Credited (charged) to profit or loss	Credited (charged) to OCI	Foreign exchange adjustments	Balance as of December 31, 2021
Deferred tax assets						
Debt securities at fair value	Ps. 28,230	Ps. (9,022)	Ps. 30,408	Ps. 350,014	Ps. (14,292)	Ps. 385,338
Equity securities at fair value	275	—	753	—	—	1,028
Derivative instruments	609,930	—	(216,846)	308,831	(2,604)	699,311
Allowance of investments securities	562	—	593	—	—	1,155
Accounts receivable	45,324	—	101,221	—	(49)	146,496
Allowance for accounts receivable	47,181	—	12,423	—	—	59,604
Loans and receivables	3,623	—	(29)	—	(2,437)	1,157
Allowance for impairment on loans and receivables	448,793	(22,037)	76,976	—	58,998	562,730
Allowance for foreclosed assets	10,169	9,977	(1,219)	—	2,155	21,082
Property, plant and equipment costs	323,544	—	15,505	—	—	339,049
Depreciation of property, plant and equipment	32,154	—	2,401	—	59	34,614
Investment property	25,461	—	4,481	79	—	30,021
Deferred charges and of intangible assets	214,669	—	28,501	—	—	243,170
Tax losses carry forward	86,558	(52)	39,001	—	(8,482)	117,025
Surplus of presumptive income	6,071	—	(1,720)	—	—	4,351
Provisions	220,822	2,465	96,428	—	4,348	324,063
Employee benefits	123,700	2,509	(6,884)	(19,635)	2,972	102,662
Goodwill	423	—	(423)	—	—	—
Financial assets in concession contracts	884,158	—	484,332	—	—	1,368,490
Biological assets	104	—	(3)	—	—	101
Lease agreements	609,701	(58,498)	114,505	—	27,680	693,388
Foreign currency bonds	267,668	—	29,792	422,649	—	720,109
Foreign currency financial liabilities	—	—	83,072	—	—	83,072
Other	177,040	(5,559)	79,690	18,608	(36,004)	233,775
Subtotal	**Ps. 4,166,160**	**Ps. (80,217)**	**Ps. 972,958**	**Ps. 1,080,546**	**Ps. 32,344**	**Ps. 6,171,791**
Deferred tax liabilities						
Debt securities at fair value	Ps. (111,742)	Ps. 11,417	Ps. (2,155)	Ps. (3,767)	Ps. 32,352	Ps. (73,895)
Equity securities at fair value	(203,826)	(30,213)	12,776	(20,075)	(12,084)	(253,422)
Derivative instruments	(13,194)	—	(15,724)	(3,722)	(28)	(32,668)
Accounts receivable	(115,071)	—	(62,571)	—	—	(177,642)
Allowance of investments securities	(1,805)	—	384	—	—	(1,421)
Loans and receivables	(27,042)	—	(2,489)	—	—	(29,531)
Allowance for impairment on loans and receivables	(399,561)	39,495	(233,328)	—	(19,531)	(612,925)
Foreclosed assets	(60,161)	—	(5,006)	—	—	(65,167)
Provision for foreclosed assets	(10,388)	(4,206)	—	—	(1,927)	(16,521)
Property plant and equipment costs	(270,327)	1,287	(4,747)	—	(9,806)	(283,593)
Depreciation of property, plant and equipment	(338,964)	—	(71,262)	—	—	(410,226)
Investment property	(79,571)	—	(16,694)	—	(77)	(96,342)
Right-of-use	(422,659)	55,215	(53,689)	—	(16,036)	(437,169)
Deferred charges and of intangible assets	(263,802)	(1,689)	(51,826)	—	(3,589)	(320,906)
Provisions	(21,766)	6,059	1,503	—	(2,338)	(16,542)
Employee benefits	(30,851)	(9,143)	200	3,686	(5,259)	(41,367)
Goodwill	(253,223)	—	(73,847)	—	—	(327,070)
Deferred Income	(638,438)	—	(278,721)	—	—	(917,159)
Financial assets in concession arrangements	(149,928)	—	(25,404)	—	—	(175,332)
Intangible assets in concession arrangements	(2,537,348)	—	(1,451,262)	—	(6,367)	(3,994,977)
Biological assets	(31,194)	—	(14,633)	—	—	(45,827)
Lease agreements	(279,347)	—	(29,017)	—	(9,175)	(317,539)
Foreign currency financial liabilities	(39,573)	—	39,573	—	—	—
Other	(186,651)	—	73,820	(2,651)	23,831	(91,651)
Subtotal	**Ps. (6,486,432)**	**Ps. 68,222**	**Ps. (2,264,119)**	**Ps. (26,529)**	**Ps. (30,034)**	**Ps. (8,738,892)**
Total	**Ps. (2,320,272)**	**Ps. (11,995)**	**Ps. (1,291,161)**	**Ps. 1,054,017**	**Ps. 2,310**	**Ps. (2,567,101)**

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)**

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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, 2022 and 2021:

	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)"
(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.

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	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

	December 31, 2021			
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. 2,565,637	Ps. —	Ps. (2,292)	Ps. 2,563,345
Hedging derivatives in foreign currency	(403,983)	—	275,834	(128,149)
Hedging financial liabilities in foreign currency	(1,198,919)	—	476,463	(722,456)
Cash Flow hedging	7,980	—	(3,382)	4,598
Foreign currency translation differences for foreign operations	(180,798)	—	(14,946)	(195,744)
Investment in associates and joint ventures	(846)	—	(228)	(1,074)
Debt financial instruments	(1,346,315)	—	357,814	(988,501)
Subtotal Items that will be reclassified to profit or loss	**Ps. (557,244)**	**Ps. —**	**Ps. 1,089,263**	**Ps. 532,019**
Items that will not be reclassified to profit or loss				
Effect of moving investment properties for own use	Ps. 4,718	Ps. —	Ps. 79	Ps. 4,797
Equity financial instruments	(110,397)	—	(19,376)	(129,773)
Actuarial gains (losses) from defined benefit pension plans	61,665	—	(15,949)	45,716
Subtotal Items that will not be reclassified to profit or loss	**Ps. (44,014)**	**Ps. —**	**Ps. (35,246)**	**Ps. (79,260)**
Total “other comprehensive income” during the period	**Ps. (601,258)**	**Ps. —**	**Ps. 1,054,017**	**Ps. 452,759**

(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.

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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.

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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)

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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").

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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	Ps.	3,834,985	Ps.	4,822,146	04/02/2030	Fix 4.38%

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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, 2022 and 2021 corresponds to:

	For the twelve-months periods ended December 31,		
	2023	**2022**	**2021**
Interest expense			
Deposits			
Checking accounts	Ps. (253,043)	Ps. (159,114)	Ps. (62,378)
Savings accounts	(5,953,426)	(3,555,844)	(875,439)
Time deposits	(9,944,424)	(4,040,232)	(1,700,128)
Interest of the derivative designated as the hedging instrument (*)	(63,333)	(1,242)	—
Total	**(16,214,226)**	**(7,756,432)**	**(2,637,945)**
Financial obligations			
Interbank borrowings and overnight funds	Ps. (1,856,263)	Ps. (678,114)	Ps. (162,455)
Borrowings from banks and similar	(1,601,927)	(739,803)	(401,742)
Leases contracts	(208,781)	(147,330)	—
Bonds issued	(2,159,948)	(2,092,843)	(1,368,660)
Borrowing from development entities	(591,285)	(249,873)	(90,028)
Total	**(6,418,204)**	**(3,907,963)**	**(2,022,885)**
Total interest expense	**Ps. (22,632,430)**	**Ps. (11,664,395)**	**Ps. (4,660,830)**

(*) Corresponds to the coverage of interest expense for Term Certificates of Deposit "CDTs" over 12 months.

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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, 2020		**Ps. 648,874**	**Ps. 27,760,797**	**Ps. 3,025,733**	**Ps. 22,281**	**Ps. 8,470,870**	**Ps. 11,302,134**	**Ps. 14,782,259**	**Ps. 66,012,948**
Cash flows from financing activities:									
Dividends paid to shareholders		(1,230,841)	—	—	—	—	—	-	**(1,230,841)**
Dividends paid to non-controlling interest	**26**	(913,356)	—	—	—	—	—	-	**(913,356)**
Issuance of debt securities		—	2,932,471	—	—	—	—	-	**2,932,471**
Interest issuance of debt securities		—	(1,191)	—	—	—	—	-	**(1,191)**
Payment of outstanding debt securities		—	(1,631,318)	—	—	—	—	-	**(1,631,318)**
Leases contracts		—	—	(472,084)	—	—	—	-	**(472,084)**
Redemption of preferred shares		—	—	—	—	—	—	(29,751)	**(29,751)**
Equity transaction		—	—	—	—	—	—	120	**120**
Net cash used in financing activities		**(2,144,197)**	**1,299,962**	**(472,084)**	**—**	**—**	**—**	**(29,631)**	**(1,345,950)**
Cash flows from operating activities:									
Accrued interest		—	1,631,055	173,214	—	—	—	-	**1,804,269**
Interest paid		—	(1,590,137)	(168,966)	—	—	—	-	**(1,759,103)**
Other Changes		**2,093,857**	**3,156,256**	**324,260**	**—**	**—**	**(1,203,000)**	**(823,551)**	**3,547,822**
Total liabilities related to other changes		**2,093,857**	**3,197,174**	**328,508**	**—**	**—**	**(1,203,000)**	**(823,551)**	**3,592,988**
Total equity related to other changes		**—**	**—**	**—**	**—**	**19,929**	**3,284,253**	**2,528,917**	**5,833,099**
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)

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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)

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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, 2022 and 2021 are as follows:

	Post-employment benefits			Long-term benefits		
	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022	December 31, 2021
Balance at the beginning of the year	**Ps. 349,587**	**Ps. 522,196**	**Ps. 597,936**	**Ps. 133,085**	**Ps. 134,831**	**Ps. 180,090**
Service costs	2,690	3,845	2,749	14,765	14,815	18,454
Interests cost	41,736	30,778	30,705	16,699	8,949	7,982
Gain on settlements	—	—	278	—	—	—
Past Service Costs (1)	(2,079)	—	—	10,063	—	(28,009)
	Ps. 391,934	**Ps. 556,819**	**Ps. 631,668**	**Ps. 174,612**	**Ps. 158,595**	**Ps. 178,517**
Changes in actuarial assumptions from changes in demographic assumptions	(753)	—	(15)	(7,342)	—	(86)
Changes in actuarial assumptions from changes in financial assumptions	26,832	(69,967)	(54,996)	473	(14,149)	(19,976)
Changes in actuarial assumptions from changes in the experience	27,472	2,167	(21,264)	17,313	10,456	(2,893)
	Ps. 53,551	**Ps. (67,800)**	**Ps. (76,275)**	**Ps. 10,444**	**Ps. (3,693)**	**Ps. (22,955)**
Payments to employees	(61,589)	(51,306)	(51,591)	(25,727)	(21,817)	(20,731)
Liquidation of entities	—	(432)	—	—	—	—
Reclassification BAC (2)(3)	—	—	(1,002)	—	—	—
Loss of control in subsidiary (2)	—	(98,024)	—	—	—	—
Discontinued operations (2)	—	6,251	15,125	—	—	—
Effect of movements in exchange rates	(3,689)	4,079	4,271	—	—	—
Liability balance at the end of the year	**Ps. 380,207**	**Ps. 349,587**	**Ps. 522,196**	**Ps. 159,329**	**Ps. 133,085**	**Ps. 134,831**
Plan Assets						
Balance at the beginning of the year plan assets	**Ps. (18,176)**	**Ps. (46,840)**	**Ps. (38,241)**	**Ps. —**	**Ps. —**	**Ps. —**
Interests income	(794)	(427)	(522)	—	—	—
Remeasurements on plan assets	(1,788)	5,885	(1,676)	—	—	—
Reclassification BAC (2)(3)	—	—	(3,189)	—	—	—
Loss of control in subsidiary (2)	—	27,269	—	—	—	—
Discontinued operations (2)	—	—	(798)	—	—	—
Effect of movements in exchange rates	3,734	(4,063)	(2,414)	—	—	—
Balance at the end of the year plan assets	**Ps. (17,024)**	**Ps. (18,176)**	**Ps. (46,840)**	**Ps. —**	**Ps. —**	**Ps. —**
Net Balance at the end of the year	**Ps. 363,183**	**Ps. 331,411**	**Ps. 475,356**	**Ps. 159,329**	**Ps. 133,085**	**Ps. 134,831**

(1) For 2023, 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. For 2021, includes the effect of a change in a long-term institutional benefit plan at Banco de Occidente and Fiduciaria de Occidente.
(2) See note 1.1., "Discontinued operation of BAC Holding".
(3) Correspond to reclassification for comparability of the movements of BAC Holding consider the deconsolidation of this entity during year 2022.

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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).

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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, 2022 and 2021 are described below:

	For legal	Non-legal	Total provisions
Balance as of January 1, 2021	**Ps. 241,774**	**Ps. 671,076**	**Ps. 912,850**
Provisions made during the year	196,452	410,810	607,262
Provisions used during the year	(72,892)	(47,426)	(120,318)
Provisions reversed during the year	(118,865)	(146,599)	(265,464)
Effect of movements in exchange rates	503	7,649	8,152
Reclassification BAC	(9,749)	3,382	(6,367)
Discontinued operations	10,306	3,840	14,146
Balance as of December 31, 2021	**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 as of December 31, 2023 and 2022 by Ps. 241,431 and Ps.149,598 respectively 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.

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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.

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.

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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**

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.

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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	December 31, 2021
Net income for the periods ended in	Ps. 2,541,179	Ps. 3,502,758	Ps. 2,399,001
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.	In the general assembly held in March 2021, 54.00 pesos per share payable in twelve installments of 4.50 pesos per share, from April 2021 to March 2022.
Total outstanding shares	23,743,475,754	22,281,017,159	22,281,017,159
Total declared dividends (*)	**Ps. 1,025,718**	**Ps. 1,203,175**	**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, 2022 and 2021:

	December 31, 2023	December 31, 2022	December 31, 2021
Net income for the year	Ps. 2,177,116	Ps. 4,869,133	Ps. 5,668,502
Less: participation of non- controlling interests	(1,438,113)	(2,386,248)	(2,370,766)
Net income attributable to owners of the parent	**739,003**	**2,482,885**	**3,297,736**
Less: preferred dividends declared	—	—	—
Less: Allocation of undistributed earnings to preferred stockholders (1)(2)	(234,727)	(791,989)	(1,058,554)
Net Income allocated to common shareholders for basic and diluted EPS	Ps. 504,276	Ps. 1,690,896	Ps. 2,239,182
Weighted average number of common shares outstanding used in basic EPS calculation (2)	16,202,376,163	15,760,496,801	15,128,947,661
Basic and Diluted earnings per share to common shareholders (in Colombian pesos)	31.12	107.29	148.01
Basic and Diluted earnings per ADS (3) (in Colombian pesos)	622.47	2,145.74	2,960
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	22,281,017,159
Basic earnings of the owners of the parent per share in Colombian pesos	**31.12**	**107.29**	**148.01**

(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.

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The following table summarizes earnings per share over net income from continuing operations for the years ended December 31, 2023, 2022 and 2021.

		December 31, 2023		December 31, 2022		December 31, 2021
Net income from continuing operations	Ps.	2,177,116	Ps.	4,002,967	Ps.	4,041,190
Less: participation of non- controlling interests		(1,438,113)		(2,114,072)		(1,862,010)
Net income attributable to owners of the parent		**739,003**		**1,888,895**		**2,179,180**
Less: preferred dividends declared		—		—		—
Less: Allocation of undistributed earnings to preferred stockholders (1)(2)		(234,727)		(602,519)		(699,504)
Net Income allocated to common shareholders for basic and diluted EPS	Ps.	504,276	Ps.	1,286,376	Ps.	1,479,676
Weighted average number of common shares outstanding used in basic EPS calculation (2)		16,202,376,163		15,760,496,801		15,128,947,661
Basic and Diluted earnings per share to common shareholders (in Colombian pesos)		31.12		81.62		97.80
Basic and Diluted earnings per ADS (3) (in Colombian pesos)		622.47		1,632.41		1,956.09
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		22,281,017,159
Basic earnings of the owners of the parent per share in Colombian pesos		**31.12**		**81.62**		**97.80**

(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 and 2021.

			December 31, 2022		December 31, 2021
Net income from continuing operations	Ps.	Ps.	866,166	Ps.	1,627,312
Less: participation of non- controlling interests			(272,176)		(508,756)
Net income attributable to owners of the parent			**593,990**		**1,118,556**
Less: preferred dividends declared			—		—
Less: Allocation of undistributed earnings to preferred stockholders (1)(2)			(189,470)		(359,050)
Net Income allocated to common shareholders for basic and diluted EPS	Ps.	Ps.	404,520	Ps.	759,506
Weighted average number of common shares outstanding used in basic EPS calculation (2)			15,760,496,801		15,128,947,661
Basic and Diluted earnings per share to common shareholders (in Colombian pesos)			25.67		50.20
Basic and Diluted earnings per ADS (3) (in Colombian pesos)			513.33		1,004.04
Weighted average of the common and preferred shares used in the calculation of earnings per basic share (common and preferred)			23,142,465,372		22,281,017,159
Basic earnings of the owners of the parent per share in Colombian pesos			**25.67**		**50.20**

(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, 2022 and 2021, Grupo Aval did not have any dilutive instruments.

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25.4 Equity transactions

On December 31, 2023 Corficolombiana liquid investments by Ps. 15,091.

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%.

On December 31, 2021 some transactions took place that resulted in changes to the interests of Grupo Aval and its subsidiaries, below is the detail of the most significant equity transactions:

- Corporación Financiera Colombiana S.A. - Corficolombiana S.A.

In Corficolombiana, Grupo Aval and its subsidiaries chose to receive dividends in shares, unlike some minority shareholders who opted to be paid dividends in cash, generating a dilution effect for Ps. 19,929, which led to a modification in Grupo Aval's stake from 39.58% to 39.98%.

- Preference shares

There was payment of dividends Ps. 14,612 corresponding to the preferred shares issued by Multi Financial Group.

25.5 Consolidated Other Comprehensive Income (OCI):

Components of accumulated Other Comprehensive Income for the years ended December 31, 2023, 2022 and 2021 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 2020	**Ps. (727,703)**	**Ps. (42)**	**Ps. (886,783)**	**Ps. 14,302**	**Ps. 560,584**	**Ps. 915,935**	**Ps. 115,344**	**Ps. (185,154)**	**Ps. 1,914,708**	**Ps. 1,721,191**
Current-period change	962,735	7,980	(180,798)	4,718	(1,346,315)	(110,397)	(846)	61,665	1,054,017	452,759
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
Beginning balance 2020	**Ps. 859,178**	**Ps. 862,013**	**Ps. 1,721,191**
Current-period change	197,590	255,169	452,759
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)

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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".

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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)**

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.	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.	Ps.	85,370,710	Ps.	67,656,734	Ps.	39,314,924	Ps.	(184,616)	Ps.	21,218	Ps.	126,336

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
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)

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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.

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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 or Ps. 253,033 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, 2022 and 2021:

Income from commissions and fees		**December 31, 2023**		**December 31, 2022**		**December 31, 2021 (1)**
Banking service fees	Ps.	1,663,340	Ps.	1,533,322	Ps.	1,364,835
Debit and credit card fees		1,009,472		836,046		671,131
Pension and severance fund management		978,504		885,420		1,199,068
Trust activities and portfolio management services		463,194		353,285		336,637
Bonded warehouse services		188,191		187,237		169,386
Commissions on transfers, checks and checkbooks		22,941		25,181		25,187
Office network services		21,638		24,935		18,914
Other commissions and fees		9,056		29,013		10,771
Total income from commissions and fees	**Ps.**	**4,356,336**	**Ps.**	**3,874,439**	**Ps.**	**3,795,929**

Expenses from commissions and fees		**December 31, 2023**		**December 31, 2022**		**December 31, 2021 (1)**
Banking services	Ps.	(617,524)	Ps.	(473,595)	Ps.	(371,380)
Sales and services commissions		(250,460)		(340,918)		(227,510)
Fees paid to pension funds sales force		(70,335)		(97,470)		(87,499)
Information processing services of operators		(29,905)		(24,320)		(22,940)
Offices network services		(20,147)		(16,993)		(11,158)
Other		(15,442)		(17,380)		(11,255)
Total expenses from commissions and fees	**Ps.**	**(1,003,813)**	**Ps.**	**(970,676)**	**Ps.**	**(731,742)**
Net income from commissions and fees	**Ps.**	**3,352,523**	**Ps.**	**2,903,763**	**Ps.**	**3,064,187**

(1) Comparative information has been re-presented due to a discontinued operation disclosed in Note 1.1.

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Below is the detail of the income and cost from goods and services for the years ended as of December 31, 2023, 2022 and 2021:

Income from sales of goods and services		December 31, 2023		December 31, 2022		December 31, 2021
Energy and Gas	Ps.	6,158,616	Ps.	5,718,808	Ps.	4,874,278
Infrastructure		3,954,197		5,330,193		4,662,912
Hotels		598,895		532,337		285,692
Agribusiness		296,804		340,984		218,511
Other services		215,044		219,005		409,521
Total income from sales of goods and services (*)	**Ps.**	**11,223,556**	**Ps.**	**12,141,327**	**Ps.**	**10,450,914**

(*) See note 31.6, to see income by country.

Costs and expenses of sales goods and services		December 31, 2023		December 31, 2022		December 31, 2021
Cost of sales from companies from non-financial sector	Ps.	(5,799,721)	Ps.	(5,575,912)	Ps.	(5,594,615)
Allowance for impairment of loans and receivables		(51,035)		(59,073)		(51,064)
General and administrative expenses		(989,313)		(843,125)		(647,425)
Personnel expenses		(607,894)		(609,050)		(558,561)
Amortization of intangible assets		(353,305)		(305,488)		(263,755)
Depreciation of tangible assets		(90,344)		(103,972)		(117,246)
Depreciation of right of use assets		(37,031)		(35,294)		(34,374)
Employee bonuses		(14,376)		(11,569)		(38,766)
Commissions and fees expenses		(39,466)		(34,646)		(27,886)
Donations expenses		(19,858)		(16,739)		(16,178)
Labor severances		(3,254)		(1,363)		(2,109)
Total costs and expenses of sales goods and services	**Ps.**	**(8,005,597)**	**Ps.**	**(7,596,231)**	**Ps.**	**(7,351,979)**
Gross profit from sales of goods and services	**Ps.**	**3,217,959**	**Ps.**	**4,545,096**	**Ps.**	**3,098,935**

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		December 31, 2021 (4)
Trading investment income (1)						
Fixed income (loss) securities	Ps.	1,030,809	Ps.	(60,797)	Ps.	(135,465)
Equities		634,274		90,568		260,564
Total trading investment income	**Ps.**	**1,665,083**	**Ps.**	**29,771**	**Ps.**	**125,099**
Derivatives (loss) income						
Net (loss) income on financial derivatives (2)	Ps.	(2,438,841)	Ps.	1,503,453	Ps.	710,213
Other trading (loss) income (3)		(142,291)		26,402		86,969
Total derivatives (loss) income	**Ps.**	**(2,581,132)**	**Ps.**	**1,529,855**	**Ps.**	**797,182**
Total net trading (loss) income	**Ps.**	**(916,049)**	**Ps.**	**1,559,626**	**Ps.**	**922,281**

(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.
(4) Comparative information has been re-presented due to a discontinued operation disclosed in Note 1.1.

(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, 2022 and 2021:

Other Income		December 31, 2023		December 31, 2022		December 31, 2021 [2]
Foreign exchange gains (losses), net [1]	Ps.	2,253,925	Ps.	(1,825,718)	Ps.	(491,415)
Share of profit of equity accounted investees, net of tax		371,397		372,777		300,217
Gain on sale of properties, plant and equipment		360,728		142,149		20,651
Dividends		126,274		119,888		153,969
Net gain (loss) on sale of debt and equity securities		108,773		(134,699)		83,640
Net gain (loss) on asset valuation		74,886		50,463		20,974
Gain on the sale of non-current assets held for sale		48,589		10,487		13,631
Other income [3]		406,734		416,082		288,013
Total other income	**Ps.**	**3,751,306**	**Ps.**	**(848,571)**	**Ps.**	**389,680**

(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) Comparative information has been re-presented due to a discontinued operation disclosed in Note 1.1.
(3) For 2022, includes valuation effect of Bac Holding for Ps. 137,427.

Other Expense		December 31, 2023		December 31, 2022		December 31, 2021 [1]
Personnel expenses	Ps.	(3,055,168)	Ps.	(2,833,794)	Ps.	(2,634,187)
Taxes and fees		(1,214,559)		(872,341)		(678,613)
Insurance		(618,197)		(524,557)		(480,879)
Consultancy, audit and other fees		(537,972)		(479,043)		(447,130)
Maintenance and repairs		(394,524)		(357,790)		(310,265)
Amortization of intangible assets		(240,804)		(225,137)		(206,688)
Marketing		(233,512)		(207,071)		(174,961)
Depreciation of tangible assets		(218,230)		(219,316)		(209,296)
Depreciation right of use assets		(211,457)		(201,293)		(190,883)
Affiliation contributions and transfers		(168,986)		(252,942)		(212,952)
Warehouse services		(148,633)		(144,739)		(135,625)
Leases (Rent)		(144,276)		(134,691)		(131,552)
Transportation services		(95,520)		(99,296)		(93,707)
Data processing		(85,231)		(77,803)		(62,213)
Losses due to claims		(83,728)		(39,435)		(40,409)
Cleaning and security services		(80,904)		(74,276)		(73,852)
Outsourcing services		(59,599)		(68,779)		(61,522)
Supplies and stationary		(52,074)		(46,114)		(45,736)
Loss from sale of property and equipment		(44,399)		(26,387)		(11,968)
Donations expenses		(31,309)		(36,019)		(3,773)
Adaptation and installation		(28,076)		(30,636)		(28,947)
Travel expenses		(21,345)		(24,249)		(13,295)
Impairment losses other assets		(2,946)		(20,787)		(69,950)
Loss from sale of non-current assets held for sale		(595)		(800)		(2,927)
Other		(574,410)		(412,488)		(468,726)
Total other expense	**Ps.**	**(8,346,454)**	**Ps.**	**(7,409,783)**	**Ps.**	**(6,790,056)**

(1) Comparative information has been re-presented due to a discontinued operation disclosed in Note 1.1.

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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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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, 2022 and 2021:

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.

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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 gain (loss), 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).

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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.

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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 loss, 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)

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	Banking Services	BAC Holding International Corp. (1)	Merchant Banking	Pension and Severance Fund Management	Holding (2)	Eliminations	Total
Costs and expenses of sales goods and services	(487,142)	—	(7,059,820)	(63,049)	—	13,780	(7,596,231)
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. 558,231.
(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.

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	Banking Services	BAC Holding International Corp. (1)	Merchant Banking	Pension and Severance Fund Management	Holding (2)	Eliminations	Total
External income							
Interest income	Ps. 12,304,916	Ps. —	Ps. 441,586	Ps. 44,907	Ps. —	Ps. —	Ps. 12,791,409
Income from commissions and fees (3)	2,506,789	—	94,244	1,194,305	591	—	3,795,929
Income from sales of goods and services (3)	85,268	—	10,309,563	56,083	—	—	10,450,914
Share of profit of equity accounted investees, net of tax	25,486	—	272,646	—	2,085	—	300,217
Dividends	11,551	—	142,418	—	—	—	153,969
Net income from other financial instruments mandatory at fair value through profit or loss	—	—	270,095	—	—	—	270,095
Net trading income	490,743	—	207,794	223,745	(1)	—	922,281
Foreign exchange loss, net	(189,065)	—	(243,430)	(59,150)	230	—	(491,415)
Other income (4)	411,634	—	15,705	(1,297)	867	—	426,909
Discontinued operations (5)	—	10,444,185	—	—	—	—	10,444,185
Total external income	**Ps. 15,647,322**	**Ps. 10,444,185**	**Ps. 11,510,621**	**Ps. 1,458,593**	**Ps. 3,772**	**Ps. —**	**Ps. 39,064,493**

	Banking Services	BAC Holding International Corp. (1)	Merchant Banking	Pension and Severance Fund Management	Holding (2)	Eliminations	Total
Intersegment income							
Interest income	Ps. 120,669	Ps. —	Ps. 22,353	Ps. 5,308	Ps. 445,206	Ps. (593,536)	Ps. —
Income from commissions and fees (3)	20,209	—	1,821	3,508	283,640	(309,178)	—
Income from sales of goods and services (3)	19,768	—	933	6,117	—	(26,818)	—
Share of profit of equity accounted investees, net of tax	862,945	—	1,139	—	3,406,774	(4,270,858)	—
Dividends	267	—	2,039	—	—	(2,306)	—
Net trading income	(2,040)	—	(318)	(1,987)	—	4,345	—
Foreign exchange loss, net	—	—	(250)	—	—	250	
Gain on deconsolidation (loss of control) of subsidiaries (6)	1,303,024	—	—	—	—	(1,303,024)	—
Other income (4)	13,974	—	(1,053)	5,694	137	(18,752)	—
Discontinued operations (5)	1,627,312	64,106	—	—	—	(1,691,418)	—
Total intersegment income	**3,966,128**	**64,106**	**26,664**	**18,640**	**4,135,757**	**(8,211,295)**	**—**
Total income	**Ps. 19,613,450**	**Ps. 10,508,291**	**Ps. 11,537,285**	**Ps. 1,477,233**	**Ps. 4,139,529**	**Ps. (8,211,295)**	**Ps. 39,064,493**
Expenses							
Interest expense	Ps. (3,745,070)	Ps. —	Ps. (1,028,343)	Ps. (40,247)	Ps. (443,209)	Ps. 596,039	Ps. (4,660,830)
Net impairment loss on financial assets	(2,714,672)	—	(9,177)	(6,943)	—	9,709	(2,721,083)
Depreciation and amortization	(585,650)	—	(9,434)	(15,637)	(1,811)	5,665	(606,867)
Expenses from commissions and fees	(625,788)	—	(13,587)	(131,503)	(563)	39,699	(731,742)

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	Banking Services	BAC Holding International Corp. (1)	Merchant Banking	Pension and Severance Fund Management	Holding (2)	Eliminations	Total
Costs and expenses of sales goods and services	(479,775)	—	(6,830,460)	—	—	(41,744)	(7,351,979)
Personnel expenses	(2,331,813)	—	(107,959)	(172,539)	(37,293)	15,417	(2,634,187)
Administrative expenses	(3,131,934)	—	(100,585)	(232,314)	(99,532)	354,758	(3,209,607)
Income tax expense	(601,377)	—	(1,476,571)	(191,886)	(53,555)	(39)	(2,323,428)
Other expense (7)	(98,699)	—	(112,146)	(105,961)	(439)	(22,150)	(339,395)
Discontinued operations (5)	—	(8,816,873)	—	—	—	—	(8,816,873)
Total expenses	**(14,314,778)**	**(8,816,873)**	**(9,688,262)**	**(897,030)**	**(636,402)**	**957,354**	**(33,395,991)**
Net income for the year	Ps. **5,298,672**	Ps. **1,691,418**	Ps. **1,849,023**	Ps. **580,203**	Ps. **3,503,127**	Ps. **(7,253,941)**	Ps. **5,668,502**

(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. 83,640; gain on the sale of non-current assets held for sale Ps. 13,631; net gain in asset valuation Ps. 20,974 and other operating income Ps. 308,664.
(5) Correspond to reclassification for comparability of the movements of BAC Holding consider the deconsolidation of this entity during year 2022. Includes recognition of the spin-off of MFG from the BAC Holding segment to the Banco de Bogotá segment.
(6) Corresponds to deconsolidation of Porvenir from the Banco de Bogotá segment.
(7) Includes loss from sale of non-current assets held for sale Ps. (2,927) and other operating expenses Ps. (336,468).

Revenue from contracts with customers at December, 2021

	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. **2,632,034**	Ps. **—**	Ps. **10,406,561**	Ps. **1,260,013**	Ps. **284,231**	Ps. **(335,996)**	Ps. **14,246,843**
Timing of revenue recognition							
At a point in time	273,025	—	139,770	54,701	284,231	(291,523)	**460,204**
Over time	2,359,009	—	10,266,791	1,205,312	—	(44,473)	**13,786,639**

(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)

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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, 2022 and 2021:

	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.

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	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.

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	December 31, 2021					
	Country					
	Colombia	**Panamá**	**Barbados**	**Perú**	**Other countries (1)**	**Total income**
Interest income	Ps. **11,683,436**	Ps. **1,058,684**	Ps. **27,652**	Ps. **21,037**	Ps. **600**	Ps. **12,791,409**
Income from commissions and fees	**3,681,566**	**110,506**	**2,664**	**786**	**407**	**3,795,929**
Commissions on banking services	1,264,012	96,966	2,664	786	407	1,364,835
Pension and severance fund management	1,199,068	—	—	—	—	1,199,068
Fees on credit cards	658,030	13,101	—	—	—	671,131
Trust activities	336,637	—	—	—	—	336,637
Storage services	169,386	—	—	—	—	169,386
Commissions on drafts, checks and checkbooks	24,748	439	—	—	—	25,187
Office network services	18,914	—	—	—	—	18,914
Other commissions	10,771	—	—	—	—	10,771
Share of profit of equity accounted investees, net of tax	**300,217**	**—**	**—**	**—**	**—**	**300,217**
Dividends	**148,091**	**5,878**	**—**	**—**	**—**	**153,969**
Income from sales of goods and services	**9,416,207**	**—**	**—**	**1,034,707**	**—**	**10,450,914**
Energy and gas E&G	3,850,399	—	—	1,023,879	—	4,874,278
Infrastructure	4,662,912	—	—	—	—	4,662,912
Hotels	274,864	—	—	10,828	—	285,692
Agribusiness	218,511	—	—	—	—	218,511
Other services	409,521	—	—	—	—	409,521
Other income	**966,253**	**158,525**	**2,009**	**881**	**202**	**1,127,870**
Total income from continuing operations	Ps. **26,195,770**	Ps. **1,333,593**	Ps. **32,325**	Ps. **1,057,411**	Ps. **1,209**	Ps. **28,620,308**
Discontinued operations (2)	10,444,185	—	—	—	—	10,444,185
Total income	**36,639,955**	**1,333,593**	**32,325**	**1,057,411**	**1,209**	**39,064,493**

(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.

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During the years ended December 31, 2023, 2022 and 2021, 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.

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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.

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.

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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
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	417,908	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)

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December 31, 2022	Individuals		Entities		
	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. 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)

Transactions during the years ended as of December 31, 2023, 2022 and 2021, with related parties are as follows:

a. Profit or loss

December 31, 2023	Individuals		Entities		
	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

December 31, 2022	Individuals		Entities		
	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)

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	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**
Operating expenses	(905)	(11,277)	(502)	(3,181)	—
Other expenses	(8)	(3,190)	(213,080)	(98,920)	(35)

(*) Include family members

	Individuals		Entities		
December 31, 2021	**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. 294	Ps. 439	Ps. 18,333	Ps. 60,964	Ps. 11,224
Fee income and commissions	4	51	30,417	120,642	6
Leases	—	—	1,459	81	—
Other income	7	14	340,583	15,867	20
Expenses					
Financial expenses	Ps. (857)	Ps. (391)	Ps. (1,034)	Ps. (31,879)	Ps. (127)
Fee expenses and commissions	(4)	(1,862)	(39,278)	(1,466)	(338)
Operating expenses	(308)	(9,829)	(327)	(2,648)	—
Other expenses	(3)	(2,868)	(84,328)	(49,364)	—

(*) 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**	**December 31, 2021**
Salaries	Ps. 36,222	Ps. 34,852	Ps. 34,250
Short term benefits for employees	6,741	17,686	14,761
Termination benefits	8,754	—	—
Long term benefits for employees	—	—	425
Fee	2,418	1,917	1,871
Total	**Ps. 54,135**	**Ps. 54,455**	**Ps. 51,307**

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.

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NOTE 35 – SUBSEQUENT EVENTS

1. The General Meeting of Shareholders that took place on March 20, 2024, approved the following:

Net income for period ended December 31, 2023 included in the unconsolidated financial statements of Grupo Aval	Ps.	723,037
Occasional reserve release at the disposal of the General Meeting of Shareholders	Ps.	7,220,883
Total Income available for disposal of the General Meeting of Shareholders	Ps.	**7,943,920**
Dividends		To distribute a cash profit of Ps. 2 per share per month during the months of April 2024 to March 2025, both months included over 23,743,475,754 shares subscribed and paid as of the date of this meeting.
Total dividends declared	Ps.	**569,843**
Total shares outstanding		23,743,475,754
To Occasional reserve at the disposal of General Meeting of Shareholders	Ps.	**7,374,077**

2. In a meeting held on February 26, 2024, Grupo Aval's Board of Directors approved the presentation of the consolidated financial statements under Colombian IFRS and the accompanying notes for the period ended December 31, 2023, for consideration of the General Meeting of Shareholders.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Grupo Aval Acciones y Valores S.A.

By: /s/ María Lorena Gutiérrez Botero
Name: María Lorena Gutiérrez Botero
Title: President

Date: April 16, 2024

Exhibit 1.1

BYLAWS
GRUPO AVAL ACCIONES Y VALORES S.A.

LIST OF DEEDS:

No.	DATE	NOTARY
0043	January 7, 1994	23 of Bogotá
2691	May 24, 1994	23 of Bogotá
1636	April 20, 1995	23 of Bogotá
4842	October 6, 1995	23 of Bogotá
2095	April 18, 1997	23 of Bogotá
0036	January 8, 1998	23 of Bogotá
2742	June 17, 1998	23 of Bogotá
5298	December 14, 1998	23 of Bogotá
5358	December 16, 1998	23 of Bogotá
941	April 5, 1999	23 of Bogotá
3530	October 12, 1999	23 of Bogotá
4260	October 24, 2001	23 of Bogotá
1248	April 22, 2002	23 of Bogotá
4335	November 13, 2003	23 of Bogotá
0580	March 6, 2006	18 of Bogotá
1735	April 25, 2007	18 of Bogotá
1323	April 24, 2009	36 of Bogotá
28	January 6, 2011	73 of Bogotá
2781	May 26, 2015	73 of Bogotá
5328	September 24, 2015	73 of Bogotá
159	January 21, 2016	73 of Bogotá
1276	March 29, 2016	73 of Bogotá
6367	November 25, 2016	73 of Bogotá
1907	April 28, 2017	73 of Bogotá
305	January 28, 2022	73 of Bogotá
	Abril _, 2024	73 of Bogotá

CHAPTER I. NAME, DOMICILE, TERM AND PURPOSE.

ARTICLE 1. NAME AND TYPE. Modified by Deeds Nos. 2691 of May 24, 1994, 455 of February 11, 1997, 2095 of April 18, 1997 and 0036 of January 8, 1998, all issued by Notary 23 of Bogotá. The Company is a Colombian for-profit joint-stock company legally named GRUPO AVAL ACCIONES Y VALORES S.A.

ARTICLE 2. OFFICIAL DOMICILE: BRANCHES AND AGENCIES. Modified by Deeds Nos. 2691 of May 24, 1994 and 1248 of April 22, 2002 issued by Notary 23 of Bogotá. The Company's official domicile is in the city of Bogotá D.C., but it may over the course of its corporate life establish branches and agencies anywhere in Colombia or abroad.

ARTICLE 3. TERM. The Company has a term of fifty (50) years from the date of this document, although this term may be extended or the Company may be dissolved in advance by a decision of the General Shareholders' Meeting pursuant to these bylaws.

ARTICLE 4. CORPORATE PURPOSE: Modified by Deeds Nos. 2691 of May 24, 1994, 2742 of June 17, 1998, 4260 of October 24, 2001, all issued by Notary 23 of Bogotá. The Company is primarily engaged in the following activities:

a) The purchase and sale of shares, bonds, and securities of entities in the financial system.

b) The purchase and sale of shares, bonds, and securities of other commercial entities.

PARAGRAPH: As part of the corporate purpose, the Company may:

a) Acquire and trade any kind of securities freely circulating on the market and securities in general.

b) Create any kind of companies related to or complementary to the corporate purpose.

c) Represent individuals or corporate entities involved in activities similar to or complementary of those described in previous paragraphs.

d) Accept or grant monetary loans with or without interest, pledge or give as collateral its movable or immovable property, offer sureties and assume responsibilities to give, execute or not execute them on behalf of third parties; transfer, endorse, purchase accept, cash, contest, cancel or pay bills of exchange, checks, promissory notes, or any other securities or accept them or give them as payment and in general execute or enter into exchange contracts in any of their forms.

e) Purchase, transfer, encumber, lease, or administer any type of property and change its nature.

f) Endorse or purchase any class of shares and transfer them, own shares in companies with similar or complementary corporate purposes, and freely transfer the shares, shares or interest thereof.

g) Settle, abandon and appeal arbitration or legal decisions on matters involving third parties, associates and employees in which the Company has an interest.

h) Provide services in areas related to the activities, experience and knowledge of the Company.

i) And, in general, sign and execute any type of document or contract directly related to the above and whose ultimate purpose is to exercise the rights of or comply with the obligations arising from the Company's activity.

CHAPTER II. SHARE CAPITAL AND STOCK.

ARTICLE 5. AUTHORIZED CAPITAL. Modified by Deeds Nos. 2691 of May 24, 1994 and 5358 of December 16, 1998, issued by Notary 23 of Bogotá. The Company's authorized capital totals ONE HUNDRED TWENTY BILLION COLOMBIAN PESOS (COP 120,000,000,000.00) represented by ONE HUNDRED TWENTY BILLION (120,000,000,000) shares, each worth a nominal value of ONE COLOMBIAN PESO (COP 1.00).

ARTICLE 6. Modified by Deeds Nos. 2691 of May 24, 1994 issued by Notary 23 of Bogotá, 0580 of March 6, 2006

issued by Notary 18 of Bogotá, and 28 of January 6, 2011 issued by Notary 73 of Bogotá. CLASSES OF SHARES. The Company's shares are nominative and based on capital. They may be: a) common, or b) preferred without voting rights. Shares with preferred dividends but no voting rights may be placed via a subscription of shares or a conversion of existing common shares. Shares are indivisible. As such, if a share belongs pro indiviso to multiple people, these people shall designate someone to execute the rights inherent to the share, but for meeting obligations to the Company, they shall be jointly responsible. Succession shares shall be subject to the applicable laws. Shares may circulate in physical or electronic form as decided by the Company's Board of Directors. All shares issued shall have the same nominal value.

Each common share shall confer the following rights to its holder(s):

1. The right to participate in the deliberations of the General Shareholders' Meeting and to vote as a member of the Meeting;

2. The right to receive a proportional share of the company profits as established in the yearly balance sheets;

3. The right to freely trade shares as permitted by law and these bylaws;

4. The right to freely inspect the Company's books and papers within the fifteen (15) days prior to the General Shareholders' Meeting at which the year-end balance sheets are examined;

5. In the event of the liquidation of the company, the right to receive a proportional share of the company's assets once the Company's external liabilities have been paid.

Each preferred share without voting rights shall confer the following rights to the holder(s), in addition to those set forth in the subscription terms:

1. The right to freely trade shares as permitted by law and these bylaws;

2. The right to receive a minimum dividend as set forth in the subscription terms that will be preferentially paid over those due for common shares, provided that dividends have been declared on the basis of resources legally available for this purpose. The dividend received by holders of common shares shall not exceed that declared for the preferred dividends without voting rights. There shall be no accumulation of dividends.

3. The right to own an equal proportion of the common shares of the distributable profits that remain after the minimum dividend and the dividend for common shares equal to the minimum dividend have been deducted. In this case, or when a dividend greater than the minimum dividend is declared, shares with preferred dividends and no voting rights shall not be eligible to receive the dividend declared for common shares in addition to the minimum dividend, but rather only the dividend declared for common shares.

4. The right to preferential reimbursement of investments made once the external liabilities are paid upon the dissolution of the Company.

5. All other rights provided for common shares in Article 379 of the Commerce Code, except for membership or voting rights in the Shareholders' Meeting. Shareholders with preferred shares without voting rights shall, however, have the right to vote in the situations set forth by law.

ARTICLE 7. CERTIFICATES. Modified by Deeds Nos. 2691 of May 24, 1994 issued by Notary 23 of Bogotá, 3530 of October 12, 1999, 1248 of April 22, 2002, all issued by Notary 23 of Bogotá, and 0580 of March 6, 2006 issued by Notary 18 of Bogotá. The Company shall issue share certificates to all shareholders. Before shares are completely paid, the Company shall only issue provisional certificates, which shall have the same characteristics as official certificates. The transfer of these provisional certificates shall be subject to the same conditions as the transfer of official certificates, and both the assignor and the assignee shall be jointly responsible for the unpaid portion. Once shares are paid in full, provisional certificates shall become official certificates. Certificates corresponding to shares paid in kind shall be issued once the traditional contribution has been made. Certificates shall be issued in continuous series, with the signatures of the legal representative and the secretary, and they shall indicate:

1) The name of the Company; the Company's headquarters; the Notary; the number and date of the incorporation documents and the resolution of the Superintendence approving the incorporation, as applicable.

2) The number of shares represented by each certificate, the nominal value, the class and, if necessary, an indication of whether the certificate is subject to trading restrictions due to its preferential right and the conditions thereof.

3) The complete name of the person in whose favor the certificate is being issued.

4) For preferred shares, the rights inherent thereto shall be indicated on the back of the certificate.

PARAGRAPH 1: In the event of theft, the Company will replace the certificate by providing a duplicate to the owner listed in the Shareholders Book once the incident has been proven to Company administrators and a certified copy of the relevant police report is presented. When the shareholder requests a duplicate in the event of loss, he or she must provide the guarantee required by the Board of Directors. For wear and deterioration, the shareholder's request for a duplicate must be accompanied by the original certificates so that the Company can cancel them. For shares in electronic form, in the event of theft or the loss of a certification or certificate of deposit, there will be no legal action. The shareholder may request a new certification or certificate through his or her direct depositor.

PARAGRAPH 2: Certificates issued by the Company may be stored in the Central Securities Depository, in which case they shall be subject to the relevant regulations, namely: Law 27 of 1990, Regulatory Decree 437 of 1992, and Resolution 1200 of 1995 of the Securities Superintendence and other current or future regulations related to this area.

PARAGRAPH 3: If the Company decides to digitize its shares, they may be represented by a global certificate that will be stored under the custody and management of the Central Securities Depository, which shall make the subscriber annotations and keep the Shareholders Book up to date. Shareholders may request a certificate through their direct depositor, who will verify their identity so that they can exercise their inherent rights.

ARTICLE 8. Modified by Deeds Nos. 2691 of May 24, 1994 issued by Notary 23 of Bogotá, and 28 of January 6, 2011 issued by Notary 73 of Bogotá. ISSUANCE, SUBSCRIPTION AND CONVERSION OF SHARES. Restricted shares and shares subsequently issued by the competent decision-making body may be issued in accordance with the law and these Bylaws.

8.1 Subscription Right.

Common shares shall confer the preferential right to subscribe to new share issued in a quantity proportional to the amount owned on the date on which the share subscription regulation is approved, unless the Shareholders' Meeting decides to place them without the right of preference, in which case all applicable laws and bylaws must be respected. The aforementioned right of preference shall apply to the sale of shares repurchased by the Company when the Board of Directors decides to put them back into circulation.

For shares with preferred dividends without voting rights, it shall be up to the Shareholders' Meeting to determine at the time of their issue whether they should be placed with or without the subscription right. This decision shall be made by a majority vote of those in attendance at the meeting.

8.2 Subscription Regulation.

The Board of Directors shall approve the subscription regulations for common shares. When shares with preferred dividends without voting rights are issued, the General Shareholders' Meeting may authorize the Board of Directors to approve the corresponding share subscription regulation.

8.3 Share Conversion.

Shares may only be the object of a conversion when approved or authorized by the General Shareholders' Meeting.

When the Shareholders' Meeting orders a conversion of shares subject to legal requirements, or when it authorizes shareholders to, at their own discretion, convert common shares into shares with preferred dividends without voting rights, the Shareholders' Meeting must define the corresponding procedure. This procedure must be defined by the Shareholders' Meeting on an individual basis in the same decision that approves or authorizes, as the case may be, a specific conversion of common shares into preferred shares without voting rights. In the decision, the General Shareholders' Meeting may determine the maximum amount up to which the shareholders can convert shares, and it may define any aspects deemed necessary to execute the share conversion. For such purposes, the Shareholders' Meeting may delegate to the Board of Directors or the President the responsibility to approve the forms, contracts and other documents that shareholders must sign for the conversion of the shares.

Any time common shares are converted into shares with preferred dividends without voting rights, each of the former shall entitle the holder to one of the latter.

Each share with preferred dividends without voting rights shall permanently entitle its owner to the rights set forth for this type of share in Article Six (6) of these bylaws. There shall be no accumulation of dividends.

ARTICLE 9. TRADING SHARES. Modified by Deeds Nos. 2691 of May 24, 1994 issued by Notary 23 of Bogotá, 3530 of October 12, 1999 issued by Notary 23 of Bogotá, and 0580 of March 6, 2006 issued by Notary 18 of Bogotá. The Company's shares are freely tradeable and transferable under the law. The transfer shall occur merely with the consent of the contracting parties, but in order for this transaction to be valid before the Company and third parties, it must be recorded in the Stock Ledger by means of a written statement issued by the transferor. This order may be executed by endorsing the respective certificate. To make the new record and issue the certificate to the buyer, certificates issued by the seller must be canceled. Shares that are not fully paid are transferable in the same way as paid shares, but the assignor and the subsequent buyers shall be jointly responsible for the unpaid portion. To transfer shares whose ownership is being disputed, permission is required from the respective Judge. For share liens, the seizing party's authorization is also needed. The lien shall be recorded in the Shareholders Book by means of a written notice issued by the competent official. The pledge shall not confer the inherent rights of shareholders to the creditor unless a specific stipulation or agreement exists stating otherwise. Such a deed or document describing the corresponding agreement shall suffice for the creditor to exercise rights before the Company. Usufruct confers the usufructuary all the inherent rights of shareholders, except the rights to transfer or encumber share or the right to reimbursement at the time of liquidation. Nevertheless, the parties may make other arrangements in writing. Usufruct shall be valid upon its recording in the Stock Ledger. For each case, the Board of Directors shall determine whether the Company or the shareholders must pay the relevant taxes or whether they can encumber the share certificates as allowed by law.

PARAGRAPH 1: When the Company intends to buy its own shares, it must meet the following requirements:

1. The decision shall be made by the General Shareholders' Meeting with a majority vote of those present.

2. To complete the operation, funds from the net profits shall be used.

3. The shares must be fully paid. While they are in the Company's possession, the rights inherent to them shall be suspended.

4. The repurchase shall be performed through mechanisms that guarantee equitable conditions for all shareholders. The price of the repurchase shall be determined through a study using technically valid procedures.

PARAGRAPH 2: The subsequent transfer of shares repurchased by the Company shall be made through mechanisms that guarantee equitable conditions for all shareholders. It will not require a share subscription regulation.

PARAGRAPH 3: The Company may assign the bookkeeping of the Shareholders Book to a central securities depository. For electronic shares, an annotation in the account and the record in the Stock Ledger shall suffice for the new shareholder to exercise his or her rights, which shall be accredited by a new certificate issued by the central securities depository.

ARTICLE 10. MANAGEMENT BODIES. Modified by Deed No. 941 of April 5, 1999, issued by Notary 23 of Bogotá. The Company has the following management and executive bodies:

a) General Shareholders' Meeting.

b) Board of Directors.

c) President.

CHAPTER III.- GENERAL SHAREHOLDERS' MEETING

ARTICLE 11. COMPOSITION OF THE GENERAL SHAREHOLDERS' MEETING. The General Shareholders' Meeting is made up of the shareholders listed in the book entitled the "Stock Ledger", or of their representatives or proxies, as described in the provisions of the following bylaws.

ARTICLE 12. DIVISION OF REPRESENTATION AND VOTES IN THE MEETING. Modified by Deeds Nos. 2,691 of May 24, 1994, 3,530 of October 12, 1999, 4335 of November 13, 2003, all issued by Notary 23 of Bogotá. Each shareholder may designate one or more representatives for the General Shareholders' Meeting, regardless of the number of shares owned. This does not apply to decisions about elections conducted by vote. The shareholder and his or her representative or representatives must cast the same vote with all of his or her shares. In other words, a certain vote may not be cast with certain shares, and another vote cast with other shares. When a person represents multiple shareholders, he or she may vote separately according to the instructions of the principal or each person or group he or she represents, dividing the votes between each of them as instructed. Shares can be represented through a written power of attorney that names the proxy or proxies, the person or people who can substitute the proxy or proxies, and the date of the meeting for which the power is conferred. The power of attorney may cover two (2) or more meetings, provided that this is explicitly stated in the document. Except in cases of legal representation, the Company's executives and employees may not represent shares other than their own at the General Shareholders' Meetings, nor may they seek representation for their own shares. They cannot vote on the Company's end-of- year balance sheets or financial statements, nor on liquidation.

ARTICLE 13. TYPES OF MEETINGS. Modified by Deed No. 3530 of October 12, 1999, issued by Notary 23 of Bogotá. The meetings of the General Shareholders' Meeting may be ordinary or extraordinary. They are presided over by the Chair of the Board of Directors. In his or her absence, the Vice Chair of the Board of Directors shall preside. In the Vice Chair's absence, a majority vote of the General Shareholders' Meeting shall designate someone to preside. The Secretary of the meeting shall be the Secretary of the Board of Directors or whomever the Shareholders' Meeting designates. Meetings shall be held at the Company's headquarters on the day, and at the time and place named in the announcement. Nevertheless, meetings may be held without prior announcement and anywhere all subscribed shares are represented.

ARTICLE 14. ORDINARY MEETINGS. Modified by Deeds Nos. 2,691 of May 24, 1994, 4842 of October 6, 1995, 2742 of June 17, 1998, 941 of April 5, 1999, all issued by Notary 23 of Bogotá, 5328 of September 24, 2015, issued by Notary 73 of Bogotá, 1276 of March 29, 2016, issued by Notary 73 of Bogotá, 6367 of November 25, 2016 issued by Notary 73 of Bogotá and 1907 of April 28, 2017 issued by Notary 73 of Bogotá. Ordinary meetings of the Shareholders' Meeting shall be held one (1) time each year no later than the last business day of March in order to review the Company's situation, nominate administrators and other officials for election, set the economic guidelines for the Company, approve the statements and balances of the last fiscal year, make decisions about profit sharing, and agree on any measures necessary to ensure the fulfillment of the corporate purpose. If the meeting is not called, the Shareholders' Meeting shall automatically convene on the first (1) day of the month of April at ten o'clock in the morning (10:00 a.m.) at the headquarters where the Company's management has its offices. Management shall allow the shareholders or their representatives to inspect the Company's books and documents fifteen (15) business days leading up to the meeting.

PARAGRAPH. The separate and consolidated financial statements of the Company must be submitted for the consideration and approval of the Shareholders in the annual ordinary meeting. However, exceptionally, when urgent or unforeseen needs so request, the consolidated financial statements of the Company may be submitted for consideration in a subsequent meeting which must take place as soon as such consolidated financial statements become available and in any case, within the next 90 days following the Shareholders' ordinary meeting.

ARTICLE 15. EXTRAORDINARY MEETINGS. Modified by Deeds Nos. 4,842 of October 6, 1995, 3530 of October 12, 1999, 4335 of November 13, 2003, all issued by Notary 23 of Bogotá. The General Shareholders' Meeting may be convened for extraordinary meetings by:

a) The President.

b) The Board of Directors, on its own initiative or according to the terms established by the Code of Good Corporate Governance.

c) The Certified Public Accountant.

d) The Superintendence, when authorized by Law or when requested by multiple shareholders representing at least fifteen percent (15%) of the subscribed share.

Likewise, the Meeting shall convene upon the request of multiple shareholders representing no less than one-fourth of the share capital, in which case an announcement must be made by the Board of Directors, Legal Representative or Certified Public Accountant.

During extraordinary meetings, the Shareholders' Meeting may only make decisions on topics included in the agenda accompanying the meeting announcement, although with a majority of the votes present, the Meeting may address additional topics after the agenda has been covered.

ARTICLE 16. ANNOUNCEMENT. Modified by Deeds Nos. 2691 of May 24, 1994, 1636 of April 20, 1995, 4842 of October 6, 1995, 3530 of October 12, 1999, 1248 of April 22, 2002 and 4335 of November 13, 2003, all issued by Notary 23 of Bogotá. All announcements shall be published in a widely available newspaper. The announcement of Shareholders' Meeting shall be made at least five (5) calendar days in advance. For meetings during which the end-of-year financial statements will be approved, the announcement must be made at least fifteen (15) business days in advance. The issuance of the announcement shall be recorded in the minutes of the corresponding meeting. Nevertheless, the General Shareholders' Meeting may meet without prior announcement when there is representation of all the subscribed share. If a meeting is announced but not held due to lack of quorum, a new meeting will be scheduled that will be held and will make decisions as long as multiple shareholders are present, regardless of the quantity of the shares represented. The new meeting shall be hold no sooner than ten (10) and no later than thirty (30) business days from the date scheduled for the first meeting. When the Shareholders' Meeting automatically convenes at an ordinary meeting on the first business day in the month of April, it may also deliberate and make decisions according to the same terms.

ARTICLE 17. MAJORITY TO DELIBERATE AND MAKE DECISIONS. Modified by Deeds Nos. 2691 of May 24, 1994, 3530 of October 12, 1999, 4335 of November 13, 2003, all issued by Notary 23 of Bogotá. The quorum to deliberate shall constitute multiple shareholders who represent at least an absolute majority of subscribed shares, i.e., half of the subscribed shares plus one. The decisions of the General Shareholders' Meeting shall be made, in general, by the majority of votes present, except for the special majorities described in the bylaws and required by law, in which case the latter shall take precedence. Decisions of a general nature made by the Shareholders' Meeting in accordance with the law and the bylaws shall be binding for all members, including those who are absent or who dissent.

PARAGRAPH. The deliberations of the General Shareholders' Meeting may be suspended and resumed at a later time as many times as decided by multiple attendees that total at least half of the shares plus one represented at the meeting, but deliberations may not extend for more than three (3) days unless all subscribed shares are represented.

ARTICLE 18. ELECTIONS. The electoral quotient system shall be applied whenever two or more people are up for election for the same Board, committee, or collegial body.

ARTICLE 19. FUNCTIONS OF THE GENERAL SHAREHOLDERS' MEETING. Modified by Deeds Nos. 2691 of May 24, 1994, 3,530 of October 12, 1999, 1248 of April 22, 2002, 4335 of November 13, 2003, all issued by Notary 23 of Bogotá, 1323 of April 24, 2009 issued by Notary 36 of Bogotá, 2781 of May 26, 2015, issued by Notary 73 of Bogotá, 159 of January 21, 2016 issued by Notary 73 of Bogotá and 6367 of November 25, 2016 issued by Notary 73 of Bogotá. The following are the functions of the General Shareholders' Meeting.

1) Adopt measures in the Company's interest.

2) Elect and freely remove members of the Board of Directors.

3) Elect and freely remove the CPA and his or her alternate.

Shareholders may nominate candidates for the post of the Company's Certified Public Accountant (and alternate). These nominations shall be discussed in the General Shareholders' Meeting, and after an assessment, an election will be held.

4) Set the compensation for the members of the Board of Directors and the Certified Public Accountant.

5) Order that appropriate actions be taken against Managers, Officials, Executives or the Certified Public Accountant.

6) Review the reports of the Board of Directors and the CPA. Examine, approve and challenge the year-end financial statements, and close or annotate the associated statements.

7) Establish necessary reserves beyond the legal reserve.

8) Pursuant to the law and these bylaws, decide on profit sharing by determining the amount of the dividend, and the means and deadlines of its payment.

9) Amend these bylaws with a majority vote of those present.

10) Appraise in-kind assets received as payment for the subscription of shares with a majority vote of those present minus the shares corresponding to the contributors, who may not vote on this matter.

11) Rule that a specific issuance of common shares be placed not subject to subscription right by means of a vote of seventy percent (70%) of the shares present.

12) Authorize the issuance, when deemed appropriate, of preferred shares without voting rights.

13) Authorize with a unanimous vote of all subscribed shares the entry of the Company as a shareholder of another collective company.

14) Evaluate the management of the Company's Board of Directors through a review and approval or rejection of the annual management report that must be submitted for the Shareholders' Meeting's consideration.

15) To determine the maximum amount up to which the Company can make donations that support charitable causes for the community, or specific sectors of the community (for example, causes benefiting health, education, culture, religion, democracy, athletics; scientific and technological research; ecology and environmental protection; the defense, protection and promotion of human rights; legal access, social development programs, disaster relief, etc.) and that help promote the Company's image as part of its social responsibility. The General Shareholders' Meeting shall have the power to decide on the specific sectors to which these donations shall be made. In each meeting, the board of directors will submit to the consideration of the General Shareholders' Meeting its recommendations with respect to the maximum amount up to which the Company can make donations and the specific sectors to which these donations shall be made.

PARAGRAPH: The maximum amount up to which the Company is authorized to make donations shall survive until its complete use.

16) Approve the general policy of election and compensation of the Board of Directors.

17) Approve the acquisition, sale or liens of assets and segregation transactions, also known as Escisión Impropia, exceeding 25% of the total assets of the Company calculated against the separate financial statements of the immediately previous period.

18) Other functions established by law or these bylaws, not corresponding to other corporate bodies.

ARTICLE 20. BOOK OF MINUTES. The verifications of quorum, deliberations, elections, decrees, resolutions and any other of the General Shareholders' Meeting's activities shall be chronologically recorded in a book of minutes registered with and numbered by the Bogotá Chamber of Commerce. The Chair and the Secretary of the Shareholders' Meeting shall sign the respective minutes.

CHAPTER IV. BOARD OF DIRECTORS

ARTICLE 21. COMPOSITION OF THE BOARD. Modified by Deeds Nos. 941 of April 5, 1999 issued by Notary 23 of Bogotá, and 0580 of March 6, 2006 issued by Notary 18 of Bogotá. The Board of Directors shall be composed of nine (9) directors. At least twenty-five percent (25%) of the members of the Board of Directors shall be independent in nature. Directors shall be elected by the General Shareholders' Meeting through the electoral quotient system. The President shall attend the meetings of the Board of Directors. He or she is allowed to speak but not vote, unless he or she is a member of the Board, in which case he or she may speak and vote. Directors shall have a term of one (1) year and may be re-elected for an indefinite number of terms or freely removed by the General Shareholders' Meeting before the expiration of the term. If, at the expiration of the term, the Shareholders' Meeting has not held a new election, the previously elected directors shall remain in their positions.

ARTICLE 22. CHAIR AND SECRETARY. The Board of Directors shall have a Chair elected from among the directors, as well as a Secretary who may be a board member or another person. In addition, for the election of the Secretary, the Board of Directors will consider the following: (i) If the Secretary will be a solely purpose collaborator, the Board of Directors will appoint or remove at its discretion. (ii) If the candidate for Secretary holds an executive position within the Company, will be appointed by the Board of Directors upon proposal by the President of the Company.

ARTICLE 23. BOARD MEETINGS. Modified by Deeds Nos. 2691 of May 24, 1994 and 4260 of October 24, 2001 issued by Notary 23 of Bogotá. The Board of Directors shall hold ordinary meetings at least once a year. It may also hold extraordinary meetings when ordered by the Chair or at least two of the board members.

The Board of Directors' deliberations shall be valid with a majority of its members present. Decisions shall be made by means of majority vote. Deliberations and decisions shall be recorded in the minutes kept in the books registered with and numbered by the Chamber of Commerce. Once the minutes have been approved, they shall be signed by the Chair and the Secretary.

ARTICLE 24. FUNCTIONS OF THE BOARD OF DIRECTORS Modified by Deeds Nos. 2691 of May 24, 1994, 941 of April 5, 1999, 3530 of October 12, 1999, 4260 of October 24, 2001, 1248 of April 22, 2002, 4335 of November 13, 2003, all issued by Notary 23 of Bogotá, 0580 of March 6, 2006 issued by Notary 18 of Bogotá, 1323 of April 24, 2009 issued by Notary 36 of Bogotá and 6367 of November 25, 2016 issued by Notary 73 of Bogotá. The following are the functions of the Board of Directors.

1. Establish the rules of procedure for the Board.

2. Establish the necessary departments for the proper operation of the Company, assign their responsibilities and determine the fees.

3. Appoint and freely remove the President, set the President's compensation, and make decisions about the President's resignation or termination.

4. Evaluate the President's management and that of the other Company executives by reviewing the management report at the end of each year and on any other occasions required by law or the Board of Directors.

5. Designate the President's alternates.

6. Convene the Shareholders' Meeting so it can decide on the resignation of members of the Board of Directors and of the CPA.

7. Convene the Shareholders' Meeting for any other purpose.

8. Decide on matters submitted by the Chair of the Board.

9. Submit an fiscal year-end report to the General Shareholders' Meeting along with statements, balance sheets, inventories, and a profit sharing proposal. The management report, which will be submitted in conjunction with the Company Management, will include a description of the Company's primary risks, along with information about internal control activities and any relevant findings, should there be any.

10. Authorize bond issuances.

11. Make decisions about storing certificates issued by the Company in a Central Securities Depository.

12. Exercise the powers that, according to the bylaws, are not assigned to the General Shareholders' Meeting.

13. Examine, when deemed appropriate, either directly or indirectly, the books, accounts, documents and cash flow of the Company.

14. Interpret the provisions of the bylaws that give rise to uncertainties and define their meanings before the next General Shareholders' Meeting so they can be submitted for review.

15. Delegate issues the Board deems appropriate to the President, provided that they can be delegated.

16. Order that any action or contract part of the corporate purpose be executed, and make the decisions necessary for the Company to meet its goals.

17. Authorize operations the purpose of which is to acquire, transfer, mortgage, encumber or limit immovable property, receive money as a loan, and any other document or contract whose amount exceeds TWENTY THOUSAND (20,000) LEGAL MINIMUM MONTHLY SALARIES and empower the President to sign such contracts or documents.

18. Adopt specific measures related to the governance, conduct and information of the Company in order to ensure the rights of those who invest in shares or any other security issued are respected and that proper management is employed and that this management is made public knowledge.

19. Oversee that the rights of all shareholders and other investors are respected under the parameters set by market regulating bodies.

20. Approve and revise the Code of Good Corporate Governance, which shall contain all the rules and mechanisms required by the General Shareholders' Meeting, the Board of Directors, the Company's Internal Regulations and the Law. Such power may be delegated to the President of the Company.

21. Ensure compliance with the Code of Good Corporate Governance.

22. Resolve possible conflicts of interest that may arise between employees and the Company. The procedures for resolving conflicts of interest shall be described in the Code of Good Corporate Governance adopted by the Company.

23. Oversee proper compliance with the Company's internal control policies and procedures.

24. According to the terms established in the Code of Good Corporate Governance, make decisions about conducting special audits requested by the Company's shareholders or investors that are not initially accepted by the legal representative.

25. Approve the share subscription regulations, which shall contain: a) The quantity of shares to be offered, which shall not be less than those already issued; b) The proportion and the way in which they can be subscribed; c) The term of the offer, which shall not be less than fifteen (15) days and not exceed one (1) year; d) The price at which they will be offered; e) The deadline for paying for the shares. To set the price at which the shares will be offered, it shall not be necessary to conduct the technical study described in Article 41 of Law 964 of 2005.

26. Designate the members of the Audit Committee from the members of the Board of Directors.

27. Respond to proposals submitted to the Board of Directors by multiple shareholders that represent at least five percent (5%) of the subscribed shares. Therefore, each proposal shall be read at the following ordinary meeting of the Board. A Board committee shall be designated to draft a response, although the Board may have the management do so instead. The Secretary of the Board shall respond in writing to the petitioners, clearly indicating the reasons that motivated the decisions, provided that the object of the proposals is not related to industry secrets or strategic Company information.

28. Authorize the donations the Company makes pursuant to the authorizations granted by General Shareholders' Meeting for this purpose.

CHAPTER V. PRESIDENT

ARTICLE 25. APPOINTMENT AND TERM. Modified by Deeds Nos. 941 of April 5, 1999 and 1248 of April 22, 2002 issued by Notary 23 of Bogotá. The President shall be the legal representative of the Company both in court and outside of court. He or she shall be the person responsible for managing the Company. The President shall be appointed by the Board of Directors for the term of one (1) year from the time of election. The President may be re-elected for an indefinite number of terms and may be freely removed before the expiration of the term. The President shall have two alternates. In the event that the Board of Directors does not elect a President or Alternates when it should, the previous individuals shall continue in their positions until new ones are appointed. During permanent or temporary absences of the President, he or she shall be replaced by the alternatives in the order determined by the Board of Directors upon their appointment.

ARTICLE 26. POWERS OF THE PRESIDENT Modified by Deeds Nos. 2691 of May 24, 1994, 941 of April 5, 1999, 4260 of October 24, 2001, 1248 of April 22, 2002, 4335 of November 13, 2003, all issued by Notary 23 of Bogotá, 1323 of April 24, 2009 issued by Notary 36 of Bogotá and 6367 of November 25, 2016 issued by Notary 73 of Bogotá. The President's functions are those that correspond to him or her by nature of the position within the limits of the corporate purpose and these bylaws, namely:

1) Use the Company's name and represent it in court and elsewhere before any authority, individual or corporate entity, with the powers to novate, settle, engage or abandon, and to participate in rulings to dispute the ownership of property or rights.

2) Execute or sign any type of contract or document related to the corporate purpose in which the Company has interests, subject to the limitations set forth in these bylaws.

3) Convene ordinary and extraordinary sessions of the General Shareholders' Meeting and the Board of Directors, and present reports on the Company's business.

4) Appoint and freely remove Vice Presidents and Managers of the Company, outline their compensation, and make decisions about their resignations and terminations; supervise the people who shall designate the other employees of the Company.

5) Open bank accounts in the Company's name in order to keep Company funds therein; make transfers from these accounts and trade all types of securities.

6) Empower agents who will represent the Company in and out of court and delegate to them the functions or powers deemed necessary, to the extent that they can be delegated.

7) Sign notices of revisions to the bylaws.

8) Present to the Board of Director and constantly supervise compliance with specific measures related to the governance, conduct and information of the Company in order to ensure the rights of those who invest in shares or any other securities issued are respected and that proper management is employed and that this management is made public knowledge.

9) Ensure that all shareholders and other security investors are respected under the parameters set by market regulating bodies.

10) Supply the market with complete, timely and accurate information about the Company's financial statements and the Company's corporate and administrative conduct, without prejudice to the terms of Articles 23 and 48 of Law 222 of 1995.

11) Compile all the regulations and mechanisms required by law in a Code of Good Corporate Governance to be submitted to the Board of Directors for approval. This Code shall be available for shareholders and investors to consult at the Company's premises at all times.

12) Decide on the need to conduct special audits according to the terms of the Code of Good Corporate Governance.

13) Define the policies and design the internal control procedures that the Company should adopt; monitor that these procedures meet the needs of the Company.

Thus, the company shall appoint an internal auditor who shall be responsible for internal control tasks according to the Code of Good Corporate Governance.

14) Submit a documented assessment of his or her management on an annual basis and at any other times required by law or the Board of Directors.

PARAGRAPH. The President shall have extended powers to exercise the above functions, except for acquiring, transferring, mortgaging, encumbering or limiting immovable property, receiving money as a loan, or signing any other document or contract whose amount exceeds TWENTY THOUSAND (20,000) LEGAL MINIMUM MONTHLY SALARIES, as these must be authorized by the Board of Directors.

CHAPTER VI. AUDIT COMMITTEE

ARTICLE 27. Supplemented and modified by Public Deeds Nos. 0580 of March 6, 2006 issued by Notary 18 of Bogotá, and 28 of January 6, 2011 issued by Notary 73 of Bogotá. AUDIT COMMITTEE: The Audit Committee shall be composed of at least three directors including All independent members. The members of the Committee shall be appointed by the Board of Directors, which willalso enact the Regulation of said Comimittee. The Company's CPA shall also be part of the Committee. He or she shall be entitled to speak at meetings but not vote. Committee meetings may be scheduled by any Company official.

PARAGRAPH. The Audit Committee must meet at least once every three (3) months. The decisions of the Audit Committee shall be documented in minutes, subject to the provisions of Article 189 of the Commerce Code.

ARTICLE 28. Supplemented and modified by Public Deeds Nos. 0580 of March 6, 2006 issued by Notary 18 of Bogotá, and 28 of January 6, 2011 issued by Notary 73 of Bogotá. FUNCTIONS OF THE AUDIT COMMITTEE.

1. Support the Board of Directors to make decisions about internal control and its improvement.

2. Supervise the Company's internal control structure with the goal of determining whether the procedures reasonably protect the Company's assets.

3. Ensure transparency in the preparation, presentation and disclosure of the financial information prepared by the Company.

4. Review the Company's Financial Statements before they are submitted to the Board of Directors and the General Shareholders' Meeting.

5. Constantly evaluate established procedures to determine the adequacy of the internal control.

6. Contract independent specialists for specific cases in line with the Company's general contracting policies, as deemed appropriate.

7. Review and discuss financial statements, quarterly reports, and any other financial reports prepared by the Company with management and the CPA.

8. Make recommendations to the General Shareholders' Meeting about the appointment and compensation of the Company's CPA.

9. Approve the CPA's management activities on behalf of the Company, whether or not these involve audits.

10. Discuss risk management policies with management.

11. Issue reports to the Board of Directors on topics deemed relevant.

CHAPTER VII. CERTIFIED PUBLIC ACCOUNTANT.

ARTICLE 29. APPOINTMENT AND TERM. Modified by Deeds Nos. 2691 of May24, 1994, 4260 of October 24, 2001, 1248 of April 22, 2002 and 4335 of November 13, 2003, all issued by Notary 23 of Bogotá. The Certified Public Accountant and his or her alternate shall be elected by the General Shareholders' Meeting by a vote of multiple shareholders representing at least half plus one of the shares represented at the meeting. All elections shall be conducted by ballot, except with unanimity is required. The CPA shall be elected for a term equal to that of the Board of Directors. The election must take legal ineligibilities into account. The CPA may be re-elected an indefinite number of times or freely removed before the expiration of the term. The CPA shall have an Alternate who shall replace him or her for permanent, temporary or inadvertent absences. The powers and the obligations of the CPA shall be:

1. Verify that the operations executed on the Company's behalf respect the bylaws and the decisions of the General Shareholders' Meeting and the Board of Directors.

2. Inform the General Shareholders' Meeting, the Board of Directors or the President, as needed, in writing in a timely manner of the relevant findings that occur during the functioning of the Company as it carries out its business so that the necessary measures can be taken. The CPA may request that the Company provide information about findings relevant to the market and investors through the available reporting mechanism.

3. Collaborate with the governmental entity that exercises control over the company and provide the necessary or requested reports.

4. Ensure that records are carefully kept of the Company's accounts and of the minutes of the General Shareholders' Meeting and of the Board of Director sessions; ensure the proper conservation of Company correspondence and account documents, issuing any instructions necessary for these purposes.

5. Meticulously inspect the Company's properties and ensure that the necessary conservation or security measures are taken for this property and any other property in its possession.

6. Issue the instructions, conduct the inspections and request the reports that are necessary to establish constant control over the Company's assets.

7. Sign and authorize any balance sheet issued as part of his or her review or corresponding report.

8. Convene extraordinary sessions of the General Shareholders' Meeting when deemed necessary.

9. Ensure that Company's management fulfills the specific duties set forth by regulatory bodies, especially duties related to reporting and the Code of Good Corporate Governance.

10. Comply with any other responsibilities required by law or the bylaws and those legally conferred by the General Shareholders' Meeting or the Board of Directors.

PARAGRAPH. The Certified Public Accountant's report on the General Balance Sheets must indicate, at the least:

1) Whether he or she obtained the necessary information to fulfill his or her functions.

2) Whether, during the course of the review, he or she followed the recommended auditing technique procedures.

3) Whether, in his or her opinion, the accounting was conducted in accordance with legal regulations and accounting techniques, and if the operations carried out comply with the bylaws and the decisions of the General Shareholders' Meeting or of the Board of Directors, as appropriate.

4) Whether the balance sheet and the income statement were taken faithfully from the books and, in his or her opinion, whether the former reliably represent the Company's financial situation at the end of the reviewed period according to the generally accepted accounting regulations, and whether the latter reflects the results for said period.

5) Any uncertainties or doubts about the accuracy of the financial statements. The CPA's report for the General Shareholders' Meeting must indicate:

1. Whether the actions of the Company's managers comply with the bylaws and the orders or instructions of the General Shareholders' Meeting or Board of Directors.

2. Whether the correspondence, documents, accounts, books of minutes and the Stock Ledger have been properly kept.

3. Whether internal control measures and measures to conserve and protect the Company's property exist and are adequate. The CPA shall be able to speak, but not vote in the deliberations of the General Shareholders' Meeting. The same shall be true when the CPA is invited to the Board of Directors sessions. The CPA shall also have the right to inspect the Company's accounting books, books of minutes, correspondence, statements and any other documents at any time.

CHAPTER VIII. BALANCE SHEET AND DIVIDENDS.

ARTICLE 30. ANNUAL FINANCIAL STATEMENTS. Modified by Deeds Nos. 2691 of May 24, 1994, 2,742 of June 17, 1998, 941 of April 5, 1999, 1248 of April 22, 2002, all issued by Notary 23 of Bogotá and 6367 of November 25, 2016 issued by Notary 73 of Bogotá. On December 31 of every year, statements will be made available to prepare and release the General Financial Statements of the respective financial period. The Financial Statements, the minutes, the books and any other material supporting the reports shall be kept at the General Secretary's office fifteen (15) business days before the scheduled date of the meeting of the General Shareholders' Meeting so that they can be examined by the shareholders.

ARTICLE 31. APPROVAL OF THE BALANCE SHEETS. Modified by Deed No. 1248 of April 22, 2002, issued by Notary 23 of Bogotá. The Balance Sheets must be submitted to the General Shareholders' Meeting by the Board of Directors and the Legal Representative pursuant to the requirements of Article 446 of the Commerce Code (Decree 410 of 1971) and any other applicable legislation.

ARTICLE 32. STATUTORY RESERVE. Modified by Deeds Nos. 2691 of May 24, 1994 and 1248 of April 22, 2002 issued by Notary 23 of Bogotá. The statutory reserve shall be established with ten percent (10%) of the profits of each financial year until an amount equal to 50% of the subscribed capital has been set aside. Once this reserve reaches this fifty percent (50%), the Company shall no longer be required to reserve ten percent (10%) of the net profits. If the value of the reserve decreases, however, the Company must resume setting aside ten percent (10%) of its profits until the minimum is once again met.

PARAGRAPH. The General Shareholders' Meeting may mandate the formation of occasional or voluntary reserves for special purposes; these must be approved according to these bylaws and the law. Occasional reserves mandated by the General Shareholders' Meeting shall only be mandatory for the fiscal year in which they are established. The General Shareholders' Meeting may change their purpose when it deems appropriate.

ARTICLE 33. PROFIT SHARING. Modified by Deeds Nos. 2691 of May 24, 1994, 3530 of October 12, 1999, 1248 of April 22, 2002, all issued by Notary 23 of Bogotá and 6367 of November 25, 2016 issued by Notary 73 of Bogotá. Once the General Shareholders' Meeting has approved the inventory and the balance of the financial year, it will proceed to make appropriations to reserves and make decisions about profit sharing. Unless decided otherwise, at least fifty percent (50%) of the profits earned during each year, or the balances thereof shall be distributed as dividends if losses for previous year must be offset. This percentage shall be increased to seventy percent (70%) if the sums of statutory or voluntary reserves exceed one hundred percent (100%) of the subscribed capital. This percentage, however, may be decreased or there may be no profit sharing if approved by the General Shareholders' Meeting with seventy eight percent (78%) of the shares represented at the meeting. If there are profits, they shall be distributed proportionally to the number of shares subscribed by each of the Company's shareholders. Dividend payments shall be made in cash to all shareholders at the time the payment is due, within the timeframe set forth by the General Shareholders' Meeting at the time dividends are declared payable. When Company shares are listed on the stock exchange, however, the ex dividend period must be honored. The dividend may be paid in Company shares if such a proposal is approved by representatives of eighty percent (80%) of the shares present at the meeting. In the event that this majority is not met, shares shall only be distributed to shareholders as dividends to those who accept them.

PARAGRAPH. The General Shareholders' Meeting may declare the payment of dividends for shares issued and placed during a specific fiscal year based on the profits of previous years for shares that have not been subscribed, provided that reserves exist to pay them.

CHAPTER IX. BYLAW AMENDMENTS.

ARTICLE 34. AMENDMENTS. Modified by Deeds Nos.941 of April 5, 1999 and 3530 of October 12, 1999 issued by Notary 23 of Bogotá. Amendments of the corporate bylaws must be approved by the General Shareholders' Meeting with a majority of the votes present. The Legal Representative is responsible for legally executing the agreements on the Bylaw Amendments approved by the General Shareholders' Meeting.

CHAPTER X. DISSOLUTION AND LIQUIDATION.

ARTICLE 35. GROUNDS FOR DISSOLUTION. The Company shall be dissolved:

a) Upon the expiration of its contractual term if not extended prior to expiration.

b) By the reduction of the number of its associates to less than that required by law for its establishment or function.

c) By a decision of the General Shareholders' Meeting with the majority stipulated in the bylaws.

d) When losses occur that reduce the Company's net worth to less than fifty percent (50%) of the subscribed capital.

e) When ninety-five percent (95%) or more of the subscribed shares belong to a single shareholder.

f) By any other legal grounds.

ARTICLE 36. LIQUIDATION. Modified by Deed No. 4260 of October 24, 2001, issued by Notary 23 of Bogotá. In the event of the Company's dissolution, the Company's properties shall be liquidated and distributed according to the provisions of the General Shareholders' Meeting and the law. The person or people designated by the General Shareholders' Meeting shall carry out the liquidation. If the Meeting does not name a liquidator, the President of the Company at the time of the liquidation shall carry out this role. The Board of Directors shall serve as the Advisory Board of the liquidator or liquidators. In-kind property shall be sold to award cash to the associates, unless the General Shareholders' Meeting decides to award the in- kind property to the shareholders.

ARTICLE 37. OPERATION OF THE GENERAL SHAREHOLDERS' MEETING. During the liquidation period, the General Shareholders' Meeting may hold ordinary and extraordinary sessions pursuant to these bylaws. The Meeting shall have all relevant functions for the liquidation, especially those related to freely changing and removing liquidators and alternates, agreeing with them the price for their services, and approving the final liquidators' report and the distribution document.

ARTICLE 38. FINAL LIQUIDATION STATEMENT AND DOCUMENT. Once the external liabilities have been paid off, the final liquidation statement and the document distributing the balance to the shareholders shall be prepared. In the manner set forth in these bylaws, the liquidators shall convene the General Shareholders' Meeting to approve the liquidators' statements and the distribution of the aforementioned balance. If no associates attend the first duly announced meeting, the liquidators shall call a second meeting to occur within the next 10 days. If no one attends this second meeting either, the liquidators' statement shall be deemed approved. It shall not be possible to contest it thereafter. Once the final liquidation statement has been approved, associates shall receive what is due to them. If there are absences or if there are many associates, the liquidators shall call them via announcements that shall be published no less than three (3) times at intervals of eight (8) to ten (10) days in a newspaper that circulates where the Company's headquarters is located. After the last announcement is made and ten (10) days after the last publication, the liquidators shall submit to the departmental welfare board of the place where the Company's headquarters is located or, in such an entity's absence, the closest such body, the properties belonging to associates who were not present to receive it. They may only claim said properties within the following year. After that time, the property shall become the property of the welfare entity, and for which the liquidator shall provide the necessary transfer documents. The relevant regulations of the Code of Commerce shall apply for the Company's liquidation.

CHAPTER XI. MISCELLANEOUS PROVISIONS.

ARTICLE 39. ARBITRATION CLAUSE. Modified by Deed No. 1248 of April 22, 2002, issued by Notary 23 of Bogotá. Disputes that arise between shareholders or between shareholders and the Company resulting from the execution of the corporate bylaws or the Company's liquidation shall be resolved by the Arbitration Tribunal located in Bogotá D.C. and shall be made up of three (3) Colombian lawyers who shall issue a legal decision. The appointment of the arbiters shall be made by joint agreement between the parties within ten business days from the time the application is submitted by one party to the other. If an agreement is not reached, the Center for Arbitration and Reconciliation of the Bogotá Chamber of Commerce shall appoint the arbiters according to its internal regulations. The arbitration process shall proceed pursuant to the relevant legal regulations and the rules of the Center for Arbitration and Reconciliation of the Bogotá Chamber of Commerce.

ARTICLE 40. COMPLIANCE WITH THE CODE OF GOOD CORPORATE GOVERNANCE. Supplemented by Deed No. 4335 of November 13, 2003, issued by Notary 23 of Bogotá. Paragraph supplemented by Deed No. 159 of January 21, 2016, issued by Notary 73 of Bogotá. The Company's shareholders and investors may make respectful inquiries when they believe a breach of the Code of Good Corporate Governance has occurred.

The Company shall establish an office to serve shareholders and investors under the direction of an official with this remit. Said office shall serve as a link between shareholders and investors and the Company's governance bodies, and it shall carry out the necessary management to meet the needs and requirements of shareholders and investors in a timely manner.

PARAGRAPH. Notwithstanding its voluntary nature, corporate governance best practices and recommendations adopted by the Company, shall be mandatory for Grupo Aval, its officers and employees.

ARTICLE 41. MECHANISMS THAT ENSURE THE EQUITATIVE TREATMENT OF THE COMPANY'S SHAREHOLDERS AND INVESTORS. Supplemented by Deed No. 4335 of November 13, 2003, issued by Notary 23 of Bogotá. The Company shall give the same attention to petitions, claims and information submitted by shareholders, regardless of the value of their shares, as to those submitted by investors, regardless of the value of their investments.

Among the specific mechanisms for shareholders and investors that guarantee their equitative treatment: (i) Requesting sessions of the General Shareholders' Meeting according to provisions of the bylaws; (ii) Demanding compliance with the Code of Good Corporate Governance, (iii) Being served and informed with the same level of detail and promptness such that their rights are protected. Service and information shall be provided to shareholders and investors through the Company's specific office for shareholder and investor services.

ARTICLE 42. CONTROL BY COMPETENT AUTHORITIES. Supplemented by Deeds No. 4335 of November 13, 2003 issued by Notary 23 of Bogotá, and Modified by Public Deed No. 0580 of March 6, 2006 issued by Notary 18 of Bogotá. As long as the Company issues securities pursuant to line 2 of paragraph 3 of article 75 of Law 964 of 2005 and article 73 of Decree 4327 of 2005, the Financial Superintendence shall exercise exclusive control over the Company.

ARTICLE 43. RESOLUTION OF CONFLICTS OF INTEREST BETWEEN AN EXECUTIVE OR MANAGER AND THE COMPANY. Supplemented by Deed No. 4335 of November 13, 2003, issued by Notary 23 of Bogotá. When an executive or manager is in a situation that entails a conflict of interest with the Company, he or she must convene the General Shareholders' Meeting to present his or her case. He or she must provide this body with any information that may be relevant for making a decision. The executive or manager shall be excluded from the resulting vote if he or she is a shareholder. The General Shareholders' Meeting may only rule on such matters when they do not jeopardize the interests of the Company.

ARTICLE 44. RESOLUTION OF CONFLICTS OF INTEREST BETWEEN AN EXECUTIVE OR MANAGER AND A SHAREHOLDER. Supplemented by Deed No. 4335 of November 13, 2003, issued by Notary 23 of Bogotá. Executives or managers may not claim ignorance of, limit or restrict in any way the rights of any shareholder. Shareholders have all the powers granted to them by law to exercise their rights. When a conflict of interest arises between an executive or a manager and a shareholder, compliance with the relevant regulations and the interests of the Company shall prevail.

ARTICLE 45. ARTICLE 46. RIGHT OF WITHDRAWAL. Supplemented by Deed No. 305 of January 28, 2022, issued by Notary 73 Bogotá. When a transformation, merger or spin-off of the Company imposes on the shareholders a greater responsibility or entails a decrease in their equity rights, the absent or dissenting shareholders shall have the right to withdraw from the Company. They shall also have the right to withdraw if there is a voluntary cancellation of the registration in the National Securities and Issuers Registry or in the stock exchange.

It shall be understood that there is a decrease of the shareholders' equity rights in the following cases:

1. When the shareholder’s percentage ownership in the Company’s capital decreases.
2. When the equity value of the share decreases or its nominal value is reduced, as long as the foregoing results in capital decrease.
3. When the possibility of negotiating the shares is limited or reduced.

FIRST PARAGRAPH - Within eight (8) business days following the date on which the respective transformation, merger or spin-off decision is adopted, the absent or dissenting shareholders must notify the Company of their desire to exercise the right to withdraw ("Notice of Withdrawal ").

If Notices of Withdrawal have been received within the term set forth in the preceding paragraph, once the Management of the Company has verified that the legal requirements for the exercise of the right of withdrawal have been met, it will calculate the shares to be offered to the other shareholders prorrata to their participation in the capital of the Company, together with the amount to be paid, as set forth in Paragraph Two, and the payment instructions ("Prorrata Offering").

The Prorrata Offering will be made no later than the fifth (5th) business day following the expiration of the deadline for submitting the Notice of Withdrawal to the registered shareholders of the Company at the close of business on the day immediately preceding the day on which the Prorrata Offering is notified.

The shareholders interested in exercising the option to purchase the shares offered by the shareholders who intend to exercise the right of withdrawal will have fifteen (15) business days from the date on which the Prorrata Offering has been notified, to indicate to the Company their intention to purchase the offered shares and to pay the price thereof ("Exercise of the Purchase Option").

When the shareholders do not acquire all the shares offered by the shareholders who exercised the right of withdrawal, the Company, within five (5) business days following the expiration of the period for the Exercise of the Purchase Option, shall repurchase them provided that there are liquid profits or statutory reserves constituted for such purpose.

In the event that the Company does not have liquid profits or statutory reserves that allow it to repurchase the shares, it shall proceed with their reimbursement within two (2) months after the expiration of the term for the Exercise of the Purchase Option. The Company's Legal Representative shall determine the date on which the reimbursement shall be made within the aforementioned term, as well as the means through which the payment thereof shall be made. The term of two (2) months may be extended up to twelve (12) months subject to the approval of the Superintendency of Finance of Colombia.

SECOND PARAGRAPH - The price for the repurchase or reimbursement of the shares will be determined in a technical study prepared by an independent professional who shall comply with the provisions of the Circular Básica Jurídica of the Superintendency of Finance of Colombia. In the event that the technical study has not been performed, the Company shall hire an independent professional to prepare a technical study to determine the price in compliance with the provisions of the Circular Básica Jurídica of the Superintendency of Finance of Colombia.

THIRD PARAGRAPH - For purposes of carrying out the notices related to this article, the Company shall use means that ensure wide dissemination, including, but not limited to newspapers of wide national circulation, notices on its website or through the Relevant Information mechanism.

Exhibit 2.3

DESCRIPTION OF REGISTRANT'S SECURITIES PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Description of Capital Stock

The following is a description of the capital stock of Grupo Aval Acciones y Valores S.A. (the "Company," "we," "us," "our" and "Grupo Aval"). Such description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of our by-laws, which are incorporated by reference as an exhibit to the Annual Report on Form 20-F.

Shares

Our by-laws provide for an authorized share capital of 120,000,000,000 shares of par value of Ps 1.00 each, which may be either of two classes: common shares or shares with a preferred dividend, liquidation preference and no voting. At April 8, 2024 we had 16,201,712,499 common shares outstanding, and 7,541,763,225 preferred shares outstanding.

Our by-laws also provide for the conversion of common shares into preferred shares only when such conversion is approved or authorized at a general shareholders' meeting. A shareholders' meeting must define, in each case, the procedure to be followed for such conversion and must determine, among other matters, the maximum number or percentage of shares that may be converted. The shareholders' meeting may also authorize the Board of Directors or the President of our Company to approve the agreements, forms and other documents to be executed in order to give effect to a conversion.

Our shareholders' meeting held on December 7, 2010, determined that outstanding common shares may be converted into preferred shares on a 1-to-1 basis. Conversion of common shares into preferred shares may only be made once a month, provided that, as required by Colombian law and in accordance with our by-laws, our preferred shares shall not exceed 50% of our subscribed capital.

Voting Rights

Common Shares

The holders of common shares are entitled to vote on the basis of one vote per share on any matter subject to approval at a general shareholders' meeting according to articles 14 through 19 of the by-laws, as amended from time to time. These general meetings may be ordinary meetings or extraordinary meetings. Ordinary general shareholders' meetings occur once a year, no later than the last business day of March, for the following purposes:

- to review the general situation of the Company;
- to determine the general economic policy of the Company;
- to consider the approval of our report for the preceding year ending on December 31, as applicable, including the financial statements for the above-mentioned term;
- to review the report prepared by the external auditor for the preceding year ending on December 31;
- to elect directors and the external auditor (on an annual basis);
- to determine the compensation of the members of the board of directors and the external auditor (on an annual basis); and

- to determine the dividend to be distributed and the allocation of profits, if any, of the preceding year ending on December 31, as well as any retained earnings from twelve months.

Pursuant to Law 964 of 2005, at least 25% of the members of our board of directors must be independent within the meaning of Colombian rules. A person who is an "independent director" is understood to mean a director who is not:

- an employee or executive officer of the issuer or any of its parent or subsidiary companies, including any person acting in such capacity during the year immediately preceding that in which they were appointed to the board, except in the case of an independent member of the board of directors being re-elected;

- a shareholder, who either directly or by virtue of an agreement directs, guides or controls the majority of the entity's voting rights or who determines the majority composition of the administrative, directing or controlling bodies of this same entity;

- a partner or employee of any association or firm that provides advisory or consultancy services to the issuer or to companies belonging to the same economic group to which such issuer belongs, in the event that income obtained from such services represent for said association or firm at least twenty percent (20.0%) of its total operating income;

- an employee or executive officer of a foundation, association, partnership or corporation that receives significant donations from the issuer. The term "significant donations" is quantified as twenty percent (20.0%) or more of the total amount of donations received by the respective institution;

- an administrator of any entity on whose board of directors a legal representative of the issuer participates; or

- a board member who receives from the issuer any kind of remuneration other than fees as a member of the board of directors, member of the audit committee or any other committee established by the board of directors.

Pursuant to Decree 3923 of 2006, the election of independent directors must be in a ballot separate from the ballot to elect the rest of the directors, unless the reaching of the minimum number of independent directors required by law or by the by-laws is assured, or when there is only one list that includes the minimum number of independent directors required by law or by the by-laws.

Both elections are made under a proportional representation voting system named electoral quotient "c*ociente electoral*" (except for the elections unanimously approved by the general shareholders' meeting). Under that system:

- each holder of common shares is entitled at the annual general shareholders' meeting to nominate candidates for the election of directors;

- each nomination of one or more directors by a shareholder constitutes a list for the purposes of the election;

- each list of nominees must contain a hierarchy as to the order of preference for nominees in that list to be elected;

- once all lists have been nominated, holders of common shares may cast one vote for each common share held in favor of a particular list of nominees. Votes may not be cast for particular nominees in a list; they may be cast only for the entire list;

- the total number of votes casted in the election is divided by the number of directors to be elected. The resulting quotient is the quota of votes necessary to elect particular directors. For each time that the number of votes cast for a list of nominees is divisible by the quota of votes, one nominee from that list is elected, in the order of the hierarchy of that list; and

- when no list has enough remaining votes to satisfy the quota of votes necessary to elect a director, any remaining board seat or seats are filled by electing the highest remaining nominee from the list with the highest number of remaining votes cast until all available seats have been filled.

There is no maximum age limit requirement for the election or retirement of directors. No minimum number of shares is required for a director's qualification. Directors may be removed by shareholders entitled to vote prior to the expiration of their term.

Extraordinary general shareholders' meetings may take place when duly called for a specified purpose or purposes, or, without prior notice, when holders representing all outstanding shares entitled to vote on the issues presented are present at the meeting. Extraordinary meetings of shareholders may be called by our president, our board of directors or the certified public accountant, directly or by request of a plural number of shareholders representing no less than 25.0% of the company's common voting shares, in which case an announcement must be made by the board of directors, the legal representative or the certified public accountant. In addition, meetings may be called by the Superintendency of Finance, directly or by request of shareholders holding at least 15.0% of the common voting shares. Notice of extraordinary meetings should be given at least five days in advance.

Quorum for ordinary and extraordinary general shareholders' meetings to be convened at first call requires the presence of multiple shareholders who represent at least 50.0% plus one of the outstanding shares entitled to vote at the relevant meeting. If no quorum is present for a general shareholders' meeting, a subsequent meeting may be called within 10 to 30 business days at which the presence of two or more shareholders entitled to vote at the relevant meeting constitutes quorum, regardless of the number of shares represented.

Notice of ordinary general meetings must be published in one newspaper of wide circulation, at least 15 business days prior to the proposed date of a general shareholders' meeting. Notice of extraordinary general meetings, listing the matters to be addressed at such meetings, must be published in one newspaper of wide circulation, at least five calendar days prior to the proposed date of an extraordinary general shareholders' meeting.

Except where Colombian law requires a supermajority, decisions made at a shareholders' meeting must be approved by a majority of the shares present. Pursuant to Colombian law and/or our by-laws, special-majorities are required in the following cases:

- the vote of at least 70.0% of the shares present and entitled to vote at a shareholders' meeting is required to approve the issuance of common shares not subject to preemptive rights;

- the Company must distribute (i) at least 50.0% of the annual's net profits according to Article 155 of the Colombian Code of Commerce, or (ii) at least 70.0% of the annual's net profits if the total amount segregated in the legal, statutory and other reserves exceeds the Company's outstanding capital, according to Article 454 of the Colombian Code of Commerce; however, the vote of at least 78.0% of the shares represented and entitled to vote may approve the distribution of a lower percentage of dividends;

- the vote of at least 80.0% of the shares present and entitled to vote is required to approve the payment of dividends in shares; however, according to Law 222 of 1995, if a "situation of control" exists, whereby the decision-making power is subject to the will of a person or group of persons, a company may only pay dividends by issuing shares, to the shareholders that so accept;

- unanimity is required to replace a vacancy on the board of directors without applying the electoral quotient system described above; and

- the vote of 70.0% of the issued and outstanding common shares and 70.0% of the outstanding and issued preferred shares is required to approve any amendment that may impair the rights of the preferred shares.

The adoption by a shareholders' meeting of certain corporate actions such as mergers, spin-offs, and share conversions are also subject to authorization by the Superintendency of Finance.

Preferred Shares

The holders of preferred shares are not entitled to receive notice of, attend or vote at any general shareholders' meeting of holders of common shares, except as described below.

The holders of preferred shares will be entitled to vote on the basis of one vote per share at any shareholders' meeting, whenever a shareholder vote is required on the following matters:

- in the event that amendments to our by-laws may impair the conditions or rights assigned to such preferred shares and when the conversion of such shares into common shares is to be approved. In both such cases, the vote of 70.0% of the outstanding and issued common shares and preferred shares is required; and

- if at the end of any accounting period, our profits are not sufficient to pay the minimum dividend on the preferred shares and the Superintendency of Finance, by its own decision or upon request of holders of at least 10.0% of preferred shares, determines that benefits were concealed or shareholders were misled with regard to benefits thereby decreasing the profits to be distributed, the Superintendency of Finance may resolve that holders of preferred shares should participate with deliberation and voting rights at the general shareholders' meeting, in the terms established by law.

We must issue a notice of any meeting at which holders of preferred shares are entitled to vote. The notice must be published in a newspaper of wide circulation. Depending on the matters to be subjects of the shareholders meeting, notice to preferred shareholders must be delivered at least 15 business days prior to the ordinary meeting or 5 calendar days before the extraordinary meetings. Each notice must contain the following:

- the date of the meeting;

- a description of any resolution to be proposed for adoption at the meeting on which the holders of preferred shares are entitled to vote; and

- instructions for the delivery of proxies.

Redemption

Pursuant to section 46 of the by-laws, when a transformation, merger or spin-off of the Company imposes a greater responsibility on the shareholders or entails an impairment in their economic rights, the absent or dissenting shareholders shall have the right to withdraw from the Company.

Pursuant to Colombian Law (Article 12 of Law 222 of 1995), the economic rights of shareholders are deemed to be impaired if:

- their ownership percentage is reduced as a result of the merger, transformation or spin-off of the Company;

- the equity value or the par value of the shares is reduced (in the latter case, only to the extent that the reduction of the par value implies a decrease in the Company's stock capital); and

- the negotiability of the shares is restricted or diminished.

- If the Company decides to withdraw the listing of its shares from a stock exchange or its registration before the National Registry of Shares and Issuers.

The exercise of this right is regulated by Articles 15 and 16 of Law 222 of 1995. According to Article 15, within five days following notice of the exercise of this right by a shareholder, the Company must offer to the other shareholders the shares owned by the exercising shareholder. Within the following 15 days, the other shareholders may acquire the shares on a pro rata basis. If all or a part of the shares are not acquired by the other shareholders, then the Company must reacquire them to the extent there are profits or reserves built up by the Company for those purposes. If neither the shareholders nor the Company acquires all of the shares owned by the exercising shareholder, then pursuant to Article 16 of Law 222 of 1995, such exercising shareholder is entitled to the reimbursement of the capital contributions made to the Company.

The price for the repurchase or reimbursement of the shares will be determined in a technical study prepared by an independent professional who shall comply with the provisions of the Circular Básica Jurídica of the Superintendency of Finance of Colombia. In the event that the technical study has not been performed, the Company shall hire an independent professional to prepare a technical study to determine the price in compliance with the provisions of the Circular Básica Jurídica of the Superintendency of Finance of Colombia. Notwithstanding the above, the by-laws may establish other methods for determining the redemption price to be paid in the foregoing circumstances.

Dividends

Common Shares

Following the approval of the financial statements at a general shareholders' meeting, shareholders may determine the allocation of distributable profits, if any, of the preceding accounting period by a resolution approved by the majority of the holders of common shares present at the ordinary general shareholders' meeting, pursuant to the recommendation of the board of directors and management.

Under the Colombian Code of Commerce, a company must, after payment of income taxes and appropriation of legal reserves, and after off-setting losses from prior periods distribute at least 50.0% of net profits to all shareholders, payable in cash, or as determined by the shareholders, within a period of one year following the date on which the shareholders determine the payment of dividends. If the total amount segregated in the legal, statutory and occasional reserves of a company exceeds its outstanding capital, this percentage is increased to 70.0%. The minimum common shares dividend payment requirement of 50.0% or 70.0%, as the case may be, may be waived by a favorable vote of the holders of 78.0% of a company's common shares present at the meeting, in which case the shareholders may distribute any percentage of the net profits. The dividends may be paid in shares if such proposal is approved by representatives of eighty (80%) of the shares present at the meeting.

Under Colombian law and our by-laws, net profits obtained in each accounting period are to be allocated as follows:

- first, an amount equivalent to 10.0% of net profits is segregated to build a legal reserve, until that reserve is equal to at least 50.0% of our subscribed capital;

- second, payment of the minimum dividend on the preferred shares; and

- third, allocation of the balance of the net profits is determined by the holders of a majority of the common shares entitled to vote on the recommendation of the board of directors and the president and may, subject to further reserves required by the by-laws, be distributed as dividends.

Under Colombian law, the dividends payable to the holders of common shares, for each common share, cannot exceed the dividends per share payable to holders of the preferred shares, for each preferred share. All common shares that are fully paid-in and outstanding at the time a dividend or other distribution is declared are entitled to share equally in that dividend or other distribution. Common shares that are only partially paid-in participate in a dividend or distribution in the same proportion as the shares have been paid in at the time of the dividend or distribution.

The general shareholders' meeting may allocate a portion of the profits to, among others, welfare, education or civic services.

Preferred Shares

Holders of preferred shares are entitled to receive a minimum dividend after deducting losses affecting the capital, and deducting any amounts set aside for legal reserve, but before creating or accruing for any other reserve and before any declared dividends are paid to holders of common shares, so long as dividends have been approved by the shareholders' meeting of Grupo Aval. Dividends to holders of common and preferred shares must be approved by the shareholders. If no dividends are declared, no holder of Grupo Aval's preferred or common shares will be entitled to payment. Pursuant to the offering memorandum of the preferred shares, the minimum dividend will be equal to Ps 1.00 in each calendar semester, so long as this value is higher than the dividend paid to the holders of common shares. If the minimum preferred dividend is not equal or higher than the per share dividend on the common shares, the minimum dividend will be equal to the dividend paid to the holders of common shares, if any. So long as the dividend declared is equal to or in excess of the aforementioned minimum, the same dividend must be paid on both the common and the preferred shares.

Payment of the preferred dividend shall be made at the time and in the manner established in the general shareholders' meeting and with the priority indicated by Colombian law.

Grupo Aval is under a "situation of control" (whereby the decision-making power is subject to the will of a person or group of persons). As a result, the Company may only pay stock dividends to the shareholders that so accepts it. Those shareholders that do not accept to receive a stock dividend, are entitled to receive their dividend in cash.

General Aspects Involving Dividends

The dividend periods may be different from the periods covered by the balance sheet. In the general shareholders' meeting, shareholders will determine such dividend periods, the effective date, and the method and the place for payment of dividends.

Dividends declared on the common shares and the preferred shares will be payable to the record holders of those shares, as they are recorded on our share registry, on the appropriate dates as determined in the general shareholders' meeting. However, in accordance with Decree 4766 of December 14, 2011 (which amended articles 2.23.1.1.4 and 2.23.1.1.5 of Decree 2555 of 2010), issued by the Ministry of Finance:

- companies whose shares are registered with the National Registry of Shares and Issuers must establish a period of at least three trading days between the date that they receive approval to distribute profits from the General Shareholders Assembly and the date of payment; and

- the ex-dividend period (*fecha ex-dividendo*) is the period during which it is understood that a purchase of shares does not include the right to receive dividends. The ex-dividend date shall be set forth by stock exchanges, and it cannot be less than two trading days. According to Colombian Stock Exchange regulations, a transaction is "ex-dividend" if it takes place between the first day of dividend payment and the four trading days preceding that date.

Liquidation Rights

We will be dissolved if certain events take place, including the following:

- Pursuant to our by-laws, unless otherwise extended by the shareholders, our term of existence will expire at May 25, 2044;

- losses cause the decrease of our shareholders' equity below 50% of the amount of outstanding share capital, unless one or more of the corrective measures described in the Colombian Code of Commerce are adopted by the shareholders within six months;

- by decision at the general shareholders' meeting; and

- in certain other events expressly provided by law and in the by-laws.

Upon dissolution, a liquidator must be appointed by a general meeting of the shareholders to wind up the affairs of our company.

Upon liquidation, and out of the surplus assets available for distribution to shareholders, holders of fully paid preferred shares are entitled to a preference in the reimbursement of the portion of their contribution ("*aporte*" as provided by Article 63 of Law 222 of 1995) to Grupo Aval attributable to the nominal value of the outstanding preferred shares (i.e., Ps 1.00 per share). This reimbursement, if any, is payable in pesos before any distribution or payment may be made to holders of common shares. If, upon any liquidation, assets that are available for distribution among the holders of preferred shares are insufficient to pay in full their respective liquidation preferences, such assets will be distributed among those holders pro rata.

Subject to the preferential liquidation rights of holders of preferred shares, and provided there are still sufficient assets remaining, all fully paid common shares will be entitled to participate in any distribution upon liquidation. Partially paid common shares must participate in a distribution upon liquidation in the same proportion that those shares have been paid at the time of the distribution.

To the extent there are surplus assets available for distribution after full payment to the holders of preferred and common shares of their contribution to Grupo Aval, the surplus assets will be distributed among all holders of shares of share capital (common or preferred), pro rata, in accordance with their respective holdings of shares.

Preemptive Rights and Other Anti-Dilution Provisions

Pursuant to the Colombian Code of Commerce, we are allowed to have an outstanding amount of share capital that is less than the authorized share capital set out in our by-laws. Under our by-laws, the holders of common shares determine the amount of authorized share capital, and our board of directors has the power to (1) order the issuance and regulate the terms of subscription of common shares up to the total amount of authorized share capital, and (2) regulate the issuance of preferred shares, when expressly delegated at the general shareholders' meeting. The issuance of preferred shares must be approved by the general shareholders' meeting, which shall determine the nature and extent of any rights, according to our by-laws and Colombian law.

At the time of incorporation of a Colombian company, its outstanding share capital must represent at least 50% of the authorized capital. Any increases in the authorized share capital or decreases in the outstanding share capital must be approved by the majority of shareholders required to approve a general amendment to the by-laws.

Colombian law requires that, whenever we issue new common shares, we must offer to the holders of common shares the right to subscribe a number of common shares sufficient to maintain their existing ownership percentage of the aggregate share capital. These rights are preemptive rights. On the other hand, holders of preferred shares are entitled to preemptive rights only in the specific situations that the shareholders' meeting so decides.

Common shareholders at a general shareholders' meeting may waive preemptive rights of common shares with respect to a particular capital increase by the favorable vote of at least 70.0% of the shares represented at the meeting. Preemptive rights must be exercised within the period stated in the share placement terms of the increase, which cannot be less than 15 business days following the publication of the notice of the public offer of that capital increase. From the date of the notice of the share placement terms, preemptive rights may be transferred separately from the corresponding shares.

The Superintendency of Finance will authorize a decrease in the outstanding share capital approved by the holders of common shares only if:

- we have no outstanding liabilities;
- our creditors consent in writing; or
- the outstanding share capital remaining after the reduction represents at least twice the amount of our liabilities.

Restrictions on Purchases and Sales of Share Capital by Related Parties

Pursuant to the Colombian Code of Commerce, the members of our board of directors and certain of our principal executive officers may not, directly or indirectly, buy or sell shares of our share capital while they hold their positions, unless they obtain the prior approval of the board of directors passed with the vote of two-thirds of its members (excluding, in the case of transactions by a director, such director’s vote). Furthermore, pursuant to Article 262 of the Colombian Code of Commerce, Grupo Aval’s subsidiaries are prohibited from owning (directly or indirectly) shares of Grupo Aval.

In addition, as our shares are publicly traded on the Colombian Stock Exchange, the transfer of the shares is subject to the applicable securities regulation and the rules of the Colombian Stock Exchange.

Pursuant to Article 23 of Law 222 of 1995, the members of our board of directors and our legal representatives generally must perform their duties according to the principles of good faith, due diligence and loyalty. In particular, the directors and legal representatives must refrain from entering into any transaction (including any sale and purchase of shares) which may imply competition with the Company or a conflict of interest, unless they obtain the prior approval of the General Shareholders Meeting, which, in any case, shall only be granted if the respective transaction does not harm the Company’s interests. The Company, in the ordinary course of its business, may enter into transactions with its directors.

Under the Company’s by-laws, directors have no power to vote on compensation to themselves or any members of the Board of Directors. This task is specifically assigned to the shareholders entitled to vote.

Transfer and Registration of Shares

Grupo Aval’s common and preferred shares are listed on the Colombian Stock Exchange. According to Colombian regulations, shares listed on a stock exchange must be sold and transferred only through such exchange, unless such shares were issued outside Colombia and are transferred outside Colombia, or unless the share purchase transaction amounts to a value that is lower than the regulatory threshold of 66,000 UVRs, as required by Article 6.15.1.1.2 of Decree 2555 of 2010. In addition, among others, the following transactions are not required to be undertaken through the relevant stock exchange:

- transfers between shareholders with the same beneficial owner;
- transfers of shares owned by financial institutions that are being liquidated under the control and supervision of the Superintendency of Finance;
- issuer repurchases;
- transfers by the State; and
- any other transactions as may be authorized by the Superintendency of Finance.

Under Colombian law, shares may be traded either in physical form or electronic form. Transfers of shares are subject to a registry system which differs depending on whether the shares are evidenced in electronic form or physical form. Transfers of shares evidenced by electronic certificates must first be registered with a securities central depositary through a stockbroker. The main purpose of the securities central depositary is to receive, safe keep and manage securities certificates issued by corporations in order to keep a record of the transactions undertaken over such securities, including transfers, pledges and withdrawals. Accordingly, they are not allowed to hold, invest or otherwise use the securities held under their custody.

Transfer of shares evidenced by electronic or physical certificates, as the case may be, must be registered on the company's share ledger. Only those holders registered on the share ledger are recognized as shareholders. Registration requires endorsement of the certificates or a written instruction from the holder. In the case of electronic certificates, the securities central depositary notifies us regarding the transfer of shares after registering it in its system.

All of our shares are currently deposited with the securities central depositary (Deceval).

Description of American Depositary Shares

The following is a description of the American depositary shares (the "ADSs") and the American depositary receipts (the "ADRs") of Grupo Aval Acciones y Valores S.A. (the "Company," "we," "us," "our" and "Grupo Aval"). Such description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the Deposit Agreement, which is incorporated by reference as an exhibit to the Annual Report on Form 20-F.

American Depositary Receipts

JPMorgan Chase Bank, N.A., acts as a depositary for our ADSs. The depositary's office is located at 383 Madison Avenue, Floor 11, New York, New York, 10179.

Each ADS represents an ownership interest in 20 preferred shares.

ADSs may be held either directly, or indirectly, through a broker or other financial institution. ADSs are held directly by having an ADS registered in the holder's name on the books of the depositary, as an ADR holder. This description assumes ADSs are held directly. If the ADSs are held by a broker or financial institution nominee, the holder must rely on the procedures of such broker or financial institution to assert the rights of an ADR holder described in this section.

Because the depositary or its nominee are the holder of record for the preferred shares represented by all outstanding ADSs, shareholders' rights rest with such record holder. The depositary or its nominee are the registered owner of the preferred shares and exercise the rights of a shareholder on behalf of the holder of American Depository Receipts reflecting ownership of the ADSs. The deposit agreement and the ADSs are governed by New York state law.

Dividends and other distributions

We may make various types of distributions with respect to our preferred shares or other deposited securities. The depositary has agreed that, to the extent practicable, it will pay to the ADR holders the cash dividends or other distributions it or the custodian receives on preferred shares or other deposited securities, after converting any cash received into U.S. dollars and, in all cases, making any necessary deductions provided for in the deposit agreement. The depositary may utilize a division, branch or affiliate of JPMorgan Chase Bank, N.A. to direct, manage and/or execute any public and/or private sale of securities under the deposit agreement. Such division, branch and/or affiliate may charge the depositary a fee in connection with such sales, which fee is considered an expense of the depositary. The ADR holders will receive these distributions in proportion to the number of underlying securities that such ADSs represent.

Except as stated below, to the extent the depositary is legally permitted, it will deliver such distributions to ADR holders in proportion to their interests in the following manner:

Cash. Subject to and any restrictions imposed by the laws of Colombia, regulations or applicable permits issued by any governmental body, the depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (1) appropriate adjustments for taxes withheld, (2) such distribution being impermissible or impracticable with respect to certain holders, and (3) deduction of the depositary's and/or its agents' fees and expenses in (a) converting any foreign currency to U.S. dollars by sale or in such other manner as the depositary may determine to the extent that it determines that such conversion may be made on a reasonable basis, (b) transferring foreign currency or U.S. dollars to the United States by such means as the depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (c) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (d) making any sale by public or private means in any commercially reasonable manner. If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, the ADR holders may lose some or all of the value of the distribution. If we have advised the depositary pursuant to the deposit agreement that any such conversion, transfer or distribution can be effected only with the approval or license of the Colombian government or any agency thereof, or the depositary becomes aware of any other governmental approval or license required therefor, the depositary may, in its discretion, apply for such approval or license, if any, as our legal department may reasonably instruct in writing or as the depositary may deem desirable, including, without limitation, registration with the Central Bank.

Preferred shares. In the case of a distribution in preferred shares, the depositary will issue additional ADRs to evidence the number of ADSs representing such preferred shares. Only whole ADSs will be issued. Any preferred shares that would result in fractional ADSs will be sold and the net proceeds will be distributed in the same manner as cash to the ADR holders entitled thereto.

Rights to receive preferred shares. In the case of a distribution of rights to subscribe for additional preferred shares or other rights, if we timely provide evidence satisfactory to the depositary that it may lawfully distribute such rights, the depositary will distribute warrants or other instruments, in the discretion of the depositary, representing such rights. However, if we do not timely furnish such evidence, the depositary may:

- sell such rights, if practicable, and distribute the net proceeds in the same manner as cash to the ADR holders entitled thereto; or

- if it is not practicable to sell such rights by reason of the non-transferability of the rights,

- limited markets therefor, their short duration or otherwise, do nothing and allow such rights to lapse, in which case ADR holders will receive nothing and the rights may lapse.

We have no obligation to file a registration statement under the Securities Act in order to make any rights available to ADR holders.

Other distributions. In the case of a distribution of securities or property other than those described above, the depositary may either (1) distribute such securities or property in any manner it deems equitable and practicable, or (2) to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash.

Elective distributions. In the case of a dividend payable at the election of our shareholders in cash or in additional shares, we will notify the depositary at least 30 days prior to the proposed distribution stating whether or not we wish such elective distribution to be made available to ADR holders. The depositary shall make such elective distribution available to ADR holders only if (i) we shall have timely requested that the elective distribution is available to ADR holders, (ii) the depositary shall have determined that such distribution is reasonably practicable and (iii) the depositary shall have received satisfactory documentation within the terms of the deposit agreement including any legal opinions of counsel that the depositary in its reasonable discretion may request. If the above conditions are not satisfied, the depositary shall, to the extent permitted by law, distribute to the ADR holders, on the basis of the same determination as is made in the local market in respect of the shares for which no election is made, either (x) cash or (y) additional ADSs representing such additional shares. If the above conditions are satisfied, the depositary shall establish procedures to enable ADR holders to elect the receipt of the proposed dividend in cash or in additional ADSs. There can be no assurance that ADR holders generally, or any ADR holder in particular, will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of shares.

If the depositary determines in its discretion that any distribution described above is not practicable with respect to any specific registered ADR holder, the depositary may choose any method of distribution that it deems practicable for such ADR holder, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of such ADR holder as deposited securities, in which case the ADSs will also represent the retained items.

Any U.S. dollars will be distributed by checks drawn on a bank in the United States for whole U.S. dollars and cents. Fractional cents will be withheld without liability and dealt with by the depositary in accordance with its then-current practices.

The depositary is not responsible if it decides that it is unlawful or not reasonably practicable to make a distribution available to any ADR holders.

There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, or that any of such transactions can be completed within a specified time period.

Deposit, withdrawal and cancellation

Issuance of ADSs by the Depositary

The depositary will issue ADSs if a holder or their broker deposit preferred shares or evidence of rights to receive preferred shares with the custodian and pay the fees and expenses owing to the depositary in connection with such issuance.

Preferred shares to be deposited with the custodian must be accompanied by certain delivery documentation, including instruments showing that such preferred shares have been properly transferred or endorsed to the person on whose behalf the deposit is being made.

The custodian will hold all deposited preferred shares for the account of the depositary. ADR holders, thus, will have no direct ownership interest in the preferred shares and will only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited preferred shares. The deposited preferred shares and any such additional items are referred to as "deposited securities."

Upon each deposit of preferred shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other applicable fees or charges, the depositary will issue an ADR or ADRs in the name or upon the order of the person entitled thereto evidencing the number of ADSs to which such person is entitled. All of the ADSs issued will, unless specifically requested to the contrary, be part of the depositary's direct registration system, and a registered holder will receive periodic statements from the depositary that will show the number of ADSs registered in such holder's name. An ADR holder may request that the ADSs not be held through the depositary's direct registration system and that a certificated ADR be issued.

Cancellation of ADSs by ADR holders

When ADR holders turn in their ADSs at the depositary's office, or when they provide proper instructions and documentation in the case of direct registration ADSs, the depositary will, upon payment of certain applicable fees, charges and taxes, deliver the underlying preferred shares to the ADR holder or, upon their written order, any person designated in such order. Delivery of the deposited securities in certificated form will be made at the custodian's office or by such other means as the depositary deems practicable, including transfer to an account of an accredited financial institution on your behalf. At ADR holders' own risk, expense and request, the depositary may deliver deposited securities at such other place as they may request.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the depositary or the deposit of preferred shares in connection with voting at a shareholders' meeting at which holders of preferred shares are entitled to vote, if any, or the payment of dividends;
- the payment of fees, taxes and similar charges; or
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Nonresidents holders of Colombia who withdraw preferred shares to or for their own account or the account of a nonresident third party, whether or not with the purpose of selling or causing the preferred shares to be sold in Colombia simultaneously with such withdrawal, will be subject to applicable Colombian rules and regulations, including the Colombian Foreign Investment Law as well as any applicable taxes.

Non-residents are permitted to hold portfolio investments in Colombia through a Colombian administrator which will act as the representative of the non resident investor in Colombia. The entities that may act as administrators for portfolio investments in Colombia are brokerage firms, trust companies and investment management companies, under the supervision of the Superintendency of Finance. Investors will only be allowed to transfer dividends abroad after their foreign investment registration procedure with the Central Bank has been completed. Investors withdrawing preferred shares may incur expenses and/or suffer delays in the application process. The failure of a non-resident investor to report or register foreign exchange transactions with the Central Bank relating to investments in Colombia on a timely basis may prevent the investor from remitting dividends. In addition, the Central Bank initiates an investigation that may result in a fine. In the future, the Colombian central government, the National Congress or the Central Bank may amend Colombia's foreign investment statute or the foreign investment rules which could result in more restrictive regulations and could negatively affect trading of Shares.

Additionally, Colombia currently has a free exchange rate system; however, restrictive rules for the exchange rate system could be implemented in the future. In the event of a more restrictive exchange rate system, the depositary may experience difficulties in converting peso amounts into U.S. dollars to remit dividend payments to holders of ADRs.

Record dates

The depositary may, after consultation with us, if practicable, fix a record date for the determination of the registered ADR holders who will be entitled (or obligated, as the case may be):

- to pay the fee assessed by the depositary for administration of the ADR program and for any expenses as provided for in the ADR;
- to receive any distribution on or in respect of the preferred shares;
- to give instructions for the exercise of voting rights at a shareholders' meeting; or
- to receive any notice or to act in respect of other matters all subject to the provisions of the deposit agreement.

Voting rights

Circumstances under which ADR holders may vote

The holders of preferred shares will not be entitled to voting rights, except in limited circumstances.

(1) If applicable law of the Republic of Colombia and our articles of association or similar documents permit the depositary, as a holder of the shares, to vote some shares in one manner and other shares in a different manner, or to vote some shares and to abstain with respect to other shares, with respect to matters to be voted upon at meetings of shareholders (such voting being referred to as "split voting"), then, as soon as practicable after receipt from us of notice of any meeting or solicitation of consents or proxies of holders of Shares, the depositary shall distribute to registered holders of ADRs a notice stating (i) such information as is contained in such notice and any solicitation materials, (ii) that each such holder on the record date set by the depositary therefor will, subject to any applicable provisions of Colombian law, be entitled to instruct the depositary as to the exercise of the voting rights, if any, pertaining to the shares represented by the ADSs evidenced by such holder's ADRs and (iii) the manner in which such instructions may be given. Upon receipt of instructions of a holder on such record date in the manner and on or before the date established by the depositary for such purpose, if applicable law of the Republic of Colombia and our articles of association permit split voting, the depositary shall endeavor insofar as practicable and permitted under the provisions of or governing shares to vote or cause to be voted the shares represented by the ADSs evidenced by such holder's ADRs in accordance with such instructions. The depositary will not itself exercise any voting

discretion in respect of any shares. Upon receipt of instructions of a holder on such record date in the manner and on or before the date established by the depositary for such purpose, the depositary shall endeavor insofar as practicable and permitted under the provisions of or governing shares to vote or cause to be voted the shares represented by the ADSs evidenced by such holder's ADRs in accordance with such instructions. The depositary will not itself exercise any voting discretion in respect of any shares. To the extent split voting is permitted, (i) if the depositary timely receives voting instructions from a registered holder of ADRs which fail to specify the manner in which the depositary is to vote the shares represented by such holder's ADSs, the depositary will deem such holder (unless otherwise specified in the notice distributed to holders) to have instructed the depositary to vote in favor of the items set forth in such voting instructions. Shares represented by ADSs for which no timely voting instructions are received by the depositary from the holder shall not be voted and (ii) notwithstanding anything else contained in the deposit agreement and the ADRs, to the extent holders of ADRs were given no less than 25 days to provide the depositary with voting instructions (as determined by the date in which the depositary first mailed notices to registered holders of ADRs), the depositary shall, if we request in writing, represent all shares (whether or not voting instructions have been received in respect of such shares) for the sole purpose of establishing quorum at a meeting of shareholders; provided, however that the depositary shall not represent or present for quorum purposes any shares for which voting instructions were not received unless and until the depositary has been provided with an opinion of our counsel, in form and substance satisfactory to the depositary, to the effect that (i) the representation and presentation of such shares for purposes of establishing a quorum does not subject the depositary to any reporting obligations under Colombian law, rule or regulation, (ii) the presentation of such shares will not result in a violation of Colombian law, rule, regulation or permit, and (iii) the voting arrangement as contemplated herein will be given effect under Colombian laws, rules and regulations. Shares represented by ADSs for which no timely voting instructions are received by the depositary from the holder shall not be voted.

(2) If, under applicable law of the Republic of Colombia or the articles of association or similar constituent documents, the depositary is not permitted to vote shares in accordance with the instructions actually expressed by holders as provided in paragraph (1) above as to a matter and it is reasonably practicable to do so without unreasonable expense, the depositary will adopt alternative procedures that in its judgment will permit it to give some effect to the expressed voting instructions of holders, including, without limitation, voting the net number shares that holders instructed be voted for or against that matter, after subtracting the number of shares that holders instructed be voted in the opposite manner.

(3) If, under applicable law of the Republic of Colombia or the articles of association or similar constituent documents, the depositary is not permitted to vote shares in accordance with the instructions actually expressed by holders as provided in paragraph (1) above with respect to a matter and the depositary does not adopt alternative procedures under paragraph (2) above with respect to that matter, the depositary will do nothing and the shares will not be voted at any such meeting.

There is no guarantee that holders generally or any holder in particular will receive the notice described above with sufficient time to enable such holder to return any voting instructions to the depositary in a timely manner. Notwithstanding anything contained in the deposit agreement or any ADR, the depositary may, to the extent not prohibited by law or regulations, or by the requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of shares, distribute to the registered holders of ADRs a notice that provides such holders with, or otherwise publicizes to such holders, instructions on how to retrieve such materials or receive such materials upon request (i.e., by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

Reports and other communications

The depositary will make available for inspection by ADR holders, at the offices of the depositary and the custodian, the deposit agreement, the provisions of or governing deposited securities, and any written communications from us that are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities. We will furnish these communications in English when so required by any applicable rules or regulations of the SEC.

In addition, if we make any written communications generally available to holders of our common or preferred shares, including the depositary or the custodian, and we request the depositary to provide them to ADR holders, the depositary will mail copies of them, or, at its option, English translations or summaries of them, to ADR holders.

Reclassifications, recapitalizations and mergers

If we take certain actions that affect the deposited securities, including (1) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities, (2) any distributions of preferred shares or other property not made to holders of ADRs or (3) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to, and shall if reasonably requested by us:

(i) amend the form of ADR;

(ii) distribute additional or amended ADRs;

(iii) distribute cash, securities or other property it has received in connection with such actions;

(iv) sell any securities or property received and distribute the proceeds as cash; or

(v) none of the above.

If the depositary does not choose any of the above options, any of the cash, securities or other property that it receives will constitute part of the deposited securities, and each ADS will then represent a proportionate interest in such property.

Amendment and termination

We may agree with the depositary to amend the deposit agreement and the ADSs without the consent of ADR holders for any reason. ADR holders must be given at least 30 days' notice of any amendment that imposes or increases any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or otherwise prejudices any substantial existing right of ADR holders. Such notice need not describe in detail the specific amendments effected thereby, but must give ADR holders a means to access the text of such amendment. If an ADR holder continues to hold an ADR or ADRs after being so notified, such ADR holder will be deemed to have agreed to such amendment and to be bound by the deposit agreement as so amended. Notwithstanding the foregoing, in the event that any governmental body or regulatory body adopts new laws, rules or regulations which would require amendment or supplement of the deposit agreement or the form of ADR to ensure compliance therewith, we and the depositary may amend or supplement the deposit agreement and the ADR at any time in accordance with such changed laws, rules or regulations, which amendment or supplement may take effect before a notice is given or within any other period of time as required for compliance. No amendment, however, will impair the ADR holders' right to surrender their ADSs and receive the underlying securities, except in order to comply with mandatory provisions of applicable law.

The depositary may, and will at our written direction, terminate the deposit agreement and the ADR by mailing notice of such termination to the registered holders of ADRs at least 30 days prior to the date fixed in such notice for such termination; provided, however, if the depositary (1) resigns as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders unless a successor depositary shall not be operating under the deposit agreement within 45 days of the date of such resignation, and (2) has been removed as depositary under the deposit agreement, notice of such termination by the depositary is not provided to registered holders of ADRs unless a successor depositary is not operating under the deposit agreement on the 90th day after our notice of removal was first provided to the depositary. After termination, the depositary's only responsibility will be (1) to deliver deposited securities to ADR holders who surrender their ADRs, and (2) to hold or sell distributions received on deposited securities. As soon as practicable after the expiration of six months from the termination date, the depositary will sell the deposited securities which remain and hold the net proceeds of such sales (as long as it may lawfully do so), without liability for interest, in trust for the ADR holders who have not yet surrendered their ADRs. After making such sale, the depositary shall have no obligations except to account for such proceeds and other cash.

Limitations on obligations and liability to ADR holders

Prior to the issue, registration, registration of transfer, split-up or combination or cancellation of any ADRs, or the delivery of any distribution in respect thereof, the depositary and its custodian may require the ADR holder to pay, provide or deliver:

- payment with respect thereto of (1) any stock transfer or other tax or other governmental charge, (2) any stock transfer or registration fees in effect for the registration of transfers of preferred shares or other deposited securities upon any applicable register and (3) any applicable fees and expenses described in the deposit agreement;

- the delivery of proof satisfactory to the depositary and/or its custodian of (1) the identity of any signatory and genuineness of any signature and (2) such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial ownership of any securities, compliance with applicable law, regulations, provisions of or governing deposited securities and terms of the deposit agreement and the ADRs, as it may deem necessary or proper; and

- compliance with such regulations as the depositary may establish consistent with the deposit agreement or any Colombian law or regulation relating to Colombian taxes, foreign investment in Colombia and laws, rules and regulations relating to the regulation of foreign exchange in Colombia.

The issuance of ADRs, the acceptance of deposits of preferred shares, the registration, registration of transfer, split-up or combination of ADRs or the withdrawal of deposited securities may be suspended, generally or in particular instances, when the ADR register or any register for preferred shares is closed or when any such action is deemed advisable by the depositary; provided, however, that the ability to withdraw preferred shares may only be limited under the following circumstances: (1) temporary delays caused by closing our transfer books or those of the depositary or the deposit of preferred shares in connection with voting at a shareholders' meeting at which holders of preferred shares are entitled to vote, if any, or the payment of dividends, (2) the payment of fees, taxes and similar charges or (3) compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

The deposit agreement expressly limits the obligations and liability of the depositary, ourselves and our respective agents; provided, however, that no such disclaimer of liability under the Securities Act of 1933 is intended by any of the limitations of liabilities provisions of the deposit agreement. None of us, the depositary and any such agent will be liable if:

- any present or future law, rule, regulation, fiat, order or decree of the United States, Colombia or any other country, or of any governmental or regulatory authority or any securities exchange or market or automated quotation system, the provisions of or governing any deposited securities, any present or future provision of our charter, any act of God, war, terrorism, nationalization or other circumstance beyond our, the depositary's or our respective agents' control prevents or delays, or causes any of us or them to be subject to any civil or criminal penalty in connection with any act which the deposit agreement or the ADRs provide is to be done or performed by us, the depositary or our respective agents (including, without limitation, voting);

- it exercises or fails to exercise discretion under the deposit agreement or the ADR (including, without limitation, any failure to determine that any distribution or action may be lawful or reasonably practicable);

- it performs its obligations under the deposit agreement and ADRs without gross negligence or willful misconduct;

- it takes any action or refrains from taking any action in reliance upon the advice of or information from legal counsel, accountants, any person presenting preferred shares for deposit, any registered holder of ADRs, or any other person believed by it to be competent to give such advice or information; or

- it relies upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Neither the depositary nor its agents will have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs. We and our agents will only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as may be required. The depositary and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the deposit agreement, any registered holder or holders of ADRs, any ADSs or otherwise related to the deposit agreement or ADRs, to the extent such information is requested or required by or pursuant to any lawful authority, including, without limitation, laws, rules, regulations, administrative or judicial process, banking, securities or other regulators. The depositary will not be liable for the acts or omissions made by any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of deposited securities or otherwise. In addition, the depositary will not be responsible for, and will incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of JPMorgan Chase Bank, N.A. The depositary may rely upon instructions from us or its counsel with respect to any approval or license required for any currency conversion, transfer or distribution.

Notwithstanding anything in the deposit agreement or ADRs to the contrary, the depositary will not be responsible for, and will incur no liability in connection with or arising from, any act or omission to act on the part of the custodian except to the extent that the custodian committed fraud or willful misconduct in the provision of custodial services to the depositary or failed to use reasonable care in the provision of custodial services to the depositary as determined in accordance with the standards prevailing in the jurisdiction in which the custodian is located. The depositary and the custodian(s) may use third party delivery services and providers of information regarding matters such as pricing, proxy voting, corporate actions, class action litigation and other services in connection with the ADRs and the deposit agreement, and use local agents to provide extraordinary services such as attendance at annual meetings of issuers of securities. Although the depositary and the custodian will use reasonable care (and cause their agents to use reasonable care) in the selection and retention of such third party providers and local agents, they will not be responsible for any errors or omissions made by them in providing the relevant information or services.

The Depositary has no obligation to inform ADR holders or other holders of an interest in an ADS about the requirements of Colombian law, rules or regulations or any changes therein or thereto.

None of us, the depositary and the custodian will be liable for the failure by any registered holder of ADRs or beneficial owner therein to obtain the benefits of credits on the basis of non-U.S. tax paid against such holder's or beneficial owner's income tax liability. Neither we nor the depositary will incur any liability for any tax consequences that may be incurred by holders or beneficial owners on account of their ownership of ADRs or ADSs.

Neither the depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any such vote is cast or for the effect of any such vote. The depositary shall not incur any liability for the content of any information submitted to it by us or on our behalf for distribution to the ADR holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the deposited securities, for the validity or worth of the deposited securities, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of the deposit agreement or for the failure or timeliness of any notice from us. The depositary will not be liable, and we will not be liable to ADR holders, for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the depositary or in connection with any matter arising wholly after the removal or resignation of the depositary, provided that in connection with the issue out of which such potential liability arises the depositary performed its obligations without negligence while it acted as depositary. In no event will we, the depositary nor any of our or its respective agents be liable to registered holders of ADRs or beneficial owners of interests in ADSs for any indirect, special, punitive or consequential damages (including, without limitation, lost profits) of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

In the deposit agreement each party thereto (including, for avoidance of doubt, each holder and beneficial owner and/or holder of interests in ADRs) irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any suit, action or proceeding against the depositary and/or us directly or indirectly arising out of or relating to the shares or other deposited securities, the ADSs or the ADRs, the deposit agreement or any transaction contemplated therein, or the breach thereof (whether based on contract, tort, common law or any other theory).

The depositary and its agents may own and deal in any class of our securities and in ADSs.

Books of depositary

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADRs, which register will include the depositary's direct registration system. Registered holders of ADRs may inspect such records at all reasonable times, but solely for the purpose of communicating with other holders in the interest of our company or matters relating to the deposit agreement. Such register may be closed from time to time, when deemed expedient by the depositary or when requested by us.

The depositary will maintain facilities for the delivery and receipt of ADRs.

Pre-release of ADSs

In its capacity as depositary, the depositary shall not lend preferred shares or ADSs; provided, however, that the depositary may issue ADSs prior to the receipt of preferred shares (each such transaction a "pre-release"). The depositary may receive ADSs in lieu of preferred shares to close out a pre-release (which ADSs will promptly be canceled by the depositary upon receipt thereof by the depositary). Each such pre-release will be subject to a written agreement whereby the person or entity to whom ADSs are to be delivered (1) represents that at the time of the pre-release such applicant or its customer owns the preferred shares that are to be delivered by such applicant under such pre-release, (2) agrees to indicate the depositary as owner of such preferred shares in its records and to hold such preferred shares in trust for the depositary until such preferred shares are delivered to the depositary or its custodian under the deposit agreement, (3) unconditionally guarantees to deliver to the depositary or its custodian, as applicable, such preferred shares, and (4) agrees to any additional restrictions or requirements that the depositary deems appropriate. Each such pre-release will be at all times fully collateralized with cash, U.S. government securities or such other collateral as the depositary deems appropriate, terminable by the depositary on not more than five business days' notice and subject to such further indemnities and credit regulations as the depositary deems appropriate. The depositary will normally limit the number of ADSs involved in such pre-release at any one time to 30% of the ADSs outstanding (without giving effect to pre-released ADSs outstanding), provided, however, that the depositary reserves the right to change or disregard such limit from time to time as it deems appropriate. The depositary may also set limits with respect to the number of ADSs involved in pre-release with any one person on a case-by-case basis as it deems appropriate. The depositary may retain for its own account any compensation received by it in conjunction with the foregoing. Collateral provided as described above, but not the earnings thereon, will be held for the benefit of the registered holders of ADRs (other than the applicant). The depositary has no obligation to engage in pre-release with any party.

Exhibit 8.1

SUBSIDIARIES OF THE REGISTRANT

The following are the subsidiaries of Grupo Aval Acciones y Valores S.A.

Name	Jurisdiction of Incorporation
Grupo Aval Acciones Y Valores S.A.	Colombia
Grupo Aval Limited	Cayman Islands
A Toda Hora ATH - Negocio Conjunto	Colombia
Aval Soluciones Digitales S.A. - Cuentas En Participación	Colombia
Sociedad Administradora De Fondos De Pensiones Y Cesantías Porvenir S.A.	Colombia
Aportes En Linea S.A.	Colombia
Banco AV Villas S.A.	Colombia
A Toda Hora S.A. ATH	Colombia
Banco De Bogotá S.A.	Colombia
Almacenes Generales De Depósito Almaviva S.A.	Colombia
Almaviva Global Cargo S.A.	Colombia
Almaviva Zona Franca S.A.S.	Colombia
Aval Soluciones Digitales S.A.	Colombia
Banco De Bogotá S.A. Panamá	Panama
Bogota Finance Corporation	Cayman Islands
Corporación Financiera Centroamericana S.A.	Panama
Fiduciaria Bogotá S.A.	Colombia
Multi Financial Holding Inc	Panama
Mb Créditos, S.A.	Panama
Mb Leasing S.A.	Panama
Megalínea S.A.	Colombia
Multi Financial Group Inc.	Panama
Multi Securities Inc.	Panama
Multi Trust, Inc.	Panama
Multibank Inc.	Panama
Multibank Seguros, S.A.	Panama
Promotora Prosperidad, S.A.	Panama
Inmobiliaria Morelos S.A.	Panama

Banco De Occidente S.A.	Colombia
Banco De Occidente S.A. Panamá	Panama
Fiduciaria De Occidente S.A.	Colombia
Occidental Bank Barbados	Barbados
Ventas y Servicios S.A.	Colombia
Banco Popular S.A.	Colombia
Alpopular Almacén General De Depósitos S.A.	Colombia
Fiduciaria Popular S.A.	Colombia
Patrimonio Autónomo Administracion de Cartera EPIK	Colombia
Corporación Financiera Colombiana S.A.	Colombia
Agro Casuna S.A.S	Colombia
Agro Santa Helena S.A.S.	Colombia
Casa De Bolsa S.A.	Colombia
Cfc Energy Holding S.A.S.	Colombia
Cfc Gas Holding S.A.S.	Colombia
Cfc Private Equity Holdings S.A.S.	Colombia
Cfc-Sk Covipacifico Colombia S.A.S	Colombia
Colombiana De Licitaciones Y Concesiones S.A.S.	Colombia
Compañía Energética De Occidente S.A.S. E.S.P.	Colombia
Compañía Hotelera Cartagena De Indias S.A.	Colombia
Concesionaria Nueva Vía Al Mar S.A..	Colombia
Concesionaria Panamericana S.A.S.	Colombia
Concesionaria Vial Andina S.A.S.	Colombia
Concesionaria Vial De Los Andes S.A.	Colombia
Concesionaria Vial Del Oriente S.A.S.	Colombia
Concesionaria Vial Del Pacifico S.A.S.	Colombia
Concesiones Ccfc S.A.	Colombia
Constructora De Infraestructura Vial S.A.S.	Colombia
Corfiinvest S.A.S	Colombia
Enlace Servicios Compartidos S.A.S.	Colombia
Esencial Hoteles S.A.	Colombia
Estudios Proyectos E Inversiones De Los Andes S.A.	Colombia

Estudios Y Proyectos Del Sol S.A.S.	Colombia
Fiduciaria Corficolombiana S.A.	Colombia
Gases De Norte Del Perú	Peru
Gases De Occidente S.A. E.S.P.	Colombia
Gases Del Pacifico S.A.C.	Peru
Gestora En Infraestructura Y Desarrollo S.A.S.	Colombia
Hevea De Los Llanos S.A.S.	Colombia
Hevea Inversiones S.A.S.	Colombia
Hoteles Estelar Del Perú S.A.C.	Peru
Hoteles Estelar S.A.	Colombia
Mavalle S.A.	Colombia
Organización Pajonales S.A.	Colombia
Orion Contact Center S.A.S.	Colombia
Plantaciones Santa Rita S.A.S.	Colombia
Plantaciones Unipalma De Los Llanos S.A.	Colombia
Promigas Brasil Ltda	Brasil
Promigas Gcx Holding Llc	U.S.A.
Promigas Panamá Corporation	Panama
Promigas Perú S.A.	Peru
Promigas S.A. E.S.P.	Colombia
Promigas Usa Inc	U.S.A.
Promisol S.A.S.	Colombia
Promotora De Gas Del Oriente S.A. E.S.P.	Colombia
Promotora Y Comercializadora Turística Santamar S.A.	Colombia
Proyectos De Infraestructura S.A.S	Colombia
Proyectos De Ingeniería Y Desarrollos S.A.S.	Colombia
Proyectos De Inversión Vial Andino S.A.S. (under liquidation)	Colombia
Proyectos De Inversión Vial Del Oriente S.A.S.	Colombia
Proyectos De Inversión Vial Del Pacifico S.A.S.	Colombia
Proyectos Y Desarrollos De Pagos Electrónicos Vehiculares S.A.S	Colombia
Proyectos Y Desarrollos Viales Al Llano S.A.S	Colombia
Proyectos Y Desarrollos Viales Del Mar S.A.S.	Colombia

Proyectos Y Desarrollos Viales Del Oriente S.A.S.	Colombia
Proyectos Y Desarrollos Viales Del Pacifico S.A.S.	Colombia
Proyectos Y Desarrollos Viales Urbanos S.A.S	Colombia
Sociedad Portuaria Del Cayao S.A. E.S.P.	Colombia
Surtidora De Gas Del Caribe S.A. E.S.P.	Colombia
Tejidos Sintéticos De Colombia S.A.	Colombia
Transoccidente S.A. E.S.P.	Colombia
Transportadora De Metano S.A. E.S.P.	Colombia
Tsr20 Inversiones S.A.S.	Colombia
Valora S.A.	Colombia
Zonagen S.A.S.	Colombia

Exhibit 11.1

GRUPO AVAL ACCIONES Y VALORES S.A.

INSIDER TRADING POLICY

I. Scope

Grupo Aval Acciones y Valores S.A. ("Grupo Aval" or the "Company") is a corporation with shares listed on the *"Registro Nacional de Valores y Emisores"* of Colombia ("RNVE") and the United States Securities and Exchange Commission (SEC). Therefore, the Company is subject to regulations that protect and prevent the misuse of inside information by its officers, directors, and employees in both jurisdictions.

Grupo Aval's policy is comply, without exception, with all applicable laws and regulations in the course of its business, including the regulations applicable to the trading of securities, which are regulated by this *Insider Trading Policy* (the "Policy"). In accordance to their duties, the directors, officers, and employees of the Company shall comply with the provisions of this Policy and refrain from engaging in any activity or conduct that may breach the applicable regulations on securities trading. Furthermore, in order to mitigate the risk of breaching the applicable regulations, the directors, officers, and employees of the Company, in the terms set forth in this Policy, are subject to approval requirements that will be described as follows.

II. Use of Inside Information in Trading in Securities

A. General Rule

The regulations applicable to the Company in the securities market establish the responsibility of Grupo Aval, its directors, officers, and employees to ensure that information about the Company and its subsidiaries will not be illegally utilized in the trading of securities (such as stocks, bonds, or other fixed or variable income securities).

It is the duty of the directors, officers, and employees of the Company to comply the regulation that prohibits the use of inside information. This regulation is based on the principle that all persons who trade in the securities of an entity must have the same access to all material information about that company. Accordingly, if a director, officer, or employee of a company knows material inside information, will be prohibited from buying or selling securities of the company until the information has been properly disclosed to the public. This is because the director, officer, or employee have information that could affect the price of the stock or security, and it is illegal for them to take advantage (knowing that the price of the security could change) that other investors does not have.

In general, the prohibition provides that as a breach of the applicable securities regulations for any person to buy or sell securities having material inside information. Information is material if there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision. Inside information can be favorable or unfavorable. If it is not clear whether inside information is material, it should be treated as if it.

The information is considered inside information, if it has not been publicly disclosed in a manner that is generally available to investors (for example, by publication through the relevant information mechanism in Colombia or its equivalent Form 6-K in the United States) and/or the investors have not had time to fully assimilate the information. If it is not clear whether material information has been sufficiently publicized, it should be treated as inside information. In addition, it is illegal for any director, officer, or employee in knowledge of inside information to provide such information to others or recommend to buy or sell securities (this is called "tipping"). In that case, both persons may be held responsible.

The supervisory authorities, criminal authorities and the stock exchanges, among others, have the capability to identify the misuse of inside information. Violation of the applicable regulations on the use of inside information may expose the person trading on inside information to significant sanctions, including civil fines and administrative sanctions, as well as criminal liability for the performance of punishable acts.

B. Persons covered by this Policy

The prohibition on trading on inside information applies to (the "Covered Persons"):

1. Directors, officers, and all other employees of the Company, as well as other persons who have access to inside information of the Company, including contractors and consultants,
2. Spouses, domestic partners, parents, children, siblings, mother and fathers in-laws, sons and daughters-in-law, brothers and sisters in-law, and any person (other than domestic employees) who shares such person's home (together, "Family Members "),
3. Any person to whom the directors, officers or employees of the Company provide significant financial support, and
4. Any entity, account or product over which the directors, officers or employees, Family Members or the persons listed in section 3 above, have or share the power, directly or indirectly, to make investment decisions (regardless of whether or not such persons have a financial interest in the entity, account or product), and those entities, accounts or products established or maintained by such persons with their consent or knowledge and in which such persons have a direct or indirect financial interest.

Additionally, the Company must comply with applicable securities laws in its own securities trading activities, and may not trade in its securities or execute any stock repurchase plan when in knowledge of material non-public information about the Company, except in compliance with applicable regulations.

C. Hedging and Derivatives

Covered Persons are prohibited from engaging in any derivatives transactions (including transactions involving options, puts, calls, forwards, swaps, collars, or other derivatives) designed to hedge or speculate on any change in the market price of the securities of the Company and its subsidiaries. As explained below, Covered Persons are also prohibited from short selling the securities of the Company and its subsidiaries.

Trading in options or other derivatives is often highly speculative and very risky. People who buy options are betting that the stock price will move quickly. For that reason, when a person trades options on their company's stock, it can raise suspicions from regulators that the person was trading using inside information, especially when the trading occurs before a company announcement or a major event. It is difficult for a director, officer, or employee to prove that they were unaware of the announcement or event.

If an Authority notice that one or more directors, officers, or employees of the Company were actively trading options before an announcement, it could trigger an investigation with potential legal actions. Such an investigation could be harmful to the Company (as well as costly) and could result in serious sanctions and expenses for the individuals involved. For all of these reasons, this Policy prohibits Covered Persons from trading in options or other securities related to the shares of the Company and its subsidiaries.

D. Pledging of Securities, Margin Accounts

Pledged securities may be sold by the pledgee without the consent of the pledgor in certain circumstances. For example, securities held in a margin account may be sold by a broker without the customer's consent if the customer fails to meet a margin call. Since such a sale could occur at a time when a Covered Person is in possession of inside information or is otherwise prohibited from trading in the securities of the Company and its subsidiaries, the Company prohibits Covered Persons from pledging securities of the Company and its subsidiaries in any circumstances, including the purchase of securities of the Company and its subsidiaries or the holding of such securities in a margin account.

E. **General Guidelines**

1. **Non-Disclosure.** Inside information must not be disclosed to anyone, except to persons of the Company, its controlling entities or its subsidiaries who, by virtue of their position, ownership structure or for compliance with applicable regulations, are required to know it. No director, officer or employee should discuss material inside information in public places.

2. **Trading in Company Securities .** No Covered Person may place an order to buy or sell, or recommend to another person to place an order to buy or sell Company's securities and its subsidiaries when they have knowledge of material information about the Company and its subsidiaries that has not been disclosed to the public. This includes orders to buy and sell shares, convertible securities and other securities (e.g., bonds) and includes increasing or decreasing the investment in securities of the Company and its subsidiaries through savings or investment products. Any Covered Person who possesses inside information must wait until the beginning of the third business day after the information has been made public before

trading. There are no exceptions to this Policy, not even for hardship for the Covered Person or based on the use of resources (such as to make a mortgage payment or to cover an emergency expense).

3. **Avoid Speculation.** Investing in the Company's shares or other securities offers the opportunity to participate in its future growth. But investing in the Company and participating in its growth does not mean short-term speculation based on market fluctuations. Such activities put the Covered Person's personal benefit in conflict with the best interests of the Company and its shareholders. Although this Policy does not mean that Covered Persons may never sell shares, the Company encourages Covered Persons to avoid frequent trading of shares of the Company and its subsidiaries. Speculating on Grupo Aval shares is not part of the Company's culture.

4. **Trading in Other Securities.** No director, officer or employee shall place an order to buy or sell (including investing through savings or investment products), or recommend to another person to place an order to buy or sell, securities of another company, if the director, officer or employee knows in the course of his or her duties for the Company confidential information about the other company that could affect the price of such securities. For example, it would be a violation of applicable laws in this area if a director, officer or employee learned through Company sources that the Company and one of its subsidiaries intends to purchase assets from a company, and then placed an order to buy or sell shares of that other company due to the likely increase or decrease in the price of its securities.

F. Additional Restrictions

In addition to the restrictions set forth above, due to their regular access to confidential information: (i) the directors and officers of the Company, and their assistants and Family Members, (ii) the employees of the Vice Presidencies of Accounting Consolidation, Legal and Risk and Compliance and the Financial Planning area, (iii) those who are members of the Executive Committee of the Company and (iv) other persons who may be designated from time to time and informed of such condition by the Legal Vice President of the Company, are subject to the following additional restrictions on the trading of securities of the Company and its subsidiaries:

1. **Trading Windows.** Trading is allowed from the first business day following the publication of annual or quarterly results until the first calendar day of the last month of the then current quarter (the "Trading Window"), with the following restrictions:
   - All transactions are subject to the prior review and authorization of the Board of Directors; and
   - No transactions are allowed outside the Trading Window, except for reasons of exceptional personal hardship and with the prior approval of the Board of Directors of the Company; and
2. **Closing of the Trading Window.** Please note that, on occasion, the Board of Directors may determine that no trades will be made even during the Trading Window in which authorization is requested. This may occur as a result of a pending business transaction, a cyber-attack, or any material event that has not yet been publicly disclosed. The Company cannot disclose the reasons and the closing of the Trading Window may itself constitute material inside information that should not be communicated.

Exhibit 12.1

**CERTIFICATION BY THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, María Lorena Gutiérrez Botero, certify that:

1. I have reviewed this annual report on Form 20-F of Grupo Aval Acciones y Valores S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and

5. The company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: April 16, 2024

/s/ María Lorena Gutiérrez Botero

María Lorena Gutiérrez Botero
President
(Principal Executive Officer)

Exhibit 12.2

CERTIFICATION BY THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Diego Fernando Solano Saravia, certify that:

1. I have reviewed this annual report on Form 20-F of Grupo Aval Acciones y Valores S.A.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 16, 2024

/s/ Diego Fernando Solano Saravia

Diego Fernando Solano Saravia
Chief Financial Officer
(Principal Financial Officer)

Exhibit 13.1

CERTIFICATION BY THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F of Grupo Aval Acciones y Valores S.A. (the “Company”) for the fiscal year ended December 31, 2023 (the “Report”). I, María Lorena Gutiérrez Botero, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 16, 2024

/s/ María Lorena Gutiérrez Botero

María Lorena Gutiérrez Botero
President
(Principal Executive Officer)

Exhibit 13.2

CERTIFICATION BY THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F of Grupo Aval Acciones y Valores S.A. (the "Company") for the fiscal year ended December 31, 2023 (the "Report"). I, Diego Fernando Solano Saravia, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 16, 2024

/s/ Diego Fernando Solano Saravia

Diego Fernando Solano Saravia
Chief Financial Officer
(Principal Financial Officer)

Exhibit 97.1

GRUPO AVAL ACCIONES Y VALORES S.A.

COMPENSATION RECOUPMENT POLICY

This Grupo Aval Acciones y Valores S.A. Compensation Recoupment Policy (the "**Policy**") has been adopted by the Board of Directors (the "**Board**") of Grupo Aval Acciones y Valores S.A. (the "**Company**") on November 22, 2023.

This Policy is intended to comply with the requirements of Section 10D of the Exchange Act (as defined below) and Section 303A.14 of the NYSE Listed Company Manual (the "**Listing Rule**"). To the extent that, the present Policy will only apply to bonuses that are paid as a result of a plan or program in relation to Covered Executives that provides payments as a result of the achievement of Financial Indicators (as defined below). Any discretionary bonus paid in relation to the achievement of performance goals will not be subject to this Policy.

1. **Definitions**. For the purposes of this Policy, the following terms shall have the meanings set forth below.

(a) **"Committee**" means the compensation committee of the Board or any successor committee thereof.

(b) **Covered Compensation**" means any Incentive-based Compensation "received" by a Covered Executive during the applicable Recoupment Period; *provided* that:

(i) such Incentive-based Compensation was received by such Covered Executive (A) on or after the Effective Date, (B) after he or she commenced service as an Executive Officer and (C) while the Company had a class of securities publicly listed on a United States national securities exchange; and

(ii) such Covered Executive served as an Executive Officer at any time during the performance period applicable to such Incentive-based Compensation.

For purposes of this Policy, Incentive-based Compensation is "**received**" by a Covered Executive during the fiscal period in which the Financial Reporting Measure applicable to such Incentive-based Compensation (or portion thereof) is attained, even if the payment or grant of such Incentive-based Compensation is made thereafter.

(c) "**Covered Executive**" means any (i) current or former Executive Officer and (ii) any other employee of the Company and its subsidiaries designated by the Committee as subject to this Policy from time to time.

(d) "**Effective Date**" means October 2, 2023.

(e) "**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended.

(f) "**Executive Officer**" means, with respect to the Company, (i) its president, (ii) its principal financial officer, (iii) its principal accounting officer (or if there is no such accounting officer, its controller), (iv) any vice-president in charge of a principal business unit, division or function (such as sales, administration or finance), (v) any other officer who performs a policy-making function for the Company (including any officer of the Company's parent(s) or subsidiaries if they perform policy-making functions for the Company) and (vi) any other person who performs similar policy-making functions for the Company. Policy-making function is not intended to include policy-making functions that are not significant. The determination as to an individual's status as an Executive Officer shall be made by the Committee and such determination shall be final, conclusive and binding on such individual and all other interested persons.

(g) "**Financial Reporting Measure**" means any (i) measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, (ii) stock price measure or (iii) total shareholder return measure (and any measures that are derived wholly or in part from any measure referenced in clause (i), (ii) or (iii) above). For the avoidance of doubt, any such measure does not need to be presented within the Company's financial statements or included in a filing with the U.S. Securities and Exchange Commission to constitute a Financial Reporting Measure.

(h) "**Financial Restatement**" means a restatement of the Company's financial statements due to the Company's material noncompliance with any financial reporting requirement under U.S. federal securities laws that is required in order to correct:

(i) an error in previously issued financial statements that is material to the previously issued financial statements; or

(ii) an error that would result in a material misstatement if the error were (A) corrected in the current period or (B) left uncorrected in the current period.

For purposes of this Policy, a Financial Restatement shall not be deemed to occur in the event of a revision of the Company's financial statements due to an out-of-period adjustment (i.e., when the error is immaterial to the previously issued financial statements and the correction of the error is also immaterial to the current period) or a retrospective: (1) application of a change in accounting principles; (2) revision to reportable segment information due to a change in the structure of the Company's internal organization; (3) reclassification due to a discontinued operation; (4) application of a change in reporting entity, such as from a reorganization of entities under common control; (5) revision for stock splits, reverse stock splits, stock dividends or other changes in capital structure; or (6) adjustment to provisional amounts in connection with a prior business combination.

(i) "**Incentive-based Compensation"** means any compensation (including, for the avoidance of doubt, any cash or equity or equity-based compensation, whether deferred or current) that is granted, earned and/or vested based wholly or in part upon the achievement of a Financial Reporting Measure. For purposes of this Policy, "Incentive-based Compensation" shall also be deemed to include any amounts which were determined based on (or were otherwise calculated by reference to) Incentive-based Compensation(including, without limitation, any amounts under any long-term disability, life insurance or supplemental retirement or severance plan or agreement or any notional account that is based on Incentive-based Compensation, as well as any earnings accrued thereon).

(j) "**NYSE**" means the New York Stock Exchange, or any successor thereof.

(k) "***Recoupment Period***" means the three fiscal years completed immediately preceding the date of any applicable Recoupment Trigger Date. Notwithstanding the foregoing, the Recoupment Period additionally includes any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years, provided that a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine (9) to twelve (12) months would be deemed a completed fiscal year.

(l) "***Recoupment Trigger Date***" means the earlier of (i) the date that the Board (or a committee thereof or the officer(s) of the Company authorized to take such action if Board action is not required) concludes, or reasonably should have concluded, that the Company is required to prepare a Financial Restatement, and (ii) the date on which a court, regulator or other legally authorized body directs the Company to prepare a Financial Restatement

2. **Recoupment of Erroneously Awarded Compensation.**

(a) In the event of a Financial Restatement, if the amount of any Covered Compensation received by a Covered Executive (the "**Awarded Compensation**") exceeds the amount of such Covered Compensation that would have otherwise been received by such Covered Executive if calculated based on the Financial Restatement (the "**Adjusted Compensation**"), the Company shall reasonably promptly recover from such Covered Executive an amount equal to the excess of the Awarded Compensation over the Adjusted Compensation, each calculated on a pre-tax basis (such excess amount, the "**Erroneously Awarded Compensation**").

(b) If (i) the Financial Reporting Measure applicable to the relevant Covered Compensation is stock price or total shareholder return (or any measure derived wholly or in part from either of such measures) and (ii) the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the Financial Restatement, then the amount of Erroneously Awarded Compensation shall be determined (on a pre-tax basis) based on the Company's reasonable estimate of the effect of the Financial Restatement on the Company's stock price or total shareholder return (or the derivative measure thereof) upon which such Covered Compensation was received.

(c) For the avoidance of doubt, the Company's obligation to recover Erroneously Awarded Compensation is not dependent on (i) if or when the restated financial statements are filed or (ii) any fault of any Covered Executive for the accounting errors or other actions leading to a Financial Restatement.

(d) Notwithstanding anything to the contrary in Sections 2(a) through (c) hereof, the Company shall not be required to recover any Erroneously Awarded Compensation if both (x) the conditions set forth in either of the following clauses (i), (ii), or (iii) are satisfied and (y) a majority of the independent directors serving on the Board has determined that recovery of the Erroneously Awarded Compensation would be impracticable:

(i) the direct expense paid to a third party to assist in enforcing the recovery of the Erroneously Awarded Compensation under this Policy would exceed the amount of such Erroneously Awarded Compensation to be recovered; *provided* that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation pursuant to this Section 2(d), the Company shall have first made a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to make such recovery and provide that documentation to the NYSE;

(ii) recovery of the Erroneously Awarded Compensation would violate Colombian law to the extent such law was adopted prior to November 28, 2022 (*provided* that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation pursuant to this Section 2(d)), the Company shall have first obtained an opinion of home country counsel in Colombia that is acceptable to the NYSE, that recovery would result in such a violation, and the Company must provide such opinion to the NYSE.

(e) The Company shall not indemnify any Covered Executive, directly or indirectly, for any losses that such Covered Executive may incur in connection with the recovery of Erroneously Awarded Compensation pursuant to this Policy, including through the payment of insurance premiums or gross-up payments.

(f) The Committee shall determine, in its sole discretion, the manner and timing in which any Erroneously Awarded Compensation shall be recovered from a Covered Executive in accordance with applicable law, including, without limitation, by (i) requiring reimbursement of Covered Compensation previously paid in cash; (ii) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity or equity-based awards; (iii) offsetting the Erroneously Awarded Compensation amount from any compensation otherwise owed by the Company or any of its affiliates to the Covered Executive; (iv) cancelling outstanding vested or unvested equity or equity-based awards; and/or (v) taking any other remedial and recovery action permitted by applicable law. For the avoidance of doubt, except as set forth in Section 2(d), in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation.

3. **Administration**. This Policy shall be administered by the Committee. All decisions of the Committee shall be final, conclusive and binding upon the Company and the Covered Executives, their beneficiaries, executors, administrators and any other legal representative. The Committee shall have full power and authority to (i) administer and interpret this Policy; (ii) correct any defect, supply any omission and reconcile any inconsistency in this Policy; and (iii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of this Policy and to comply with applicable law (including Section 10D of the Exchange Act) and applicable stock market or exchange rules and regulations. Notwithstanding anything to the contrary contained herein, to the extent permitted by Section 10D of the Exchange Act and the Listing Rule, the Board may, in its sole discretion, at any time and from time to time, administer this Policy in the same manner as the Committee.

4. **Amendment/Termination.** Subject to Section 10D of the Exchange Act and the Listing Rule, this Policy may be amended or terminated by the Committee at any time subject to such Board approval as may be required. To the extent that any applicable law, or stock market or exchange rules or regulations require recovery of Erroneously Awarded Compensation in circumstances in addition to those specified herein, nothing in this Policy shall be deemed to limit or restrict the right or obligation of the Company to recover Erroneously Awarded Compensation to the fullest extent required by such applicable law, stock market or exchange rules and regulations. Unless otherwise required by applicable law, this Policy shall no longer be effective from and after the date that the Company no longer has a class of securities publicly listed on a United States national securities exchange.

5. **Interpretation**. Notwithstanding anything to the contrary herein, this Policy is intended to comply with the requirements of Section 10D of the Exchange Act and the Listing Rule (and any applicable regulations, administrative interpretations or stock market or exchange rules and regulations adopted in connection therewith). The provisions of this Policy shall be interpreted in a manner that satisfies such requirements and this Policy shall be operated accordingly. If any provision of this Policy would otherwise frustrate or conflict with this intent, the provision shall be interpreted and deemed amended so as to avoid such conflict.

6. **Other Compensation Clawback/Recoupment Rights.** Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies, rights or requirements with respect to the clawback or recoupment of any compensation that may be available to the Company pursuant to the terms of any other recoupment or clawback policy of the Company (or any of its affiliates) that may be in effect from time to time, any provisions in any employment agreement, offer letter, equity plan, equity award agreement or similar plan or agreement, and any other legal remedies available to the Company, as well as applicable law, stock market or exchange rules, listing standards or regulations; *provided*, *however*, that any amounts recouped or clawed back under any other policy that would be recoupable under this Policy shall count toward any required clawback or recoupment under this Policy and vice versa.

7. **Exempt Compensation.** Notwithstanding anything to the contrary herein, the Company has no obligation under this Policy to seek recoupment of amounts paid to a Covered Executive which are granted, vested or earned based solely upon the occurrence or non-occurrence of nonfinancial events. Such exempt compensation includes, without limitation, base salary, time-vesting awards, compensation awarded on the basis of the achievement of metrics that are not Financial Reporting Measures or compensation awarded solely at the discretion of the Committee or the Board, *provided* that such amounts are in no way contingent on, and were not in any way granted on the basis of, the achievement of any Financial Reporting Measure performance goal.

8. **Miscellaneous**.

(a) Any applicable award agreement or other document setting forth the terms and conditions of any compensation covered by this Policy shall be deemed to include the restrictions imposed herein and incorporate this Policy by reference and, in the event of any inconsistency, the terms of this Policy will govern. For the avoidance of doubt, this Policy applies to all compensation that is received on or after the Effective Date, regardless of the date on which the award agreement or other document setting forth the terms and conditions of the Covered Executive's compensation became effective and any successor to each of the foregoing.

(b) This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

(c) All issues concerning the construction, validity, enforcement and interpretation of this Policy and all related documents, including, without limitation, any employment agreement, offer letter, equity award agreement or similar agreement, shall be governed by, and construed in accordance with, the laws of Colombia, without giving effect to any choice of law or conflict of law rules or provisions (whether of Colombia or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than Colombia.

(d) The Covered Executives, their beneficiaries, executors, administrators and any other legal representative and the Company shall initially attempt to resolve all claims, disputes or controversies arising under, out of or in connection with this Policy by conducting good faith negotiations amongst themselves. To ensure the timely and economical resolution of disputes that arise in connection with this Policy, the federal and state courts sitting within the Republic of Colombia shall be the sole and exclusive forums for any and all disputes, claims, or causes of action arising from or relating to the enforcement, performance or interpretation of this Policy. The Covered Executives, their beneficiaries, executors, administrators and any other legal representative and the Company, shall not commence any suit, action or other proceeding arising out of or based upon this Policy except in the above-named courts, and hereby waive, and agree not to assert, by way of motion, as a defense or otherwise, in any such suit, action or proceeding, any claim that such party is not subject to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Policy or the subject matter hereof may not be enforced in or by such courts. To the fullest extent permitted by law, the Covered Executives, their beneficiaries, executors, administrators, and any other legal representative, and the Company, shall waive (and shall hereby be deemed to have waived) the right to resolve any such dispute through a trial by jury.

(e) If any provision of this Policy is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.