Condensed consolidated interim financial statements 3Q 2018

GRUPO AVAL ACCIONES Y VALORES S.A.

Grupo Aval Acciones y Valores S.A. and Subsidiaries
Condensed Consolidated Statement of Financial Position
(Figures in millions of Colombian pesos)

	Notes		September 30, 2018 (*)		December 31, 2017
ASSETS					
Cash and cash equivalents		Ps.	24,396,818	Ps.	22,336,838
Financial assets at fair value	4		29,019,741		19,057,394
Financial assets measured at amortized cost	4		166,449,382		175,055,314
Non-current assets held for sale			102,257		101,382
Investments in associates and joint ventures			1,048,524		1,043,014
Property, plant and equipment	6		6,465,278		6,654,006
Goodwill	7		6,882,485		6,901,056
Intangibles assets	8		5,955,820		3,962,848
Income tax assets			717,276		1,047,213
Other assets			449,419		482,635
Total assets		**Ps.**	**241,487,000**	**Ps.**	**236,641,700**
LIABILITIES AND EQUITY					
LIABILITIES					
Financial liabilities at fair value	4		552,542		312,129
Financial liabilities measured at amortized cost	4		201,521,040		200,161,260
Provisions	11		754,087		692,615
Income tax liabilities			2,556,837		2,079,384
Employee benefits	10		1,326,039		1,182,596
Other liabilities	12		6,870,244		6,235,466
Total liabilities		**Ps.**	**213,580,789**	**Ps.**	**210,663,450**
EQUITY					
Subscribed and paid-in capital			22,281		22,281
Additional paid-in capital			8,482,537		8,412,685
Retained earnings			7,789,744		7,573,912
Other comprehensive income			600,654		223,543
Equity attributable to owners of the parent			**16,895,216**		**16,232,421**
Non-controlling interest			11,010,995		9,745,829
Total equity		**Ps.**	**27,906,211**	**Ps.**	**25,978,250**
Total liabilities and equity		**Ps.**	**241,487,000**	**Ps.**	**236,641,700**

See notes that are an integral part of the condensed consolidated financial statements.

(*) The Group adopted IFRS 9 and IFRS 15 as of January 1, 2018. (See Note 2.)

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Grupo Aval Acciones y Valores S.A. and Subsidiaries
Condensed Consolidated Statement of Income
(Figures in millions of Colombian pesos)

	Notes		For the three-month periods ended September 30			For the nine-month periods ended September 30		
			2018 (*)		2017		2018 (*)		2017
Interest income		Ps.	4,687,117	Ps.	4,829,262	Ps.	13,665,021	Ps.	13,850,879
Interest expenses			1,847,276		1,985,509		5,550,183		6,266,691
Net, interest income			**2,839,841**		**2,843,753**		**8,114,838**		**7,584,188**
Net impairment loss			1,027,721		1,011,663		2,514,708		2,636,631
Net interest income, after impairment losses			**1,812,120**		**1,832,090**		**5,600,130**		**4,947,557**
Income from contracts with customer for commission and fee									
Commission and fee income	15		1,336,060		1,310,326		3,993,706		3,889,616
Commission and fee expense	15		142,296		165,672		450,692		476,393
Net commission and fee income			**1,193,764**		**1,144,654**		**3,543,014**		**3,413,223**
Income from sales of goods and services to clients									
Income from sales of goods and services	15		2,465,157		-		5,296,972		-
Cost for goods and services	15		1,492,853		-		3,859,830		-
Net, income from sales of goods and services to clients			**972,304**		**-**		**1,437,142**		**-**
Net income from financial instruments at fair value through profit and loss	**16**		**159,633**		**168,020**		**441,000**		**981,123**
Other income	**17**		**297,550**		**459,069**		**857,871**		**1,292,134**
Other expense	**17**		**2,231,387**		**2,168,170**		**6,659,740**		**6,461,307**
Net income before tax expense			**2,203,984**		**1,435,663**		**5,219,417**		**4,172,731**
Income tax expense	**9**		750,826		551,074		1,675,658		1,426,993
Net income for the quarter		**Ps.**	**1,453,158**	**Ps.**	**884,589**	**Ps.**	**3,543,759**	**Ps.**	**2,745,738**
Net income for the quarter attributable to:									
Owners of the parent			782,712		538,478		2,061,973		1,744,785
Non-controlling interest			670,446		346,111		1,481,786		1,000,953
		Ps.	**1,453,158**	**Ps.**	**884,589**	**Ps.**	**3,543,759**	**Ps.**	**2,745,738**
Net income of the owners of the parent per share (in Colombian pesos)		**Ps.**	**35.14**	**Ps.**	**24.17**	**Ps.**	**92.54**	**Ps.**	**78.31**

See notes that are an integral part of the condensed consolidated financial statements.

(*) The Group adopted IFRS 9 and IFRS 15 as of January 1, 2018. (See Note 2.)

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Grupo Aval Acciones y Valores S.A. and Subsidiaries
Condensed Consolidated Statement of Other Comprehensive Income
(Figures in millions of Colombian pesos)

	Notes	For the three-month periods ended September 30				For the nine-month periods ended September 30			
			2018 (*)		2017		2018 (*)		2017
Net income		Ps.	1,453,158	Ps.	884,589	Ps.	3,543,759	Ps.	2,745,738
Other comprehensive income									
Items that may be reclassified to profit or loss									
Hedging of net investments in foreign operations:									
Net investment in foreign subsidiaries	5								
Hedging derivative instrument	5		169,499		(434,575)		(24,088)		(230,026)
Hedging non-derivative instrument	5		(79,935)		187,959		(1,746)		96,792
Cash flow hedges			(89,775)		246,545		26,174		133,480
Foreign currency translation differences for foreign Operations			3,157		5,082		118		5,615
Impairment of credits and contingents			(120,397)		(33,853)		(178,782)		(102,552)
Investments in associates and joint ventures			-		(169,560)		-		(205,775)
Unrealized gains (losses) on investments in debt securities through OCI			3,402		(3,558)		(4,223)		(11,768)
Unrealized gains (losses) on available-for-sale financial assets in debt financial instruments			16,435		-		(146,578)		-
(Expenses) tax			53,315		(86,848)		17,241		(14,835)
Total, Items that may be reclassified to profit or loss		Ps.	**(44,299)**	Ps.	**(288,808)**	Ps.	**(311,884)**	Ps.	**(329,069)**
Items that will not be reclassified to profit or loss									
Unrealized (losses) gains on equity securities			(16,551)		10,176		(29,202)		96,615
Actuarial gains from defined benefit pension plans			(301)		27		17,546		307
Expenses tax			(2,391		(153)		(9,844)		(4,977)
Total items that will not be reclassified to profit or loss		Ps.	**(19,243)**	Ps.	**10,050**	Ps.	**(21,500)**	Ps.	**91,945**
Total other comprehensive income			**(63,542)**		**(278,758)**		**(333,384)**		**(237,124)**
Total comprehensive income, net of taxes		Ps.	**1,389,616**	Ps.	**605,831**	Ps.	**3,210,375**	Ps.	**2,508,614**
Total comprehensive income for the year attributable to:									
Owners of the parent			701,758		350,835		1,829,814		1,601,628
Non-controlling interest			687,858		254,996		1,380,561		906,986
		Ps.	**1,389,616**	Ps.	**605,831**	Ps.	**3,210,375**	Ps.	**2,508,614**

See notes that are an integral part of the condensed consolidated financial statements.

(*) The Group adopted IFRS 9 and IFRS 15 as of January 1, 2018. (See Note 2.)

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Grupo Aval Acciones y Valores S.A. and Subsidiaries
Consolidated Statement of Changes in Equity for the nine-month periods ended at September 30, 2018 and 2017
(Figures in millions of Colombian pesos)

		Subscribed and paid-in capital		Additional paid - in capital		Retained earnings		Other comprehensive income (OCI)		Equity attributable to owners of the parent		Non-controlling interest		Total equity
Balance at December 31, 2016	**Ps.**	**22,281**	**Ps.**	**8,416,780**	**Ps.**	**6,771,926**	**Ps.**	**423,080**	**Ps.**	**15,634,067**	**Ps.**	**9,268,612**	**Ps.**	**24,902,679**
Acquisition of non-controlling interest		-		(4,096)		-		-		**(4,096)**		-		(4,096)
Dividends declared		-		-		(1,310,124)		-		**(1,310,124)**		(694,663)		(2,004,787)
Refund of advances for capitalizations		-		-		-		-		**-**		(13,443)		(13,443)
Tax uncertainties		-		-		16,773		-		**16,773**		6,435		23,208
Winding up of companies		-		-		(2,463)		-		**(2,463)**		(1,747)		(4,210)
Other comprehensive income		-		-		-		(143,157)		**(143,157)**		(93,967)		(237,124)
Net income		-		-		1,744,785		-		**1,744,785**		1,000,953		2,745,738
Wealth tax		-		-		(73,603)		-		**(73,603)**		(31,187)		(104,790)
Balance at September 30, 2017	**Ps.**	**22,281**	**Ps.**	**8,412,684**	**Ps.**	**7,147,294**	**Ps.**	**279,923**	**Ps.**	**15,862,182**	**Ps.**	**9,440,992**	**Ps.**	**25,303,174**

		Subscribed and paid-in capital		Additional paid - in capital		Retained earnings		Other comprehensive income (OCI)		Equity attributable to owners of the parent		Non-controlling interest		Total equity
Balance at December 31, 2017	**Ps.**	**22,281**	**Ps.**	**8,412,685**	**Ps.**	**7,573,912**	**Ps.**	**223,543**	**Ps.**	**16,232,421**	**Ps.**	**9,745,829**	**Ps.**	**25,978,250**
Changes in accounting policies (*)		-		(109,254)		(776,651)		609,270		**(276,635)**		(185,282)		**(461,917)**
Balance at January 1, 2018	**Ps.**	**22,281**	**Ps.**	**8,303,431**	**Ps.**	**6,797,261**	**Ps.**	**832,813**	**Ps.**	**15,955,786**	**Ps.**	**9,560,547**	**Ps.**	**25,516,333**
Issuance of shares										**-**		988,118		**988,118**
Dividends declared						(1,069,490)				**(1,069,490)**		(739,125)		**(1,808,615)**
Transactions with non-controlling interest				179,107				(41,447)		**137,660**		(137,660)		**-**
Other comprehensive income								(190,712)		**(190,712)**		(142,672)		**(333,384)**
Net income						2,061,973				**2,061,973**		1,481,786		**3,543,759**
Balance at September 30, 2018	**Ps.**	**22,281**	**Ps.**	**8,482,538**	**Ps.**	**7,789,744**	**Ps.**	**600,654**	**Ps.**	**16,895,217**	**Ps.**	**11,010,994**	**Ps.**	**27,906,211**

(*) The Group adopted IFRS 9 and IFRS 15 as of January 1, 2018. (See Note 2.)

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Grupo Aval Acciones y Valores S.A. and Subsidiaries
Condensed Consolidated Statement of Cash Flows for the nine-month periods ended September 30, 2018 and 2017
(Figures in millions of Colombian pesos)

		September 30, 2018 (*)		September 30, 2017
Cash flows from operating activities:				
Net income before tax expense	Ps.	5,219,417	Ps.	4,172,731
Reconciliation of net income before taxes and net cash provided by operating activities:				
Depreciation and amortization		694,324		664,3445
Impairment losses of loans and receivables		2,808,693		2,805,951
Net interest income		(8,114,838)		(7,584,188)
Gains in assets designated at fair value		(177,212)		(147,490)
Gains on sales of non-current assets held for sale		(14,657)		(5,771)
(Losses) Gain on sales of property, plant and equipment		(28,464)		(25,394)
Foreign exchange gains		(107,630)		(193,839)
Income proceeds of investments in associates and joint Ventures		(142,361)		(135,344)
Other adjustment for reconciliation net income		(89,496)		(52,971)
Fair value adjustments on:				
Investment property and biological assets		(24,842)		(27,986)
Non-current assets held for sale		14		7,904
Derivative financial instruments		(70,234)		(60,154)
Changes in operating assets and liabilities:				
Decrease in financial assets held for trading		1,548,070		2,520,021
Increase in other accounts receivable		(60,649)		(295,376)
Decrease (increase) in non-current assets held for sale		10,799		4,528
(Increase) Decrease in other assets		(27,529)		(30,666)
(Decrease) in other liabilities, provisions and employee benefits		1,065,394		(487,317)
Decrease (Increase) in loans and receivables		11,259,462		5,168,055
(Decrease) increase in customer deposits		(3,532,999)		4,348,485
Increase in interbank borrowings and overnight funds		3,630,589		1,511,430
(Decrease) in borrowings from development entities		(1,246)		(1,736)
(Decrease) increase in borrowings from banks and others		(443,028)		(742,054)
Interest paid		(3,271,264)		(6,347,586)
Income tax payments		(1,174,293)		(1,292,939)
Equity tax payments		-		(100,919)
Net cash used in operating activities	**Ps.**	**8,956,020**	**Ps.**	**3,722,507**
Cash flows from investing activities:				
Acquisition of property plant and equipment	Ps.	(394,427)	Ps.	(398,645)
Purchases of held-to-maturity financial assets		(2,473,775)		(6,553,456)
Maturities of held-to-maturity financial assets		2,422,251		4,768,498
Additions of other intangible assets		(257,504)		(184,573)
Proceeds from sales of property and equipment		157,353		53,400
Dividends received from investments		158,607		137,254
Concession contracts		(2,502,535)		(364,541)
(Increase) decrease in investments		(3,298,851)		(44,843)
Decrease of other items related to investment activities		40,983		74,154
Net cash used in investing activities:	**Ps.**	**(6,147,898)**	**Ps.**	**(2,512,752)**
Cash Flows from financing activities:				
Dividends paid to shareholders	Ps.	(861,291)	Ps.	(980,771)
Dividends paid to non-controlling interest		(544,744)		(547,321)
Issuance of debt securities		939,682		3,795,641
Payment of outstanding debt securities		(1,006,980)		(3,597,072)
Other financing activities		-		(17,539)
Issue of shares in cash		988,118		-
Net cash used in financing activities	**Ps.**	**(485,215)**	**Ps.**	**(1,347,062)**
Effect of foreign currency changes on cash and cash equivalents		**(262,927)**		**(234,322)**
Increase (decrease) increase in cash and cash equivalents		**2,059,980**		**(371,629)**
Cash and cash equivalents at the beginning of the period	**Ps.**	**22,336,838**	**Ps.**	**22,193,004**
Cash and cash equivalents at the end of the period	**Ps.**	**24,396,818**	**Ps.**	**22,821,375**

See notes that are an integral part of the condensed consolidated financial statements.

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(Figures in millions of Colombian pesos)

NOTE 1 – REPORTING ENTITY

Grupo Aval Acciones y Valores S.A. (hereinafter the "The Group" or "Grupo Aval") was established under Colombian law in January 7, 1994, with its main offices and business address registered in Bogotá, D.C., Colombia. The corporate purpose of Grupo Aval is the purchase and sale of securities issued by financial and comercial 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 engages in investment banking activities, invests in the non-financial sector and manages pensions and severance funds in Colombia.

On September 5, 2018, Corficolombina the subscription and payment of the issuance of ordinary shares and shares with preferential dividend and without voting rights was made, the subscribed and paid capital of the Corporation increased to $ 2,794,483,170 and the outstanding shares to 279,448,317 as follows: Common voting shares 263,545,395 and 15,902,922 Preferred non-voting shares.

The following table shows the changes in the participation of Grupo Aval as a parent company on Corficolombiana before and after the emission:

NIT	Entity	Before subscription	After subscription	Variation
8600029644	Banco de Bogotá S.A.	26.582%	22.63%	(3.95%)
8002161815	Grupo Aval Acciones y Valores S.A.	9.536%	8.12%	(1.42%)
8600077389	Banco Popular S.A.	5.426%	4.62%	(0.81%)
8903002794	Banco de Occidente S.A.	3.363%	2.86%	(0.50%)
Total		**44,907%**	**38.23%**	**(6.67%)**

* As a result of the above, a transaction with minority interests of Ps. 137,659 see the status of Consolidated Statement of Changes in Equity

Analysis of the right vote variation after the emission by Grupo Aval on Corficolombiana

Entity	right vote before subscription	Right vote after subscription	Variation
Banco de Bogotá	41.16%	34.91%	(6.25%)
Grupo Aval	10.15%	8.61%	(1.54%)
Banco Popular	6.16%	5.22%	(0.93%)
Banco de Occidente	4.84%	4.20%	(0.75%)
% Total	**62.42%**	**52.94%**	(9.47%)

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

These interim financial statements have been prepared in accordance with International accounting standards accepted in Colombia, issued and effective at December 31, 2015 and included as an appendix of Decree 2170 from 2017, issued by the Colombian Government, which includes the IAS 34 Interim Financial Reporting.

These interim financial statements do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the Group's last annual consolidated financial statements as of and for the year ended 31 December 2017.

(Figures in millions of Colombian pesos)

However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

Grupo Aval does not present seasonal or cyclical effects on its disclosed revenue.

Changes in significant accounting policies

Except for the changes described below, the accounting policies applied in these interim financial statements are the same as those applied by Grupo Aval in the financial statements for the year ended December 31, 2017.

Changes in accounting policies are also expected to be reflected in the financial statements for the year ended December 31, 2018.

Grupo Aval has initially adopted IFRS 15 Income from contracts with customers as described below (see section A); IFRS 9 Financial instruments (see section B); and changes in recognition of employee benefits under IAS 19 and the equity recognition between the difference between the portfolio provisions of the separate balance sheet and the consolidated balance sheet (see section C). These changes are reflected as of January 1, 2018.

A. IFRS 15 Income from contracts with customers.

IFRS 15 establishes a comprehensive framework to determine how much and when income is recognized, it replaced IAS 18 Revenue, IAS 11 Construction Contracts and other policies related to its interpretations.

The Group has adopted IFRS 15 prospectively, recognizing the effect of initial adoption of this standard as of January 1, 2018. Consequently, the information presented for 2017 has not been modified with the adoption of the aforementioned standards.

The following table summarizes the impact, net of taxes, of the adoption of IFRS 15 in the statement of financial position as of January 1, 2018.

		Impact of the adoption of IFRS 15 to January 1, 2018
Customer loyalty programs	Ps.	35,172
Deferred tax associated to customer loyalty programs		(16,166)
Concession arrangements rights		1,058,739
Liabilities for concession		(469,433)
Deferred tax associated to concession arrangements rights		(178,564)
Net impact at January 1, 2018	**Ps.**	**429,748**

Impact in asset and liabilities of the adoption of IFRS 15	**Balance at December 31, 2017**		**Adjustment IFRS 15**		**Impact of the adoption of IFRS 15 at January 1, 2018**
Assets					
Concession arrangements rights	3,114,167	Ps.	1,058,739	Ps.	4,172,906
Deferred tax	138,464		(13,979)		124,485
Total assets	**236,641,700**	**Ps.**	**1,044,760**	**Ps.**	**237,686,460**
Liabilities					
Customer loyalty programs	6,928,081	Ps.	(35,172)	Ps.	6,892,909
Other Liabilities	6,235,466		469,433		6,704,899
Deferred tax	1,747,283		180,751		1,928,034
Total liabilities	**210,663,450**	**Ps.**	**615,012**	**Ps.**	**211,278,462**
Equity					

Impact in asset and liabilities of the adoption of IFRS 15	**Balance at December 31, 2017**		**Adjustment IFRS 15**		**Impact of the adoption of IFRS 15 at January 1, 2018**
Equity attributable to owners of the parent	**16,232,421**		**205,546**		**16,437,967**
Non-controlling interest	**9,745,829**		**224,202**		**9,970,031**
Total equity	**25,978,250**	**Ps.**	**429,748**	**Ps.**	**26,407,998**
Total liabilities and equity	**236,641,700**	**Ps.**	**1,044,760**	**Ps.**	**237,686,460**

Income from contracts with customers (Replaces: Income from commissions and collections and income from services and sale of goods).

The group recognizes income from contracts with customers based on a five-step model established in IFRS 15:

Step 1. Identify contracts with customers: A contract is defined as an agreement between two or more parties, which creates rights and obligations and establishes criteria that must be met for each contract. Contracts can be written, verbal or implicit through the customary business practices of a company.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a client for the transfer of a good or service to the client.

Step 3. Determine the transaction price: The transaction price is the payment amount that the group expects to be entitled to in exchange for the transfer of the goods or services promised to a client, without taking into account the amounts received in representation of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: In a contract that has more than one performance obligation, the Group distributes the transaction price among the performance obligations in amounts that represent the rights the Group expects to be entitled to after meeting each performance obligation.

Step 5. Recognition of income when the entity fulfils a performance obligation.

The Group fulfils a performance obligation and recognizes income over time, if any of the following criteria is met:

a) The Group's performance does not create an asset with an alternative use for the Group, and the Group has an enforceable right for payment associated to the performance completed to date.

b) The group's performance creates or improves an asset that the client controls as it is created or improved.

c) The client at the same time receives and consumes the benefits that result from the performance of the Group.

For performance obligations where none of the indicated conditions is met, income is recognized when the performance obligation is fulfilled.

When the Group fulfills a performance obligation through the delivery of the promised goods or services, it creates a contractual asset for the amount of the consideration associated with the Group’s performance. When the amount of the consideration received by a client exceeds the amount recognized as income, a contractual liability arises.

Income is measured based on the consideration specified in the contract with the customer, and excludes the amounts received on behalf of third parties. The Group recognizes income when it transfers control over a good or service to a customer. Income is registered net of value added tax (VAT), reimbursements and discounts and after eliminating intragroup sales.

The Group evaluates its income plans based on specific criteria to determine whether it acts as principal or agent.

Income is recognized to the extent that the economic benefits are likely to be received by the Group and if it is possible to reliably measure revenues and costs, if any.

Below is a description of the policies that changed the product of the implementation of income from contracts with customers IFRS 15:

i. Operation and construction services (Concessions)

In concession arrangement rights, the Group determines that its performance obligations (construction, operation and maintenance) have been met over time and measures its progress towards completion to determine the time for income recognition using a method that represents the transfer of goods or services to the client. The Group takes into account the nature of the products or services provided and the terms of the contract, such as the right to cancellation, rights to demand or withhold payments, and the legal right to work in a process to determine the best method of entry or output to measure the progress towards with the fulfilment of a performance obligation.

The Group uses a single method to measure progress in each performance obligation within a contract. The method can be input (cost incurred, hours worked) or output (units produced, goals achieved).

The estimates of income, costs or degree of progress towards completion are reviewed if circumstances change. Any increase or decrease in estimated revenues or costs is reflected in the income statement in the period in which management learned of the circumstances that led to the review.

ii. Customer loyalty programs

The Group's financial institutions and hotels manage many customer loyalty programs in which customers accumulate points for their purchases, which entitles them to redeem said points under the policies and the current rewards plan on the date of redemption. Reward points are recognized as an identifiable component, separate from income for services rendered, at fair value. Revenues from loyalty programs are deferred and recognized in the income statement when the entity has fulfilled its obligations to provide the products under the terms of the program or when it is unlikely that the program rules will be redeemed. A contractual liability is recognized until the points are redeemed or expire.

The Group acts as a principal in a customer loyalty program if it has control of the goods or services of another party in advance, or if it transfers control of said goods or services to a customer. The Group acts as an agent if its performance obligation is to organize the other party to provide the goods or services.

B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognition and measurement of financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The following table summarizes the impact, net of tax, of our transition to IFRS 9 on the opening balance of reserves and retained earnings and OCI at January 1, 2018 (for a description of the transition method, see (iv) below).

	Detail		**Impact of adopting IFRS 9 on opening balance**
Recognition of expected credit losses under IFRS 9	ii.		(1,224,126)
Recognition of changes on classification under IFRS 9	i.		(15,381)
Related tax			381,399
Impact at 1 January 2018		**Ps.**	**(858,108)**

The details of the significant new accounting policies and the nature and effect of the changes in accounting policies that resulted from the adoption of IFRS 9 were applied retrospectively, as detailed below.

Grupo Aval has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 (2014 version) but rather those of IFRS 9 (version 2012 for measurement and classification) and IAS 39 (for impairment).

i. Classification and Measurement of Financial Assets and Liabilities

IFRS 9 (2014 version) includes a new classification and measurement approach for financial assets and is generally based on the business model in which a financial asset is managed and the characteristics of its contractual cash flow.

IFRS 9 (2014 version) includes three main classification categories for financial assets: measured at amortized cost (AC), at fair value through other comprehensive income (FVOCI), and at fair value through profit or loss (FVTPL)

The new standard complements the two existing categories in the previous IFRS 9 of AC and FVTPL that are currently in force in Colombia for the consolidated financial statements, adding the FVOCI category.

Financial assets are measured at amortized cost if they meet both of the following conditions and are not designated at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets are measured at FVOCI only if they meet both of the following conditions and are not designated at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and the sale of financial assets; and

- its contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Upon 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 OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at AC or FVOCI as described above are measured at FVTPL. In addition, upon initial recognition, Grupo Aval may irrevocably designate a financial asset that otherwise would meet the requirements to be measured at amortized cost or at FVOCI at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All financial assets are classified into one of these categories upon initial recognition. See (vii) for the transition requirements relating to the classification of financial assets.

Under IFRS 9 (2014 version), derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the financial instrument as a whole is assessed for classification, at FVTPL.

Business Model Assessment

Grupo Aval assesses the objectives of the various business models in which financial assets are held at a portfolio level because this best reflects how business is managed at each subsidiary, and how information is provided to management. The information assessed includes:

- the stated policies and objectives set out for each portfolio and the operation of those policies in practice, including whether management's strategy is focused 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 or realizing cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to both Grupo Aval's and its subsidiaries' management;
- the risks that affect the business model's performance (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, value and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how Grupo Aval's stated objectives for managing financial assets are achieved and how cash flows are realized.

Financial assets that are held for trading and managed, whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment Whether Contractual Cash Flows Are Solely Payments of Principal and Interest (SPPI Test)

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

Grupo Aval will consider the contractual terms of the instrument by assessing whether the contractual cash flows are solely payments of principal and interest. This will include 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. In making the assessment, Grupo Aval will consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit Grupo Aval's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- features that modify consideration for the time value of money – e.g. periodic review of interest rates.

Interest rates on certain corporate and retail loans originated by Grupo Aval are pegged to standard variable rates (SVRs) generally used in each country where the group operates and includes a discretional spread. In Colombia, the SVRs are based on the DTF and IBR rates which are calculated weekly by the Central Bank based on information collected from the Colombian financial system, plus a discretionary spread, and in the case of loans in foreign currency the group uses libor interest rates plus a discretionary spread. In these cases, Grupo Aval will assess whether the discretionary feature is consistent with the SPPI criteria by considering a number of factors, including whether:

- The borrowers are able to prepay the loans without significant penalties. Colombian regulation does not allow for penalties charged on prepayments.
- the market competition ensures that interest rates are consistent between banks; and

(Figures in millions of Colombian pesos)

- 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.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. See (iii) below for derivatives designated as hedging instruments.
Financial assets at AC	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses on valuation are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

The effect of adopting IFRS 9 (2014 version) on the carrying amounts of financial assets at 1 January 2018 relates solely to the new classification and impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under IFRS 9 (2012 version) and the new measurement categories under IFRS 9 (2014 version) for each class of the Group's financial assets at 1 January 2018

	Original classification under IFRS 9 (2012 version)	**New classification under IFRS 9 (2014 version)**		**Original carrying amount under IFRS 9 (2012 version)**		**New carrying amount under IFRS 9 (2014 version)**
Financial assets						
Cash and cash equivalents	Amortized cost	Amortized cost	Ps.	22,336,838	Ps.	22,336,838
Debt securities	Amortized cost	Amortized cost		10,061,747		2,899,039
		At Fair Value (FVTPL)				23,642
		At Fair Value (FVOCI)				7,101,335
	At Fair Value (FVTPL)	Amortized cost		13,315,686		-
		At Fair Value (FVTPL)				2,635,150
		At Fair Value (FVOCI)				10,680,536
Equity securities	At Fair Value (FVTPL)	At Fair Value (FVTPL)		2,149,159		-
		At Fair Value (FVOCI)				2,149,159
	At Fair Value (FVOCI)	At Fair Value (FVTPL)		926,285		-
		At Fair Value (FVOCI)				926,285
Derivatives	At Fair Value (FVTPL)	At Fair Value (FVTPL)		383,653		383,653
Loans and leases receivables	Amortized cost	Amortized cost		166,372,776		166,372,172
		At Fair Value (FVTPL)				604
Other receivables	Amortized cost	Amortized cost		4,466,134		4,466,134
Assets under concession contracts	At Fair Value (FVTPL)	At Fair Value (FVTPL)		2,282,611		2,282,611
Total financial assets			**Ps.**	**222,294,889**	**Ps.**	**222,257,158**

ii. Impairment of financial assets

IFRS 9 (2014 version) replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model "ECL". This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.
The new impairment model applies to the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- loans and lease receivables; and
- Loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*).

Under IFRS 9 (version 2014), no impairment loss is recognized on equity investments.

IFRS 9 (version 2014) requires a loss allowance on FVOCI financial instruments to be recognized at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from possible default events within the 12 months after the reporting date.

Grupo Aval will recognize a loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognized will be the 12-month ECLs:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than short term other receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for loans and lease receivables will always be measured at an amount equal to lifetime ECLs.

IFRS 9 impairment requirements are complex and require management judgements, estimates and assumptions, particularly in the following areas:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

Measurement of ECLs

ECLs are probability-weighted of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due in accordance with the contract and the cash flows that Grupo Aval expects to receive, considering a 12-month ECL for financial assets for which credit risk has not significantly increased since initial recognition, and life-time ECL for financial assets with significant increase in credit risk since initial recognition;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to Grupo Aval if the commitment is drawn down and the cash flows that Grupo Aval expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that Grupo Aval expects to recover.

Financial assets that are credit-impaired are defined by IFRS 9 in a similar way to financial assets that are impaired under IAS 39 (see note 2.6 g).

Definition of Default

Under IFRS 9, 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 recourse by Grupo Aval to actions such as realizing collateral (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to Grupo Aval. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.
- Clients in bankruptcy proceedings, such as Law 1116 for the case of the Colombian Goverment
- Fixed income financial instruments include the following concepts, among others:
    - External rating of the issuer or instrument in rating D.
    - Contractual payments are not made on the due date or within the stipulated period or grace period.
    - There is a very high probability of suspension of payments.
    - The issuer likely to go bankrupt or file for bankruptcy or similar action.
    - The financial asset no longer has an active market given its financial difficulties.

In assessing whether a borrower is in default, Grupo Aval will consider indicators that are:

- qualitative: e.g. breaches of covenants;
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to Grupo Aval; and
- based on internally developed data and obtained from external sources.

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

Significant Increase in Credit Risk

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) of a financial instrument has increased significantly since initial recognition, Grupo Aval will 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 Grupo Aval's historical experience, expert credit assessment and forward-looking information.

Grupo Aval will primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) at the reporting date; with
- the remaining lifetime PD at this point in time that was estimated upon initial recognition of the exposure.
- Qualitative aspects and the rebuttable presumption of the norm (30 days) are also considered.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument.

Credit Risk Grades

Grupo Aval will allocate 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 judgement. Grupo Aval will use these grades with the purpose identifying significant increases in credit risk under IFRS 9 (version 2014). 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 will be allocated to a credit risk grade upon initial recognition based on available information about the borrower. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Generating the Term Structure of PD

Credit risk grades will be the primary input in the determination of the term structure of PD for exposures. Grupo Aval will collect 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 reference agencies may also be used.

Grupo Aval will employ statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. This analysis will include the identification and calibration of relationships 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 (e.g. charge-offs) on the risk of default. For most exposures, key macro- economic indicators are likely to include GDP growth, benchmark interest rates and unemployment.

For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/ or real estate prices.

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

Grupo Aval has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk of a particular financial instrument has increased significantly since initial recognition. The framework is aligned with Grupo Aval's internal credit risk management process.

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 deem the credit risk of a particular exposure to have increased significantly since initial recognition if, based on Grupo Aval's quantitative modelling, the remaining lifetime PD is determined to have increased significantly since initial recognition. The remaining lifetime PD is adjusted for changes in maturity when determining any increase in credit risk.

In certain instances, using its expert credit judgement and, where possible relevant historical experience, Grupo Aval may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. As a backstop, and as required by IFRS 9, Grupo Aval will presumptively consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

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 do not 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 no unwarranted volatility in loss allowance from transfers between 12-month ECL and lifetime ECL measurements.

Modified Financial Assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

Under IFRS 9, when the terms of a financial asset are modified, and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:
- the remaining lifetime PD at the reporting date based on the modified terms;
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

Grupo Aval renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default.

For financial assets modified as part of Grupo Aval's forbearance policy, the estimate of PD will reflect whether the modification has improved or restored Grupo Aval's ability to collect interest and principal and Grupo Aval's previous experience on similar forbearance actions. As part of this process, Grupo Aval will evaluate the borrower's payment performance against the modified contractual terms and consider various behavioral indicators.

Generally, forbearance is indicative of default and credit impairment and expectations of forbearance are relevant to assessing whether there is a significant increase in credit risk. As such, a restructured customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

Inputs for the measurement of ECLs

The key inputs for the measurement of ECLs are usually the term structures of the following variables:
- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters will be derived from internally developed statistical models and other historical data that leverage regulatory models. They will be adjusted to reflect forward-looking information as described below.

PD estimates are estimated at a certain date, which will be calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models will be based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, this will lead to a change in the estimate of the associated PD. PDs will be estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss in the event of default. Grupo Aval will estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models will consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value (LTV) ratios will be a key parameter in determining LGD. Estimates will be calibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They will be calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of default. Grupo Aval will derive 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 will be the gross carrying amount at default. For lending commitments and financial guarantees, the EAD will consider the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which will be estimated based on historical observations and forward-looking forecasts. For some financial assets, Grupo Aval will determine EAD by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has significantly increased, Grupo Aval will measure 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 and credit card facilities and certain corporate revolving facilities that include both a loan and an undrawn commitment component, Grupo Aval will measure 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, rather when Grupo Aval becomes aware of an increase in credit risk of a particular facility. This longer period will be estimated taking into account the credit risk management actions that Grupo Aval expects to take and that serve to mitigate ECLs. These include a reduction in limits and cancellation of the facility.

(Figures in millions of Colombian pesos)

Whenever modelling of a parameter is carried out on a collective basis, the financial instruments will be grouped on the basis of shared risk characteristics that include:
- instrument type;
- credit risk ratings;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings will be subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Forward-looking Information

Under IFRS 9 (2014 version), 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 will formulate a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on recommendations from the Group's Market Risk Committee, forecasts provided by economic experts and considering a variety of external actual and forecast information. This process will involve developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

External information may include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organizations such as the Organization for Economic Co-operation and Development (OCDE) and the International Monetary Fund and selected private sector and academic forecasters.

The base case will represent a most-likely outcome and be aligned with information used by Grupo Aval for other purposes, such as strategic planning and budgeting. The other scenarios will represent more optimistic and more pessimistic outcomes. Grupo Aval intends to calibrate these scenarios with the stress-testing tools in place in each of its subsidiaries.

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance as follows:

Loss allowance at 31 December 2017 under IAS 39 9	**Ps.**	**5,940,413**
Additional impairment recognized at 1 January 2018 on:		
Loans and receivables:		1,165,343
Other accounts receivable		26,231
Debt securities and other liquid financial assets		32,552
Loss allowance at 1 January 2018 under IFRS 9	**Ps.**	**7,164,539**

iii. **Hedge Accounting**

(Figures in millions of Colombian pesos)

When initially applying IFRS 9, Grupo Aval may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in Chapter 6 of IFRS 9. Grupo Aval has elected to continue to apply IAS 39 until macro-hedging project has finalized.

iv. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 are generally applied retrospectively, except as described below.

- Grupo Aval will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement changes (including impairment).
- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognized in retained earnings and reserves as at January 1, 2018. The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
  - If a debt investment security has low credit risk at January 1, 2018, then Grupo Aval will determine that the credit risk on the asset has not increased significantly since initial recognition.

C. Change in accounting policies.

Taking into account the current regulatory context, Grupo Aval has determined to make changes to the accounting policies prospectively in the preparation of the consolidated financial statements which are presented below:

a) Equity reclassification of the allowance for loan losses between OCI accounts and retained earnings, in accordance with IFRS9.
b) Recalculation of employee benefits taking into account the provisions of IAS 19.
c) Taxes related to the previous literals.

The following table summarizes the impact, net of taxes, of changes in accounting policies.

	Impact of changes in accounting policies at January 1, 2018
Employee benefits	(55,576)
Other adjustment	(4,318)
Deferred tax	26,337
Impact at January 1, 2018	**(33,557)**

NOTE 3 – USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation were the same as those described in the last annual financial statements ended on December 31, 2017.

Measurement of fair values

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 to 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.

(Figures in millions of Colombian pesos)

NOTE 4 – FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

a) Carrying value and fair value

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 September 30, 2018 and December 31, 2017 on a recurring basis. For financial instruments that are not measured at fair value if the carrying amount is a reasonable approximation of fair value, fair value information is not included:

			Fair Value							
		Carrying Value		**Level 1**		**Level 2**		**Level 3**		**Total**
September 30, 2018										
Financial Assets										
Cash and cash equivalents	**Ps.**	**24,396,818**								**24,396,818**
Financial instruments at fair value through profit or loss										
Investments in debt securities through profit or loss	**Ps.**	**2,467,349**	**Ps.**	**878,473**	**Ps.**	**1,574,004**	**Ps.**	**14,872**	**Ps.**	**2,467,349**
Securities issued or secured by Colombian Government		1,119,189		839,998		279,191		-		1,119,189
Securities issued or secured by other entities of the Colombian Government		131,287		25,712		105,575		-		131,287
Securities issued or secured by Foreign Governments		102,366		11,744		90,622		-		102,366
Securities issued or secured by Central Banks		12,568		-		12,568		-		12,568
Securities issued or secured by other financial entities		1,034,047		1,019		1,033,028		-		1,034,047
Securities issued or secured by Non-financial sector entities		29,869		-		29,869		-		29,869
Other		38,023		-		23,151		14,872		38,023
Investments in debt securities through OCI (1)	**Ps.**	**19,870,301**	**Ps.**	**11,153,041**	**Ps.**	**8,717,260**	**Ps.**	**-**	**Ps.**	**19,870,301**
Securities issued or secured by Colombian Government		12,493,001		10,555,754		1,937,247		-		12,493,001
Securities issued or secured by other entities of the Colombian Government		522,854		226,920		295,934		-		522,854
Securities issued or secured by Foreign Governments		2,315,073		82,372		2,232,701		-		2,315,073
Securities issued or secured by Central Banks		1,234,445		-		1,234,445		-		1,234,445
Securities issued or secured by other financial entities		2,880,941		287,995		2,592,946		-		2,880,941
Securities issued or secured by Non-financial sector entities		208,496		-		208,496		-		208,496
Other		215,491		-		215,491		-		215,491
Equity securities at fair value through profit or loss		**2,318,184**		**7,393**		**2,285,639**		**25,152**		**2,318,184**
Investments in equity securities through OCI		**1,212,884**		**1,047,476**		**53,695**		**111,713**		**1,212,884**
Held for trading Derivatives		**605,629**		**-**		**603,999**		**1,630**		**605,629**
Currency Forward		492,093		-		490,463		1,630		492,093
Securities Forward		245		-		245		-		245
Currency Swap		44,064		-		44,064		-		44,064
Interest Rate Swap		42,658		-		42,658		-		42,658
Currency Options		26,569		-		26,569		-		26,569
Hedging Derivatives		**85,571**		**-**		**85,571**		**-**		**85,571**
Currency Forward		85,571		-		85,571		-		85,571
Financial assets in concession arrangement rights		**2,459,823**		**-**		**-**		**2,459,823**		**2,459,823**

(Figures in millions of Colombian pesos)

		Carrying Value		Fair Value Level 1		Fair Value Level 2		Fair Value Level 3		Fair Value Total
Total financial assets at fair value on recurring basis	Ps.	**29,019,741**	Ps.	**13,086,383**	Ps.	**13,320,168**	Ps.	**2,613,190**	Ps.	**29,019,741**
Financial assets at amortized cost										
Investments in debt securities		**2,999,359**		**20,816**		**2,992,265**		**-**		**3,013,081**
Securities issued or secured by other entities of the Colombian Government		2,966,487		-		2,980,081		-		2,980,081
Securities issued or secured by Foreign Governments		20,820		20,816		-		-		20,816
Securities issued or secured by other financial entities		12,052		-		12,184		-		12,184
Loan portfolio, net (see detail literal f)		**158,265,122**								
Commercial		91,773,406								166,018,567
Consumer		49,159,093								
Mortgage		16,995,186								
Microcredit		337,437								
Other accounts receivables, net		**5,184,901**								
Total financial assets at amortized cost	Ps.	**166,449,382**								
Financial Liabilities										
Financial liabilities at fair value										
Trading Derivatives		**488,892**		**4**		**485,924**		**2,964**		**488,892**
Currency Forward		323,879		-		320,915		2,964		323,879
Securities Forward		1,164		-		1,164		-		1,164
Interest Rate Swap		4		4		-		-		4
Securities Futures		31,710		-		31,710		-		31,710
Currency Swap		84,232		-		84,232		-		84,232
Currency Options		47,903		-		47,903		-		47,903
Hedging Derivatives		**63,650**		**-**		**63,650**		**-**		**63,650**
Currency Forward		63,650		-		63,650		-		63,650
Total financial liabilities at fair value on recurring basis	Ps.	**552,542**	Ps.	**4**	Ps.	**549,574**	Ps.	**2,964**	Ps.	**552,542**
Financial liabilities at amortized cost										
Customer Deposits		**153,188,534**								**153,406,935**
Checking accounts		33,401,414								33,401,414
Time deposits		66,265,040								66,483,757
Savings accounts		52,925,215								52,924,900
Others		596,865								596,864
Financial obligations		**48,332,506**								**48,058,567**
Interbank borrowings and overnight funds		8,669,856								7,860,203
Borrowings from banks and others		17,094,307								17,309,862
Bonds issued (see detail “e”)		19,128,190								19,321,691
Borrowings from development entities		3,440,153								3,566,811
Total Financial liabilities at amortized cost	Ps.	**201,521,040**								**201,465,502**

(1) The Group adopted IFRS 15 and IFRS 9 as of January 1, 2018. (See Note 2).

(Figures in millions of Colombian pesos)

December 31, 2017 (1)		Carrying Value		Fair Value Level 1		Fair Value Level 2		Fair Value Level 3		Fair Value Total
Financial Assets										
Cash and cash equivalents	**Ps.**	**22,336,838**								**22,336,838**
Financial assets at fair value										
Investments in debt securities	**Ps.**	**13,315,686**	**Ps.**	**5,690,139**	**Ps.**	**7,605,945**	**Ps.**	**19,602**	**Ps.**	**13,315,686**
Securities issued or secured by Colombian Government		6,854,248		5,423,827		1,430,421		-		6,854,248
Securities issued or secured by other entities of the Colombian Government		507,199		-		507,199		-		507,199
Securities issued or secured by Foreign Governments		1,360,047		29,604		1,330,443		-		1,360,047
Securities issued or secured by Central Banks		1,041,875		-		1,041,875		-		1,041,875
Securities issued or secured by other financial entities		3,387,307		236,708		3,150,599		-		3,387,307
Securities issued or secured by Non-financial sector entities		46,473		-		46,473		-		46,473
Other		118,537		-		98,935		19,602		118,537
Trading equity securities		**2,149,159**		**28,659**		**2,095,160**		**25,340**		**2,149,159**
Investments in equity securities available-for-sale		**926,285**		**768,367**		**50,063**		**107,855**		**926,285**
Trading Derivatives		**328,392**		**-**		**326,814**		**1,578**		**328,392**
Currency Forward		223,955		-		222,377		1,578		223,955
Securities Forward		731		-		731		-		731
Interest Rate Swap		52,970		-		52,970		-		52,970
Currency Swap		33,104		-		33,104		-		33,104
Currency Options		17,632		-		17,632		-		17,632
Interest Rate Options		-		-		-		-		-
Hedging Derivatives		**55,261**		**-**		**55,261**		**-**		**55,261**
Currency Forward		55,261		-		55,261		-		55,261
Financial assets in concession arrangements rights		**2,282,611**		**-**		**-**		**2,282,611**		**2,282,611**
Total financial assets at fair value on recurring basis	**Ps.**	**19,057,394**	**Ps.**	**6,487,165**	**Ps.**	**10,133,243**	**Ps.**	**2,436,986**	**Ps.**	**19,057,394**
Financial assets at amortized cost										
Investments in debt securities		**10,061,747**		**3,596,045**		**6,457,860**		**-**		**10,053,905**
Securities issued or secured by Colombian Government		3,885,066		3,349,546		512,770		-		3,862,316
Securities issued or secured by other entities of the Colombian Government		3,072,021		-		3,102,996		-		3,102,996
Securities issued or secured by Foreign Governments		862,109		26,852		837,281		-		864,133
Securities issued or secured by Central Banks		349,432		-		349,094		-		349,094
Securities issued or secured by other financial entities		1,470,494		219,647		1,254,483		-		1,474,130
Securities issued or secured by Non-financial sector entities		318,908		-		295,866		-		295,866
Other		103,717		-		105,370		-		105,370
Loan portfolio, net (see detail literal f)		**160,754,295**								**166,303,676**
Commercial		96,500,412								
Consumer		47,921,019								
Mortgage		15,997,343								
Microcredit		335,521								

(Figures in millions of Colombian pesos)

		Carrying Value		Fair Value Level 1		Fair Value Level 2		Fair Value Level 3		Fair Value Total
Other accounts receivables, net		**4,239,272**								
Total financial assets at amortized cost	**Ps.**	**175,055,314**								
Financial Liabilities										
Financial liabilities at fair value										
Trading Derivatives		**298,665**		**-**		**296,853**		**1,812**		**298,665**
Currency Forward		144,572		-		142,760		1,812		144,572
Securities Forward		1,107		-		1,107		-		1,107
Interest Rate Swap		40,693		-		40,693		-		40,693
Currency Swap		79,263		-		79,263		-		79,263
Currency Options		33,030		-		33,030		-		33,030
Hedging Derivatives		**13,464**		**-**		**13,464**		**-**		**13,464**
Currency Forward		13,464		-		13,464		-		13,464
Total financial liabilities at fair value on recurring basis	**Ps.**	**312,129**	**Ps.**	**-**	**Ps.**	**310,317**	**Ps.**	**1,812**	**Ps.**	**312,129**
Financial liabilities at amortized cost										
Customer Deposits		**154,885,224**								**154,805,726**
Checking accounts		36,017,602								35,991,218
Time deposits		62,616,163								62,627,204
Savings accounts		55,778,677								55,714,522
Others		472,782								472,782
Financial obligations		**45,276,036**								**45,413,210**
Interbank borrowings and overnight funds		4,970,430								4,970,430
Borrowings from banks and others		18,205,320								18,147,634
Bonds issued (see detail “e”)		19,102,196								19,808,232
Borrowings from development entities		2,998,090								2,486,914
Total Financial liabilities at amortized cost	**Ps.**	**200,161,260**							**Ps.**	**200,218,936**

b) Fair Value determination

The following table provides information about valuation techniques and significant inputs when measuring at fair value on recurring basis assets and liabilities, with fair value hierarchy level 2 and level 3.

ASSETS **Investments in debt securities at fair value** **In Colombian Pesos**	**Valuation technique for fair value hierarchy level 2 and level 3**	**Significant inputs**
Securities issued or secured by the Colombian Government	Income approach	Estimated Prices
Securities issued or secured by Colombian government entities	Income approach	Estimated Prices
Securities issued or secured by other financial entities	Income approach	Estimated Prices Yield and Margin
Securities issued or secured by non-financial sector entities	Income approach	Estimated Prices
Other	Income approach	Estimated Prices Yield and Margin Projected cash flows of mortgage securitizations (1)
In Foreign Currency		
Securities issued or secured by the Colombian Government	Market Price	Quoted Prices Average Prices
Securities issued or secured by Colombian government entities	Income approach	Estimated Prices
Securities issued or secured by foreign governments	- Internal Model - Market Price	- Discounted cash flows using yields from similar securities outstanding - Market Price or price calculated based on benchmarks set by price providers methodologies - Bloomberg Generic / Bloomberg Valuation
Securities issued or secured by Central Banks	- Internal Model - Market Price	- Discounted cash flows using yields from similar securities outstanding - Market Price or price calculated based on benchmarks set by price providers methodologies
Securities issued or secured by other financial entities	- Income approach Internal Model - Market Price	- Estimated Prices - Quoted Price or price calculated based on benchmarks set by price providers methodologies - Bloomberg Generic / Bloomberg Valuation
Securities issued or secured by non-financial sector entities	- Market Price	- Average Price - Quoted Price - Bloomberg Generic
Other	- Income approach Internal Model - Market Price	- Estimated Prices - Theoretical Price Mutual Funds which by the end of the month capitalize or pay interests - Quoted Price
Investments in equity securities (2)	Discounted cash flow	- Growth in values after 5 years - Net Income - Growth in residual values after 5 years Discount interest rates
	Comparable Multiples	- EBITDA Value - EBITDA Number of times - Net income value - Net income number of times

	Valuation technique for fair value hierarchy level 2 and level 3 Adjusted Net Asset Value	**Significant inputs** Adjusted Net Asset Value
Trading Derivatives		
Foreign Currency Forward Debt securities Forward Interest rate Swap Cross Currency Swap Swap (others) Currency Options	Income approach	- Underlying asset price - Currency curve by underlying asset - Forward Exchange rates curve of the operation's currency - Implicit curves of Exchange rates forwards - Swap curves by underlying asset - Implicit volatilities matrixes and curves
Hedging Derivatives		
Currency Forward	Discounted cash flow	Curves by currency
Other financial assets		
Assets under concession contracts	Income approach	- 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 WACC. - Financial income: annual adjustment of the financial asset's value. The detail of valuation process for financial assets in concession arrangements are outlined in (3)
LIABILITIES **Derivatives held for trading**		
Foreign Currency Forward Debt securities Forward Interest rate Swap Currency Swap Swap (others) Currency Options	Income approach	- Underlying asset price - Currency curve by underlying asset - Forward Exchange rates curve of the operation's currency - Implicit curves of exchange rates forwards - Swap curves by underlying asset - Implicit volatilities matrixes and curves
Hedging Derivatives		
Foreign Currency Forward Interest rate Forward Interest rate Swap	Income approach	- Underlying asset price - Currency curve by underlying asset - Forward Exchange rates curve of the operation's currency - Implicit curves of Exchange rates forwards - Swap curves by underlying asset - Implicit volatilities matrixes and curves

The following details sensitivity analysis of the valuation when measuring Level 3 assets at recurring fair value, on base of the valuation at June 30, 2018:

(1) Mortgage-Backed Securities

The methodology through which the sensitivity analysis of TIPS securities is carried out consists of calculating the fair value of the securities under the modification of the two main variables that affect their fair value: Prepayment and Default. For this, two scenarios proposed by the Titularizadora were used, which consist a prepayment of 10% and 1 time delinquency curve and a prepayment of 20% and 1.5 time delinquency curve.

(Figures in millions of Colombian pesos)

	Favorable scenario (ii)		Unfavorable scenario (iii)
Ps.	80	Ps.	(95)

(2) Valuation of equity instruments Level 3

Investments with fair value hierarchy level 3 have significant unobservable inputs. Level 3 instruments mainly includes equity instruments, which are not quoted on any stock exchange. Like observable prices are not available for these securities, Grupo Aval has used valuation techniques as discounted cash flows to obtain fair value.

The following table includes a sensitivity analysis of changes on assumptions, considering changes in the fair value of these investments are recognize in equity as they correspond to investments classified as equity instruments at FVOCI:

Methods and Variables	Variation	Price per share recognize	Favorable impact	Unfavorable impact
Comparable Multiples / Recent Transaction Price				
EBITDA Number of times	+/-1 x	200,893.53	227,589	174,467
		627,219.27	712,430	542,278
Adjusted Net Asset Value				
Most relevant variable in assets	+/-10%	0.97	1.07	0.87
Adjusted discounted cash flow				
Growth in residual values	+/-1% of the gradient	17,145.02	21,074	13,216
	+/-1%	8.69	8.94	8.44
Growth in residual values after 5 years	+/- 30 bp	12.22	12.58	12.22
	+/-1%	45.75	47.65	43.84
		12.22	12.94	11.86
		45.75	49.56	42.57
Income	+/-1%	13,393.65	13,726.77	13,072.02
		17,145.02	17,145.02	16,787.84
		54,649.77	56,435.71	52,863.83
	+/- 1% anual	8.69	9.64	7.74
		8.69	8.94	8.44
		12.22	12.94	11.86
		45.75	47.02	44.48
Discount interest rates	+/- 50 pb	13,393.65	14,232.19	12,601.06
		17,145.02	19,288.15	15,001.90
		54,649.77	57,507.27	51,792.26

(3) Valuation of financial assets under concession arrangement rights

Promigas and subsidiaries, designated at fair value the financial assets under concession contracts, the method of discounted cash flows was used to determine the fair value.

The assumptions in the calculation of the financial asset were:

- Financial assets are calculated taking into account the expiration date of each concession contract.
- The calculation was carried out in proportion to the expiration of each of the concession contracts in force.
- Only the operational cash flows of these assets under concession were taken into account.

The components of the calculations are as follows:

- Free cash flow generated solely by assets under concession.
- Expiration period of the concession.

(Figures in millions of Colombian pesos)

- Amount in-perpetuity of the Free Cash Flow (FCF) of the year, estimated factoring a growth in the residual amount between 3% and 1% each year.
- Current amount of the residual amount Weighted Average Cost of Capital (WACC), estimated taking into account an interest rate between 9.04 % and 8.40% each year.
- Financial Income: Annual adjustment of the amount of the financial asset to WACC (*).

(*) Nominal WACC calculated under the Capital Asset Pricing Model (CAPM) methodology for each, updated annually. The following variables were used for determining the WACC:

- Beta Unlevered USA (Oil/Gas Distribution): Damodaran. [Betaunlevered 0.71, en 2017]
- Risk Free Rate, Source: Geometric Average 10 years of American bonds “T-Bonds”.
- Marker Return, Source: Geometric Average 10 years 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 year “T-Bonds”). Damodaran
- Emerging Market: Equity Premium Emerging countries (Lambda - Damodaran)

Sensitivity analysis

The following table includes a sensitivity analysis of the assumptions used by Promigas and its subsidiaries in the calculation of fair value of unconditional transfer rights of gas pipelines to Government entities at the expiration date of the contracts. The value of the financial asset at June 30, 2018 is Ps. 2,409,656.

Variable		+100 bps		-100 bps
WACC	Ps.	(638,349)	Ps.	998,260
Growth rate		559,501		(388,055)

c) Transfers between level 1 and level 2 of the fair value hierarchy

The following table summarizes the transfer between fair value levels 1 and 2 during quarters ended on September, 31 2018 and December 31, 2017. In general, transfers between Level 1 and Level 2 in the investment portfolios are due, fundamentally, to changes in the liquidity levels of the securities in the markets:

		September 30, 2018				December 31, 2017		
		Level 2 to 1		Level 1 to 2		Level 2 to 1		Level 1 to 2
ASSETS								
Debt securities at fair value								
Securities issued or secured by Colombian Government	Ps.	19,858	Ps.	13,611	Ps.	-	Ps.	263
Securities issued or secured by other entities of the Colombian Government		222,614		-		-		314
Securities issued or secured by other financial entities		40,842		188,218		-		49,864
	Ps.	**283,314**	**Ps.**	**201,829**	**Ps.**	**-**	**Ps.**	**50,441**

The following table presents a reconciliation of the balances at the beginning of the period with the closing balances of the fair value measurements classified in Level 3:

		Financial assets in debt securities		Equity instruments		Financial assets under concession arrangements
December 31, 2017	**Ps.**	**19,602**	**Ps.**	**133,195**	**Ps.**	**2,282,611**
Valuation adjustment through profit or loss		(4,336)		(190)		127,045
Valuation adjustments through OCI		-		(4,655)		-
Additions		-		18,646		-
Redemptions, sales/disposals		(394)		(4,498)		-

(Figures in millions of Colombian pesos)

		Financial assets in debt securities		Equity instruments		Financial assets under concession arrangements
Transfers to level 2		-		(5,633)		-
September 30, 2018	**Ps.**	**14,872**	**Ps.**	**136,865**	**Ps.**	**2,409,656**

d) Items Measurements at Fair Value on a Non-Recurring Basis

The following is the detail at September 30, 2018 and December 31, 2017 of the assets that were measured at fair value as a result of the impairment assessment in the application of IFRS standards applicable to each account but that do not need to be measured at fair value, on a recurring basis:

September 30, 2018

		Level 1		Level 2		Level 3		Total
Impaired collateralized loans	Ps.	-	Ps.	-	Ps.	1,016,829	Ps.	1,016,829
Non – current assets held for sale		-		-		102,257		102,257
	Ps.	**-**	**Ps.**	**-**	**Ps.**	**1,119,086**	**Ps.**	**1,119,086**

December 31, 2017

		Level 1		Level 2		Level 3		Total
Impaired collateralized loans	Ps.	-	Ps.	-	Ps.	701,948	Ps.	701,948
Non – current assets held for sale		-		-		101,382		101,382
	Ps.	**-**	**Ps.**	**-**	**Ps.**	**803,330**	**Ps.**	**803,330**

e) Financial obligations from issued bonds

The different entities from Grupo Aval are authorized by the Superintendency of Finance and by the regulatory entities abroad where Grupo Aval operates, for issuing or placing either bonds or general guarantee bonds. The bonds issued by Grupo Aval and its banking subordinates are non-guaranteed.

The detail of liabilities as of September 30, 2018 and December 31, 2017 by issue date and maturity date was as follows:

Peso denominated

Issuer	Issue Date		September 30, 2018		December 31, 2017	Maturity Date	Interest Rate
Banco de Bogotá S.A.	23/02/2010	Ps.	132,180	Ps.	132,989	23/02/2020	CPI + 5.45% and UVR + 5.45%
Banco de Occidente S.A	Between 30/03/2009 and 14/12/2017		3,144,398		3,271,929	Between 09/02/2019 and 14/12/2032	Between CPI + 2.90% and 5.75%; Fixed between 6.18% and 7.85%
Corporación Financiera Colombiana S.A.	Between 20/05/2009 and 02/03/2018		2,850,990		2,361,702	Between 11/03/2019 and 02/03/2043	CPI + 2.55% to 7.1%, Fixed 7.1%
Banco Popular S.A	Between 26/02/2013 and 08/05/2018		1,721,760		1,571,308	Between 23/10/2018 and 12/10/2026	CPI+ 2.72% to 4.13; DTF +1.49; Fixed between 6.17% and 8.10%
Grupo Aval Acciones y Valores S.A.	03/12/2009 and 28/06/2017		1,108,427		1,109,240	Between 03/12/2019 and 28/06/2042	CPI + 2.69% to 5.20%
Peso denominated Total		**Ps.**	**8,957,755**	**Ps.**	**8,447,168**		

(Figures in millions of Colombian pesos)

Foreign Currency

Issuer	Issue Date		September 30, 2018		December 31, 2017	Maturity Date	Interest Rate
Banco de Bogotá S.A.	Between 19/02/2013 and 03/08/2017	Ps.	6,451,865	Ps.	6,459,452	Between 19/02/2023 and 03/08/2027	Between 4.38% and 6.25%
BAC Credomatic							
El Salvador	Between 11/02/2013 and 29/05/2017		598,985		635,536	Between 30/05/2019 and 25/05/2022	Between 5.20% and 5.80%
Guatemala	Between 28/10/2016 and 24/08/2018		22,415		400,244	Between 03/10/2018 and 26/08/2019	Between 4.25% and 8.00%
Honduras	Between 12/05/2017 and 03/07/2018		144,227		159,674	Between 12/05/2020 and 16/03/2021	Between 0.50% and 4.75%
Total BAC Credomatic		**Ps.**	**765,627**	**Ps.**	**1,195,454**		
Total Banco de Bogotá S.A.		**Ps.**	**7,217,492**	**Ps.**	**7,654,906**		
Grupo Aval Limited	19/09/2012	Ps.	2,952,943	Ps.	3,000,122	26/09/2022	4.75%
Foreign Currency Total		**Ps.**	**10,170,435**	**Ps.**	**10,655,028**		
Total of Bonds		**Ps.**	**19,128,190**	**Ps.**	**19,102,196**		

Future maturities of bonds as of September 30, 2018 are as follows:

Year		Value
2018	Ps.	116,345
2019		1,345,418
2020		1,971,384
2021		589,099
2022		3,645,468
After 2022		11,460,476
Total	**Ps.**	**19,128,190**

f) Credit risk concentration

The following is the balance of financial assets by loan portfolio and their provision for impairment as of September 30, 2018 and December 31, 2017:

		September 30, 2018						**December 31, 2017**				
Portfolio segment		**Gross balance**		**Allowance for impairment**		**Net balance of credit portfolio**		**Gross balance**		**Allowance for impairment**		**Net balance of credit portfolio**
Commercial	Ps.	95,608,670	Ps.	3,835,264	Ps.	91,773,406	Ps.	99,428,894	Ps.	2,928,482	Ps.	96,500,412
Consumer		52,504,861		3,345,768		49,159,093		50,382,895		2,461,876		47,921,019
Mortgage		17,243,953		248,767		16,995,186		16,151,299		153,956		15,997,343
Microcredit		419,544		82,107		337,437		409,688		74,167		335,521
Total	Ps.	**165,777,028**	Ps.	**7,511,906**	Ps.	**158,265,122**	Ps.	**166,372,776**	Ps.	**5,618,481**	Ps.	**160,754,295**

The loan portfolio at amortized cost on the consolidated statement of financial position is classified as commercial, consumer, mortgages, and microcredit, taking into account that this is the classification adopted by the Superintendency of Finance of Colombia in the new Single Catalog of Financial Information "CUIF". However, taking into account the importance of the financial leasing portfolio at the Grupo Aval level, the separation of these credits has been made in all the tables of this note for disclosure purposes, in accordance with the following reclassification detail:

(Figures in millions of Colombian pesos)

September 30, 2018

Portfolio segment		Balance in Statement of financial position		Leasing presentation adjustment		Balance according to disclosure
Commercial	Ps.	95,608,670	Ps.	(9,785,648)	Ps.	85,823,022
Consumer		52,504,861		(238,154)		52,266,707
Mortgage		17,243,953		(1,226,957)		16,016,996
Microcredit		419,544		-		419,544
Financial Leasing		-		11,250,759		11,250,759
Total portfolio	**Ps.**	**165,777,028**	**Ps.**	**-**	**Ps.**	**165,777,028**

December 31, 2017

Portfolio segment		Balance in Statement of financial position		Leasing presentation adjustment		Balance according to disclosure
Commercial	Ps.	99,428,894	Ps.	(9,892,400)	Ps.	89,536,494
Consumer		50,382,895		(226,764)		50,156,131
Mortgage		16,151,299		(1,047,766)		15,103,533
Microcredit		409,688		-		409,688
Financial Leasing		-		11,166,930		11,166,930
Total portfolio	**Ps.**	**166,372,776**	**Ps.**	**-**	**Ps.**	**166,372,776**

(1) Loan portfolio by economic sector

Below is the loan portfolio distribution of Grupo Aval by economic activity as of September 30, 2018 and December 31, 2017:

		September 30, 2018			December 31, 2017	
		Total	**%**		**Total**	**%**
Sector						
Trade and tourism	Ps.	2,258,306	1.36%	Ps.	2,182,437	1.31%
Mining products and oil		1,002,442	0.60%		2,377,188	1.43%
Government		3,612,077	2.18%		3,579,838	2.15%
Agricultural		4,122,956	2.49%		3,940,981	2.37%
Other industrial and manufacturing products		4,611,166	2.78%		4,469,427	2.68%
Public services		5,878,300	3.55%		5,421,328	3.26%
Chemical production		5,543,461	3.34%		5,672,310	3.41%
Transportation and communications		7,127,656	4.30%		7,566,374	4.55%
Food, beverage and tobacco		7,822,483	4.72%		8,165,975	4.91%
Construction		10,673,172	6.44%		10,313,655	6.20%
Commercial services		35,694,862	21.53%		37,676,822	22.65%
Consumer services		74,826,257	45.14%		72,059,477	43.31%
Other		2,603,890	1.57%		2,946,964	1.77%
Total loan portfolio	**Ps.**	**165,777,028**	**100.00%**	**Ps.**	**166,372,776**	**100.00%**

(Figures in millions of Colombian pesos)

(2) Portfolio by days past due

As of September 30, 2018, and December 31, 2017, a summary of the overdue portfolio by days past due is as follows:

September 30, 2018										
		From 1 to 30 days		**From 31 to 60 days**		**From 61 to 90 days**		**Total in arrears but not impaired**		**Impaired**
Commercial	Ps.	1,032,365	Ps.	161,095	Ps.	82,248	Ps.	1,275,708	Ps.	6,623,970
Consumer		2,094,608		675,358		285,458		3,055,424		2,204,668
Mortgage		672,294		187,856		95,372		955,522		318,047
Microcredit		38,093		9,515		5,973		53,581		51,130
Financial Leases		533,240		70,206		35,875		639,321		979,184
Total loan portfolio value	**Ps.**	**4,370,600**	**Ps.**	**1,104,030**	**Ps.**	**504,926**	**Ps.**	**5,979,556**	**Ps.**	**10,176,999**

December 31, 2017										
		From 1 to 30 days		**From 31 to 60 days**		**From 61 to 90 days**		**Total in arrears but not impaired**		**Impaired**
Commercial	Ps.	1,062,814	Ps.	124,401	Ps.	91,658	Ps.	1,278,873	Ps.	4,255,774
Consumer		1,881,589		593,525		295,676		2,770,790		2,708,335
Mortgage		536,926		165,971		69,120		772,017		445,347
Microcredit		38,827		9,285		6,230		54,342		58,733
Financial Leases		401,444		50,032		26,855		478,331		678,031
Total loan portfolio value	**Ps.**	**3,921,600**	**Ps.**	**943,214**	**Ps.**	**489,539**	**Ps.**	**5,354,353**	**Ps.**	**8,146,220**

(Figures in millions of Colombian pesos)

(3) Portfolio credit by risk level rating

As of September 30, 2018, and December 31, 2017, the following is a summary of the portfolio credit by risk level rating:

		September 30, 2018		December 31, 2017
Commercial				
"A" Normal Risk	Ps.	77,467,110	Ps.	82,217,135
"B" Acceptable Risk		2,209,258		2,093,079
"C" Appreciable Risk		2,931,518		2,735,103
"D" Significant Risk		2,186,463		1,620,293
"E" Risk of non-recoverability		1,028,673		870,884
	Ps.	**85,823,022**	**Ps.**	**89,536,494**
Consumer				
"A" Normal Risk		46,890,207		45,794,015
"B" Acceptable Risk		1,704,211		1,364,520
"C" Appreciable Risk		1,634,740		1,232,881
"D" Significant Risk		1,349,193		1,256,089
"E" Risk of non-recoverability		688,356		508,626
	Ps.	**52,266,707**	**Ps.**	**50,156,131**
Mortgage				
"A" Normal Risk		14,938,813		14,208,051
"B" Acceptable Risk		425,740		324,925
"C" Appreciable Risk		355,835		326,237
"D" Significant Risk		119,270		79,707
"E" Risk of non-recoverability		177,338		164,613
	Ps.	**16,016,996**	**Ps.**	**15,103,533**
Microcredit				
"A" Normal Risk		347,279		341,194
"B" Acceptable Risk		10,052		11,871
"C" Appreciable Risk		6,875		6,742
"D" Significant Risk		7,812		7,342
"E" Risk of non-recoverability		47,526		42,539
	Ps.	**419,544**	**Ps.**	**409,688**
Financial Leases				
"A" Normal Risk		9,757,036		9,874,243
"B" Acceptable Risk		543,121		489,323
"C" Appreciable Risk		284,247		394,534
"D" Significant Risk		514,832		309,726
"E" Risk of non-recoverability		151,523		99,104
Financial leasing portfolio gross balance	**Ps.**	**11,250,759**	**Ps.**	**11,166,930**
Gross balance of financial assets per credit portfolio	**Ps.**	**165,777,028**	**Ps.**	**166,372,776**

(Figures in millions of Colombian pesos)

(4) Loan impairment provision

The following is the balance of the provision for impairment of financial assets by loan portfolio as of September 30, 2018 and December 31, 2017:

		September 30, 2018		December 31, 2017
Modality				
Commercial	**Ps.**	3,455,623	**Ps.**	2,659,322
Consumer		3,339,388		2,456,791
Mortgage		211,740		130,882
Microcredit		82,107		74,167
Financial Leases		423,048		297,319
Allowance for impairment	**Ps.**	**7,511,906**	**Ps.**	**5,618,481**

The movement of the impairment provision of the financial assets of the credit portfolio for the first nine months of 2018:

		Commercial		Consumer		Mortgage		Microcredit		Financial Leasing		Total
Balance as of December 31, 2017	**Ps.**	**2,659,322**	**Ps.**	**2,456,791**	**Ps.**	**130,882**	**Ps.**	**74,167**	**Ps.**	**297,319**	**Ps.**	**5,618,481**
IFRS 9 adoption (*)		257,073		795,805		56,196		11,118		45,151		1,165,343
Balance as of January 1, 2018 – IFRS 9		**2,916,395**		**3,252,596**		**187,078**		**85,285**		**342,470**		**6,783,824**
Allowance of the period charged against to profit or loss		922,184		2,380,356		70,505		26,518		194,572		3,594,135
Recovery of provisions with partial payment to profit or loss		(263,997)		(497,581)		(9,737)		(278)		(66,332)		(837,925)
Unwinding of interest stage 3		170,457		54,988		1,455		3,459		23,288		253,647
Charged-offs of the period		(279,782)		(1,826,259)		(34,350)		(32,877)		(70,421)		(2,243,689)
Exchange differences		(9,634)		(24,712)		(3,211)		-		(529)		(38,086)
Balance as of September 30, 2018		**3,455,623**	**Ps.**	**3,339,388**	**Ps.**	**211,740**	**Ps.**	**82,107**	**Ps.**	**423,048**	**Ps.**	**7,511,906**

(*) The Group adopted IFRS 15 and IFRS 9 as of January 1, 2018. (See Note 2).

The movement of the impairment provision of the financial assets of the credit portfolio for the first nine months of 2017:

		Commercial		Consumer		Mortgage		Microcredit		Financial Leasing		Total
Balance as of December 31, 2016	**Ps.**	**1,814,944**	**Ps.**	**2,022,825**	**Ps.**	**124,100**	**Ps.**	**63,137**	**Ps.**	**236,438**	**Ps.**	**4,261,444**
Allowance of the period charged against to profit or loss		1,273,162		2,564,032		27,517		40,449		193,175		4,098,335
Recovery of provisions with partial payment to profit or loss		(527,293)		(689,737)		(15,573)		(12,506)		(90,943)		(1,336,052)
Charged-offs of the period		(296,583)		(1,580,211)		(31,635)		(11,881)		(34,617)		(1,954,927)
Sale of loan portfolio		-		(24,031)		-		-		-		(24,031)
Net allowance with counterpart in ORI for the period		(96,084)		119,561		17,580		(6,445)		(19,939)		206,841
Exchange differences		336		(5,323)		(891)		-		(1,847)		(7,725)
Balance as of September 30, 2017	**Ps.**	**2,360,650**	**Ps.**	**2,407,116**	**Ps**	**121,098**	**Ps.**	**72,754**	**Ps.**	**282,267**	**Ps.**	**5,243,885**

(Figures in millions of Colombian pesos)

g) Credit Commitments

Following is the detail of the guarantees, letters of credit and credit commitments on non-used credit lines as of September 30, 2018 and December 31, 2017:

Commitments in unused lines of credit

		September 30, 2018				December 31, 2017		
		Notional amount		**Fair value**		**Notional amount**		**Fair valued**
Guarantees	Ps.	3,261,513	Ps.	51,369	Ps.	3,495,921	Ps.	58,936
Unused letters of credit		1,380,502		5,882		1,177,697		10,314
Unused limits of overdrafts		237,331		-		75,225		-
Unused credit card limits		19,443,343		-		18,025,620		-
Opening of credit		2,097,467		-		2,239,417		-
Approved loans not disbursed		3,040,578		-		1,736,174		-
Other		462,149		-		473,184		-
Total	**Ps.**	**29,922,883**	**Ps.**	**57,251**	**Ps.**	**27,223,238**	**Ps.**	**69,250**

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

Following is the detail of the credit commitments by type of currency:

		September 30, 2018		**December 31, 2017**
Colombian Pesos	Ps.	15,031,848	Ps.	10,271,676
U.S. dollars		13,240,832		16,589,399
Euro		1,441,399		85,887
Other		208,804		276,276
Total	**Ps.**	**29,922,883**	**Ps.**	**27,223,238**

NOTE 5 – 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 of its subsidiaries, at September 30, 2018 and December 31, 2017 as follows:

a) Hedges of net investment in foreign operation

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.

Changes in the fluctuation of the Colombian peso against the U.S. dollar during semesters ended on September 30, 2018 and December 31, 2017 are as follows:

(Figures in millions of Colombian pesos)

Date	Value of USD 1	Nine-month variation
September 30, 2018	2,972.18	(11.82)
December 31, 2017	2,984.00	
September 30, 2017	2,936.67	(64.04)

According to information described above, the following table contains details of hedging operations carried out to cover foreign denominated equity investments. The analysis is presented gross of taxes:

September 30, 2018

	Thousands of USD				Ps. millions						
Detail of investment	Investment amount	Amount of hedge by financial liabilities in foreign currency	Amount of hedge by forward contracts		Cumulative translation adjustment of the investments (1)		Exchange difference of financial liabilities (1)		Exchange difference in forward contracts		Net OCI account
Leasing Bogotá Panamá	3,908,978	(2,067,100)	(1,839,644)	Ps.	3,043,843	Ps.	(1,021,441)	Ps.	(2,158,038)	Ps.	(135,636)
Other subsidiaries and branches Banco de Bogotá (2)	122,271	-	(118,803)		91,984		-		(89,627)		2,357
Occidental Bank Barbados	23,743	(23,743)	-		18,031		(18,031)		-		-
Banco de Occidente (Panamá)	22,808	(22,808)	-		29,279		(29,279)		-		-
Sociedad Portuaria El Cayao S.A. E.S.P. (3)	31,214	(31,214)	-		1,408		(1,408)		-		-
Gases del Pacífico S.A.C. (3)	4,000	(4,000)	-		1,284		(1,284)		-		-
Gas Natural de Lima y Callao S.A.C. – Calidda (3)	19,336	(19,336)	-		1,355		(1,355)		-		-
Total	**4,132,350**	**(2,168,201)**	**(1,958,447)**	**Ps.**	**3,187,184**	**Ps.**	**(1,072,798)**	**Ps.**	**(2,247,665)**	**Ps.**	**(133,279)**

(1) Includes exchange difference hedged
(2) Includes Banco de Bogotá Panamá, Banco Bogotá Finance, Ficentro and contributions of foreign branches in Miami, New York and Nassau.
(3) Includes only a portion of this investments hedged, since September 2, 2017

December 31, 2017

	Thousands of USD				Ps. millions						
Detail of investment	Investment amount	Amount of hedge by financial liabilities in foreign currency	Amount of hedge by forward contracts		Cumulative translation adjustment of the investments (1)		Exchange difference of financial liabilities (1)		Exchange difference in forward contracts		Net OCI account
Leasing Bogotá Panamá	3,781,475	(2,067,100)	(1,703,009)	Ps.	3,065,281	Ps.	(1,045,872)	Ps.	(2,155,488)	Ps.	(136,079)
Other subsidiaries and branches Banco de Bogotá (2)	113,909	-	(112,049)		92,891		-		(90,431)		2,460

(Figures in millions of Colombian pesos)

	Thousands of USD			**Ps. millions**			
Detail of investment	**Investment amount**	**Amount of hedge by financial liabilities in foreign currency**	**Amount of hedge by forward contracts**	**Cumulative translation adjustment of the investments (1)**	**Exchange difference of financial liabilities (1)**	**Exchange difference in forward contracts**	**Net OCI account**
Occidental Bank Barbados	26,396	(26,396)	-	18,740	(18,740)	-	-
Banco de Occidente (Panamá)	25,044	(25,044)	-	29,979	(29,979)	-	-
Sociedad Portuaria El Cayao S.A. E.S.P. (3)	25,000	(25,000)	-	2,207	(2,207)	-	-
Gases del Pacífico S.A.C. (3)	10,214	(10,214)	-	902	(902)	-	-
Gas Natural de Lima y Callao S.A.C. – Calidda (3)	15,895	(15,895)	-	1,272	(1,272)	-	-
Total	**3,997,933**	**(2,169,649)**	**(1,815,058)**	**Ps. 3,211,272**	**Ps. (1,098,972)**	**Ps. (2,245,919)**	**Ps. (133,619)**

(4) Includes exchange difference hedged
(5) Includes Banco de Bogotá Panamá, Banco Bogotá Finance, Ficentro and contributions of foreign branches in Miami, New York and Nassau.
(6) Includes only a portion of this investments hedged, since September 2, 2017

b) Hedging of foreign exchange

Between December 21, 2015 and November 2, 2016, financial liabilities designated as hedging instruments described above included an intra-group liability amounting to US$ 500 million that Banco de Bogotá had as a hedging instrument of its investment in Leasing Bogotá Panamá. This operation was eliminated in the consolidation process of Grupo Aval and was excluded of the foreign investment hedge accounting. Starting May 1st and up to November 2nd, 2016 Grupo Aval designated financial assets in foreign debt securities amounting to US$ 500 million as cash flow hedge, the foreign exchange differences of this intra-group liability were not eliminated in the consolidation process and recorded in Other Comprehensive Income in the amount of Ps. 73,705. This value would be realized in the future as income only when the investment in Leasing Bogotá Panamá is sold. On November 2nd, 2016 Banco de Bogotá cancelled the intragroup liability amounting to US$ 500 million which was replaced in the foreign investment hedge accounting with other obligations in foreign currency with third parties, then Grupo Aval discontinued hedge accounting, its accumulated effect will be recognize on profit or loss when Leasing Bogotá Panamá will sell.

c) Hedging of Forecasted 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 in their gas pipelines. Promigas and its subsidiaries hedge the exchange risk arising in future transactions of highly probable gas transportation income, entered into forward contracts for the sale of U.S. dollars with financial entities different from the ones consolidated into Grupo Aval.

d) Testing of Hedge Effectiveness

Grupo Aval considers hedging as highly effective if at the beginning and in subsequent periods, the hedging is highly effective at offsetting 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.

(Figures in millions of Colombian pesos)

According this the hedging were effective at September 30, 2018 and December 31, 2017.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment		September 30, 2018		December 31, 2017
Properties, plant and equipment for own use (*)	Ps.	5,573,028	Ps.	5,799,997
Properties, plant and equipment given in operating lease		4,350		4,076
Investment properties		808,584		783,794
Biological Assets		79,316		66,139
Total	**Ps.**	**6,465,278**	**Ps.**	**6,654,006**

(*) the decrease for the nine-month periods ended September 30 is by: I) Deconsolidation Pizano S.A. and its subsidiaries for Ps. (113,917); II) Withdrawals and Sales for Ps. (61,969) and III) Foreign exchange gains Net for Ps. (35,017).

Following is the detail of the balance at September 30, 2018 and December 31, 2017, by type.

		Cost		Accumulated depreciation		Impairment loss		Carrying amount
September 30, 2018								
Land	Ps.	975,692	Ps.	-	Ps.	(3,741)	Ps.	971,951
Buildings		2,620,431		(548,834)		-		2,071,597
Office equipment and accessories		961,608		(649,041)		(218)		312,349
Information technology equipment		1,624,736		(1,201,065)		(11)		423,660
Vehicles		124,965		(63,716)		(41)		61,208
Equipment and machinery		1,320,787		(209,136)		(2,238)		1,109,413
Silos		8,613		(5,495)		-		3,118
Warehouses		63,866		(32,642)		-		31,224
Advanced payments for the acquisition of plant property and equipment		996		-		-		996
Improvements in leaseholds properties		355,211		(203,450)		-		151,761
Construction in progress		212,321		-		-		212,321
Bearer plants		232,657		(9,227)		-		223,430
Balance as of September 30, 2018	**Ps.**	**8,501,883**	**Ps.**	**(2,922,606)**	**Ps.**	**(6,249)**	**Ps.**	**5,573,028**

		Cost		Accumulated depreciation		Impairment loss		Carrying amount
December 31, 2017								
Land	Ps.	1,007,788	Ps.	-	Ps.	(3,741)	Ps.	1,004,047
Buildings		2,640,640		(485,920)		(116)		2,154,604
Office equipment and accessories		944,127		(613,400)		(226)		330,501
Information technology equipment		1,572,568		(1,120,463)		(11)		452,094
Vehicles		131,301		(62,304)		-		68,997
Equipment and machinery		1,362,242		(187,500)		(3,299)		1,171,443
Silos		8,613		(4,760)		-		3,853
Warehouses		43,592		(25,734)		-		17,858
Advanced payments for the acquisition of plant property and equipment		6,974		-		-		6,974
Improvements in leaseholds properties		348,431		(182,318)		-		166,113
Construction in progress		211,120		-		-		211,120
Bearer plants		219,441		(7,048)		-		212,393
Balance as of December 31, 2017	**Ps.**	**8,496,837**	**Ps.**	**(2,689,447)**	**Ps.**	**(7,393)**	**Ps.**	**5,799,997**

(Figures in millions of Colombian pesos)

NOTE 7 – GOODWILL

Following is the roll-forward of goodwill balances during the period ended September 30, 2018 and December 31, 2017:

		September 30, 2018		December 31, 2017
Balance at the beginning of the period	**Ps.**	**6,901,056**	**Ps.**	**6,824,935**
Additions / Purchases		-		102,376
Foreign exchange adjustment		(18,571)		(26,255)
Balance at the end of the period	**Ps.**	**6,882,485**	**Ps.**	**6,901,056**

NOTE 8 – INTANGIBLE ASSETS

Below is the detail of the balances of intangible assets as of September 30, 2018 and December 31, 2017:

Concept		September 30, 2018		December 31, 2017
Concession arrangements (*)	Ps.	4,981,016	Ps.	3,114,167
Other intangibles assets		974,804		848,681
Total	**Ps.**	**5,955,820**	**Ps.**	**3,962,848**

(*) The Group adopted IFRS 9 and IFRS 15 as of January 1, 2018. (See Note 2.)

The following is the balance for Grupo Aval for concession contracts at September 30, 2018 and December 31, 2017:

September 30, 2018

Subsidiaries		Cost		Accumulated amortization		Book value
Promigas S.A.	Ps.	2,840,502	Ps.	(463,954)	Ps.	2,376,548
Concesionaria Vial de los Andes S.A. (*)		760,272		(622,900)		137,372
Proyectos de Infraestructura S.A. - PISA		286,081		(46,674)		239,407
Estudios y Proyectos del Sol S.A.S. - EPISOL		2,235,612		(7,923)		2,227,689
Total	**Ps.**	**6,122,467**	**Ps.**	**(1,141,451)**	**Ps.**	**4,981,016**

December 31, 2017

Subsidiaries		Cost		Accumulated amortization		Book value
Promigas S.A.	Ps.	2,546,056	Ps.	(369,893)	Ps.	2,176,163
Concesionaria Vial de los Andes S.A.		731,680		(512,618)		219,062
Proyectos de Infraestructura S.A. - PISA		302,864		(38,541)		264,323
Estudios y Proyectos del Sol S.A.S. - EPISOL		461,084		(6,465)		454,619
Total	**Ps.**	**4,041,684**	**Ps.**	**(927,517)**	**Ps.**	**3,114,167**

NOTE 9 – INCOME TAX

The current period income tax expense and deferred tax expense are recognized in each interim period based on the best estimate.

The effective income tax rate of Grupo Aval consolidated regarding continuous operations for the three-month period ended on September 30 of 2018 was 34.07% and for the period ended on September 30 of 2017 was 38.38%.

The effective tax rate presented variation of 4.31%, which is higher in the second quarter of 2017 compared to the same period of the actual year. Following are some important events that influenced the recognition of the income tax expense and the variation of the effective rate for the period:

- The nominal tax rate decreased by 3%, from 40% in 2017 to 37% in 2018, in accordance with Law 1819 of 2016.

- Banco de Occidente recorded an adjustment for prior periods due to correction of 2017 income statement for a value of Ps. 6,309.

The effective income tax rate of Grupo Aval consolidated regarding continuous operations for the nine-month period ended on September 30 of 2018 was 32.10% and for the period ended on September 30 of 2017 was 34.20%.

The effective tax rate presented variation of 2.10%, which is higher in the second quarter of 2017 compared to the same period of the actual year. Following are some important events that influenced the recognition of the income tax expense and the variation of the effective rate for the period:

- The nominal tax rate decreased by 3%, from 40% in 2017 to 37% in 2018, in accordance with Law 1819 of 2016.

- Banco de Occidente recorded during the year 2018 an income for income tax concept of previous periods of Ps. 50,860, based on judgment C-10/18, which allowed the use of the excess of minimum taxable base of the CREE generating a lower tax for 2017 and the recovery of income and supplementary tax for 2017, due to the adjustment of the provision of the 2017 taxable year and the correction of the tax return filed in April 2018. Additionally, a refund of tax uncertainties of Ps. 2,040.

- In the year 2017, a higher value of tax refunds was recorded from Banco de Bogotá corresponding to the correction of the income tax of the 2014 fiscal period, valued at Ps. 66,466, which in turn generated an adjustment of the surplus of income tax provision for 2016, income of Ps. 29,498 and a deferred tax adjustment on prior year tax credits, income of Ps. 14.287

Grupo Aval adopted IFRS 15, IFRS 9, and made changes in the accounting policies as of January 1, 2018. With the transition methods, the comparative information is not re-expressed. See note 2.

(Figures in millions of Colombian pesos)

NOTE 10 – EMPLOYEE BENEFITS

The detail of the balance of liabilities for employee benefits as of September 30, 2018 and December 31, 2017 is as follows:

		September 30, 2018 (*)		December 31 , 2017
Short term	Ps.	531,115	Ps.	404,292
Post-employment		547,946		548,534
Long term		246,978		229,770
Total	**Ps.**	**1,326,039**	**Ps.**	**1,182,596**

(*) (See the note 2.)

NOTE 11 – PROVISIONS FOR LEGAL AND OTHERS

Below are the balances for legal provisions and other provisions during the periods ended on September 30, 2018 and December 31, 2017:

Concepts		September 30, 2018		December 31, 2017
Legal Provisions	Ps.	171,515	Ps.	165,353
Other provisions (*)		582,572		527,262
Total	**Ps.**	**754,087**	**Ps.**	**692,615**

(*) The Group adopted IFRS 9 and IFRS 15 as of January 1, 2018. (See Note 2.)

NOTE 12 – OTHERS LIABILITIES

Accounts payable and others liabilities comprise the following:

Items		September 30,2018 (*)		December 31,2017
Suppliers and services payable	Ps.	1,765,708	Ps.	1,818,103
Non-financial liabilities (2)		1,292,466		500,209
Dividends payable (1)		992,615		590,040
Collection on behalf of third parties		570,499		272,206
Cashier checks		462,623		697,575
Commissions and fees		425,007		399,155
Withholdings taxes and labor contributions		320,144		456,411
Collection service		282,813		285,017
Affiliate establishments		251,947		248,064
Checks drawn and not paid		42,350		39,624
Tax levies		33,711		73,696
Financial transactions tax		33,364		37,042
Canceled accounts		28,980		81,841
Insurance payables		25,419		32,410
Contributions and affiliations		23,467		23,173
Promissory buyers		22,305		24,049
Cash Surplus		13,131		9,272
Leases		9,198		10,912
Compensation to customers		7,722		778
Deferred credits		943		1,012
Other liabilities		265,832		634,877

(Figures in millions of Colombian pesos)

Items		September 30,2018 (*)		December 31,2017
Total	**Ps.**	**6,870,244**	**Ps.**	**6,235,466**

(*) The Group adopted IFRS 9 and IFRS 15 as of January 1, 2018. (See Note 2.)

(1) In March 2018 the annual meeting was held where dividends were decreed see note 13.

(2) Mainly due to the variation of ESTUDIOS Y PROYECTOS DEL SOL S.A.S Y SUBSIDIARIAS for $ 344,211 who links to "Covioriente and to the increase for collections of tolls that are in favor of the ANI and Fondeo Activo financiero "; equally for the variation of CONCESIONARIA NUEVA VÍA AL MAR S.A.S this variation is of $ 147,057.

NOTE 13 – CONTROLLING INTEREST EQUITY

Declared dividends

The dividends are declared and paid to shareholders based on unconsolidated net income under Colombian IFRS for the immediately preceding period:

		September 30, 2018		September 30, 2017(*)
Net income for the periods ended in	Ps.	2,001,178	Ps.	1,053,594
Statutory and voluntary reserves		5,333,791		5,591,387
Total available to the Assembly	Ps.	**7,334,939**	Ps.	**6,644,981**
Cash dividends declared		48 pesos per share payable in twelve (12) installments of 4 pesos per share, from April 2018 to March 2019		58.80 pesos per share payable in twelve (12) installments of 4.90 pesos per share, from April 2017 to March 2018.
Common shares outstanding		15,170,666,914		15,240,124,702
Preferred shares outstanding		7,110,350,245		7,040,892,457
Total outstanding shares		22,281,017,159		22,281,017,159
Total dividends declared		**1,069,489**		**1,310,124**
Total Statutory and voluntary reserves		**6,265,450**		**5,334,857**

(*) The base profits for 2016 for the purposes of distributing dividends were annualized.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Contingencies

Capital expenses commitments

As of September 30, 2018, and December 31, 2017 Grupo Aval had contractual disbursement commitments of capital expenditures for Ps.119,574 and Ps. 110,681, respectively. Grupo Aval has assigned the necessary resources to attend these commitments and consider that Net Income and funds will be sufficient to cover these and other similar commitments.

Operating Lease Commitments

(Figures in millions of Colombian pesos)

During the development of its operations, Grupo Aval executes contracts in order to receive property, plant and equipment under operating leasing, as well as certain intangibles; following is the detail of rental fee commitments of operating leasing in the forthcoming years:

		September 30, 2018		December 31, 2017
Up to one year	Ps.	157,675	Ps.	246,373
Greater than one year and up to five years		598,121		526,557
More than five years		241,945		233,239
Total	**Ps.**	**997,741**	**Ps.**	**1,006,169**

Legal contingencies

As of September 30, 2018, Grupo Aval and its subsidiaries handled administrative and judicial proceedings against the Company, with claims amounting to Ps. 713,654 and for December 31, 2017 for a value of Ps. 640,457, which based on analysis and concepts of the lawyers in charge, do not need to be provisioned given that they are uncertain obligations that do not imply outflow of resources.

NOTE 15 – INCOME FROM CONTRACTS WITH CUSTOMER FOR COMMISSION AND FEE

Below is a detail of the income, costs and expenses of contracts with customers for:

Income from contracts with customer for commission and fee:

		For the three-month periods ended September 30				For the nine-month periods ended September 30		
Income from commissions and fees		**2018**		**2017**		**2018**		**2017**
Commissions on banking services	Ps.	661,498	Ps.	664,597	Ps.	1,989,450	Ps.	1,945,683
Fees on credit cards		294,102		275,179		855,357		807,342
Pension and severance fund management		244,106		226,961		732,855		695,262
Trust activities		77,251		74,694		231,503		227,888
Storage services		38,905		40,362		115,242		128,532
Commissions on drafts, checks and checkbooks		12,098		15,205		36,649		45,984
Offices network services		5,979		11,056		24,926		31,573
Others		2,121		2,272		7,724		7,352
Total	**Ps.**	**1,336,060**	**Ps.**	**1,310,326**	**Ps.**	**3,993,706**	**Ps.**	**3,889,616**

		For the three-month periods ended September 30				For the nine-month periods ended September 30		
Expenses from commissions and fees		**2018**		**2017**		**2018**		**2017**
Banking services	Ps.	70,904	Ps.	88,573	Ps.	228,334	Ps.	246,042
Pension and severance fund management		18,451		18,757		55,944		55,762
Offices network Services		3,015		12,083		19,470		32,921
Information processing services of operators		4,940		5,757		17,890		16,896
Collection service of contributions to financial entities		1,619		1,852		5,453		4,063
Administration and intermediation services		894		1,075		2,586		3,132

(Figures in millions of Colombian pesos)

Banking expenses		177		193		522		449
Others		42,296		37,382		120,493		117,128
Total	**Ps.**	**142,296**	**Ps.**	**165,672**	**Ps.**	**450,692**	**Ps.**	**476,393**
Net income from commissions and fees	**Ps.**	**1,193,764**	**Ps.**	**1,144,654**	**Ps.**	**3,543,014**	**Ps.**	**3,413,223**

		For the three-month periods ended September 30				**For the nine-month periods ended September 30**		
		2018		**2017**		**2018**		**2017**
Income from the sale of goods and services from non-financial sector	Ps.	2,435,262	Ps.	-	Ps.	5,147,252	Ps.	-
Others operating income		29,895		-		149,720		-
Total income	**Ps.**	**2,465,157**	**Ps.**	**-**	**Ps.**	**5,296,972**	**Ps.**	**-**
Cost of sales of companies from non-financial sector		1,118,438		-		2,721,999		-
Allowance for impairment of loans and receivables		4,419		-		18,457		-
General and administrative expenses		130,210		-		405,946		-
Personnel expenses		124,955		-		366,950		-
Amortization		77,235		-		226,403		-
Depreciation		23,684		-		69,896		-
Bonus payments		6,667		-		26,067		-
Commissions and fees expenses		3,178		-		12,647		-
Donations expenses		3,050		-		9,430		-
Labor severances		1,017		-		2,035		-
Total costs for goods and services	**Ps.**	**1,492,853**	**Ps.**	**-**	**Ps.**	**3,859,830**	**Ps.**	**-**
Net, income from non-financial sector	**Ps.**	**972,304**	**Ps.**	**-**	**Ps.**	**1,437,142**	**Ps.**	**-**

(*) The Group adopted IFRS 9 and IFRS 15 as of January 1, 2018. (See Note 2.)

NOTE 16 – NET INCOME FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSSES

Net income trading from debt securities, equity securities, derivatives and others:

		For the three-month periods ended September 30				**For the nine-month periods ended September 30**		
		2018		**2017 (5)**		**2018**		**2017 (5)**
Net income from investments securities at fair value through profit and losses (1)								
Fixed income	Ps.	24,424	Ps.	90,425	Ps.	73,979	Ps.	604,630
Equities and investment funds		20,112		29,238		47,982		137,778
	Ps.	**44,536**	**Ps.**	**119,663**	**Ps.**	**121,961**	**Ps.**	**742,408**
Derivatives income								
Net income (loss) on financial derivatives (2)	Ps.	24,885	Ps.	(41,557)	Ps.	12,095	Ps.	(82,161)
Other trading income (3)		40,045		44,615		129,732		173,386
	Ps.	**64,930**	**Ps.**	**3,058**	**Ps.**	**141,827**	**Ps.**	**91,225**
Income from other financial instruments designated at fair value through profit or loss								
Financial assets under concession contracts (4)		50,167		45,299		177,212		147,490

(Figures in millions of Colombian pesos)

	For the three-month periods ended September 30				For the nine-month periods ended September 30			
		2018		2017 (5)		2018		2017 (5)
	Ps.	50,167	Ps.	45,299	Ps.	177,212	Ps.	147,490
	Ps.	159,633	Ps.	168,020	Ps.	441,000	Ps.	981,123

(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 risk, (ii) the ineffective portion of the hedge, (iii) Transfers of due hedging derivatives from OCI to the income statement.
(4) See valuations details on note 4.b (3).
(5) The Group adopted IFRS 9 and IFRS 15 as of January 1, 2018 . (See Note 2.).

NOTE 17 – OTHER INCOME AND EXPENSE

Below is a detail of the others income and expense:

Other Income	For the three-month periods ended September 30				For the nine-month periods ended September 30			
		2018		2017(*)		2018		2017(*)
Foreign exchange gains (losses), net	Ps.	106,036	Ps.	151,839	Ps.	371,312	Ps.	348,240
Share of profit of equity accounted investees, net of tax		53,816		46,007		142,361		135,344
Dividends		5,107		1,664		61,242		49,366
Gain on the sale of non-current assets held for sale		8,290		4,321		14,462		11,294
Net gain on asset valuation		2,210		6,327		10,022		18,067
Net gain on sale of debt and equity securities		5,935		12,354		(13,960)		23,211
Income from non-financial sector entities (*)		-		141,929		-		441,972
Other income		116,156		94,628		272,432		264,640
Total other income	**Ps.**	**297,550**	**Ps.**	**459,069**	**Ps.**	**857,871**	**Ps.**	**1,292,134**

(*) The Group adopted IFRS 9 and IFRS 15 as of January 1, 2018. (See Note 2.)

Other Expense	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2018	2017	2018	2017
Personal expenses	946,795	922,971	2,831,389	2,746,177
Taxes and fees	183,425	182,281	538,979	541,680
Depreciation y amortization	137,758	130,361	398,116	385,754
Consultancy, audit and other fees	134,330	115,273	391,459	325,187
Affiliation contributions and transfers	129,564	113,425	376,397	337,129
Leases (Rent)	112,443	105,602	345,838	317,956
Insurance	94,463	93,015	279,704	266,276
Maintenance and repairs	89,748	93,475	265,034	264,959
Advertising services	78,067	82,150	220,065	205,215
Public services	67,079	67,831	198,246	208,377
Transportation services	44,565	41,453	134,360	123,238
Temporary services	30,377	31,097	93,324	90,308
Cleaning and security services	31,153	31,567	93,785	97,160

(Figures in millions of Colombian pesos)

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
Electronic data processing	20,490	18,198	58,507	52,851
Adaptation and installation	11,068	16,089	37,135	46,032
Travel expenses	12,137	12,293	37,841	35,070
Loss from sales of non-current assets held for sale	769	141	2,781	5,523
Other expense	107,156	110,948	356,780	412,415
Total other expense	**Ps. 2,231,387**	**Ps. 2,168,170**	**Ps. 6,659,740**	**Ps. 6,461,307**

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2018	**2017**	**2018**	**2017**
Income from the sale of goods and services from non-financial sector	Ps. -	Ps. 1,423,412	Ps. -	Ps. 4,162,249
Others operating income	-	21,168	-	46,975
Total income	**Ps. -**	**Ps. 1,444,580**	**Ps. -**	**Ps. 4,209,224**
Cost of sales of companies from non-financial sector	-	897,320	-	2,591,199
Allowance for impairment of loans and receivables	-	-	-	-
General and administrative expenses	-	168,982	-	482,083
Personnel expenses	-	120,798	-	357,406
Amortization	-	74,963	-	220,434
Depreciation	-	20,104	-	58,156
Bonus payments	-	7,597	-	26,374
Commissions and fees expenses	-	8,019	-	19,885
Donations expenses	-	3,822	-	9,439
Labor severances	-	1,046	-	2,276
Total costs for goods and services	**Ps. -**	**Ps. 1,302,651**	**Ps. -**	**Ps. 3,767,252**
Net, income from non-financial sector	**Ps. -**	**Ps. 141,929**	**Ps. -**	**Ps. 441,972**

(Figures in millions of Colombian pesos)

NOTE 18 – OPERATING SEGMENTS ANALYSIS

Following is the detail of the reportable financial information summarized for each segment as of September 30, 2018 and December 31, 2017:

Statement of Financial Position
September 30, 2018

	Banco de Bogotá S.A.	Banco de Occidente S.A.	Banco Popular S.A.	Banco Comercial AV Villas S.A.	Corficolombiana S.A.	Others (1)	Eliminations	Total
Assets								
Financial assets at fair value	Ps. 12,690,669	Ps. 6,181,888	Ps. 2,698,705	Ps. 1,273,740	Ps. 7,397,090	Ps. 1,055,228	Ps. (2,277,579)	Ps. 29,019,741
Financial assets measured at amortized cost	2,899,045	833,021	693,540	458,099	3,443,740	549,146	(692,331)	8,184,260
Loans and receivables	101,327,031	26,403,507	18,050,394	10,576,870	2,925,548	1,805,968	(2,824,196)	158,265,122
Investments in associates and joint ventures	3,980,884	702,849	12,247	884	819,878	17,956,568	(22,424,786)	1,048,524
Other Assets	27,783,442	3,541,405	2,230,647	1,292,398	10,691,601	875,621	(1,445,761)	44,969,353
Total assets	**Ps. 148,681,071**	**Ps. 37,662,670**	**Ps. 23,685,533**	**Ps. 13,601,991**	**Ps. 25,277,857**	**Ps. 22,242,531**	**Ps. (29,664,653)**	**Ps. 241,487,000**
Liabilities								
Customer Deposits	98,944,072	25,662,498	17,197,400	10,417,652	3,727,275	-	(2,760,363)	153,188,534
Financial Obligations	26,006,815	6,293,259	2,745,508	1,126,188	9,939,107	4,814,491	(2,592,862)	48,332,506
Other Liabilities	5,229,137	1,481,653	1,007,702	484,275	4,116,179	802,680	(1,061,877)	12,059,749
Total Liabilities	**Ps. 130,180,024**	**Ps. 33,437,410**	**Ps. 20,950,610**	**Ps. 12,028,115**	**Ps. 17,782,561**	**Ps. 5,617,171**	**Ps. (6,415,102)**	**Ps. 213,580,789**

(1) Includes Grupo Aval, Grupo Aval Limited, Grupo Aval International Limited and ATH negocio conjunto.

(Figures in millions of Colombian pesos)

Statement of Financial Position
December 31, 2017

		Banco de Bogotá S.A.		Banco de Occidente S.A.		Banco Popular S.A.		Banco Comercial AV Villas S.A.		Corficolombiana S.A.		Others (1)		Eliminations		Total
Assets																
Financial assets at fair value	Ps.	7,217,091	Ps.	5,166,960	Ps.	2,483,999	Ps.	777,811	Ps.	4,727,168	Ps.	3,608	Ps.	(1,319,243)	Ps.	19,057,394
Financial assets measured at amortized cost		6,930,289		689,023		483,796		274,150		1,805,470		903,482		(1,024,463)		10,061,747
Loans and receivables		104,243,806		27,480,881		17,034,186		9,977,597		2,785,100		2,068,830		(2,836,105)		160,754,295
Investments in associates and joint ventures		3,391,458		672,169		10,965		1,597		820,125		17,507,725		(21,361,025)		1,043,014
Other Assets		27,622,480		3,756,018		2,367,698		1,320,555		11,013,458		1,204,191		(1,559,150)		45,725,250
Total assets	**Ps.**	**149,405,124**	**Ps.**	**37,765,051**	**Ps.**	**22,380,644**	**Ps.**	**12,351,710**	**Ps.**	**21,151,321**	**Ps.**	**21,687,836**	**Ps.**	**(28,099,986)**	**Ps.**	**236,641,700**
Liabilities																
Customer Deposits		100,947,244		26,169,109		15,968,499		10,086,106		4,095,692		-		(2,381,426)		154,885,224
Financial Obligations		25,294,735		5,802,728		2,778,675		212,914		8,875,171		4,947,839		(2,636,026)		45,276,036
Other Liabilities		4,952,925		1,382,835		888,086		557,043		2,900,994		581,996		(761,689)		10,502,190
Total Liabilities	**Ps.**	**131,194,904**	**Ps.**	**33,354,672**	**Ps.**	**19,635,260**	**Ps.**	**10,856,063**	**Ps.**	**15,871,857**	**Ps.**	**5,529,835**	**Ps.**	**(5,779,141)**	**Ps.**	**210,663,450**

(1) Includes Grupo Aval, Grupo Aval Limited, Grupo Aval International Limited and ATH negocio conjunto.

(Figures in millions of Colombian pesos)

Statement of Income for the nine-month periods ended September 30, 2018

		Banco de Bogotá S.A.		Banco de Occidente S.A.		Banco Popular S.A.		Banco Comercial AV Villas S.A.		Corficolombiana S.A.		Others (1)		Eliminations		Total
External Income																
Interest income	Ps.	8,230,589	Ps.	2,338,628	Ps.	1,654,208	Ps.	1,024,290	Ps.	417,176	Ps.	130	Ps.	-	Ps.	13,665,021
Commission and fee income		3,207,901		296,909		182,097		195,983		58,345		52,471		-		3,993,706
Income from sales of goods and services		94,832		56,614		9,052		-		5,136,474		-		-		5,296,972
Participation in profit or loss associates and joint business		4,044		2,187		2,332		2,185		131,613		-		-		142,361
Dividends		3,572		279		1,567		2,306		53,518		-		-		61,242
Other Income		601,388		116,699		51,123		40,773		283,084		2,201		-		1,095,268
	Ps.	**12,142,326**	**Ps.**	**2,811,316**	**Ps.**	**1,900,379**	**Ps.**	**1,265,537**	**Ps.**	**6,080,210**	**Ps.**	**54,802**	**Ps.**	**-**	**Ps.**	**24,254,570**
Intersegment Income																
Interest income		(9,150)		(28,222)		7,894		617		23,662		107,030		(101,831)		-
Commission and fee income		1,812		7,449		5,442		15,785		1,145		273,756		(305,389)		-
Income from sales of goods and services		492		69,020		-		-		4,280		-		(73,792)		-
Participation in profit or loss associates and joint business		327,137		86,872		(2,888)		(2,898)		738		2,042,454		(2,451,415)		-
Dividends		12,898		7,834		9,355		707		1,211		-		(32,005)		-
Other Income		192,242		3,247		277		1,324		2,857		19,161		(219,108)		-
		525,431		**146,200**		**20,080**		**15,535**		**33,893**		**2,442,401**		**(3,183,540)**		**-**
Total income	**Ps.**	**12,667,757**	**Ps.**	**2,957,516**	**Ps.**	**1,920,459**	**Ps.**	**1,281,072**	**Ps.**	**6,114,103**	**Ps.**	**2,497,203**	**Ps.**	**(3,183,540)**	**Ps.**	**24,254,570**
Expenses																
Interest expense	Ps.	3,187,779	Ps.	854,562	Ps.	640,965	Ps.	272,623	Ps.	579,440	Ps.	196,638	Ps.	(181,824)	Ps.	5,550,183
Impairment loss on loan and other accounts receivable		1,703,774		630,380		133,626		211,957		22,690		-		87,808		2,790,235
Depreciations and amortizations		268,154		57,368		36,437		24,641		5,826		5,599		91		398,116
Commission and fee expense		269,421		52,985		67,231		76,157		9,669		1,213		(25,984)		450,692
Cost of goods and services sold		192,178		172,825		9,708		-		3,517,682		(2,137)		(30,426)		3,859,830
Administrative Expenses		2,241,111		533,027		402,707		296,655		67,264		144,192		(351,071)		3,333,885
Other expense		1,868,805		302,420		267,799		137,581		78,235		55,731		(58,359)		2,652,212
Income tax expense		801,363		11,532		137,146		86,528		587,131		50,385		1,573		1,675,658
Total Expenses		**10,532,585**		**2,615,099**		**1,695,619**		**1,106,142**		**4,867,937**		**451,621**		**(558,192)**		**20,710,811**
Net income for the year	**Ps.**	**2,135,172**	**Ps.**	**342,417**	**Ps.**	**224,840**	**Ps.**	**174,930**	**Ps.**	**1,246,166**	**Ps.**	**2,045,582**	**Ps.**	**(2,625,348)**	**Ps.**	**3,543,759**

(1) Includes Grupo Aval, Grupo Aval Limited, Grupo Aval International Limited and ATH negocio conjunto.

(Figures in millions of Colombian pesos)

Statement of Income for the nine-month periods ended September 30, 2017

		Banco de Bogotá S.A.		Banco de Occidente S.A.		Banco Popular S.A.		Banco Comercial AV Villas S.A.		Corficolombiana S.A.		Others (1)		Eliminations		Total
External Income																
Interest income	Ps.	8,317,703	Ps.	2,543,467	Ps.	1,572,200	Ps.	942,387	Ps.	474,916	Ps.	206	Ps.	-	Ps.	13,850,879
Commission and fee income		3,070,845		298,050		164,839		184,751		65,349		105,782		-		3,889,616
Participation in profit or loss associates and joint business		4,237		1,840		1,936		1,546		125,785		-		-		135,344
Dividends		1,206		(69)		1,547		1,453		45,230		-		-		49,367
Other Income		763,279		175,098		150,669		112,296		890,573		(3,370)		-		2,088,545
	Ps.	**12,157,270**	**Ps.**	**3,018,386**	**Ps.**	**1,891,191**	**Ps.**	**1,242,433**	**Ps.**	**1,601,853**	**Ps.**	**102,618**	**Ps.**	**-**	**Ps.**	**20,013,751**
Intersegment Income																
Interest income		57,977		1,483		858		3,823		53,273		102,892		(220,306)		-
Commission and fee income		2,181		3,816		2,954		11,271		1,194		160,206		(181,622)		-
Participation in profit or loss associates and joint business		59,746		109,183		(6)		244		4		-		(169,171)		-
Dividends		3,101		5,934		7,254		1,232		1,244		-		(18,765)		-
Other Income		188,743		116,255		25,906		1,558		3,420,819		108,215		(3,861,496)		-
		311,748		**236,671**		**36,966**		**18,128**		**3,476,534**		**371,313**		**(4,451,360)**		**-**
Total income	**Ps.**	**12,469,018**	**Ps.**	**3,255,057**	**Ps.**	**1,928,157**	**Ps.**	**1,260,561**	**Ps.**	**5,078,387**	**Ps.**	**473,931**	**Ps.**	**(4,451,360)**	**Ps.**	**20,013,751**
Expenses																
Interest expense	Ps.	3,488,156	Ps.	1,075,223	Ps.	759,863	Ps.	332,546	Ps.	638,167	Ps.	209,985	Ps.	(237,249)	Ps.	6,266,691
Impairment loss on loan and other accounts receivable		1,648,857		674,391		174,387		239,827		65,563		-		19,814		2,822,839
Depreciations and amortizations		269,171		57,414		33,517		21,921		166,612		7,187		(170,068)		385,754
Commission and fee expense		279,732		74,594		60,831		79,208		23,736		366		(42,074)		476,393
Administrative Expenses		2,194,657		538,658		373,389		262,783		450,536		142,769		(723,302)		3,239,490
Other expense		1,964,606		412,046		270,935		135,347		2,952,343		52,277		(3,137,701)		2,649,853
Income tax expense		762,536		151,407		95,146		64,845		317,234		33,735		2,090		1,426,993
Total Expenses		**10,607,715**		**2,983,733**		**1,768,068**		**1,136,477**		**4,614,191**		**446,319**		**(4,288,490)**		**17,268,013**
Net income for the year	**Ps.**	**1,861,303**	**Ps.**	**271,324**	**Ps.**	**160,089**	**Ps.**	**124,084**	**Ps.**	**464,196**	**Ps.**	**27,612**	**Ps.**	**(162,870)**	**Ps.**	**2,745,738**

(1) Includes Grupo Aval, Grupo Aval Limited, Grupo Aval International Limited and ATH negocio conjunto.

(Figures in millions of Colombian pesos)

Statement of Income for the three-month periods ended September 30, 2018

	Banco de Bogotá S.A.	Banco de Occidente S.A.	Banco Popular S.A.	Banco Comercial AV Villas S.A.	Corficolombiana S.A.	Others [1]	Eliminations	Total
External Income								
Interest income	Ps. 2,862,568	Ps. 794,953	Ps. 545,353	Ps. 358,551	Ps. 125,639	Ps. 53	Ps. -	Ps. 4,687,117
Commission and fee income	1,074,468	99,265	61,615	67,975	20,795	11,942	-	1,336,060
Income from sales of goods and services	31,183	20,173	3,401	-	2,410,400	-	-	2,465,157
Participation in profit or loss associates and joint business	2,410	1,145	1,174	926	48,161	-	-	53,816
Dividends	997	6	281	908	2,915	-	-	5,107
Other Income	267,097	41,754	16,710	13,245	59,253	201	-	398,260
	Ps. 4,238,723	**Ps. 957,296**	**Ps. 628,534**	**Ps. 441,605**	**Ps. 2,667,163**	**Ps. 12,196**	**Ps. -**	**Ps. 8,945,517**
Interest income	(47,775)	(32,210)	7,105	447	5,918	36,643	29,872	-
Commission and fee income	335	1,950	1,089	4,712	366	97,271	(105,723)	-
Income from sales of goods and services	225	24,916	-	-	1,343	-	(26,484)	-
Participation in profit or loss associates and joint business	193,869	28,597	(1,051)	(1,025)	371	771,596	(992,357)	-
Dividends	-	-	-	-	-	-	-	-
Other Income	127,686	1,254	32	551	2,402	17,209	(149,134)	-
	274,340	**24,507**	**7,175**	**4,685**	**10,400**	**922,719**	**(1,243,826)**	**-**
Total income	**Ps. 4,513,063**	**Ps. 981,803**	**Ps. 635,709**	**Ps. 446,290**	**Ps. 2,677,563**	**Ps. 934,915**	**Ps. (1,243,826)**	**Ps. 8,945,517**
Expenses								
Interest expense	Ps. 1,079,543	Ps. 279,968	Ps. 208,896	Ps. 93,427	Ps. 176,485	Ps. 65,629	Ps. (56,672)	Ps. 1,847,276
Impairment loss on loan and other accounts receivable	661,070	233,860	52,063	67,633	(721)	-	87,808	1,101,713
Depreciations and amortizations	93,201	19,324	13,047	8,510	1,829	1,778	69	137,758
Commission and fee expense	81,154	16,050	22,723	25,287	3,220	405	(6,543)	142,296
Cost of goods and services sold	60,479	61,383	3,273	-	1,374,755	(433)	(6,604)	1,492,853
Administrative Expenses	762,856	165,505	134,561	105,777	31,145	49,219	(139,222)	1,109,841
Other expense	634,042	97,036	85,556	50,063	25,164	19,078	(1,143)	909,796
Income tax expense	254,781	24,965	45,027	31,486	375,440	17,958	1,169	750,826
Total Expenses	**3,627,126**	**898,091**	**565,146**	**382,183**	**1,987,317**	**153,634**	**(121,138)**	**7,492,359**
Net income for the year	**Ps. 885,937**	**Ps. 83,712**	**Ps. 70,563**	**Ps. 64,107**	**Ps. 690,246**	**Ps. 781,281**	**Ps. (1,122,688)**	**Ps. 1,453,158**

(1) Includes Grupo Aval, Grupo Aval Limited, Grupo Aval International Limited and ATH negocio conjunto.

(Figures in millions of Colombian pesos)

Statement of Income for the three-month periods ended September 30, 2017

		Banco de Bogotá S.A.		Banco de Occidente S.A.		Banco Popular S.A.		Banco Comercial AV Villas S.A.		Corficolombiana S.A.		Others (1)		Eliminations		Total
External Income																
Interest income	Ps.	2,866,889	Ps.	896,458	Ps.	547,928	Ps.	333,231	Ps.	184,679	Ps.	77	Ps.	-	Ps.	4,829,262
Commission and fee income		1,038,014		102,750		55,530		63,048		14,638		36,346		-		1,310,326
Participation in profit or loss associates and joint business		1,789		781		860		647		41,930		-		-		46,007
Dividends		413		6		317		-		928		-		-		1,664
Other Income		321,509		120,106		45,897		17,937		70,681		3,288		-		579,418
	Ps.	**4,228,614**	**Ps.**	**1,120,101**	**Ps.**	**650,532**	**Ps.**	**414,863**	**Ps.**	**312,856**	**Ps.**	**39,711**	**Ps.**	**-**	**Ps.**	**6,766,677**
Intersegment Income																
Interest income		14,741		666		242		1,153		13,666		35,233		(65,701)		-
Commission and fee income		813		1,338		1,037		3,494		796		70,860		(78,338)		-
Participation in profit or loss associates and joint business		13,308		28,851		(1,305)		(1,128)		100		-		(39,826)		-
Dividends		-		-		-		-		2		-		(2)		-
Other Income		73,579		92,441		5,566		438		3,641,500		39,122		(3,852,646)		-
		102,441		**123,296**		**5,540**		**3,957**		**3,656,064**		**145,215**		**(4,036,513)**		**-**
Total income	**Ps.**	**4,331,055**	**Ps.**	**1,243,397**	**Ps.**	**656,072**	**Ps.**	**418,820**	**Ps.**	**3,968,920**	**Ps.**	**184,926**	**Ps.**	**(4,036,513)**	**Ps.**	**6,766,677**
Expenses																
Interest expense	Ps.	1,126,149	Ps.	339,929	Ps.	227,807	Ps.	96,139	Ps.	196,716	Ps.	69,603	Ps.	(70,834)	Ps.	1,985,509
Impairment loss on loan and other accounts receivable		566,986		263,477		94,223		97,960		34,450		-		19,814		1,076,910
Depreciations and amortizations		90,572		23,381		12,304		7,849		163,975		2,348		(170,068)		130,361
Commission and fee expense		105,417		24,199		20,846		27,431		14,289		631		(27,141)		165,672
Administrative Expenses		775,661		208,009		135,338		92,998		403,585		50,317		(564,974)		1,100,934
Other expense		734,787		214,247		97,660		44,367		2,898,888		18,677		(3,136,998)		871,628
Income tax expense		325,441		53,128		25,263		18,087		109,518		18,518		1,119		551,074
Total Expenses		**3,725,013**		**1,126,370**		**613,441**		**384,831**		**3,821,421**		**160,094**		**(3,949,082)**		**5,882,088**
Net income for the year	**Ps.**	**606,042**	**Ps.**	**117,027**	**Ps.**	**42,631**	**Ps.**	**33,989**	**Ps.**	**147,499**	**Ps.**	**24,832**	**Ps.**	**(87,431)**	**Ps.**	**884,589**

(1) Includes Grupo Aval, Grupo Aval Limited, Grupo Aval International Limited and ATH negocio conjunto.

Reconciliation of net income, assets and liabilities of 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 with 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.
- Intercompany leasings and commissions paid between Grupo Aval's entities.
- Expenses and incomes for commissions.

18.1 Analysis of Revenues by Products and Services

Grupo Aval's revenues are analyzed by products and services, in the statement of income.

NOTA 19 – TRANSFERS OF FINANCIAL ASSETS

Grupo Aval and its subsidiaries enters into transactions in the 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.

A. Transferred financial assets not qualifying for full derecognition

i. Sale and repurchase agreements

The debt securities of financial investments at fair value through profit or loss that are being used as guarantees in repurchase transactions amounted to Ps. 263,483 as of September 30, 2018 and Ps. 1,905,396 as of December 31, 2017; the financial assets at amortized cost that are being used as guarantees in repurchase transactions amounted to Ps. 301,489 as of September 30, 2018 and Ps. 1,822,746 as of December 31, 2017 and the debt securities of financial investments at fair value through OCI (*) that are being used as guarantees in repurchase transactions amounted to Ps. 5,434,615 as of September 30.

(*) The Group adopted IFRS 15 and IFRS 9 as of January 1, 2018 . (See Note 2).

ii. Securities lending

As of September 30, 2018, and as of December 31, 2017, Grupo Aval has not recorded securities lending.

B. Transfer of financial assets that are derecognized in their entirety

I. Securitizations

As of September 30, 2018, and as of December 31, 2017, Grupo Aval has not transfer financial assets for special purpose vehicles.

(Figures in millions of Colombian pesos)

NOTE 20 – UNCONSOLIDATED STRUCTURED ENTITIES

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:

September 30, 2018		**Securitizations**		**Grupo Aval´s managed funds**		**Total**
Grupo Aval's interest-assets						
Investments at fair value through profit or loss	Ps.	14,872	Ps.	1,670,924	Ps.	1,685,796
Other account receivables		-		48,200		48,200
Total assets in relation to the Grupo Aval's interests in the unconsolidated structured entities		**14,872**		**1,719,124**		**1,733,996**
Grupo Aval's maximum exposure	**Ps.**	**14,872**	**Ps.**	**1,719,124**	**Ps.**	**1,733,996**

December 31, 2017		**Securitizations**		**Grupo Aval´s managed funds**		**Total**
Grupo Aval's interest-assets						
Investments at fair value through profit or loss	Ps.	19,602	Ps.	3,030,499	Ps.	3,050,101
Other account receivables		-		37,606		37,606
Total assets in relation to the Grupo Aval's interests in the unconsolidated structured entities		**19,602**		**3,068,105**		**3,087,707**
Grupo Aval's maximum exposure	**Ps.**	**19,602**	**Ps.**	**3,068,105**	**Ps.**	**3,087,707**

NOTE 21 – RELATED PARTIES

In accordance with IAS 24, a related party is a person or entity that is related to the entity that prepares its financial statements, which could exercise joint control or control over the reporting entity, exercise significant influence over the reporting entity, or be considered a member of the key personnel of the management of the reporting entity or of a parent of the reporting entity. Within the definition of related party include:

Persons and / or relatives related to the entity (key management personnel), entities that are members of the same group (controlling and subsidiary), associates or joint ventures of the entity or entities of Grupo Aval.

In accordance with the foregoing, the related parties for Grupo Aval are classified into five categories and are the following:

1. Natural Persons who exercise control or joint control over Grupo aval, that is to say that they have more than 50% participation in the reporting entity; additionally, it includes close relatives of those who might be expected to influence or be influenced by that person.

2. Key Management Personnel: Members of the Board of Directors and President of Grupo Aval, Banco de Bogotá, Banco de Occidente, Banco Popular, Banco Av Villas, Porvenir, Corficolombiana and BAC Credomatic Inc, plus Vice Presidents are included in this category. of Grupo Aval, which are the people who participate in the planning, direction and control of such entities.

Additionally, it includes close relatives who could be expected to influence, or be influenced by, that person.

3. Associated Companies and Joint Ventures: companies in which Grupo Aval has significant influence, which is generally considered when a stake is held between 20% and 50% of its capital.

4. This category includes the entities that are controlled by the natural persons included in numerals 1 and 2

5. This section includes the entities in which the persons included in numerals 1 and 2 exercise significant influence.

(Figures in millions of Colombian pesos)

Balances as of September 30, 2018 and December 31, 2017, with related parties, are detailed in the following tables:

September 30, 2018

	Individuals		Entity		
	Natural persons 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. -	Ps. -
Financial assets in investments	-	-	919,355	-	-
Financial assets in credit operations	2,696	16,882	1,472,314	1,685,993	5,213
Accounts receivable	9	49	14,730	3,759	43
Other assets	-	-	2,163	3,666	-
Liabilities					
Deposits	Ps. 52,870	Ps. 19,483	Ps. 33,816	Ps. 356,707	Ps. 1,568
Accounts payables	72	805	9,705	558,657	2
Financial obligations	3	9	51	5	-
Others liabilities	-	-	2,215	33	-

December 31, 2017

	Individuals		Entity		
	Natural persons 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. 11	Ps. -	Ps. 67
Financial assets in investments	-	-	882,114	1,249	-
Financial assets in credit operations	3,066	10,665	1,491,078	1,301,697	3,385
Accounts receivable	11	33	59,444	4,421	-
Other assets	-	-	156,571	3,661	18
Liabilities					
Deposits	Ps. 21,257	Ps. 20,192	Ps. 60,800	Ps. 1,566,160	Ps. 1,275
Accounts payables	103	700	11,171	322,275	18,671
Financial obligations	4	10	16,435	1,249	-
Others liabilities	-	4	7,424	49	-

(Figures in millions of Colombian pesos)

For the nine-month periods ended September 30, 2018

	Individuals		Entity		
	Natural persons with control over Grupo Aval	Key management personnel	Associates and joint ventures	Entities controlled by individuals	Entities with significant influence by individuals
Interest income	Ps. 165	Ps. 664	Ps. 29,934	Ps. 97,610	Ps. 207
Financial expenses	170	642	656	13,088	17
Fee income and commissions	4	45	6,048	46,766	-
Leases	-	-	33	233	-
Fee expenses and commissions	3	903	12,512	1,370	5
Other income	2	173	190,745	3,618	-
Operating expenses	-	8,058	35	1,282	-
Other expenses	11	1,556	26,828	20,207	-

For the nine-month periods ended September 30, 2017

	Individuals		Entity		
	Natural persons with control over Grupo Aval	Key management personnel	Associates and joint ventures	Entities controlled by individuals	Entities with significant influence by individuals
Interest income	Ps. 158	Ps. 565	Ps. 137,226	Ps. 93,275	Ps. 1,851
Financial expenses	264	2,195	3,006	33,438	6
Fee income and commissions	3	47	19,928	42,536	-
Leases	-	-	-	224	-
Fee expenses and commissions	3	909	14,204	1,113	182
Other income	-	1	186,791	4,126	16
Operating expenses	-	7,547	33	1,803	-
Other expenses	14	1,629	23,393	20,359	30

(Figures in millions of Colombian pesos)

For the three-month periods ended September 30, 2018

	Individuals		Entity		
	Natural persons with control over Grupo Aval	**Key management personnel**	**Associates and joint ventures**	**Entities controlled by individuals**	**Entities with significant influence by individuals**
Interest income	Ps. 54	Ps. 278	Ps. (4,420)	Ps. 32,163	Ps. (3,828)
Financial expenses	36	266	(33,524)	2,770	(423)
Fee income and commissions	1	16	(3,408)	16,138	-
Leases	-	-	(141)	54	-
Fee expenses and commissions	(113)	(833)	5,239	423	5
Other income	-	35	62,804	1,430	-
Operating expenses	-	842	12	(522)	-
Other expenses	(373)	(760)	8,723	5,908	-

For the three-month periods ended September 30, 2017

	Individuals		Entity		
	Natural persons with control over Grupo Aval	**Key management personnel**	**Associates and joint ventures**	**Entities controlled by individuals**	**Entities with significant influence by individuals**
Interest income	Ps. 16	Ps. 282	Ps. 43,188	Ps. 28,534	Ps. 584
Financial expenses	138	1,378	1,722	20,178	3
Fee income and commissions	1	16	3,029	12,832	-
Leases	-	-	-	79	-
Fee expenses and commissions	1	182	4,698	418	149
Other income	-	-	58,741	(1,095)	1
Operating expenses	-	2,273	11	(507)	-
Other expenses	5	481	3,685	8,513	30

(Figures in millions of Colombian pesos)

Outstanding amounts are not guaranteed and shall be liquidated in cash. Guarantees have not been granted or received. No expense has been recognized during the current period nor in previous periods with respect to uncollectable or accounts of doubtful collection relating to amounts in debt by related parties.

Compensation of Key Management Personnel

The compensation received by the key personnel of the management comprises the following:

		For the three-month periods ended			For the nine-month periods ended	
Concepts		**September 30 ,2018**	**September 30,2017**		**September 30,2018**	**September 30,2017**
Salaries	Ps.	4,579	4,260	Ps.	13,469	12,559
Short term benefits for employees		1,023	1,063		2,480	2,412
Total	**Ps.**	**5,602**	**5,323**	**Ps.**	**15,949**	**14,971**

NOTE 22 – SUBSEQUENT EVENTS

As of the date of issuance of the condensed consolidated financial statements, no subsequent events are known that need to be disclosed in the financial statements.