



Tax Policy, Tax reporting & Taxes paid

Sustainability



VIGILADO SUPERINTENDENCIA FINANCIERA DE COLOMBIA

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Superintendencia Financiera de Colombia
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Group Tax Approach

At the end of December 2024 Grupo Aval Acciones y Valores S.A. are present mainly in 4 countries for tax purposes: Colombia, Panama, Peru and Barbados, where it acts as a taxpayer of income tax and its complementary taxes and also as responsible for the other taxes in accordance with the applicable legislation for each jurisdiction, through its subsidiaries.

The Group's main objective in tax matters is to ensure formal and material compliance with all obligations for each of the companies that make up the consolidated group, complying with laws, decrees and in general any regulatory standards, continuously evaluating the positions taken in tax returns to avoid risky positions that may give rise to fines and/or penalties.

Grupo Aval's tax strategy includes the following actions:

- Identify and apply the regulations in force in each of the jurisdictions in which operations are carried out, so as to ensure compliance with all obligations.
- Apply the constitutional foundations, principles, tax regulations, jurisprudence, doctrine and other auxiliary sources of law for the determination of taxes; use the different permitted methods of interpretation of the regulations, including those that imply the interpretation of the spirit of the law.
- File and pay the taxes for which each company is liable in a timely manner.
- Based on the principle of legality, identify the tax benefits from each company, which allow the optimization of taxes according to their business. This is given through the use of exempt income, tax discounts, special exemptions for the development of taxable activities.
- Comply with the principle of full competition for transfer pricing purposes, ensuring that operations are carried out at market prices both with related and independent parties.

- Consider, at the time of advancing any operation or making any decision on tax matters, whether it corresponds to a good practice in transfer pricing and ensure the legality of the operation for involving, among other factors, jurisdictions that the Colombian authorities consider tax havens, countries that are on restrictive lists, and the use of front entities and without commercial substance for exclusively evasive purposes.
- Verify that in its reporting duties it provides complete and truthful information including, when required, tax information, information on the jurisdiction of incorporation, information on the payment of tax obligations and any other information on which there is a legal duty to report.
- Collaborate with the tax authorities in the event of any legal requirement, providing the required information within the established terms, complying with the administrative procedures applicable to each case.
- Integrate external tax experts to the tax teams of the main companies, to assist in specific tax issues that involve complexity in the study and analysis, so that the decision to be taken internally is studied and supported.
- Periodically evaluate the positions taken in the tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and avoid taking positions that may result in the recognition of provisions for uncertain tax positions and/or fines and penalties in the future.
- Design and implement accounting policies and internal controls from each entity and at the consolidated level to ensure that tax-related information is correctly recorded in the accounting and disclosed in the different reports.
- Support national governments and tax administrations, through trade associations, with the study of relevant tax issues of the sector.

Group Tax Governance

Grupo Aval has designed an autonomous governance from each of its companies regarding the management of its taxes, including the activities that impact the preparation and calculation of each of the taxes in charge; these processes are directed by the tax leaders of each entity. Likewise, each entity has its own processes for reviewing taxes, approving payments and authorizing the reporting of information in such a way as to ensure that each company has an appropriate body in charge of the process.

Also, there are consolidating entities in the consolidation structure that exercise control over their subsidiaries. These companies must periodically report all information related to taxes and in this process, each parent company, headed by its manager, director or head, as the case may be, carries out processes that ensure the verification of tax contents from the accounting standpoint.

When situations arise that require definition regarding the understanding of any standard or a specific tax treatment, a tax committee is triggered at the corporate level with the participation of the tax leaders of each company, where they present, study, analyze and seek a way to take a homogeneous corporate position for the management of the subject matter under discussion. If the committee is unable to reach a consensus, support is sought from external advisors to ensure the handling of the particular issue.

The effective tax rate in 2024 reached 30.2% at the consolidated level. The following are the taxes accrued during the year 2024 by region. These taxes include income tax, industry and commerce tax, VAT assumed, financial transactions tax assumed, property tax, vehicle tax, stamp tax, among others.

Taxes accrued during the year 2024 ⁽¹⁾		
Figures in billions	\$	%
Colombia	2,113	95%
Others Countries ⁽²⁾	112	5%
Total	2,225	100%

⁽¹⁾ The deferred tax expense is not included because although it impacts the profits for the period it's does not result in the payment of taxes during the reporting period

⁽²⁾ Includes taxes recorded by the responsible companies in Panama, Peru and immaterial portion in Barbados, Islas Caiman and Brazil

Tax reporting (1 | 3)

COP millions

2024						
Description	Banking services	Merchant banking	Pension and severance fund management	Holding	Eliminations	Total
Income	32,642,278	13,067,432	1,590,021	1,511,434	-2,318,498	46,492,667
Net income before tax (1)	1,110,154	1,533,907	916,893	1,058,926	-1,481,976	3,137,904
Income tax expense (2)	-27,428	668,076	262,774	42,586	419	946,427
Current income tax (3)	104,400	608,015	272,047	42,284	0	1,026,745
Deferred income tax and Uncertainty over Income tax	-131,828	60,061	-9,272	302	419	-80,318
Effective tax rate (4)	-2.5%	43.6%	28.7%	4.0%	0.0%	30.2%
Income tax paid (5)	1,051,794	699,899	207,874	49,021	0	2,008,589
Operating taxes (6)	972,820	179,642	30,600	14,935	0	1,197,997
VAT	349,852	37,303	2,725	0	0	389,879
Industry and commerce tax	347,518	64,799	19,740	10,642	0	442,700
Financial transactions tax	229,348	55,355	5,707	4,293	0	294,703
Other taxes and contributions (7)	46,102	22,184	2,428	0	0	70,715
Current income tax + Operating taxes	1,077,220	787,657	302,647	57,219	0	2,224,742
Number of employees (8)	44,999	22,684	2,464	124	0	70,271

Notes:

(1) Includes nontaxable income and nondeductible expenses.

(2) Income tax expense includes all income tax in the period (composed of current income tax, deferred income tax, tax uncertainties and adjustments from prior periods).

(3) Includes recovery of uncertainty over Income tax of 3,535

(4) Calculated as income tax expense divided by net income before tax expense.

(5) This value matches the cash flow of income taxes and is derived from information reported by our subsidiaries. In some cases, the payments made during the year exceed the value of the income tax payable, for this reason some of our entities have positive balances in term of taxes.

(6) Accrued operating taxes (different from income tax).

(7) Includes all other accrued operating taxes not listed above.

(8) Includes direct employees, temporary employees and outsourcing.



Tax reporting (2 | 3)

COP millions

2023						
Description	Banking services	Merchant banking	Pension and severance fund management	Holding	Eliminations	Total
Income	33,137,111	14,162,026	1,476,988	1,330,385	-2,448,272	47,658,238
Net income before tax (1)	642,232	2,798,435	733,152	795,766	-1,482,035	3,487,550
Income tax expense (2)	-188,102	1,268,268	172,943	56,966	359	1,310,434
Current income tax (3)	174,436	628,172	164,823	57,117	0	1,024,547
Deferred income tax	-362,537	640,096	8,120	-151	359	285,887
Effective tax rate (4)	-29.3%	45.3%	23.6%	7.2%	0.0%	37.6%
Income tax paid (5)	1,671,759	116,041	131,845	54,714	0	1,974,359
Operating taxes (6)	1,039,955	157,525	26,896	19,360	0	1,243,737
VAT	336,833	33,719	3,117	0	0	373,670
Industry and commerce tax	422,528	61,039	18,181	15,419	0	517,168
Financial transactions tax	246,397	54,037	4,430	3,940	0	308,803
Other taxes and contributions (7)	34,197	8,730	1,168	0	0	44,096
Current income tax + Operating taxes	1,214,391	785,697	191,719	76,476	0	2,268,284
Number of employees (8)	45,399	26,044	2,469	124		74,036

Notes:

(1) Includes nontaxable income and nondeductible expenses.

(2) Income tax expense includes all income tax in the period (composed of current income tax, deferred income tax, tax uncertainties and adjustments from prior periods).

(3) Includes recovery of uncertainty over Income tax of 772

(4) Calculated as income tax expense divided by net income before tax expense.

(5) This value matches the cash flow of income taxes and is derived from information reported by our subsidiaries. In some cases, the payments made during the year exceed the value of the income tax payable, for this reason some of our entities have positive balances in term of taxes.

(6) Accrued operating taxes (different from income tax).

(7) Includes all other accrued operating taxes not listed above.

(8) Includes direct employees, temporary employees and outsourcing.



Tax reporting (3 | 3)

COP millions

Below is the detail of Grupo Aval's income taxes by jurisdiction.

2024

Description	Colombia	Panamá	Perú	Barbados	Other Countries*	Total
Net income before tax	2,665,278	216,663	97,538	21,483	136,942	3,137,904
Income tax expense	891,010	2,463	40,344	652	11,958	946,427
Effective tax rate	33.4%	1.1%	41.4%	3.0%	8.7%	30.2%
Income tax paid	1,982,843	9,934	2,177	1,677	11,957	2,008,589
Jurisdictions share: Profits and taxes						
Net income before tax	84.9%	6.9%	3.1%	0.7%	4.4%	100.0%
Income tax expense	94.1%	0.3%	4.3%	0.1%	1.3%	100.0%

2023

Description	Colombia	Panamá	Perú	Barbados	Cayman Islands	Total
Net income before tax	3,041,439	231,519	80,724	20,729	113,773	3,488,184
Income tax expense	1,258,309	10,280	27,621	759	13,465	1,310,434
Effective tax rate	41.4%	4.4%	34.2%	3.7%	11.8%	37.6%
Income tax paid	1,932,106	6,970	22,119	481	12,682	1,974,359
Jurisdictions share: Profits and taxes						
Net income before tax	87.2%	6.6%	2.3%	0.6%	3.3%	100.0%
Income tax expense	96.0%	0.8%	2.1%	0.1%	1.0%	100.0%

Notes:

* Includes Cayman Islands, Brazil and USA



¡Thank you!

