



Tax Policy, Tax reporting & Taxes paid

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At the end of December 2022 Grupo Aval Acciones y Valores S.A. and its subsidiaries are present mainly in 3 countries for tax purposes: Colombia, Panama and Peru, 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 in order to avoid risky positions that may give rise to fines and/or penalties.

Grupo Aval's strategy includes the following actions:

- To 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.
- To file and pay the taxes for which each company is responsible, in a timely manner and in accordance with the constitutional foundations, principles, tax regulations, jurisprudence and other ancillary sources in the countries where we operate.
- Based on the principle of legality, to identify the tax benefits from each company, for the optimization of taxes according to their business. This is possible through the use of exempt income, tax discounts, special exemptions for the development of taxable activities.

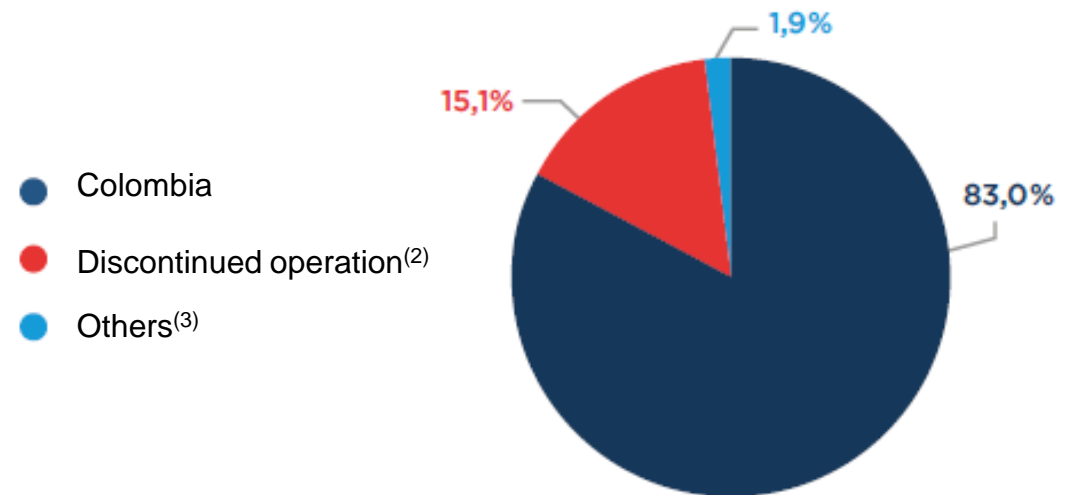
- To comply with the arm's length principle for transfer pricing purposes, ensuring that transactions are carried out at arm's length prices with both related and independent parties.
- To collaborate with the tax authorities in any legal request, providing the required information within the established terms, complying with the administrative procedures applicable to each case.
- To incorporate external tax experts to the tax teams of the companies, to support them in specific tax issues that involve complex study and analysis, so that the decision to be taken internally is studied and supported.
- To periodically evaluate the positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and avoid taking risky tax positions that may result in the recognition of provisions for uncertain tax positions and fines and penalties in the future. We seek to avoid uncertain tax positions.
- To design and implement accounting policies and controls from each company, from each consolidated company and from the parent company itself, to ensure that tax-related information is correctly recorded in the accounting records and disclosed in the different reports.

The governance of each company of Grupo Aval is autonomous with respect to the management of its taxes, including the activities that impact the preparation and calculation of each of the taxes for which they are responsible. These processes are directed by the tax managers, tax directors or tax heads of each entity. Likewise, each entity has its own processes in place for reviewing taxes, approving payments and authorizing the reporting of information so 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 adequate accounting of tax matters.

To minimize new unusual or complex issues a tax committee is triggered at the corporate level with the participation of the IFRS Tax Director and the tax managers, directors or heads of Grupo Aval Holding, Banco de Bogotá, Banco de Occidente, Banco Popular, Banco Av Villas, Corficolombiana and Porvenir (direct subsidiaries of Grupo Aval), where they present, study, analyze and seek a way to take a homogeneous corporate position for the management of the subject under discussion. If the committee is unable to reach a consensus, support is sought from external advisors to agree on next steps for the particular issue.

Current taxes accrued by region during 2022⁽¹⁾:



These taxes include income tax, industry and commerce tax, assumed VAT, financial transactions tax, property tax, vehicle tax, stamp tax, among others.

NOTES:

(1) Deferred tax expense is not included because, although it impacts the profits for the period, it does not result in the effective payment of taxes for the fiscal period. (2) Includes taxes recorded by BHI from January through March 2022, prior to the loss of control resulting from the partial spin-off. These effects are part of the discontinued operations line and are disclosed in note 1.1. of the Consolidated Financial Statements at the end of December 2022 as reported in our 20-F. (3) It is comprised of Panama, Peru, Barbados and Nassau.

2022										
Description	Banco de Bogotá	Banco de Occidente	Banco Popular	Banco Av Villas	Porvenir	Corficolombiana	Others	Adjustments and eliminations	Continued operations	Discontinued operations
Income	12,767,867	5,799,384	3,406,454	2,062,719	972,508	13,466,165	520,159	-1,720,486	37,274,770	-
Net income before tax (1)	2,095,684	573,799	48,309	131,341	248,187	4,055,131	1,906,729	-2,784,808	6,274,371	768,994
Income tax expense (2)	290,214	117,456	-31,683	27,566	92,993	1,753,733	18,802	2,322	2,271,403	224,104
Effective tax rate (3)	13.8%	20.5%	-65.6%	21.0%	37.5%	43.2%	1.0%	-0.1%	36.2%	29.1%
Income tax paid (4)	573,365	37,132	136,159	103,209	225,239	421,072	40,862	-	1,537,039	
Operating taxes (5)										
VAT	146,473	101,547	71,242	-	2,308	26,939	31,359	-	379,869	-
Industry and commerce tax	111,861	60,789	39,494	26,727	13,099	50,605	13,481	-	316,056	-
Financial transactions tax	66,851	41,103	37,879	16,492	6,323	36,184	9,973	-	214,805	-
Other taxes and contributions (6)	34,264	5,241	7,076	2,059	7,229	18,212	-	-	74,081	98,978
Operating taxes	359,448	208,681	155,691	45,278	28,958	131,941	54,814	-	984,811	98,978
Income tax expense + Operating taxes	649,662	326,137	124,008	72,844	121,952	1,885,674	73,615	2,322	3,256,214	323,082
Number of employees (7)	17,455	17,401	6,995	6,883	2,929	25,257	123	-	77,043	
Primary activities		Commercial banking			Administrator of pension and severance funds	Merchant banking				

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

(4) 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.

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

(6) Includes all other accrued operating taxes not listed above. Discontinued operations correspond to the regional taxes accrued by BAC Holding International Corp. and its respective subsidiaries, during the time prior to its partial spin off.

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

2021										
Description	Banco de Bogotá	Banco de Occidente	Banco Popular	Banco Av Villas	Porvenir	Corficolombiana	Others	Adjustments and eliminations	Continued operations	Discontinued operations
Income	22,166,927	3,921,938	2,619,626	1,633,004	1,477,232	11,537,285	325,448	-4,616,967	39,064,493	-
Net income before tax (1)	3,174,310	660,810	470,291	308,980	772,089	3,325,594	3,598,457	-5,945,913	6,364,618	2,155,679
Income tax expense (2)	252,594	74,903	155,714	116,733	191,886	1,476,570	53,555	1,472	2,323,426	528,367
Effective tax rate (3)	8.0%	11.3%	33.1%	37.8%	24.9%	44.4%	1.5%	0.0%	36.5%	24.5%
Income tax paid (4)	883,062	37,686	92,799	87,127	261,080	332,535	51,731	-	1,746,019	-
Operating taxes (5)										
VAT	130,714	87,152	65,992	-	-	23,795	-	-	307,653	-
Industry and commerce tax	54,990	30,694	20,993	15,953	12,190	33,626	19,251	-	187,696	-
Financial transactions tax	53,053	31,756	26,377	15,393	5,552	31,412	5,676	-	169,219	-
Other taxes and contributions (6)	27,376	12,289	6,130	1,890	7,761	17,661	-	-	73,108	348,363
Operating taxes	266,134	161,892	119,492	33,236	25,503	106,493	24,926	-	737,677	348,363
Income tax expense + Operating taxes	518,728	236,795	275,206	149,969	217,389	1,583,063	78,481	1,472	3,061,103	876,730
Number of employees (7)	17,486	18,475	7,467	6,832	3,010	30,969	126	-	84,365	-
Primary activities		Commercial banking			Administrator of pension and severance funds		Merchant banking			

Notes:

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

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

2022

Description	2022					Total
	Colombia	Panamá	Perú	Barbados	Bahamas	
Net income before tax	5,767,360	307,597	179,992	17,234	2,187	6,274,371
Income tax expense	2,208,878	6,772	55,053	702	-	2,271,404
Effective tax rate	38.3%	2.2%	30.6%	4.1%	0.0%	36.2%
Jurisdictions share: Profits and taxes						
Net income before tax	91.9%	4.9%	2.9%	0.3%	0.0%	100.0%
Income tax expense	97.2%	0.3%	2.4%	0.0%	0.0%	100.0%

2021

Description	2021					Total
	Colombia	Panamá	Perú	Barbados	Bahamas	
Net income before tax	5,880,869	168,118	298,596	15,405	1,629	6,364,618
Income tax expense	954,657	23,962	2,670	778	-	982,066
Effective tax rate	16.2%	14.3%	0.9%	5.1%	0.0%	7.3%
Jurisdictions share: Profits and taxes						
Net income before tax	92.4%	2.6%	4.7%	0.2%	0.0%	100.0%
Income tax expense	97.2%	2.4%	0.3%	0.1%	0.0%	100.0%

VIGILADO SUPERINTENDENCIA FINANCIERA DE COLOMBIA

