UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

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

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
for the fiscal year ended December 31, 2021

OR

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

OR

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

Commission file number: 001-36631

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

Republic of Colombia
(Jurisdiction of incorporation)

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

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Grupo Aval Acciones y Valores S.A.
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Securities registered or to be registered pursuant to Section 12(b) of the Act:

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

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

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

Indicate the number of outstanding shares of each of the issuer's classes of capital stock or common stock as of the close of business covered by the annual report.

Preferred shares: 7,158,277,167

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

☒ Yes ☐ No

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

☐ Yes ☒ No

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

☒ Yes ☐ No

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

☒ Yes ☐ No

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

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

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

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

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

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

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

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

☐ Item 17 ☐ Item 18

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

☐ Yes ☒ No

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references herein to "peso", "pesos", or "Ps" refer to the lawful currency of Colombia. All references to "U.S. dollars", "dollars" or "U.S.$" are to United States dollars. This annual report translates certain Colombian peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. The conversion of amounts expressed in pesos as of a specified date at the then prevailing exchange rate may result in the presentation of U.S. dollar amounts that differ from U.S. dollar amounts that would have been obtained by converting Colombian pesos as of another specified date. Unless otherwise noted in this annual report, all such peso amounts have been translated at the rate of Ps 3,981.16 per U.S.$1.00, which was the representative market rate published on December 31, 2021. The representative market rate is computed and certified by the Superintendency of Finance on a daily basis and represents the weighted average of the buy/sell foreign exchange rates negotiated on the previous day by certain financial institutions authorized to engage in foreign exchange transactions. Such conversion should not be construed as a representation that the peso amounts correspond to, or have been or could be converted into, U.S. dollars at that rate or any other rate. On April 13, 2022 the representative market rate was Ps 3,737.32 per U.S. $1.00.

Definitions

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

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

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

Financial statements

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

In March 2022, we spun off a 75% equity interest in BHI. See "Item 4. Information on the company" and "Item 5. Operating and financial review and prospects" for more information.

Our consolidated financial statements at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020, and 2019 are included in this annual report and referred to as our audited consolidated financial statements. Our historical results are not necessarily indicative of results to be expected for future periods. We have prepared the audited consolidated financial statements included herein in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

We and our Colombian subsidiaries prepare consolidated financial statements for publication in Colombia under IFRS as adopted by the Superintendency of Finance in accordance with Decree 1851 of 2013 and 3023 of 2013, as modified by Decrees 2420 and 2496 of 2015, 2131 of 2016, 2170 of 2017, 2483 of 2018 and 2270 of 2019. Prior to January 1, 2018, this accounting standard differed from IFRS as issued by the IASB in certain material respects. Starting on January 1, 2018, Grupo Aval's consolidated financial statements for publication in Colombia do not differ from the consolidated financial statements prepared under IFRS as issued by the IASB.

Separate financial statements for us and our financial subsidiaries in Colombia are based on IFRS issued by the IASB in Spanish as of December 31, 2019 (which we refer to as "Colombian IFRS"), and pursuant to certain requirements under Colombian regulations. As a result, rules subsequently issued by the IASB are not applicable under Colombian IFRS. Our separate financial statements for local purposes, differ from IFRS as issued by the IASB in the following principal aspects:

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

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

Ratios and Measures of Financial Performance

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

Market share and other information

We obtained the market and competitive position data, including market forecasts, used throughout this annual report from market research, publicly available information and industry publications. We have presented this data on the basis of information from third-party sources that we believe are reliable, including, among others, the International Monetary Fund, or "IMF", the Superintendency of Finance, the Colombian Banking Association (*Asociación Bancaria y de Entidades Financieras de Colombia*) or "Asobancaria", the Colombian Stock Exchange, the Colombian National Bureau of Statistics (*Departamento Administrativo Nacional de Estadística*), or "DANE", the World Bank, the Superintendency of Banks in Panama (*Superintendencia de Bancos de Panamá*), the Superintendency of Financial Institutions in

Costa Rica (*Superintendencia General de Entidades Financieras*), the Superintendency of Banks in Guatemala (*Superintendencia de Bancos de Guatemala*), the National Commission of Banks and Insurances in Honduras (*Comisión Nacional de Bancos y Seguros*), the Financial System Superintendency in El Salvador (*Superintendencia del Sistema Financiero*) and the Superintendency of Banks and Other Financial Institutions in Nicaragua (*Superintendencia de Bancos y Otras Instituciones Financieras*). Industry and Government publications, including those referenced herein, generally state that the information presented has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Unless otherwise indicated, gross domestic product, or "GDP", figures with respect to Colombia in this annual report are based on the 2015 base year data series published by DANE. Although we have no reason to believe that any of this information or these reports is inaccurate in any material respect, we have not independently verified the competitive position, market share, market size, market growth or other data provided by third parties or by industry or other publications. We do not make any representation or warranty as to the accuracy of such information.

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

"Grupo Aval aggregate" data reflects the sum of the separate financial statements of our four Colombian banking subsidiaries (Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas) as reported to the Superintendency of Finance under Colombian IFRS. When referring to comparative figures to our peers in Central America on a national basis (i) data for Panama reflects the sum of the separate financial statements of BAC and MFG and (ii) data for other countries refers to the separate financial statements for BAC in each country where it operates, in each case as reported with the applicable local regulators.

Throughout this document, unless otherwise noted, references to average consolidated statement of financial position for 2021, 2020 and 2019 have been calculated as follows: the average of balances at December 31, at September 30, at June 30, and at March 31 of the corresponding year, and the balance at December 31, of the previous year.

Other conventions

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

A. Directors and senior management

Not applicable.

B. Advisers

Not applicable.

C. Auditors

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

A. Offer statistics

Not applicable.

B. Method and expected timetable

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected financial data

The following financial data of Grupo Aval at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 have been derived from our audited consolidated financial statements prepared in accordance with IFRS, included in this report. Our historical results are not necessarily indicative of results to be expected for future periods.

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

Statement of income data

IFRS

	Grupo Aval		
	For the year ended December 31,		
	2021	2020	2019
	(in Ps billions, except share and per share data)		
Total interest income	19,647.5	20,222.8	19,552.7
Total interest expense	(6,918.7)	(8,262.3)	(8,267.2)
Net interest income	**12,728.9**	**11,960.5**	**11,285.5**
Impairment loss on loans and other accounts receivable	(4,500.1)	(6,267.2)	(4,194.0)
Impairment (loss) recovery on other financial assets	(16.2)	(74.8)	60.0
Recovery of charged-off financial assets	481.2	328.1	378.9
Net impairment loss on financial assets	**(4,035.1)**	**(6,013.9)**	**(3,755.1)**
Net interest income, after impairment losses	**8,693.8**	**5,946.6**	**7,530.4**
Net income from commissions and fees	5,611.4	5,093.4	5,455.3
Gross profit from sales of goods and services	3,098.9	2,823.3	2,374.8
Net trading income	948.7	1,295.4	761.9
Net income from other financial instruments mandatorily at fair value through profit or loss	270.1	252.4	217.6
Other income	1,294.0	1,716.9	1,283.0
Other expenses	(11,396.7)	(10,652.7)	(10,171.3)
Net income before tax expense	**8,520.3**	**6,475.3**	**7,451.7**
Income tax expense	(2,851.8)	(1,843.7)	(2,086.3)
Net income for the year	**5,668.5**	**4,631.6**	**5,365.5**
Net income for the year attributable to:			
Owners of the parent	**3,297.7**	**2,349.5**	**3,034.4**
Non-controlling interest	**2,370.8**	**2,282.1**	**2,331.0**
Earnings per 1,000 shares (basic and diluted earnings):			
Common shares (in pesos)	148,006.5	105,449.5	136,188.1
Earnings per 1,000 shares (basic and diluted earnings):			
Preferred shares (in pesos)	148,006.5	105,449.5	136,188.1
Dividends per 1,000 shares:			
Common and preferred shares (in pesos)	54,000.0	54,000.0	60,000.0
Weighted average number of shares:			
Outstanding common shares in thousands	15,128,947.7	15,135,829.5	15,158,004.8
Outstanding preferred shares in thousands	7,152,069.5	7,145,187.6	7,123,012.3
Outstanding common and preferred shares in thousands	22,281,017.2	22,281,017.2	22,281,017.2

Statement of financial position data

	Grupo Aval	
	At December 31,	
	2021	2020
	(in Ps billions)	
Assets:		
Cash and cash equivalents	36,642.8	34,025.5
Trading assets	10,986.8	11,038.9
Investment securities	44,664.4	36,061.8
Hedging derivative assets	44.2	156.2
Total loans, net	220,297.8	195,542.0
Other accounts receivables, net	19,027.2	14,996.3
Non-current assets held for sale	208.4	240.4
Investments in associates and joint ventures	1,172.8	1,029.3
Tangible assets	9,100.6	8,974.0
Concession arrangement rights	11,098.1	9,187.6
Goodwill	8,486.6	7,713.8
Other intangible assets	1,886.0	1,623.7
Income tax assets	2,607.7	1,797.9
Other assets	680.5	508.5
Total assets	**366,903.9**	**322,895.9**
Liabilities:		
Trading liabilities	1,049.9	1,452.6
Hedging derivatives liabilities	55.8	56.6
Customer deposits	234,470.4	211,841.6
Interbank borrowings and overnight funds	10,672.4	7,179.6
Borrowings from banks and others	27,124.7	19,654.5
Bonds issued	32,257.9	27,760.8
Borrowings from development entities	3,227.3	4,029.8
Provisions	1,150.3	912.9
Income tax liabilities	4,714.7	3,588.2
Employee benefits	1,163.1	1,201.9
Other liabilities	11,545.8	9,777.9
Total liabilities	**327,432.3**	**287,456.3**
Equity:		
Attributable to the owners of the parent		
Subscribed and paid-in capital	22.3	22.3
Additional paid-in capital	8,490.8	8,470.9
Retained earnings	13,383.4	11,302.1
Other comprehensive income	1,117.2	862.0
Equity attributable to owners of the parent	**23,013.7**	**20,657.3**
Non-controlling interest	**16,458.0**	**14,782.3**
Total equity	**39,471.6**	**35,439.6**
Total liabilities and equity	**366,903.9**	**322,895.9**

Other financial and operating data

	Grupo Aval		
	At and for the year ended December 31,		
	2021	2020	2019
	(in percentages, unless otherwise indicated)		
Profitability ratios:			
Net interest margin(1)	4.9%	5.1%	5.6%
ROAA(2)	1.6%	1.5%	2.0%
ROAE(3)	15.3%	11.7%	16.4%
Efficiency ratios(4):			
Cost to income	47.6%	46.0%	47.6%
Cost to assets	3.3%	3.4%	3.8%
Capital ratios:			
Period-end equity as a percentage of period-end total assets	10.8%	11.0%	12.0%
Tangible equity ratio(5)	8.2%	8.3%	9.2%
Credit quality data:			
Cost of risk: Impairment loss on loans and other accounts receivable / average gross loans(6)	2.1%	3.1%	2.4%
Cost of risk, net: Impairment loss on loans and other accounts receivable, net / average gross loans(6)(7)	1.9%	3.0%	2.2%
Charge-offs as a percentage of average gross loans(6)	2.3%	2.0%	2.7%
Loans past due more than 30 days / gross loans(6)	4.0%	4.9%	4.4%
Loans past due more than 90 days / gross loans(6)	2.9%	3.6%	3.3%
Loans classified as Stage 2 / gross loans(6)	11.8%	13.2%	4.5%
Loans classified as Stage 3 / gross loans(6)	6.1%	6.1%	5.5%
Loans classified as Stage 2 and Stage 3 / gross loans(6)	17.8%	19.3%	10.0%
Loss allowance as a percentage of loans past due more than 30 days	122.3%	110.3%	104.6%
Loss allowance as a percentage of loans past due more than 90 days	170.1%	151.7%	140.1%
Loss allowance for Stage 2 loans as a percentage of Stage 2 loans(6)	10.0%	11.4%	14.4%
Loss allowance for Stage 3 loans as a percentage of Stage 3 loans(6)	48.7%	49.4%	52.4%
Loss allowance for Stage 2 and Stage 3 loans as a percentage of Stage 2 and Stage 3 loans(6)	23.2%	23.5%	35.3%
Loss allowance as a percentage of gross loans(6)	4.9%	5.4%	4.6%
Operational data (in units):			
Number of customers of the banks(8)	18,226,439	16,999,944	16,474,645
Number of employees(9)	107,076	104,862	111,192
Number of branches(10)	1,497	1,589	1,692
Number of ATMs(10)	5,442	5,562	5,671

(1) Net interest margin is calculated as net interest income divided by total average interest-earning assets. Average interest-earning assets for 2021, 2020 and 2019 are calculated as the sum of interest-earning assets at each quarter-end during the applicable year and the prior year end divided by five.

(2) For the years ended December 31, 2021, 2020 and 2019, ROAA is calculated as net income divided by average assets. Average assets for 2021, 2020 and 2019 are calculated as the sum of assets at each quarter-end during the applicable year and the prior year end divided by five.

(3) For the years ended December 31, 2021, 2020 and 2019, ROAE is calculated as net income attributable to owners of the parent divided by average equity attributable to owners of the parent. Average equity attributable to owners of the parent for 2021, 2020 and 2019 is calculated as the sum of equity attributable to owners of the parent at each quarter-end during the applicable year end and the prior year end divided by five.

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

(5) Tangible equity ratio is calculated as total equity minus intangible assets (calculated as goodwill plus other intangible assets, excluding those related to concession arrangements rights, Ps 11,098.1 billion in 2021, Ps 9,187.6 billion in 2020 and Ps 7,521.5 billion in 2019) divided by total assets minus intangible assets (as defined before). See "Item 3. Key Information—A. Selected financial data— Ratios and Measures of Financial Performance".

(6) Gross loans exclude interbank and overnight funds (Ps 3,218.4 billion in 2021, Ps 4,693.7 billion in 2020 and Ps 2,719.0 billion in 2019) as these are short-term liquidity operations generally not subject to deterioration. Total gross loan portfolio includes Interbank and overnight funds. Throughout this document charge-offs and write-offs refer to the same concept.

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

(8) Reflects aggregated customers of our banking subsidiaries. Customers of more than one of our Colombian banking subsidiaries, BAC and MFG (for 2021 and 2020) are counted separately for each banking subsidiary.

(9) Number of employees is defined as the sum of direct, temporary and outsourced personnel in financial entities (68,665 in 2021, 68,774 in 2020 and 71,269 in 2019), call-centers (8,560 in 2021, 8,813 in 2020 and 8,538 in 2019) and employees of non-financial entities of Corficolombiana (29,851 in 2021, 27,275 in 2020 and 31,385 in 2019). Employees in financial entities include 1,219 and 1,222 employees of MFG (for 2021 and 2020).

(10) Reflects aggregated number of full-service branches or ATMs of our Colombian banking subsidiaries, BAC and MFG (for 2021 and 2020), as applicable, located throughout Colombia and Central America.

Ratios and Measures of Financial Performance

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

ROAA and ROAE

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

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

	Year ended December 31,		
	2021	**2020**	**2019**
	(in Ps billions, except percentages)		
Grupo Aval (consolidated):			
Average assets(1)	344,533.7	317,797.0	267,058.8
Average equity attributable to owners of the parent(2)	21,568.3	20,146.5	18,521.1
Net income	5,668.5	4,631.6	5,365.5
Net income attributable to owners of the parent	3,297.7	2,349.5	3,034.4
Net income attributable to non-controlling interest	2,370.8	2,282.1	2,331.0
ROAA(1)	**1.6%**	**1.5%**	**2.0%**
ROAE(2)	**15.3%**	**11.7%**	**16.4%**
Net income attributable to non-controlling interest divided by net income	41.8%	49.3%	43.4%

(1) For methodology used to calculate Average assets and ROAA, see note (2) to the table under "Item 3. Key Information—A. Selected financial data—Other financial and operating data".

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

B. Capitalization and indebtedness

Not applicable.

C. Reasons for the offer and use of proceeds

Not applicable.

D. Risk factors

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

Summary

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

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

- **Risks relating to our businesses and industry**
  - Risks relating to our banking business
    - we are exposed to a deterioration in asset quality, including the loan portfolios of our banking subsidiaries;
    - we are exposed to the inability of our banking subsidiaries to realize on collateral or guarantees of secured loans;
    - we are exposed to limitations on the ability of our banking subsidiaries to collect on monetary obligations and enforce rights against collateral or under guarantees imposed by Colombian and Central American insolvency laws;
    - we are exposed to failures of our risk management processes, including credit and market risk;
    - we are exposed to declines in the value of our banks' sovereign debt portfolios;
    - we are exposed to counterparty risk;
    - we are exposed to rules that may limit or control the fees or tariffs that the bank may charge for account business;
    - we are exposed to competition in unfair conditions with new forms of business entities that may provide the same services under less stringent regulatory conditions;
    - we are exposed to market and operational risks associated with derivatives transactions;
    - we are exposed to liquidity risk;
    - we are exposed to defaults by one or more of our largest borrowers;
    - we are exposed to downgrades in our long-term credit ratings or in the credit ratings of our banking subsidiaries;

- we are exposed to prepayment risk;
- we are exposed to high competition in the credit card industry;
- we are exposed to changes in banking and financial services laws and regulations in Colombia and the other countries in which we operate;
- we are exposed to changes in accounting standards;
- we are exposed to regulatory actions that may result in fines, penalties or restrictions;
- we are exposed to legal and other challenges to maximize revenue from credit card fees and other fees from customer; and
- we are exposed to the failure to protect personal information.

- Risks relating to our merchant banking business

  - we are exposed to difficult market conditions that could affect Corficolombiana;
  - we are exposed to Corficolombiana's inability to realize profits from illiquid assets, which represent a significant part of its investments;
  - we are exposed to risks derived from Corficolombiana holding minority interest in other companies;
  - we are exposed to the concentration of Corficolombiana's investments in five industries; and
  - we are exposed to a variety of other issues outside of our control.

- Risks relating our pension and severance fund management business

  - we are exposed to risks derived from the highly regulated market in which Porvenir operates; and
  - we are exposed to risks derived from the management of a significant amount of debt securities in pension and severance funds issued or guaranteed by the Colombian Government.
  - we are exposed to legal risks derived from major amendments in the legal framework of the pension market that may result in a nationalization of such funds or a change in the current regulation that may limit the activities of the pension funds.

- Other risks relating to our businesses

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

- **Risks relating to our Central American operations**

  - we are exposed to risks derived from our inability to address the challenges and risks presented by our operations in countries outside Colombia;
  - we are exposed to our dependency on BAC's and MFG's current senior management;
  - we are exposed to changes in credit card regulations; and
  - we are exposed to compliance risks in connection with a multi-jurisdictional regulatory regime.

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

- **Risks relating to the spin-off.**
    - Grupo Aval and BHI may be unable to achieve some or all of the benefits that they expect to achieve from BHI's separation from Grupo Aval.
    - The spin-off could adversely affect our business, financial results and operations.

Risks relating to Colombia and other countries in which we operate

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

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

Colombia is subject to economic, political and other uncertainties, including changes in monetary, exchange control and trade policies that could affect the overall business environment in Colombia, which would, in turn, affect our results of operations and financial condition. For example, the Central Bank of Colombia (the "Colombian Central Bank" or "Central Bank"), could sharply raise or lower interest rates, which could negatively affect our net interest income and asset quality, and also restrict our growth. Variations in exchange rates could also negatively affect the foreign currency positions of our borrowers or our or our subsidiaries' solvency, liquidity or profitability. Any of these events could have an adverse effect on our results of operations and financial condition.

Decreases in the growth rate of the Colombian economy, periods of negative growth, material increases in inflation or interest rates, or high fluctuations in the exchange rate could result in lower demand for, or affect the cost of risk and the pricing of our services and products. Due to the fact that a large percentage of the costs and expenses of our subsidiaries is fixed, we may not be able to reduce costs and expenses upon the occurrence of any of these events, in which case our profitability could be affected.

In the case of our pension and severance fund management business, economic conditions may affect the businesses and financial capacity of employers, which may result in a reduction in employee-contributor head counts or decrease the ability of employers to create new jobs or increase employee incomes and could reduce returns on "stabilization reserves" and/or performance-based fees.

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

Our results of operations and financial condition also depend on economic, political and social conditions in other countries where our non-Colombian subsidiaries operate, primarily in Central America.

As stated above, the political, economic and social environments in such countries are affected by many different factors, including significant governmental influence over local economies, substantial fluctuations in economic growth, high levels of inflation, exchange rate movements, exchange controls or restrictions on expatriation of earnings, high domestic interest rates, civil strife, political instability, drug trafficking and other forms of organized crime, wage and price controls, changes in tax policies, imposition of trade barriers, changes in the prices of commodities and unexpected changes in regulation. The results of operations and financial condition of our Central American operations could be affected by changes in economic and other policies of each country's government, which have exercised and continue to exercise substantial influence over many aspects of the private sector, and by other social and political developments in each country.

Adverse economic, political and social developments, including allegations of corruption against the Colombian Government and governments of other countries in which we operate in Central America, may adversely affect demand for banking services and create uncertainty regarding our operating environment, which could have a material adverse effect on our subsidiaries and, consequently, on our company.

The Colombian and Central American economies remain vulnerable to external shocks.

A significant decline in economic growth of any of Colombia's or Central America's major trading partners could have a material adverse effect on the trade balance and economic growth of the countries where we operate. In addition, a "contagion" effect, where an entire region or asset class becomes less attractive to, or subject to outflows of funds by, international investors could negatively affect Colombia or Central American countries in which we operate. Lower than expected economic growth may result in asset quality deterioration and could negatively affect our business.

Pension funds, such as those managed by Porvenir, invest globally and thus are affected by regional and global economic factors. Lower economic growth of Colombia's major trading partners or a contagion effect in the region or globally may lead to lower pension funds returns, which may in turn result in decreases in assets under management and affect our business, results of operations or financial condition.

Fluctuations in commodity prices and volatility in exchange rates in the past have led to a deceleration in growth. In particular, the oil industry remains an important determinant of Colombia's economic growth. Substantial or extended declines in international oil prices or national oil production may have an adverse effect on the overall performance of the Colombian economy and could have an adverse impact on the results of operations and financial condition of oil industry companies, which could have an adverse impact on our loans to oil industry companies. Our banking subsidiaries do not maintain a significant overall exposure to oil industry clients and have not been materially impacted by the decrease in international oil prices, however, if we increase our exposure to the oil industry, continuing falling market prices, pose significant challenges to Colombia's near-term outlook and may impair the ability of some of the clients of our banking subsidiaries to repay their debt obligations. Although the growth of the Colombian economy is expected to be steady in the future, there is no guarantee that the past decade's average growth will be maintained.

A low rate of growth of the Colombian economy, a slowdown in the growth of customer demand, a loss of market confidence, an increase in market competition, or changes in governmental regulations, could adversely affect the rate of growth of our loan portfolio and our cost of risk and, accordingly, increase our required loss allowances for loans. All of these conditions could lead to a general decrease in demand for borrowings. In addition, the effect on consumer confidence of any actual or perceived deterioration of household incomes in the Colombian or Central American economies may have a material adverse effect on our results of operations and financial condition.

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

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

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

Some of Colombia's neighboring countries, particularly Venezuela, have experienced and continue to experience periods of political and economic instability. A significant number of Venezuelans have emigrated amid food and medicine shortages and profound political divisions in their country and a relevant portion of those migrants have opted to live in Colombia, and many have arrived with only what they could carry. Providing migrants with access to healthcare, utilities and education may have a negative impact on Colombia's economy if the Government is not able to respond adequately to legalize migrants, generate programs to create jobs and help them find formal employment, and increase tax revenue and consumption.

Moreover, diplomatic relations with neighboring countries have from time to time been tense and affected by events surrounding the Colombian military forces' confrontations with guerilla groups, particularly on Colombia's borders with Venezuela.

Further economic and political instability in Colombia's neighboring countries or any future deterioration in relations with countries in the region may result in the closing of borders, the imposition of trade barriers and a breakdown of diplomatic ties, or a negative effect on Colombia's trade balance, economy and general security situation, which may adversely affect our results of operations and financial condition.

We may be exposed to uncertainty in agricultural business as a result of the armed conflict taking place in Eastern Europe. A significant number of companies which develop agribusiness in Colombia, use fertilizers that come from that region. On account of the commercial sanctions imposed by the United States and another countries, this sector of the Colombian economy is expecting increases in the prices of fertilizers and restrictions to doing business with providers that are established in that part of the world. We cannot provide assurance that these variations will not increase the price of products that are related to agricultural suppliers and business. Likewise, as a consequence of the aforementioned sanctions, the oil price fluctuation could cause an increase in the diesel and fuel prices in Colombia, increasing the inflation rate caused by the price hikes in the transportation fare.

Finally, political conditions such as changes in the United States policies related to immigration and remittances, could affect the countries in which we operate. Economic conditions in the United States and the region generally may be impacted by the United States-Mexico-Canada Agreement. This could have an indirect effect on the Colombian economy and the countries in which we operate.

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

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

Colombian and Central American governments have historically exercised substantial influence over their economies, and their policies are likely to continue to have a significant effect on companies, including us.

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

The 2022 elections in Colombia may result in substantial changes in Colombia's government policies as a result of the election of a new president and new senators and representatives in Congress.

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

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

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

Grupo Aval and certain of its subsidiaries and officers are defendants or parties in government enforcement actions and/or subject to ongoing governmental investigations relating to the Ruta del Sol Project Sector 2 that could cause us to incur penalties and other sanctions, impact our ability to conduct our business, harm our reputation and negatively impact our financial results.

Grupo Aval and certain of its subsidiaries and officers are defendants or parties in government enforcement actions and/or subject to ongoing governmental investigations relating to the *Ruta del Sol* Project Sector 2 in Colombia and the United States. For further information about these proceedings and investigations, see “Item 8. Financial Information—A. Consolidated statements and other financial information—Legal proceedings”.

We and our subsidiaries are exposed to a variety of potential material negative consequences as a result of these proceedings and investigations, which could result in judgments, settlements, admissions of wrongdoing, criminal convictions, fines, penalties, injunctions, cease and desist orders, debarment or other relief and we and our subsidiaries could be exposed to other litigation as a result of these proceedings and investigations, including actions initiated by shareholders.

Such investigations and proceedings, which are the subject of extensive media coverage and political interest in Colombia, could also have significant collateral consequences for our company and our subsidiaries, including damage to reputation, loss of customers and business, the inability to offer certain products and services, disqualification or losing permission to operate certain businesses for a period, the dissemination of potentially damaging information that may come to light in the course of the investigations and proceedings and other direct and indirect adverse effects. Management will need to continue to direct substantial time and attention to resolving such matters, which could prevent them from focusing on our core businesses. We can provide no assurance that the outcome of any such investigations and proceedings will not be material to our business, financial position, results of operations or our financial position.

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

New tax laws and regulations, and uncertainties with respect to future tax policies, pose risks to us. In recent years, Colombian tax authorities have imposed additional taxes in a variety of areas, such as taxes on dividends, withholdings on debt service, taxes on financial transactions, to fund Colombia’s war against terrorism and taxes created in order to fund post-conflict programs. However, the Colombian Government was required by Law 1473 of 2011, also known as Law of Fiscal Rule, to significantly reduce its fiscal deficit and address issues regarding public policy, oil price volatility, migrations, public health events or other events that could require further tax reforms over the following years, since COVID – 19, the Colombian Congress enacted an amendment to the Fiscal Rule Law (Law 2155 of 2021 by means articles 60 and 61), changing the Fiscal Rule calculation from an annual goal to a debt limit of 71% of GDP and establishing a new committee in charge of promoting and controlling the aforementioned measure. This, in addition to an increase in fiscal deficit and pressure from rating agencies, could lead to higher taxation rates on our business and that of our borrowers. Changes in tax-related laws and regulations, and interpretations thereof, can impact tax burdens by increasing tax rates and fees, creating new taxes or withholdings, limiting tax deductions, and eliminating tax-based incentives and non-taxed income. In addition, tax authorities or courts may interpret tax regulations differently than we do, which could result in tax litigation and associated costs and penalties.

Between 2012 and 2021, the Colombian Congress passed seven tax reforms submitted by the Colombian Government, the most recent of which is Law 2155, enacted in 2021, also known as the “*Law of Social Investment,”* which seeks to mitigate the economic impact of the COVID-19 pandemic. The Colombian Government has announced that this reform includes an increase in corporate income taxes and a surcharge for financial entities and the removal or deferral of some special deductions and benefits. We highlight the following matters

(i) After the tax year 2022 the general rate for the income tax applicable to corporate profits will be 35%. In the case of financial institutions such rate will be superior (38%), starting in 2022 and finishing in 2025. The surtax shall be paid in advance considering the taxable rate of the preceding year.

(ii) Some rules regarding the ultimate beneficial owner (*"Beneficiario Final"*) were adopted to clarify who as an ultimate payer must be accountable for the payment of taxes.

(iii) Extension for an additional year, (from 2021 to 2022) for certain tax exemptions related to the hotel industry.

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

For further information, see "Item 10. Additional Information—E. Taxation".

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

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

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

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

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

We are exposed to natural disasters, such as earthquakes, volcanic eruptions, tornadoes, tropical storms and hurricanes. Heavy rains or abnormally low rainfall in Colombia and other countries in which we operate, attributable in part to the *La Niña* and *El Niño* weather patterns, have resulted in severe flooding, mudslides and prolonged droughts in the past. These are recurring weather phenomena that may occur on an equal or greater scale in the future. In addition to severe weather and natural disasters, acts of war or terrorism, rioting and other adverse external events could have a significant impact on our ability to conduct business and may, among other things, affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral of secured loans, cause significant property damage, cause us to incur additional expenses and/or result in loss of revenue. In the event of such circumstances, our disaster recovery plans may prove to be ineffective, which could have a material adverse effect on our ability to conduct our businesses, particularly if such an occurrence affects computer-based data processing, transmission, storage and retrieval systems or destroys customer or other data. In addition, if a significant number of our employees and senior managers were unavailable because of a natural disaster, our ability to conduct our businesses could be compromised. Natural disasters, acts of war or similar events could also result in substantial volatility in our results of operations for any fiscal quarter or year.

Our operations and results may be negatively impacted by public health threats such as the coronavirus outbreak or other pandemic diseases

Global and local health concerns, including the outbreak of pandemic or contagious disease, such as the recent coronavirus (COVID-19) outbreak, may disrupt economic activity and adversely affect us.

Since December 2019, COVID-19 began to spread in China and promptly expanded to Europe, the United States and more than 200 countries, including Colombia and other countries in which we operate. Such events caused disruption of regional and global economic activity, which affected and may continue to affect our operations, financial results and the quality of our loan portfolio due to long periods of quarantines, unemployment, reduced household and corporate income, laws or regulation that impair our ability to operate, charge fees or interests or collect debt service, aggregate demand and limitations in the production and commerce of goods and services.

To address the COVID-19 crisis and prevent its spread, the Colombian Government issued Decree 417 of 2020 by means of which the President of Colombia declared a State of Emergency for 30 calendar days. With the declaration of the State of Emergency the President was invested with the necessary powers to issue decrees with the force of law, in order to deal with the unforeseen circumstances generated by COVID-19. This regulation has been extended over time to mitigate new variants of the virus and afford measures to contain the spread of the disease.

Governments in the countries in which we operate have issued sanitary restrictions designed to reduce COVID-19 infections, such as preventive quarantines, suspension of on-site lectures, border restrictions, as well as the suspension of public events and the installment of mandatory social distancing regulations; with the exception of the Nicaraguan Government, which has not taken more strict precautions and instead maintains basic epidemiological surveillance and basic hygiene controls. In the case of Colombia, Costa Rica, Honduras, Panama and Guatemala, partial curfews have been established, to further restrict citizens' exposure to the virus. Furthermore, Colombia has applied a national COVID-19 vaccination program and has implemented a sanitary pass, which allows fully vaccinated citizens to enter massive events, restaurants and certain locations. These restrictions may impact the financial results of some companies and commerce in which we provide financial services, restricting unvaccinated citizens from entering and using the services offered by them, reducing the scope of the sales for this target and limiting their economy to the vaccinated people.

See "Item 4. Information on the Company—B. Business overview—Supervision and regulation", "Item 5. Operating and Financial Review and Prospects" and "Item 11. Quantitative and Qualitative Disclosures About Market Risk" for further information on credit risk management, relief measures available for customers, additional measures taken by Governments and central banks, and an overall analysis of the negative impacts of coronavirus on our business, financial condition and results of operations including the line items referenced above.

Risks related to global climate change and environmental requirements

Climate change initiatives, laws or regulations, seeking to protect and adapt the companies to the environment, could be applicable to us in a non-material way. However, even if the impacts of such dispositions are not related specifically to the core business of Grupo Aval, it could have an effect on some of our affiliates' financing products. The occurrence of environmental changes in dry seasons, floods, droughts, and others climate variations or changes in the local environmental legislation, could result in decreases of business operations for some of our banking customers due to lower revenues and slower business production or in asset impairment. Clients whose productivity and financial conditions could be affected by climate change policies could experience delays on repayment obligations to our banking subsidiaries or lower credit profiles susceptible to downturns in the economy. Also, we might not be able to continue providing services to customers that participate in businesses with an adverse environmental impact or limited those suppliers with low or no climate change protocols. We could also be subject to reputational risk as a result of shifting sentiment among customers and increasing attention and scrutiny from other stakeholders on our response to climate change. Moreover, some of our investments related to energy and gas, infrastructure, agribusiness and hotel industries are vulnerable to the environmental changes mentioned above.

In 2021, Colombian President, Ivan Duque Marquez, announced that the country will aim to reduce the greenhouse gas emissions ("GHG") by 51% by the year 2030, following thirty initiatives to reach this goal. Furthermore, in 2021, Congress enacted Law 2169 (known as "Law of Climate Action"). The scope of the law establishes targets and minimum objectives to achieve carbon neutrality, climate resilience and low carbon development in the country in the short, medium and long term, within the framework of international commitments.

Regulations governing the gas industry and tourism sector, in which we operate, establish that companies in these sectors must adopt protocols to set forth strategies, actions and forecasts to anticipate any future damage derived from climate change. The implementation of these policies, both at the national and industry level, may affect our business, financial condition and results of operations.

Risks relating to our businesses and industry

Risks relating to our banking business

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

Changes in the financial condition or credit profiles of customers of our banking subsidiaries and increases in inflation or interest rates and foreign exchange volatility could have a negative effect on the quality of our banks' loan portfolios, potentially requiring them to increase impairment losses on loans and accounts receivable or resulting in reduced profitability. In particular, the percentage of past due or impaired loans may increase in the future as a result of factors beyond our control, such as economic conditions and political events affecting Colombia generally or specific sectors of the economy.

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

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

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

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

Our banking subsidiaries originate loans that are secured by collateral, including real estate and other assets that are generally located in Colombia and the countries where we operate. The value of collateral may significantly fluctuate or decline due to factors beyond the control of our subsidiaries, including, for example, prevailing economic and political conditions in the relevant jurisdiction. At December 31, 2021, 46.2% of consolidated loans past due more than 30 days were secured. An economic slowdown may lead to a downturn in the Colombian or Central American real estate markets, which may, in turn, result in declines in the value of real estate securing loans to levels below the principal balances of these loans. Any decline in the value of the collateral securing these loans or any other collateral securing these loans may result in reduced recoveries from collateral realization and have an adverse effect on our results of operations and financial condition. We may also not have sufficiently recent information on the value of collateral, which may result in an inaccurate assessment for loss allowance of our loans secured by such collateral. If this were to occur, we may need to incur additional impairments to cover actual losses of our loans, which may materially and adversely affect our results of operations and financial condition.

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

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

Colombian and Central American insolvency laws may limit the ability of our banking subsidiaries to collect on monetary obligations and enforce rights against collateral or under guarantees.

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

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

Given the economic crisis resulting from the stay-at-home orders and quarantine measures implemented by the Colombian Government, courts were closed during a significant portion of 2020. For that reason, and despite the implementation of virtual procedures (such as virtual hearings), several court procedures have accumulated and the usual length of legal proceedings has increased.

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

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

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

Our Colombian banks' securities portfolio primarily consists of debt securities issued or guaranteed by the Colombian Government. We are exposed to significant credit, market and liquidity risks associated with debt securities. At December 31, 2021 and 2020, debt securities represented 13.1% and 12.2% of our consolidated total assets, respectively, of which 42.5% and 44.1% were issued by the Colombian Central government, and 23.3% and 18.7% were issued or backed by Central American governments, respectively. A significant decline in the value of these government securities could materially and adversely affect our debt securities portfolio and, consequently, our financial condition and results of operations. See "Item 4. Information on the Company—B. Business overview—Supervision and regulation—Mandatory Investments".

We are subject to counterparty risk in our banking business.

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

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

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

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

In connection with this regulation, the Superintendency of Finance has issued External Circular 07 of 2021 regarding investments in restricted assets by pension funds, as well as an amendment to External Circular 018 of 2021, which consolidates rules regarding credit, market, liquidity, counterparty, operational, sovereign, collateral and insurance risks under one unified view (*SIAR*, per its acronym in Spanish), which seeks to improve the risk administration of the entities. This regulation will come into effect in June 2023.

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

The principal sources of funding for our banking subsidiaries are savings deposits, time deposits and checking accounts, which together represented 71.4% and 73.5% of our consolidated total liabilities at December 31, 2021 and 2020, respectively. Because our banking subsidiaries rely primarily on deposits for funding, a sudden or unexpected shortage of funds in the banking systems in which we operate or overnight money markets may prevent our banking subsidiaries from meeting their obligations or obtaining necessary funding without incurring higher costs or selling certain assets at prices below prevailing market values, which could materially and adversely affect our results of operations and financial condition. The liquidity of our financial entities could also be impacted by reputational events affecting our entities as well as systemic events.

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

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

Downgrades in our long-term credit ratings or in the credit ratings of our banking subsidiaries would increase the cost of, or impair access to, funding and may impact our ability to maintain regulatory capital ratios.

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

Our banking subsidiaries may be required to raise additional capital in the future to maintain regulatory capital ratios and provide liquidity to meet commitments and business needs, particularly if asset quality or earnings were to deteriorate. Since February 6, 2019, we are subject to the inspection and supervision of the Superintendency of Finance as the financial holding of the Aval Financial Conglomerate and we might be required in the future to raise additional capital to comply with new regulatory adequacy rules applicable to us at the conglomerate level. Furthermore, Decree 1477 of 2018 modified the capital adequacy requirements applicable to financing entities in Colombia. As a result, our banking subsidiaries successfully migrated to Basel III capital requirements on January 1, 2021 and complied with minimum regulatory capitalization ratios. Along with this regulation, Superintendency of Finance issued External Circular 09 of 2021, providing instructions for the general and particular approvals required for financial holdings in order to make capital investments. See "Item 4. Information on the Company—B. Business overview—Supervision and regulation". For a summary of our and our banking subsidiaries current credit ratings and outlook, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and capital resources—Funding".

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

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

On July 13, 2021, Fitch Ratings downgraded Colombia's sovereign debt credit rating. As a consequence, Grupo Aval, along with 13 Colombian companies that have an international rating for international markets purposes, received the same downgrade, moving from BBB- down to BB+. Although this downgrade is not related to the results of operations of the group, it is possible that it may result in a higher cost for incurring in foreign debt.

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

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

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

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

The credit card industry is characterized by higher consumer default than other segments of the credit markets, and defaults are highly related to macroeconomic indicators that are beyond our control. If Colombian and Central American economic growth rate slows or turns negative, or if we fail to effectively analyze the creditworthiness of our customers (including the targeting of certain sectors), we may be faced with unexpected losses that could have an adverse effect on our results of operations and financial condition.

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

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

On September 21, 2017, the Colombian Congress passed Law 1870 to strengthen the regulation and supervision of financial conglomerates, also known as Law of Financial Conglomerates (*Ley de Conglomerados Financieros*). This law sets out the principles for supervising and regulating financial conglomerates. This law and its regulatory decrees (i) established criteria for identifying members of the financial conglomerates, as well as their controlling financial holding companies; (ii) provided the Colombian Government and Superintendency of Finance with tools to regulate and supervise financial conglomerates with respect to capital adequacy, corporate governance standards, risk management, internal control and criteria for identifying, administering, monitoring and revealing conflicts of interest; and (iii) established obligations and responsibilities applicable to the financial holding companies regarding the application and promotion of guidelines and rules across the financial conglomerates. Financial holding companies may be exposed to sanctions and fines derived from the breach of this law and its regulatory decrees by any member of the financial conglomerate. However, no fines have been imposed since the issuance of this law. We cannot assure that such law and its regulatory decrees will not have a material adverse impact on us. See "Item 4. Information on the Company—B. Business overview—Supervision and regulation—Regulatory framework for Colombian Financial Conglomerates".

Colombia and Central America have been impacted by regulatory changes regarding banking and corporate laws and regulations. In general terms, the COVID-19 pandemic has resulted in an array of special laws and regulations that have had a direct and/or indirect impact over our business in Colombia and in Central America; these rules have spanned from declaring national emergencies (i.e. establishing lockdowns, requiring business closures, restricted mobility, mandatory quarantines, curfews and/or public transportation limitations, allowing delays in judicial proceedings, etc.) to diverse labor-related regulations (e.g. suspension of work agreements), mandatory deferrals and other regulatory measures aimed at providing relief to clients impacted by the economic challenges resulting from the multiple health-related measures that were enacted.

In Colombia, as a response to the adverse impact of COVID-19 in the economy, the Superintendency of Finance issued External Circular 007 of 2020, through which financial institutions were required to apply favorable conditions to the loans granted to customers affected by the COVID-19 pandemic. Additionally, the Superintendency of Finance issued External Circular 008 of 2020 to promote the use of digital channels for the provision of financial services. The Superintendency of Finance also issued External Circular 009 of 2020 providing financial institutions with instructions with respect to the measures to be implemented to mitigate the effects of the COVID-19 pandemic on financial markets. Regarding credit risk management, the Superintendence of Finance issued External Circular 022 of 2020 establishing a debtor support program (*Programa de Acompañamiento a Deudores*) and additional prudential measures regarding credit risk which allowed financial institutions to review the terms and conditions of their loans without affecting their credit ratings. The application of this debtor support program was extended by the External Circular 012 of 2021 until August 31, 2021.

Similar or other measures intended to relieve the adverse economic impacts of COVID-19 were also enacted in Latin America, including Panama, Honduras, Costa Rica and El Salvador, which have impacted our results of operations in the year ended December 31, 2021 and, notwithstanding our spin-off and deconsolidation of BHI, may continue to impact our results of operations in future periods, through our retained equity method interest in BHI.

Further, our Panamanian operations may be materially and adversely impacted by measures taken by the Panamanian government, which include Bill No. 420, which is drafted to apply a maximum interest rate of 1.25% per month to banking operations. This Bill also intends and to amend the criminal code to make lending at a superior rate a criminal offense punishable with three to five years in prison. The Bill remains subject to debate and approval by the National Assembly and President

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

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

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

Our Colombian banks, as well as Corficolombiana, Porvenir and our international banking operations, are subject to regulation and supervision by financial authorities. These regulatory authorities have broad powers to adopt regulations and other requirements affecting or restricting virtually all aspects of our subsidiaries' organization and operations, including, for example, the imposition of anti-money laundering measures and the authority to regulate the terms and conditions of credit transactions. Failure to comply with applicable regulations could subject our banking subsidiaries to fines or sanctions or even revocation of licenses or permits to operate. In the event that any of these subsidiaries encounter significant financial problems, is in danger of insolvency or becomes insolvent, or is otherwise deemed as non-viable, the financial authorities would have broad powers to intervene in our management and operations, including suspending or removing management and, in extreme circumstances, putting our banks, Corficolombiana, Porvenir and our international banking operations, into conservatorship or receivership or taking control of our banks, Corficolombiana, Porvenir and our other subsidiaries. Since February 6, 2019, Grupo Aval is subject to the inspection and supervision of the Superintendency of Finance as the financial holding of the Aval Financial Conglomerate and is required to comply with capital adequacy and additional regulations applicable to financial conglomerates that became effective on November 2019 and February 2020. As a result, we may become subject to more stringent regulation. See "Item 4. Information on the Company—B. Business overview—Supervision and regulation".

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

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

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

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

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

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

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

<u>Risks relating to our merchant banking business</u>

Difficult market conditions can adversely affect Corficolombiana's business.

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

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

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

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

As of December 31, 2021, 78.3% of Corficolombiana's investments were made in privately-held companies. There are often no readily ascertainable market prices for such securities or for those investments of Corficolombiana in listed companies with low or medium trading volumes. As a result, there may be limited or no marketability for these investments, and they may decline in value while Corficolombiana might be seeking to dispose of them. Because there is significant uncertainty as to the valuation of illiquid investments, the stated values of such investments may not necessarily reflect the values that could be realized by Corficolombiana. In addition, in some cases, Corficolombiana may be prevented by contract from selling such investments for a period. Corficolombiana's ability to dispose of investments may also be dependent on factors beyond its control. Thus, it is possible that investments in privately-held companies will only be disposed over a substantial length of time, if at all, exposing the investment returns to risks of declines in market prices during the intended disposition period. Accordingly, under certain conditions, Corficolombiana may be forced to either sell securities at lower prices than it had expected to realize or defer—potentially for a considerable period—sales that it had planned to make.

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

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

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

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

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

The majority of Corficolombiana's investment portfolio is concentrated in the energy and gas, infrastructure, agribusiness, hotels and financial services. Energy and gas and infrastructure accounted for 92.3% of Corficolombiana's total investment portfolio as of December 31, 2021. During periods of difficult market conditions or slowdowns in these sectors, Corficolombiana may experience decreased revenues, difficulty in obtaining access to financing and increased funding costs.

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

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

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

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

Many of these difficulties and delays are beyond Corficolombiana's control and could negatively impact its ability to achieve its anticipated return from its investments. Delays and additional costs may be substantial and not recoverable from third parties or insurance providers, and in some cases, may cause substantial financial losses. Failure to meet any of their schedules or performance obligations could also result in additional costs or penalties, including liquidated damages, and such amounts could exceed profits from these projects. In extreme cases, the abovementioned factors could cause project cancellations, and Corficolombiana may not be able to replace such projects with similar projects or at all. Such delays or cancellations may impact Corficolombiana's investments, its reputation or relationships with customers and could have a material adverse effect on Corficolombiana's business, results of operations or financial condition.

Risks relating to our pension and severance fund management business

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

Porvenir's operations are regulated by Law 100 of 1993, as amended, the Organic Statute of the Financial System (*Estatuto Orgánico del Sistema Financiero*), or "EOSF", Decree 2555 of 2010 issued by the Ministry of Finance, as amended, and regulations issued by the Superintendency of Finance and, to the extent applicable, Colombian Corporation Law. These regulations limit the range of assets in which pension fund administrators, or "AFPs", can invest and also set investment limits, depending on the type of mandatory pension or severance fund managed by each AFP. AFPs can manage four types of mandatory pension funds (i) Lower Risk Fund ("*Fondo Conservador*"), (ii) Mid-Risk Fund ("*Fondo Moderado*"), (iii) High Risk Fund ("*Fondo de Mayor Riesgo*") and (iv) Planned Retirement Fund ("*Fondo Especial de Retiro Programado*"), and two types of severance portfolios (i) Short Term portfolio ("*Portafolio de Corto Plazo*") and (ii) Long Term portfolio ("*Portafolio de Largo Plazo*"). In addition, each AFP is legally required to provide a minimum return on investment for each mandatory of its pension and severance funds. See "Item 4. Information on the Company—B. Business overview—Pension Fund Management-Porvenir—Pension Business Overview".

The Colombian Government has for several years announced that it is considering presenting to the Colombian Congress a bill to amend current pension fund regulation to improve access to coverage, reduce inequality, and consolidate the financial sustainability of the system. As a result of the accession process of the Colombian Government to become a member country of the Organization for Economic Co-operation and Development (OECD) further regulation amending the current pension fund regulation may be expected. The future regulation may not provide a favorable business environment and may adversely affect our results of operations and the financial condition of our pension and severance fund management business.

Furthermore, Porvenir manages voluntary pension funds (*fondos de pensiones de jubilación e invalidez*) created by Decree 2513 of 1987 as supplementary savings vehicles for pensions, which are independent and different from the mandatory pension funds and benefit from tax incentives. Subject to certain limits, savings in voluntary pension funds are considered as exempt income for purposes of the corporate income tax (*Impuesto de Renta*) under rules defined in article 1261-1 of the Tax Statute. These exemptions have been subject to modifications through tax reforms such as Law 1607 of 2012, Law 1819 of 2016, Law 1943 of 2018, also known as *Ley de Financiamiento* substantially replaced by Law 2010 of 2019, also known as Economic Growth Law. Changes in the applicable regulation to voluntary pension funds, in particular with respect to its tax benefits, could reduce the interest in this type of savings products and generate an adverse effect on the management fees received by Porvenir for the administration of these funds. Finally, Law 2112 of 2021 has allowed pension funds to invest in private capital funds (*fondos de capital privado*, similar to “hedge funds”) up to 3% of its value in order to promote entrepreneurship.

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

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

Other risks relating to our businesses

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

Market risk refers to the probability of variations in income or in the market value of assets and liabilities due to changes in markets, including variations in market rates of interest and foreign currency exchange rates. Changes in interest rates affect the following areas, among others, of our banks’ businesses: net interest income, the volume of loans originated, market value of securities holdings, asset quality, and gains from sales of loans and securities. We do not manage market risk on a group-wide basis and are not subject to regulation or supervision of market risk on a group-wide basis.

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

We have regional exposure to fluctuations in interest rates. If there are significant increases in such rates in any of the countries in which BAC and MFG operate, our operating margins may be adversely affected and our results of operations may experience significant adverse consequences.

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

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

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

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

Various regulators, industry bodies and other market participants in the U.S. and other countries are engaged in initiatives to develop, introduce and encourage the use of alternative rates to replace certain benchmarks. There is no assurance that these new rates will be accepted or widely used by market participants, or that the characteristics of any of these new rates will be similar to, or produce the economic equivalent of, the benchmarks that they seek to replace. If a particular benchmark were to be discontinued and an alternative rate has not been successfully introduced to replace that benchmark, this could result in widespread dislocation in the financial markets, engender volatility in the pricing of securities, derivatives and other instruments, and suppress capital markets activities, all of which could have adverse effects on our results of operations. In addition, the transition of a particular benchmark to a replacement rate could affect hedge accounting relationships between financial instruments linked to that benchmark and any related derivatives, which could adversely affect our results.

The U.K. Financial Conduct Authority, which regulates the London Interbank offered rate ("LIBOR, "), has announced that, after specified dates, LIBOR settings will cease to be provided by any administrator or will no longer be representative of the underlying market and economic reality that such settings are intended to measure. Those dates are: (i) June 30, 2023, in the case of the principal U.S. dollar LIBOR tenors (overnight and one, three, six and 12 months); and (ii) December 31, 2021, in all other cases (i.e., one week and two month U.S. dollar LIBOR and all tenors of non-U.S. dollar LIBOR). Accordingly, many existing LIBOR obligations will transition to another benchmark after June 30, 2023 or, in some cases, after December 31, 2021. However, those transition dates may occur earlier. The U.K. Financial Conduct Authority and certain U.S. regulators have encouraged market participants to cease entering into new contracts using U.S. dollar LIBOR by December 31, 2021, despite expected publication of U.S. dollar LIBOR through June 30, 2023. Regulators have also stated that, for certain purposes, market participants should transition away from U.S. dollar LIBOR sooner. It is not possible to know what the effect of any such changes in views or alternatives may have on the financial markets for LIBOR-linked financial instruments. The Bank of England and the FCA are working with market participants to catalyze a transition to using the Sterling Overnight Index Average (Sonia). In addition, the Alternative Reference Rates Committee, a group of private-market participants and official-sector entities convened by the Federal Reserve Board and the Federal Reserve Bank of New York, has recommended that the Secured Overnight Financing Rate (SOFR) replace U.S. dollar LIBOR. Further, in March 2022, the United States enacted legislation that, among other things, would automatically substitute the applicable SOFR in certain LIBOR-based contracts that lacked effective LIBOR "fallback", or replacement provisions. For example, SOFR and other alternate reference rates have compositions and characteristics that differ significantly from the benchmarks they may replace, have limited history, and may demonstrate less predictable performance over time than the benchmarks they replace.

These and other reforms may cause benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be fully anticipated which introduces a number of risks for Grupo Aval. These risks include (i) legal risks arising from potential changes required to documentation for new and existing transactions; (ii) risk management, financial and accounting risks arising from market risk models and from valuation, hedging, discontinuation and recognition of financial instruments linked to benchmark rates; (iii) business risk that the revenues of products linked to LIBOR (in particular those indices that will be replaced) decrease; (iv) pricing risks arising from how changes to benchmark indices could impact pricing mechanisms on some instruments; (v) operational risks arising from the potential requirement to adapt IT systems, trade reporting infrastructure and operational processes; (vi) conduct risks arising from the potential impact of communication with customers and engagement during the transition period; and (vii) litigation risks regarding our existing products and services, which could adversely impact our profitability.

As of December 31, 2021, Grupo Aval had Ps 37,052.0 billion of non-derivative financial assets and loan commitments, Ps 19,840.3 billion of non-derivative financial liabilities that used LIBOR as a benchmark, as well as trading derivatives assets and liabilities with a fair value of Ps 31.8 billion and Ps 79.9 billion, respectively and derivatives held for risk management whit a fair value of Ps 166.9 billion with such characteristics. Most of these outstanding LIBOR-based loans, borrowings and contracts include fallback provisions to alternative reference rates. In March 2021, the Financial Conduct Authority (FCA), as the regulator of ICE (the authorized administrator of LIBOR), announced that after December 31, 2021 LIBOR settings for sterling, euro and the one-week and two-month U.S. dollar settings will either cease to be provided or no longer be representative. Grupo Aval's subsidiaries have insignificant positions in the LIBOR references that expired on December 31, 2021, even so, all the contracts included fallback clauses that allowed a transition to new alternative rates without affecting their compliance. Most of the contracts, indexed to the remaining U.S. dollar settlings will cease to be provided or no longer be representative after June 30, 2023, include fallback provisions or adequate fallback mechanisms. However, it is not currently possible to determine whether, or to what extent, any such changes would affect us. The implementation of alternative benchmark rates may have a material adverse effect on our business, results of operations, financial condition and prospects.

We may be adversely affected by fluctuations between the value of the Colombian peso or other local currencies where we operate, and the U.S. dollar as a result of U.S. dollar-denominated indebtedness and assets, and as a result of our Central American operations.

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

We are subject to impacts on our statement of income and/or statement of financial position derived from fluctuations of the Colombian peso, in particular, against the U.S. dollar, where most of our foreign long-term debt is denominated, and the Colombian peso, and between the U.S. dollar and each of the currencies in our Central American operations, as 44.2% of our average consolidated assets for the year ended December 31, 2021 and 47.9% of our average consolidated liabilities for the year ended December 31, 2021 were foreign currency-denominated.

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

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

The exchange rate fluctuation between the Colombian peso and U.S. dollar also affects our results as the functional currency of BHI and MFH, is the U.S. Dollar. See “Item 5. Operating and Financial Review and Prospects—A. Operating results—Results of Operations for the Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020—BHI” for a description of the effect of such fluctuation on BHI’s results.

A substantial portion of BAC’s earnings, assets and liabilities are in Costa Rican Colones, Guatemalan Quetzals, Honduran Lempiras, Nicaraguan Córdobas, Panamanian Balboas (1 Balboa is equivalent to 1 U.S. dollars) and U.S. dollars. A substantial portion of MFG’s earnings, assets and liabilities are in Panamanian Balboas (1 Balboa is equivalent to 1 U.S. dollars) and U.S. dollars. As a result, our Central American operations are subject to risks relating to foreign currency exchange rate fluctuations between these currencies and pesos.

Foreign exchange rate risks associated with U.S. dollar-denominated liabilities are hedged with the net investment that Grupo Aval maintains in BAC and MFH through Banco de Bogotá. The difference between the U.S. dollar-denominated debt and the net investments in BAC and MFH (including any goodwill associated with the acquisitions) may result in a net U.S. dollar asset position which Grupo Aval, through Banco de Bogotá and BHI may hedge with forward contracts. For more information see Note 10 to our audited consolidated financial statements. This strategy materially hedges our equity against fluctuations in the exchange rate between the value of the Colombian peso and the U.S. dollar, but may generate volatility in our leverage ratios as measured by regulators or by rating agencies.

In accordance with its market risk policies, BAC maintains a U.S. dollar net asset position (long U.S. dollar position) which is intended to hedge its shareholders’ equity against possible devaluations of each of the local currencies in the countries where it operates against the U.S. dollar.

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

Our banking subsidiaries, Corficolombiana, Porvenir and some other subsidiaries are allowed to engage in proprietary trading, and we might derive a portion of our profits from such trading activities. As a result, any reduction in trading income could adversely affect our results of operations and financial condition. Our trading income is volatile and dependent on numerous factors beyond our control, including, among others, market trading activity, interest rates, exchange rates and general market volatility. A significant decline in our trading income, or large trading losses, could adversely affect our results of operations and financial condition.

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

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

The Colombian Commercial Code ("*Código de Comercio*") limits the amount of interest our Colombian subsidiaries may charge on commercial transactions, including transactions of our banking subsidiaries. In the future, regulations in Colombia or other countries in which we operate, could impose increased limitations regarding interest rates or banking fees. Law 1430 of December 2010, as amended, authorizes the Colombian Government to impose or place limits on tariffs and fees charged by banks and other financial institutions where the Government has determined that there is insufficient competition in a relevant market. Additionally, the law requires the Superintendency of Finance to implement a monitoring scheme of the tariffs and fees charged by the financial institutions in their relevant markets and to report the results of this evaluation semi-annually to the Colombian Government. The Colombian Government issued Decree 4809 of 2011 and Decree 1854 of 2015, which (i) require banks to provide each of their clients with statements of all fees charged to such clients on an annual basis, (ii) set a limit on the fees that banks may charge to their clients for withdrawals from automated teller machines of other banks and (iii) establish that transactions through the internet may not cost more than those made through other channels. Accordingly, the Superintendency of Finance has issued External Circular 012 of 2012, setting the rules and principles that must be followed by banking and financial institutions at the time of establishing, publishing and promoting their tariffs and fees. On 2021, Colombian Congress enacted different laws which may potentially impact our business. For example, Law 2177 of 2021 requires banks to provide financial services to retail and corporate customers involved in the mining sector. At the same time, Statutory Law 2157 of 2021 amended the Colombian Data Privacy Law (*Habeas Data*) requiring additional stages for client's report before the credit bureaus and allowed a one-time option to request the erasure of negative credit records, provided certain requirements have been met.

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

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

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

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

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

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

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

We may not be able to manage our growth successfully.

We have been expanding the scope of our operations over the past years and we expect that this expansion will continue. As we continue to grow, we must improve our operational, technical and managerial knowledge and compliance systems in order to effectively manage our operations across the expanded group. Failure to successfully integrate, monitor and manage expanded operations could have a material adverse effect on our reputation and financial results. Our future growth will also depend on our access to internal and external financing sources. We may be unable to access such financing on commercially acceptable terms or at all.

We are subject to operational risks.

Our business depends on the ability of our banking subsidiaries to process large numbers of transactions efficiently and accurately. Operational risks and losses can result from fraud, employee error, failure to properly document transactions or to obtain proper internal authorization, failure to comply with regulatory requirements, breaches of conduct of business rules, equipment failures, natural disasters or the failure of external systems, among others. Grupo Aval banking subsidiaries' currently adopted procedures that may not be effective in controlling each of the possible operational risks faced.

Since 2020, as a result of the COVID-19 pandemic our subsidiaries adopted remote work as part of the strategy to ensure the health of their collaborators and the adequate operation and provision of services. In addition to adapting the technological requirements, their respective risk matrices were updated to identify the changes that the remote environment could imply. In 2021 we have maintained several of these strategies with the purpose of guaranteeing the operation of our entities.

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

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

In addition, Grupo Aval's and our subsidiaries' ability to remain competitive will depend in part on our ability to upgrade our IT infrastructure and implement digitalization of products and services on a timely and cost-effective basis. We and our subsidiaries must continually make significant investments and improvements in our and their IT infrastructure in order to ensure the proper functioning of financial control, accounting and other data collection and processing systems and to remain competitive. Furthermore, as our banking subsidiaries open new branches and channels, they will need to improve their IT infrastructure, including maintaining and upgrading their software and hardware systems and their back-office operations. If there are technological impediments, unforeseen complications, errors or breakdowns in implementing new systems, our business, financial condition or results of operations may be adversely affected.

We are subject to cybersecurity threats

We and our subsidiaries are highly dependent on information systems to process transactions, respond to customer queries in a timely manner, operate our technological infrastructure and maintain profitable operations across the jurisdictions in which we operate.

We and our subsidiaries dedicate significant resources to maintaining and regularly upgrading our systems to implement technology that protects our networks against cyber-attacks. For example, we have implemented risk analysis processes and controls and a Computer Security Incident Response Team - CSIRT to handle incidents and emergencies. This team works in a coordinated manner in the face of joint threats. Although we have experienced cyber-attacks in the past, such as malware and ransomware infections, which have required immediate attention from CSIRT and resulted in some temporary interruptions to non-operational areas, these attacks have not had a material impact on our business and, depending on their relevance, would be reported to the corresponding committees of Information and IT security, and to the executive levels and Board of Directors of Grupo Aval. Nonetheless, future attacks could be more severe and have a material adverse impact on our business.

If one or more cyber-threats occur, it could result in a security impact on our systems and jeopardize our or subsidiaries customers', or counterparties' personal, confidential, proprietary or other information processed, stored in, and transmitted through our and our third-party providers' computer systems. Furthermore, such events could cause interruptions or malfunctions in our or our subsidiaries customers', counterparties' or third parties' operations, which could result in reputational damage with our or our subsidiaries customers', reduced demand for our services and products, additional costs to us (such as repairing systems, adding new personnel or technologies), regulatory investigations, litigation or enforcement, or regulatory fines or penalties, all or any of which could adversely affect our business, financial condition or results of operation.

Given the increasing sophistication of cyber-attacks, incidents could occur and persist for an extended period without us being able to detect them. Investigations of cyber-attacks can be unpredictable and take time to complete. During such time we may not know the extent of the harm caused by or how best to remediate such cyber-attack. Additionally, we may not take the most appropriate actions to remediate or mitigate a cyber-attack, which would further exacerbate the costs and consequences of a cyber-attack. See “Item 4. Information on the Company—B. Business Overview—Oversight at the holding company—Cybersecurity” and “Item 11. Quantitative and Qualitative Disclosures About Market Risk—Risk Management—COVID-19 Global Event”.

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

We and our subsidiaries are required to comply with applicable anti-money laundering laws, anti-terrorism financing laws, anti-bribery and other regulations. These laws and regulations require us, among other things, to adopt and enforce “know your customer” policies and procedures, and to report suspicious or large transactions to the applicable regulatory authorities. While we and our financial institutions have adopted policies and procedures aimed at detecting and preventing the use of banking networks for money laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures may not completely eliminate instances where they may be used by other parties to engage in money laundering and other illegal or improper activities. If we or any of our subsidiaries, joint ventures or other affiliates fail to fully comply with applicable laws and regulations, the relevant Government authorities to which they report have the power and authority to impose fines and other penalties. In addition, due to the COVID-19 pandemic, some warning signs have been adjusted to further identify unusual behavior in certain operations, such as the import of medical equipment and medicine acquisitions.

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

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

Various banking institutions, which have recently been incorporated in Colombia, target the microcredit and small and medium enterprises segments. Local subsidiaries of international financial institutions have entered the market targeting corporate clients. The businesses of these new credit institutions may affect our market position in the individual, small and medium enterprises and our merchant banking operation. We also face competition from non-bank and non-financial competitors, such as fintechs. During 2020 and 2021 several financial entities such as neobanks and regulated financial entities focused on digital apps and providing credit by means of e-credit cards have entered the financial market to compete with the incumbent financial entities.

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

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

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

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

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

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

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

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

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

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

Mr. Sarmiento Angulo beneficially owns 97.6% of our common shares outstanding and 42.7% of our preferred shares outstanding, as of April 13, 2022, and, accordingly, controls our group. See "Item 7. Major Shareholders and Related Party Transactions—A. Major shareholders". The preferred shares do not have any voting rights and thus will not affect such control of our Group. Mr. Sarmiento Angulo will continue to have the right to control decisions, regardless of how our minority shareholders may vote on these issues and regardless of the interests of such shareholders, including holders of ADSs and underlying preferred shares. In addition to Mr. Sarmiento Angulo's beneficial ownership through Grupo Aval, as of April 13, 2022, he beneficially owns 8.3% of Banco de Bogotá, 13.3% of Banco de Occidente, 15.6% of Banco AV Villas, 0.8% of Banco Popular and 11.4% of Corficolombiana.

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

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

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

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

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

Certain risks relating to our Central American operations

We may be unsuccessful in addressing the challenges and risks presented by our operations in countries outside Colombia.

We conduct banking businesses outside our historical home market of Colombia primarily through BAC and MFG. Our Central American operations may involve risks to which we have not previously been exposed. Some of these operations are in countries that may present different or greater risks than those in Colombia. For example, BAC has a significant consumer finance business, including credit card operations, in the Central American countries in which it operates. We may face delays in payments by customers and higher delinquency rates in these countries, which could necessitate higher impairments for loan losses and, consequently, have a negative effect on our financial performance.

We depend on BAC's and MFG's current senior management, and the loss of their services could have a material adverse effect on our Central American operations.

The loss of services of any of BAC's or MFG's senior officers could have an adverse effect on our Central American operations.

Changes in credit card regulations may adversely affect BAC's business.

The credit card business is an important business segment for BAC. The adoption of new laws and regulations or the revision of the current regulatory regime for credit cards in any of the jurisdictions in which BAC operates may have an adverse effect on BAC's results of operations and financial condition.

BAC and our Central American operations are subject to significant compliance risks in connection with a multi-jurisdictional regulatory regime.

BAC's businesses are subject to regulation under Costa Rican, Guatemalan, Honduran, Nicaraguan, Panamanian, Salvadoran, Grand Cayman, British Virgin Islands, Bahamian and U.S. federal, state and other foreign laws, regulations and policies. BAC thus is subject to a multi-jurisdictional regulatory regime. In addition, any changes to the regulatory regime of one of the Central American countries may lead to corresponding changes to the regulatory regime of other countries in the region. BAC's businesses are regularly reviewed or investigated by regulators, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims and damages.

Regulation of financial institutions varies across the different Central American jurisdictions in which we operate. These differences are particularly pronounced in the assessment of credit risk and investments. These asymmetries may affect the expected results of our operations in each jurisdiction, and as a consequence could adversely affect our consolidated results of operations in Central America.

Risks relating to our preferred shares and ADSs

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

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

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

Under Colombian securities regulations, as a general rule, any transaction involving the sale of publicly traded shares of any Colombian company, including any sale of our preferred shares for the equivalent of 66,000 *Unidades de Valor Real* or "UVRs" (U.S.$ 4,784.8), or more, must be effected through the Colombian Stock Exchange. UVR is a Colombian inflation-adjusted monetary index calculated by the Board of Directors of the Colombian Central Bank and generally used for pricing home-mortgage loans (one UVR = Ps 288.6 (U.S.$ 0.07) and 66,000 UVRs = Ps 19,048,860.6 at December 31, 2021). Any transfer of preferred shares underlying the ADSs may be required to be sold through the Colombian Stock Exchange, which could limit their liquidity or affect their market price.

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

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

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

The market price of our ADSs and preferred shares may fluctuate significantly in response to numerous factors, many of which are beyond our control, including actual or anticipated fluctuations in our operating results, economic downturns, political events in Colombia, Central America or other jurisdictions where we operate, developments affecting the banking industry, exchange rates, changes in financial estimates by securities analysts or our failure to perform in line with such estimates, departures of key personnel, and sales of our preferred shares in the future, including by our banking subsidiaries who may have to sell our preferred shares obtained from investors who entered into loans with them to acquire our preferred shares in our offering of preferred shares in 2011, or the "Preferred Shares Local Offering". Furthermore, common shares may be converted into preferred shares on a 1-1 basis provided that our preferred shares do not exceed 50% of our total subscribed share capital. Preferred shares are available for deposit into the ADS Program.

Our banking subsidiaries extended credit through loans to finance the acquisition of preferred shares in the Preferred Shares Local Offering of which, three loans, representing Ps 59.0 billion (U.S.$14.8 million). The final loan will mature in 2026. Depending on the characteristics of the borrower, our banking subsidiaries may have required collateral, which may have included a pledge of the preferred shares that were subject to the financing. Such a pledge would permit our banking subsidiaries through a court procedure to seek the sale of the preferred shares if the borrower defaults. Our banking subsidiaries had, on an aggregate basis, pledges over 45,366,061 preferred shares (0.6% of our total preferred shares) related to loans made to third parties at December 31, 2021. All the loans are full-recourse loans. Under the terms of the pledges, each borrower is limited from selling the pledged shares until the loan is repaid. Under Colombian law, our banking subsidiaries must seek to sell any repossessed shares as banks are not permitted to hold shares issued by their parent. If changes in general economic conditions or other factors cause these borrowers to default on their loans, our subsidiaries will have to sell our preferred shares into the market, or alternatively, upon repayment of the loans, these borrowers will not be restricted from selling such shares in the market. As a result, the market price of our preferred shares and ADSs may decline.

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

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

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

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

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

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

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

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

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

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

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

Colombian law and our by-laws require that, whenever we issue new common shares, we must offer the holders of common shares the right to subscribe a number of shares of such class sufficient to maintain their existing percentage ownership of our aggregate share capital. On the other hand, holders of preferred shares, including holders of ADSs, are entitled to preemptive rights only when so declared at a meeting of holders of our common shares. Our common shareholders may decide not to provide for such preemptive rights. Also, U.S. holders of ADSs may not be able to exercise their preemptive rights through JPMorgan Chase Bank, N.A., which acts as ADR depositary for our ADR facility, unless a registration statement

Under the Securities Act is effective with respect to such rights or an exemption from the registration requirement thereunder is available. Although we are not obligated to do so, we or our shareholders, as applicable, could consider at the time of any preemptive rights offering the costs and potential liabilities associated with any such registration statement, the benefits to us from enabling the holders of the ADSs to exercise those rights and any other factors deemed appropriate at the time, and will then make a decision as to whether to file a registration statement. Accordingly, we might decide not to file a registration statement in some cases.

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

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

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

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

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

Trading in our ADSs on the NYSE or preferred shares on the Colombian Stock Exchange take place in different currencies (U.S. dollars on the NYSE and pesos on the Colombian Stock Exchange), and at different times (resulting from different time zones, different trading days and different public holidays in the United States and Colombia). The trading prices of our shares on these two markets may differ due to these and other factors. Any decrease in the price of our preferred shares on the Colombian Stock Exchange could cause a decrease in the trading price of our ADSs on the NYSE. Investors could seek to sell or buy our shares to take advantage of any price differences between the markets through a practice referred to as arbitrage. Any arbitrage activity could create unexpected volatility in both our share prices on one exchange, and the shares available for trading on the other exchange. In addition, holders of ADSs will not be immediately able to surrender their ADSs and withdraw the underlying preferred shares for trading on the other market without effecting necessary procedures with the depositary. This could result in time delays and additional cost for holders of ADSs.

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

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

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

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

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

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

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

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

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

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

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

Grupo Aval and BHI may be unable to achieve some or all of the benefits that they expect to achieve from BHI's separation from Grupo Aval.

Grupo Aval believes that, with BHI as an independent, publicly traded company, Grupo Aval and BHI will both be better positioned to, among other things, work independently in their own markets towards their strategic objectives; digital transformation, operational excellence, risk control and the best human talent. However, BHI and Grupo Aval may be unable to achieve some or all of these benefits. For example, in order to position BHI for the Spinoff, BHI is undertaking a series of strategic, structural, process and system realignment and restructuring actions within its operations. These actions may not provide the benefits BHI and Grupo Aval currently expect, and could lead to disruption of BHI's operations, loss of, or inability to recruit, key personnel needed to operate and grow BHI's businesses following the separation, weakening of BHI's system of internal controls or procedures and impairment of BHI's key customer and supplier relationships. In addition, completion of the separation will require significant amounts of management's time and effort, which may divert management's attention from operating and growing BHI's and Aval's respective businesses. If BHI and Aval fail to achieve some or all of the benefits that they to achieve from the Spinoff or does not achieve them in the time BHI and Aval expect, BHI and Aval's respective business, financial condition and results of operations could be materially and adversely affected. See "*Item 4. Business*" and "*Item5. Operating and Financial Review and Prospects*" for more information.

The spin-off of BHI could adversely affect our business, financial results and operations.

The spin-off of BHI could cause disruptions and create uncertainty surrounding our business and affect our relationships with our customers, suppliers and employees.

As a result of the spin-off, some customers, suppliers or strategic partners may terminate or scale down their business relationship with us. Potential customers, suppliers or strategic partners may delay entering into, or decide not to enter into, a business relationship with us because of the separation. If customer or supplier relationships or strategic alliances are adversely affected by the planned separation, our business, financial condition and results of operations could be adversely affected.

Furthermore, some of Grupo Aval's shareholders may sell their shares as a consequence of the spin – off. Additionally, if customers, suppliers or partners terminate or scale down their relationships with BHI as a result of the spin – off, our results of operations may be adversely affected, as we will retain an equity method interest in BHI.

ITEM 4. INFORMATION ON THE COMPANY

A. History and development of the company

We are Colombia's largest banking group based on total assets and we are also the largest banking group in Central America based on total assets at December 31, 2021. We provide a comprehensive range of financial services and products from traditional banking services, such as making loans and taking deposits, to pension and severance fund management.

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

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

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

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

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

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

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

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

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

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

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

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

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

In March 2022, after obtaining the necessary approvals, Banco de Bogotá executed a spin-off of a 75% equity stake in BHI to its shareholders and Grupo Aval subsequently spun-off its equity interest to its shareholders. Prior to the spin-off, Banco de Bogotá was the direct parent of BHI. We have retained an indirect stake of approximately 17.2% in BHI (representing our proportional interest in the 25% equity stake in BHI retained by Banco de Bogotá). Prior to the spin-off, BHI transferred its interest in MFG to Banco de Bogotá and, accordingly, MFG remains a consolidated subsidiary. As a result of the spin-off, our business going forward will reduce its exposure to Central America.

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

We have also completed three bond issuances in the international market, in addition to those from our subsidiaries:

- in September 2012, we completed our second international bond offering, issuing Ps 1,795.7 billion (U.S.$1.0 billion) at the date of the issuance of our 4.75% Senior Notes due 2022; and

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

In addition, we have completed multiple issuances on the local markets. The most recent of which are:

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

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

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

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

Our strategy

We focus our efforts on pursuing profitable and sustainable growth, primarily through the following five strategic pillars:

(i) Risk management

Risk management is at the core of the banking business. Grupo Aval employs a risk management process, that aims to identify, measure, monitor and control, as part of its daily activities, all the risks that fall under our risk management policy. We seek to excel in understanding, managing and pricing the financial risks, such as credit, liquidity, market, interest rate and capital risks, that we assume as part of our activity.

Through our risk management teams at the corporate level and in our subsidiaries, we seek to ensure that the financial risks we assume are within our risk appetite and are correctly priced to generate long term value for our stakeholders. In addition, we strictly manage non-financial risks that we are exposed to in order to ensure the sustainability of our business. We constantly monitor changes in the environment in order to assess our risk position and anticipate their impact on our business.

We implement risk underwriting standards and pricing discipline, seeking long-term value generation. Banks use funds transfer pricing (FTP) curves that allow them to isolate the risks managed by the asset liability management (ALM) units from the business units, as the base of an orderly pricing system for the intermediation activity.

(ii) Innovation and Digitalization

Grupo Aval works to identify and capture synergies between our banking subsidiaries. In order to contribute to this objective, in 2018 we launched a group-wide effort to lead the digital transformation, aligning our banking subsidiaries with a shared vision for a digital future. Our Colombian banking subsidiaries have launched joint efforts aligning our digital strategy to their individual capacities, with the aim of digitalizing their products, channels and processes in order to achieve operational efficiency and create more innovative products and services.

In Central America, we have advanced along the same lines and consolidated a digital experience lab in Costa Rica. This lab is responsible for all development needs for the six Central American banks regarding innovations in BAC's website, online and mobile banking, and their payments platform.

Our digital strategy considers 3 dimensions:

- **Digitalize existing products and processes.** We intend to be more efficient, provide a better service and improve customer journeys. We believe that the banking industry is changing through efforts like ours. Accomplishing this objective will become a bank's "ticket to play" in the future. Therefore, we are currently focusing most of our digitalization effort on this first dimension. So far, the digitalization of products has allowed banks to enter customers' homes and meet their financial needs. This contributed to preserving their health during the pandemic. This strategy has allowed Grupo Aval to expand its portfolio to digitalized products for its banking subsidiaries, facilitating over 760 thousand new digital customer deposits, 741 thousand digital sales of loans and other services, and the approval of 41 thousand mortgages, during the year ended December 31, 2021. Additionally, we consolidated our data strategy capabilities by implementing a data platform "AUGUSTA" that has successfully deployed 45 use cases in Colombia. These business cases are intended to solve different business problems such as churn, buying propensity for our digital products, next best action, and fraud identification and prevention. These initiatives are supported by advanced analytics models to address specific business opportunities for retail and commercial banking.

- **Develop new digital business models**. The creation of new products and services, such as -Matilde- ads in charge of generating personalized recommendations of products and services in digital advertising spaces. This asset seeks to reduce the acquisition cost of digital products, reduce deployment times derived from the segmentation of audiences integrated with AUGUSTA. Through dale! a 100% digital platform of Aval Soluciones Digitales S.A., 115.303 new clients have been reached in Colombia in 2021. These customers have average deposit balances of less than five minimum monthly salaries. As such, they were not previously served mainly due to high customer acquisition costs (CAC). We expect these innovative platforms to continue to reach new customers with little or no penetration, including younger generations more inclined to maintain digital-only relationships, and unprofitable customers who have not been sought after by banks due to their low profitability and high CAC.

  On January 29, 2021, Banco de Bogotá obtained the authorization from the Superintendency of Finance to test a financial technology project ("fintech") through which crypto-currency exchange services will be offered. This project operates under a controlled environment for the testing and promotion of fintech projects supervised by the Superintendency of Finance, also known as a "regulatory sandbox".

- **Generate or participate in "digital ecosystems"**. We believe that consumers are now looking for an integrated and seamless experience. For this reason, Grupo Aval aims to align the efforts of its different subsidiaries and strategic allies through a joint vision and digital tools. These efforts intend to embed our service portfolio in digital experiences from beginning to end, addressing our customers' needs in terms of savings, investment, financing, and complementary services such as insurance and payments. In 2021, the group launched the first ecosystem CarroYa, which is an end-to-end solution to access for mobility needs through financial services, in one place. Through this ecosystem we have managed to enhance the existing portal increasing to 85% of active dealers, 54% in traffic which represents 2.1 million sessions in December 2021 and managed to provide 4,239 monthly leads for our banks with a likelihood of approval. We are also seeking to increase our presence in other markets, such as housing, through a future ecosystem that we expect to launch in 2022. Achieving this objective involves offering our digital financial products and services in a complementary way that adds value to the ecosystems through which other non-banking products and services are offered.

(iii) Efficiencies and economies of scale

We pursue opportunities to create synergies among our subsidiaries and leverage our combined strength. We intend to benefit from our combined scale, while retaining the agility and the resilience of a diversified group of entities. In addition, we seek to benefit throughout the Group from innovation originated in any one of our entities. We focus work on group-wide projects, such as digital banking and business process digitization, analytics, information technology, network integration (such as *Red Aval*) and procurement of goods and services, among others. These efforts should allow us to achieve economies of scale by involving all of our subsidiaries under a single umbrella. We believe that these efforts have contributed and will continue to contribute to improve our efficiency.

(iv) Talent management

We focus on attracting, compensating, developing and retaining the best talent. To achieve this, we and our subsidiaries are committed to developing our human capital, focusing on well-being and training programs, diversity and inclusion, and in-house talent scouting at a corporate level. We are developing a corporate talent retention and promotion policies, supported on transparent goal setting and objective performance measurement and compensation.

(v) Sustainability

We believe that conducting business sustainably is key to achieving long-term value. Our sustainability strategy is based on solid governance practices, environmental protection and social contribution. Since 2019, we have been consolidating and coordinating environmental, social and corporate governance (ESG) activities together with our subsidiaries, collectively increasing our positive impact on our stakeholders.

In addition to our strategic pillars, we believe the continued growth of our business will be sustained by the following initiatives:

Strengthen and expand our operations in Colombia

As part of Colombia's leading group, and drawing upon Grupo Aval's multi-brand business model, we believe that we are well positioned to take advantage of market opportunities derived from economic cycles. We intend to continue benefiting from sharing commercial and operational standards and best practices across Grupo Aval, while capitalizing on our management's expertise, our subsidiaries' brand recognition, their customer base, and our portfolio of financial services and products. As noted above, following the spin-off of a 75% equity interest in BHI, the majority of our consolidated operations are in Colombia. We believe the spin-off will strengthen Grupo Aval's and Banco de Bogotá's strategic focus on Colombia because we will simplify our corporate structure, eliminate multi-jurisdictional complexities, and increase our agility and flexibility to respond to the dynamics of the local markets in which we operate. We also expect to gain flexibility in the administration of regulatory capital as we continue to move towards full Basel III compliance. This, in turn, should allow us to improve our strategic position to capture future growth.

Our qualified and experienced management teams, both at Grupo Aval and at our subsidiaries, have played a key role in guiding our growth, see "Item 6. Directors, Senior Management and Employees". Our chairman, Mr. Sarmiento Angulo, has over 65 years of business experience, including over 45 years in the banking and related financial services industry. Our president, Mr. Luis Carlos Sarmiento Gutiérrez, has over 20 years of experience in the banking and related financial services industry and over 30 years of business experience as an executive in Colombia and the United States. Our management team and those of our operating subsidiaries aim to formulate and execute business strategies driven by a culture of excellence, innovation and cooperation, which has guided our vision throughout the various acquisitions and initiatives undertaken by Grupo Aval.

Expand our services and product offering and diversify our sources of income

We believe we offer a comprehensive range of banking services and products in Colombia and Central America, that we continually seek to expand to satisfy evolving customer needs and enhance our profitability. We believe we can continue to capture additional revenue by (i) organically expanding our market share in profitable segments and products given our existing market position (such as credit cards and mortgage loans, where we have a market share of 19.3% and 13.7% in Colombia at December 31, 2021, respectively); (ii) launching existing and new products to serve new segments (such as the *underbanked population);* and (iii) improving our product and service offering through their digitization. In addition, we seek to leverage our extensive customer base in Colombia and Central America through cross-selling efforts.

Furthermore, we continue to implement initiatives to increase our non-interest income, which consists primarily of net fee income and income from our non-financial operations. In the year ended December 31, 2021, net fee income accounted for 23.4% of our consolidated total income before net impairment losses on financial assets. We believe we can increase non-interest income in future periods by, expanding our offering and participation in areas such as bancassurance products (i.e., bank-offered third-party insurance products) through our distribution networks, and credit card fee income by increasing credit card loan volume. With regards to the income from our non-financial operations, we believe that our equity investments in strategic sectors such as energy and gas and infrastructure will continue to contribute significant income to our bottom line.

We constantly pursue initiatives to extend our banking services to under-penetrated segments of the Colombian population that have low usage or that do not currently use banking services. In order to serve these segments, we offer low-cost products such as *"Depósitos de Bajo Monto"*, which are savings accounts with lighter requirements for the account opening process. In addition, we have cost-effective service channels, such as *Corresponsales Bancarios* and online/mobile banking.

Pursue selected acquisitions and increase our controlling interests in our subsidiaries

We have a proven track record of identifying, acquiring and integrating interests in companies we believe have strategic value to us. We are interested in expanding our businesses in Colombia and potentially into other strategic markets. We will continue to seek opportunities to further expand into new geographies and will evaluate potential acquisition targets that would enable us to grow and consolidate our franchise through the services and products we offer. We actively assess opportunities in our target geographies considering their potential to generate value, complement our strategic goals and be accretive. We may also consider increasing our controlling interests in our subsidiaries.

B. Business overview

Oversight at the holding company

Underlying Grupo Aval's competitive strengths are group-level policies that we believe promote best practices and create synergies and efficiencies that can be captured across our subsidiaries. We closely monitor the performance of our banks, Corficolombiana, Porvenir, BHI and MFH to align their performance with our strategic goal of profitable and sustainable growth. We do so through the following oversight functions.

Strategic planning and performance control

Our banking subsidiaries follow long-term business and strategic plans. We agree with our business units on yearly budget, as well as market share and profitability targets, and oversee their execution. In addition, we make recommendations for setting the compensation of top management in each of our banking subsidiaries annually, and link incentive compensation to achieving budget goals and other financial and strategic performance targets.

Our banking subsidiaries, Porvenir, Corficolombiana, BHI and MFH are required to report their financial and commercial performance to us on a regular basis, including monthly detailed information. We monitor the performance of our banks against their respective budgets and the performance of our competitors. This systematic control process is complemented by ad-hoc analyses of key commercial and operational drivers, such as loan growth and the loan portfolio quality of each of our banking subsidiaries relative to the others and our competitors. When a subsidiary deviates from its plan or when weaknesses are identified, we meet with the respective bank's management to discuss remedial measures and a course of action. Similarly, when a banking subsidiary finds itself in a new or challenging situation, we cooperate to assess and respond to these challenges. Our senior management and that of our banking subsidiaries meet on regular basis to discuss strategy, opportunities, and current operations.

Risk management

We contribute to the cohesion and the control architecture of our subsidiaries through a corporate risk management system. Our subsidiaries must comply with risk related regulations in each jurisdiction they operate. In addition, our corporate risk function develops a consolidated assessment of the risks we take as a group, defines corporate risk policies and leads the effort to set risk appetites for our subsidiaries. Our risk management function coordinates group wide transformational initiatives.

Although each banking subsidiary is responsible for its credit decisions and risk management, we oversee the implementation of appropriate risk management controls at our banks and have established upward loan reporting processes. Our risk management staff meets on a weekly basis to discuss our subsidiaries' loan portfolio, developments in the industry, risks and opportunities. Our risk management staff evaluates lines of credit and transactions that would result in an aggregate exposure to a single issuer in excess of Ps 30 billion on a consolidated basis at the group level, often making recommendations with respect to the structure. We also coordinate loan syndications among our banks to effectively leverage the combined equity of our banks and manage any risk issues. For a discussion of our risk management guidelines, see "Item 11. Quantitative and Qualitative Disclosures About Market Risk".

Cybersecurity

Cybersecurity risks for financial institutions, such as ours, have increased significantly due to the proliferation of new technologies, the use of the Internet and automated processes, the diversification of channels to perform financial transactions, hand in hand with the development of new techniques of organized crime, hackers, hacktivists, terrorists and other external parties. In 2021 these risks have been maintained and have been managed. In addition, we are introducing new products and services, such as our digital channels, that are changing processes, which may result in new operational risks that we may not fully appreciate or identify.

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

Cybersecurity incidents are immediately reported through the High Impact Event Report and analyzed by the information security and technology security department to assess their consequences both with regards to the entity affected within Grupo Aval and to any affected third parties. We monitor the existence of such situations on a quarterly basis.

Given the increasing sophistication of cyber-attacks, incidents could occur and persist for an extended period without detection. Investigations of cyber-attacks can be unpredictable and take time to complete. During such time we may not necessarily assess the extent of the harm caused or how best to remediate it. Additionally, we may fail to take the most appropriate actions to remediate or mitigate a cyber-attack, which would further increase the costs and consequences of a cyberattack.

During 2021, the security controls associated with working remotely were maintained and strengthened in order to restrict and protect access to information and technological resources by our collaborators. In addition, more tools and services supported by emerging technologies such as machine learning, artificial intelligence and user behavior have been acquired, which allow us to identify, protect, detect and respond in a timely manner to possible incidents and/or cyber-attacks.

To mitigate the risks generated by the increase in the use of digital channels, additional controls have been implemented such as: restricting the channels for sending double authentication factors, fraud intelligence with rules based on statistical models, strengthening the enrollment process in digital channels; transactional monitoring processes have been increased and awareness campaigns for our clients have been reinforced. Additionally, a process has been adopted through which every subsidiary reports the changes made to the controls or the implementation of new ones.

For a discussion of cybersecurity risk assessment during COVID-19 event, see "Item 11. Quantitative and Qualitative Disclosures About Market Risk—Risk Management—COVID-19 Global Event".

Information technology strategy and network integration

Grupo Aval manages the Group's IT strategy focused on architecture, cybersecurity, processes, infrastructure, cloud computing and corporate procurement. Although we encourage each banking subsidiary to maintains its own information technology system, we work to identify potential synergies and assist in the implementation of technology and products developed at the holding level within our banks, to standardize and centralize technology and processes across each entity

Each banking subsidiary is responsible for its information technology systems and distribution network. However, we seek to maximize the effectiveness of our distribution network and the levels of customer service and customer retention across all our banks through our Red Aval (Grupo Aval network), which connects all our Colombian banks' networks. Our network allows each of our banking subsidiaries' customers to access basic banking services at any ATM or branch office in any of our banks. In addition, the information related to the products and services that our customers have in any Grupo Aval entity is accessible through the website or mobile banking apps of any of our banks in Colombia. These websites and mobile banking applications were updated on 2021, renovating their interface, offering new services between entities and improving their technology using AWS tools.

Our principal projects currently consist of the following:

- Migration of main systems to the cloud: This project will last for five years and is expected to obtain savings of technology costs after completion.

- Centralization: We are currently working on centralizing our entities' telecommunications. This project will take approximately two years.

- Basic software activity: We are focusing on the standardization of some processes in our banking subsidiaries, such as customer relationship management (CRM), treasury, IFRS accounting, habeas data and different cybersecurity tools.

- Digitalization: Our focus on digitalization encompasses creating new products (customer experience) and transversal microservices that can be invoked though new apps or channels.

- Policies: We continue working on migrating and implementing homogeneous policies in all our technological processes such as cybersecurity.

Compliance with corporate policies

Our internal control department regularly performs audits to our Colombian banks, Corficolombiana, Porvenir, BAC and MFG, as well as their subsidiaries, to provide objective assurance to our management and Board of Directors regarding their effectiveness, financial reporting and control mechanisms as well as to monitor compliance with our best practices and guidelines. Deviations from our best practices and guidelines are identified by our internal control team, which recommends remedial measures and ensures their implementation.

Marketing, corporate image and ESG

Our marketing strategy centralized in Colombia pursues two main objectives: (i) to increase the competitiveness of our banks among the sector; and (ii) to strengthen our positive corporate image, developing the activities that provide recognition from our clients, while we encourage our entities to stablish their own identity, reaching high standards in the services that they provide to the clients. To achieve these objectives, we negotiate with third parties to receive for our entities certain marketing services. Additionally, we develop initiatives to design and implement advertising and marketing campaigns of certain services and products from our banking subsidiaries in Colombia. We have set up marketing guidelines and pursue communications that increase the exposure of our brands and those of our subsidiaries.

We believe that the construction of sustainable value is based on a transparent and close relationship with our stakeholders. For this reason, we believe it is essential to promote spaces for dialogue where processes can be fed back, as well as to work to meet the expectations of the different actors that are impacted by us. At the holding company level, we coordinate the social and environmental activities of our subsidiaries, to collectively increase our positive impact on our stakeholders. We are continuously searching for better environmental, social and governmental (ESG) standards and ratings to align our interests with those of our current and potential stakeholders.

Our sustainability effort is aligned with our strategic pillars and covers five dimensions: (i) corporate governance and risk; (ii) financial performance; (iii) corporate efficiencies and innovation; (iv) human capital and (iv) environment. Within these dimensions, Grupo Aval has defined the following material topics:

(1) Corporate governance and risk: (i) governance structure, (ii) risk management and internal control, and (iii) ethics;

(2) Financial performance: (i) subsidiary management, and (ii) investor services;

(3) Corporate efficiencies and innovation: (i) innovation, (ii) corporate procurement, and (iii) corporate marketing;

(4) Human capital: (i) talent attraction, retention and development, (ii) employee welfare, (iii) diversity and inclusion, and (iv) pride and identity; and

(5) Environment (social and environmental): (i) financial inclusion, (ii) social investment, and (iii) environmental management;

We expect that an adequate management of these material topics will allow us to achieve sustainable growth through strong governance practices, protection of the environment and social contribution.

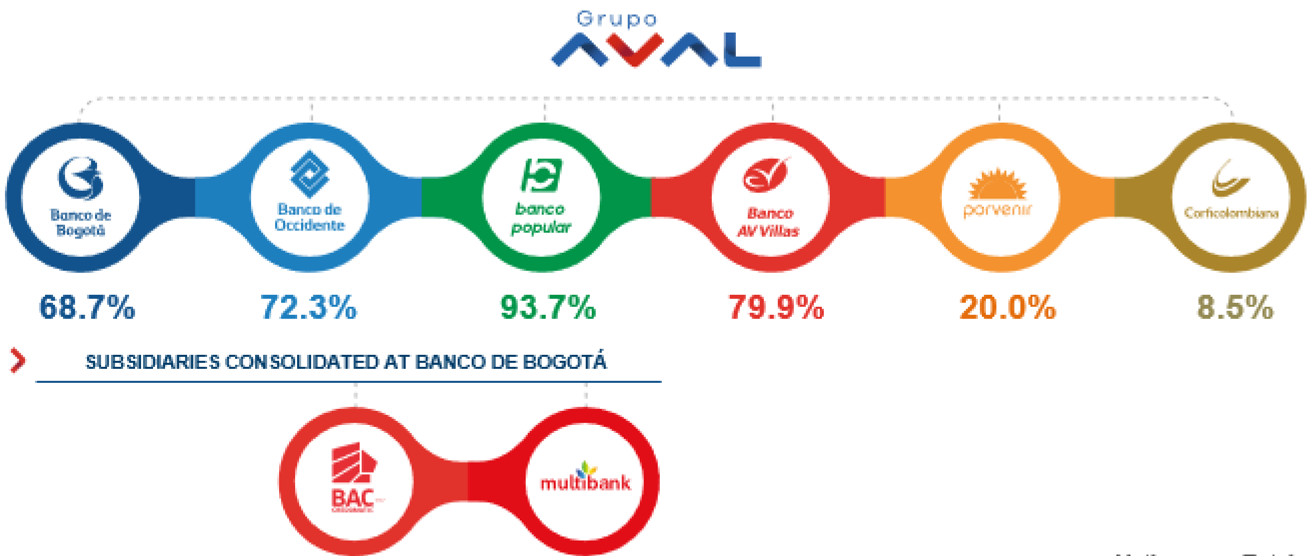
In 2021 we participated in the Dow Jones Sustainability Index, which allowed us to learn more about the existing gaps between the management carried out by us and the best market practices. Therefore, our work on sustainability in 2022 is aimed to focus on closing as many gaps as possible in the economic, social and environmental dimensions.

Inorganic growth

From time to time, our banks explore merger and acquisition opportunities. We provide support to our banking subsidiaries' management teams in identifying opportunities, negotiating favorable terms and implementing acquisitions. We independently assess a prospective target's strategic fit with the acquiring banking subsidiary and within our group as a whole, and aid our banks in evaluating, negotiating and implementing acquisitions.

Our operations

We manage our business through seven main operating segments: Banco de Bogotá, Banco de Occidente, Banco Popular, Banco AV Villas, Porvenir, Corficolombiana and BHI, until its spin-off in March 2022 (see Note 31 to our audited consolidated financial statements for more information), through which we conduct three main business lines: Commercial banking, merchant banking and pension and severance fund management. Until March 2022, BHI was Banco de Bogotá's fully-owned subsidiary through which we consolidated our interests in BAC. MFH is Banco de Bogotá's fully owned subsidiary through which we consolidate our interests in MFG.



Owner				Voting Rights	Total Shares
Grupo Aval			20.0%	9.0%	8.5%
Banco de Bogotá	100.0%	99.6%	46.9%	36.3%	34.4%
Banco de Occidente			33.1%	4.4%	4.1%
Banco Popular				5.4%	5.2%
Total	100.0%	99.6%	100%	55.1%	52.2%
% Consolidated by Aval	68.7%	68.4%	75.7%	42.2%	40.0%

Grupo Aval is part of Grupo Empresarial Sarmiento Angulo which was declared on December 31, 2018 and registered on January 31, 2019.

Source: Company data at December 31, 2021. Porvenir is held in Banco de Bogotá as follows: 36.5% through Banco de Bogotá and 10.4% through Fiduciaria Bogotá. Porvenir is held in Banco de Occidente as follows: 24.2% through Banco de Occidente and 8.9% through Fiduciaria de Occidente.

In addition to Mr. Sarmiento Angulo's beneficial ownership through Grupo Aval, he beneficially owned 8.3% of Banco de Bogotá, 13.3% of Banco de Occidente, 15.6% of Banco AV Villas, 0.8% of Banco Popular and 11.4% of Corficolombiana, at April 13, 2022.

At December 31, 2021, 62.7% of our assets were recorded in our Colombian entities (our "Colombian operations"), and 37.3% in our Central American entities (our "Central American operations").

In terms of businesses, 86.1% of our total assets were consolidated assets from our banking subsidiaries, 12.8% were consolidated assets from Corficolombiana, and 1.1% were on-balance sheet consolidated assets of our pension and severance fund manager, Porvenir. On a consolidated basis, Grupo Aval manages Ps 366.9 trillion of on-balance sheet assets, and Ps 364.6 trillion of off-balance sheet assets (assets under management).

Commercial banking

We provide commercial banking services in Colombia and Central America. In Colombia, we operate four commercial banks (Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas). In Central America, until March 25, 2022, we operated through BHI (comprised of BAC) and MFH (comprised of MFG). Our *Red Aval* (Grupo Aval network) is one of the largest networks of ATMs and branches in Colombia and has been a key element of our competitive positioning in the Colombian market. Customers of any of our banks may access Grupo Aval's other bank branches to carry out basic banking transactions throughout our *Red Aval* (Grupo Aval network).

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

Banco de Bogotá, founded in 1870, is Colombia's oldest financial institution and the third largest bank measured by gross loans 11.8% market share at December 31, 2021. It is a full-service bank with nationwide coverage and a comprehensive portfolio of services and products. While Banco de Bogotá serves all market segments, it has a leading presence in commercial loans, with a particular focus on large corporations and a market share of 15.5% of commercial loans at December 31, 2021. Banco de Bogotá had a market share of 8.8% of consumer loans in Colombia and of 6.8% of mortgages, both at December 31, 2021. At December 31, 2021, Banco de Bogotá had a market share of 11.6% of deposits. At and for the year ended December 31, 2021, Banco de Bogotá had consolidated total assets of Ps 232.3 trillion and net income attributable to controlling interest of Ps 4.4 trillion on a consolidated basis. The Banco de Bogotá segment of operations, under Grupo Aval's business segments structure, had consolidated total assets of Ps 128.9 trillion. For more information on operating segments analysis please refer to Note 31 of our audited consolidated financial statements. This segment includes the consolidated assets of MFG, given it was spun-off from BHI in favor of Banco de Bogotá, On September 2021.

Banco de Bogotá's corporate strategy is customer-centric, seeking to add value through its products and services offering. In 2021, an Experience Management Center was created, centralizing efforts in order to improve customer experience throughout the client's journey. This center oversees a wide range of client-facing operations, ranging from process optimization to customer service. Banco de Bogotá's growth strategy during 2021 focused on SME' financing, participation in public aid programs and increased lending to the retail segment. A robust digital infrastructure enables synergies across different ecosystems, boosting market penetration and channel diversification. Digitalization and access to real time data favor an enhanced risk control framework and strengthen analytical models, cybersecurity, and fraud prevention models. Banco de Bogotá's ESG strategy during 2021 focused on developing its sustainable product portfolio and implementing energy-efficiency initiatives. In this regard, the bank launched (i) specific credit lines to finance green and social projects at differential interest rates (ii) the "*Amazonía*" debit card to contribute to Colombian Amazon reforestation, and (iii) an energy-efficiency initiative, which includes increased use of renewable energy at headquarters and the installation of photocatalytic billboards that absorb CO2.

On July 28, 2021, Porvenir's shareholders (Grupo Aval, Banco de Bogotá, Banco de Occidente, Fiduciaria Bogotá and Fiduciaria de Occidente) entered into a shareholders' agreement through which Grupo Aval was granted direct control of Porvenir, thus leading to the deconsolidation of Porvenir from Banco de Bogotá. The signing of the agreement did not imply any change in the shareholder composition of Porvenir nor any modification on the ultimate beneficial owner.

As of December 31, 2021, Banco de Bogotá continued to consolidate Grupo Aval's Central American operations through BHI and MFH.

Banco de Occidente is the fifth largest bank in Colombia measured by gross loans, with a market share of 6.2% at December 31, 2021. It focuses on mid-size and small and medium sized (SME) corporate customers, state-owned entities and high net-worth customers and has a diversified revenue stream. Banco de Occidente had market shares of 8.2% of commercial loans and 5.2% of consumer loans at December 31, 2021. Banco de Occidente had a market share of 8.1% of Colombia's checking accounts at December 31, 2021. At December 31, 2021, Banco de Occidente had total consolidated assets of Ps 51,663.5 billion and net income attributable to owners of the parent of Ps 580.2 billion for the year ended December 31, 2021.

During 2021, Banco de Occidente continued implementing different strategies focused on, amongst others, commercial effectiveness, optimization of distribution channels, integration with its subsidiaries and digitalization. Banco de Occidente tailored its client segmentation models in corporate and personal banking, in terms of service channels, commercial coverage of sales managers and product offerings. New salesforce effectiveness models were launched both in commercial and retail banking, with the aim of increasing sales force productivity. Banco de Occidente finished the transformation of their branch network into a sales channel (as of 2019, it was mainly a service channel) with all branches now offering the entirety of the retail portfolio. Banco de Occidente continued the commercial integration with its trust and portfolio management services offered by Fiduciaria de Occidente, off-shore products offered to Colombian and international clients through Banco de Occidente Panama and Occidental Bank Barbados, and added new shared services offerings to its subsidiaries in areas such as risk management and economic research. On the digitalization front, during 2021 Banco de Occidente increased its digital products offering, adding mortgages and launching its new mobile banking app for Android and iOS during the year.

Banco Popular is the seventh largest bank in Colombia measured by gross loans, with a market share of 4.1% at December 31, 2021. Banco Popular operates primarily in the consumer and public sector businesses. Banco Popular is a premier provider of financial solutions to Government entities nationwide with a particular strength in public sector deposits and loans, and a significant part of its portfolio consists of payroll loans to pensioners and public sector employees. Its access to payroll deductions for repayment of loans has historically resulted in consumer loans with a substantially lower-risk profile as compared to the banking system (consumer past-due loans of 2.6% compared to a banking system average of 4.4% at December 31, 2021). At December 31, 2021, Banco Popular had total consolidated assets of Ps 29,910.7 billion and net income attributable to owners of the parent of Ps 313.3 billion for the year ended December 31, 2021.

Banco Popular's strategy for the future is based on three pillars: (i) strengthen its leadership in payroll loans supported by digitalization; (ii) diversify product offering, such as credit cards and mortgages; and (iii) further penetrate the medium-size business sector.

In 2021, Banco Popular continued to work on its digital transformation process as part of which the bank adopted an agility-based strategy, thorough a project called "Positive and Agile", aimed at seeking and promoting incremental value generation through the adoption of new forms of collaborative work based on agile work practices.

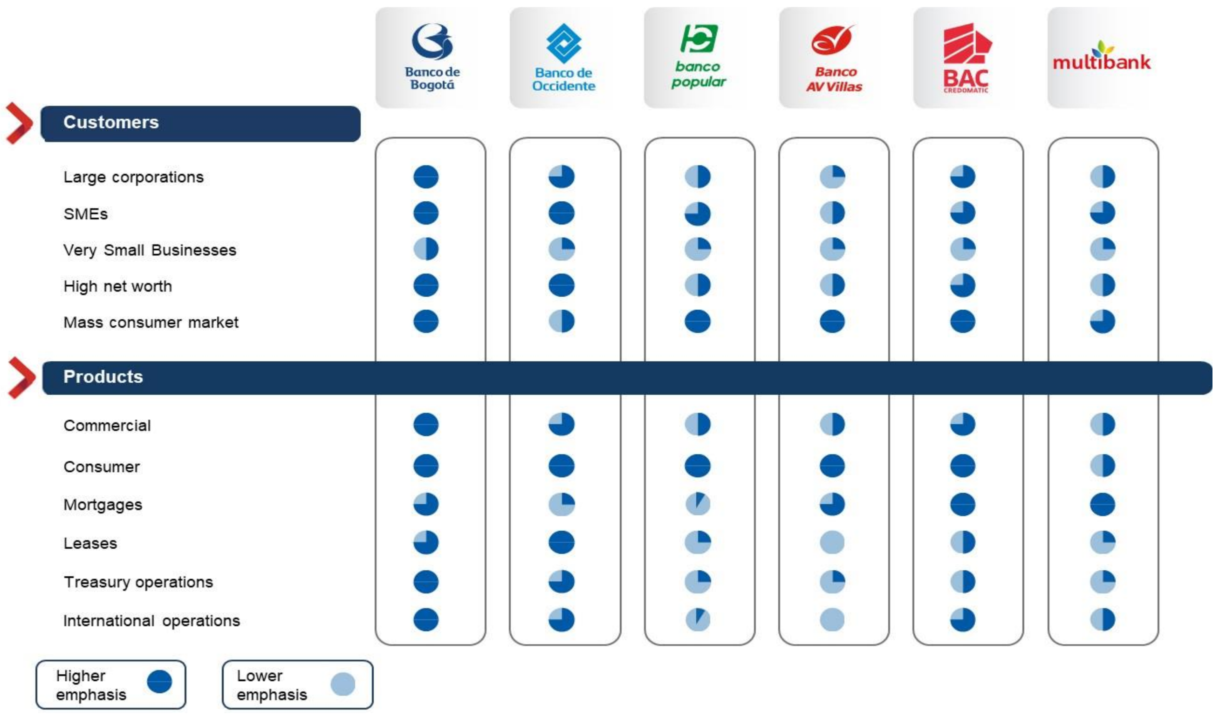
Banco AV Villas is the tenth largest bank in Colombia measured by gross loans and focuses on services and products such as payroll loans and credit cards, as well as its traditional line of mortgages. Banco AV Villas has a broad service network throughout Colombia, with a concentration in Colombia's central region, including Bogotá and the southwestern region. Banco AV Villas had a market share of 2.5% of deposits, 2.3% of gross loans, 4.5% of consumer loans and 3.0% of mortgages at December 31, 2021. At December 31, 2021, Banco AV Villas had total consolidated assets of Ps 17,563.2 billion and net income attributable to owners of the parent was Ps 191.8 billion, and consolidated ROAE for the year ended December 31, 2021 was 10.3%.

Banco AV Villas focuses on services and products, such as payroll loans and credit cards, as well as its traditional line of mortgages. It serves customers through a recently expanded sales force and through its traditional retail network, enterprise business centers and Express Branches. Banco AV Villas also seeks to continue expanding in the small- and medium-size corporate segment. In order to increase transaction volume through electronic channels and improve efficiency, Banco AV Villas is developing projects focusing its efforts on the digitalization of the bank's services to improve customer service experience.

BHI through BAC, is the largest banking group in Central America based on consolidated assets, with a leading position in the consumer and credit card banking businesses in the region. BHI's regional presence and operations are complementary to our Colombian operations. BAC has operations in six Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama). It is the leading credit card issuer and merchant-acquiring franchise in Central America, according to internal benchmarks. As discussed above, as a result of the spin-off of a 75% equity interest in BHI, starting on March 2022 we no longer consolidate BHI, but continue to participate in its results through our retained 25% equity stake though Banco de Bogotá. See "Item 4. - A. History and development of the company". BHI had total consolidated assets of Ps 116,930.8 billion (U.S.$29,371.0 million) at December 31, 2021 and net income attributable to owners of the parent of Ps 1,691.2 billion (U.S.$451.3 million) for the year ended December 31, 2021.

MFH through MFG provides a wide variety of financial services in Panama, mainly commercial, investment, mortgage and consumer banking, insurance, factoring, leasing and training services, as well as real estate. The main subsidiary of MFG is Multibank Inc., which consolidates the banking, insurance and portfolio management operations of the company.

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



Through the subsidiaries of our banks, we also offer bancassurance, insurance, trust, bonded warehousing and brokerage transactions, real estate escrow services, merchandise and document storage and deposit, customs agency, cargo management, surety bond and merchandise distribution services, payment and collection services, and provide deposit and lending operations in foreign currencies.

Corporate customers

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

	Grupo Aval					
	Banco de Bogotá	BHI	Banco de Occidente	Banco Popular	Banco AV Villas	Grupo Aval aggregate(1)
	(in thousands)					
Total corporate customers, as of:						
December 31, 2021	216.4	136.5	58.8	6.9	30.6	449.3
December 31, 2020	210.9	131.0	61.6	7.2	29.4	440.1

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

Individual customers

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

	Banco de Bogotá	BHI	Banco de Occidente	Banco Popular	Banco AV Villas	Corficolombiana	Grupo Aval aggregate(1)
	Grupo Aval (in thousands)						
Total individual customers, as of:							
December 31, 2021	7,691.5	4,075.4	1,031.7	3,460.4	1,174.9	343.3	17,777.1
December 31, 2020	7,096.8	3,634.2	915.6	3,378.2	1,193.2	341.9	16,559.8

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

Lending activities

We classify our banks' loans into the following categories: commercial, consumer, microcredit and mortgages. The following table presents our total loans, net at December 31, 2021.

	At December 31, 2021							
	Operating segments							
	Banco de Bogotá	BHI	Banco de Occidente	Banco Popular	Banco AV Villas	Porvenir	Corficolombiana	Grupo Aval consolidated(1)
	(in Ps billions)							
Commercial	54,434.1	35,196.8	26,044.7	6,569.5	2,791.9	—	2,317.4	125,246.2
Commercial loans	54,289.6	33,754.6	25,578.8	6,422.4	2,767.0	—	1,323.6	122,027.8
Interbank and overnight funds	144.5	1,442.2	465.9	147.2	24.9	—	993.8	3,218.4
Consumer	18,547.3	26,123.8	8,887.5	14,994.6	7,763.2	—	572.7	76,889.1
Mortgages	8,750.6	14,438.9	2,132.9	1,197.5	2,584.1	—	16.4	29,120.3
Microcredit(2)	314.4	—	—	3.2	0.2	—	—	317.7
Total gross loans	**82,046.3**	**75,759.5**	**37,065.1**	**22,764.8**	**13,139.5**	**—**	**2,906.5**	**231,573.4**
Loss allowance	(5,060.9)	(2,576.2)	(1,967.8)	(1,099.7)	(537.2)	—	(33.8)	(11,275.6)
Total loans, net	**76,985.4**	**73,183.3**	**35,097.3**	**21,665.1**	**12,602.3**	**—**	**2,872.7**	**220,297.8**

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

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

At December 31, 2021, the aggregate outstanding loans to our banks' ten largest borrowers, our 11th to 50th largest borrowers and our 51st to 160th largest borrowers, represented 2.3%, 4.6% and 6.4%, respectively, of our consolidated total gross loan portfolio.

Commercial loan portfolio: consists of general purpose loans (loans with a maturity of over one year), working capital loans (loans with a maturity of up to one year), leases, loans funded by development banks, corporate credit cards and overdraft loans. Loans funded by development banks are loans granted to customers and focused on specific economic sectors and are funded by national or international government or government-related institutions. Interbank and overnight funds are short-term borrowings mostly entered into between banks. The following table presents our commercial loan portfolio at December 31, 2021.

	At December 31, 2021							
	Operating segments							
	Banco de Bogotá	BHI	Banco de Occidente	Banco Popular	Banco AV Villas	Porvenir	Corficolombiana	Grupo Aval consolidated(1)
	(in Ps billions)							
General purpose loans	41,482.7	23,849.0	15,804.0	5,560.7	2,730.3	—	—	87,484.0
Working capital loans	7,288.5	8,716.4	3,383.2	177.8	2.2	—	—	19,410.3
Leases	3,192.1	1,000.9	5,371.4	207.6	17.9	—	1,323.6	11,108.7
Interbank and overnight funds	144.5	1,442.2	465.9	147.2	24.9	—	993.8	3,218.4
Loans funded by development banks	1,829.0	—	891.0	469.4	9.2	—	—	3,198.6
Overdrafts	282.5	188.3	53.6	5.4	6.2	—	—	535.9
Credit cards	214.8	—	75.6	1.5	1.2	—	—	290.4
Commercial loans	**54,434.1**	**35,196.8**	**26,044.7**	**6,569.5**	**2,791.9**	**—**	**2,317.4**	**125,246.2**

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

Consumer loan portfolio: consists of payroll loans, personal loans, automobile and other vehicle loans, credit cards, overdrafts, leases, and general purpose loans. A payroll loan is a type of loan where payments are deducted directly from an employer's salary. The following table presents our consumer loan portfolio at December 31, 2021.

	At December 31, 2021							
	Operating segments							
	Banco de Bogotá	BHI	Banco de Occidente	Banco Popular	Banco AV Villas	Porvenir	Corficolombiana	Grupo Aval consolidated(1)
	(in Ps billions)							
Payroll loans	7,238.0	5,701.3	3,010.3	14,529.6	5,187.1	—	—	35,666.3
Credit cards	3,131.3	13,929.2	1,342.8	337.3	1,151.2	—	—	19,891.8
Personal loans(2)	5,502.0	2,318.3	2,442.5	127.4	1,393.2	—	572.7	12,356.2
Automobile loans and leases	2,617.4	3,796.0	1,909.1	0.1	31.1	—	—	8,353.7
Leases	12.9	336.6	12.5	0.0	—	—	—	362.0
General purpose loans	—	—	168.7	—	—	—	—	168.7
Overdrafts	45.6	42.5	1.5	0.2	0.6	—	—	90.4
Consumer loans	**18,547.3**	**26,123.8**	**8,887.5**	**14,994.6**	**7,763.2**	**—**	**572.7**	**76,889.1**

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

(2) Mostly composed of personal installment loans.

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

	Activated Issued Credit Cards	
Operating segment	December 31, 2021	December 31, 2020
Banco de Bogotá	1,170,381	1,086,633
BHI	2,088,290	2,106,225
Banco de Occidente	555,764	579,729
Banco Popular	255,252	212,080
Banco AV Villas	487,828	478,468
Total activated issued credit cards	**4,557,515**	**4,463,135**

Mortgages portfolio: In Colombia, Banco de Bogotá and Banco AV Villas are our main originators of loans to customers for the purchase of real estate secured by mortgages, while Banco de Occidente and Banco Popular are increasing their presence in this business. We have implemented strict underwriting standards: we do not offer mortgage loans in amounts greater than 70% of the value of the property to be purchased, upon origination and all of our mortgage loans (excluding housing leases) have maturities of up to fifteen years. The weighted average maturity of the Colombian mortgage loan portfolio at December 31, 2021 was 179 months. Borrowers must also meet certain minimum income levels, and payments may not exceed 30% of the borrower's monthly income in compliance with Colombian regulation.

At December 31, 2021, BHI's mortgage loans had an average loan-to-value ratio of 56.3%. The weighted average maturity of our mortgage portfolio related to our Central American operations at December 31, 2021 was 254 months. BAC's and MFH's mortgage loan portfolios have no significant exposure to the higher risk sectors, such as vacation homes or second-home mortgages.

Treasury operations

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

Deposits

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

	At December 31, 2021							
	Operating segments							
	Banco de Bogotá	**BHI**	**Banco de Occidente**	**Banco Popular**	**Banco AV Villas**	**Porvenir**	**Corficolombiana**	**Grupo Aval consolidated(1)**
	(in Ps billions)							
Checking accounts	15,952.6	33,104.6	7,732.3	1,127.2	1,545.3	—	—	59,225.8
Savings accounts	31,187.7	19,898.8	19,385.3	12,200.5	8,855.4	—	611.6	89,097.1
Time deposits	29,212.1	33,933.4	9,169.5	7,524.4	2,998.4	—	4,626.7	85,530.2
Other deposits	100.4	343.9	53.1	16.6	9.7	1.0	92.6	617.2
Customer deposits	**76,452.9**	**87,280.7**	**36,340.3**	**20,868.6**	**13,408.9**	**1.0**	**5,330.9**	**234,470.4**

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

Distribution channels

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

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

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

During 2021, we continued optimizing our footprint by either closing, relocating or adapting branches to increase the effectiveness of our distribution network. The following table presents our total full-service branches in Colombia and Central America, at December 31, 2021 and 2020.

	At December 31,		Change, December 31, 2021 vs. December 31, 2020	
	2021	2020	#	%
Banco de Bogotá	517	572	(55)	(9.6)
Banco de Occidente	183	194	(11)	(5.7)
Banco Popular	188	200	(12)	(6.0)
Banco AV Villas	285	292	(7)	(2.4)
Colombia	**1,173**	**1,258**	**(85)**	**(6.8)**
Costa Rica	40	42	(2)	(4.8)
Panamá(1)	51	53	(2)	(3.8)
Guatemala	97	99	(2)	(2.0)
Honduras	60	61	(1)	(1.6)
El Salvador	36	36	—	—
Nicaragua	40	40	—	—
Central America	**324**	**331**	**(7)**	**(2.1)**
Full-service branches	**1,497**	**1,589**	**(92)**	**(5.8)**
Other branch formats in Central America(2)	359	375	(16)	(4.3)

(1) Aggregated figures for BAC and MFG. As a result of the spin-off of BHI, we will not consolidate BAC for future periods and the scope and scale of our consolidated Central American operations will be substantially reduced.

(2) Includes on-site tellers, auto/drive branches, in-store branches, and digital branches.

We continued optimizing our ATM footprint by either closing, relocating or adapting ATMs to increase the effectiveness of our distribution network. The following table presents our total ATMs in Colombia and Central America, at December 31, 2021 and 2020.

	At December 31,		Change, December 31, 2021 vs. December 31, 2020	
	2021	2020	#	%
Banco de Bogotá	1,694	1,749	(55)	(3.1)
Banco de Occidente	267	280	(13)	(4.6)
Banco Popular	756	784	(28)	(3.6)
Banco AV Villas	555	570	(15)	(2.6)
Colombia	**3,272**	**3,383**	**(111)**	**(3.3)**
Costa Rica	519	542	(23)	(4.2)
Panamá(1)	288	302	(14)	(4.6)
Guatemala	298	264	34	12.9
Honduras	478	469	9	1.9
El Salvador	274	296	(22)	(7.4)
Nicaragua	313	306	7	2.3
Central America	**2,170**	**2,179**	**(9)**	**(0.4)**
ATMs	**5,442**	**5,562**	**(120)**	**(2.2)**

(1) Aggregated figures for BAC and MFG. As a result of the spin-off of BHI, we will not consolidate BAC for future periods and the scope and scale of our consolidated Central American operations will be substantially reduced.

The following table presents our other points of service in Colombia and Central America, at December 31, 2021 and 2020.

	At December 31,		Change, December 31, 2021 vs. December 31, 2020	
	2021	2020	#	%
Banco de Bogotá	12,295	10,624	1,671	15.7
Banco de Occidente	32,265	23,359	8,906	38.1
Banco Popular	106	113	(7)	(6.2)
Banco AV Villas	2,210	2,153	57	2.6
Colombia	**46,876**	**36,249**	**10,627**	**29.3**
Costa Rica	2,811	2,541	270	10.6
Panamá(1)	536	495	41	8.3
Guatemala	1,318	1,127	191	16.9
Honduras	1,850	1,642	208	12.7
El Salvador	261	386	(125)	(32.4)
Nicaragua	2,793	2,794	(1)	(0.0)
Central America	**9,569**	**8,985**	**584**	**6.5**
Other points of service(2)	**56,445**	**45,234**	**11,211**	**24.8**

(1) Aggregated figures for BAC and MFG. As a result of the spin-off of BHI, we will not consolidate BAC for future periods and the scope and scale of our consolidated Central American operations will be substantially reduced.

(2) In Colombia, other points of service include banking correspondents (*corresponsales bancarios*) or "CBs" and payment collection centers (*centros de pago*). In Central America, other points of service include self-service kiosks and RapiBAC (banking correspondents).

In 2021, our transaction mix continued shifting toward digital channels. As such, successful monetary transactions through non-physical channels accounted for 37.7% of total transactions in 2021, 6.5% more than in 2020.

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

	At December 31,		Change, December 31, 2021 vs. December 31, 2020		% of total transactions for the year ended December 31,	
	2021	2020	#	%	2021	2020
	(in thousands)					
Branches	67,451	67,836	(385)	(0.6)	16.6	16.6
ATMs	141,311	144,179	(2,868)	(2.0)	34.7	35.2
Banking correspondents and other	106,185	110,991	(4,806)	(4.3)	26.1	27.1
Online banking	60,181	66,252	(6,071)	(9.2)	14.8	16.2
Mobile banking	31,903	20,419	11,484	56.2	7.8	5.0
Automated telephone banking	112	185	(74)	(39.7)	0.0	0.0
Colombia	**407,142**	**409,862**	**(2,719)**	**(0.7)**	**100.0**	**100.0**

	At December 31,		Change, December 31, 2021 vs. December 31, 2020		% of total transactions for the year ended December 31,	
	2021	2020	#	%	2021	2020
	(in thousands)					
Branches	46,847	44,459	2,389	5.4	14.4	18.1
ATMs	73,055	64,287	8,768	13.6	22.4	26.2
Banking correspondents and other	22,212	19,219	2,993	15.6	6.8	7.8
Online banking	62,137	54,146	7,991	14.8	19.0	22.0
Mobile banking	121,934	63,564	58,370	91.8	37.4	25.9
Central America	**326,185**	**245,674**	**80,511**	**32.8**	**100.0**	**100.0**

	At December 31,		Change, December 31, 2021 vs. December 31, 2020		% of total transactions for the year ended December 31,	
	2021	2020	#	%	2021	2020
	(in thousands)					
Branches	114,298	112,295	2,004	1.8	15.6	17.1
ATMs	214,366	208,466	5,900	2.8	29.2	31.8
Banking correspondents and other	128,397	130,210	(1,813)	(1.4)	17.5	19.9
Online banking	122,317	120,398	1,920	1.6	16.7	18.4
Mobile banking	153,837	83,983	69,854	83.2	21.0	12.8
Automated telephone banking	112	185	(74)	(39.7)	0.0	0.0
Total	**733,328**	**655,536**	**77,792**	**11.9**	**100.0**	**100.0**

Merchant banking

Corficolombiana is the largest merchant bank in Colombia based on total assets at December 31, 2021. Corficolombiana focuses on four main lines of business: (1) equity investments in strategic sectors of the Colombian economy, including infrastructure, energy and gas, agribusiness and hospitality; (2) investment banking, including services relating to capital markets, mergers and acquisitions and project finance transactions; (3) treasury operations; and (4) financial services such as trust services, among others. Corficolombiana had consolidated total assets and shareholders' equity attributable to owners of the parent of Ps 46,988.9 billion and Ps 10,317.5 billion, respectively, at December 31, 2021. Net income attributable to owners of the parent was Ps 1,278.0 billion for the year ended December 31, 2020.

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

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

Corficolombiana's asset distribution by sectors

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

The following table provides information regarding Corficolombiana's consolidated assets distributed by sectors at December 31, 2021.

	At December 31, 2021					
	Energy and Gas	Infrastructure	Financial Services & Others	Hospitality	Agribusiness	Total
			(in Ps billions)			
Total assets(1)	**14,876.5**	**20,895.4**	**9,590.4**	**828.0**	**798.6**	**46,988.9**
As a percentage of total assets	31.7%	44.5%	20.4%	1.8%	1.7%	100.0%

(1) Eliminations are assigned to each operating segment.

Corficolombiana's main investments in the energy and gas sector include a 50.9% controlling stake in *Promigas S.A. E.S.P*., the second largest natural gas pipeline and distribution company in Colombia, and a minority stake in *Grupo Energía Bogotá S.A. E.S.P,* or "GEB", an electricity and gas group. Promigas is included in our consolidated financial statements as it is under our "control" as defined in IFRS 10, however, pursuant to Colombian Regulation (Code of Commerce) Promigas is not a company under direct or indirect control of Grupo Aval.

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

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

Corficolombiana also has investments in the hospitality sector. These include majority stakes in Hoteles Estelar de Colombia S.A. and Promotora y Comercializadora Turística Santamar S.A.

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

Investment banking and treasury businesses

Corficolombiana's investment banking team provides advice to third-party clients in the Colombian market covering a broad range of transactions, including, among others, capital markets, mergers and acquisitions and project finance. Corficolombiana has led the participation of private sector companies in infrastructure projects. In 2021, Corficolombiana's investment bank helped raise financing and coordinate projects totaling Ps 8.8 billion. Some of its clients were related parties.

Corficolombiana is a relevant participant in Colombian capital markets, both in sovereign and corporate debt securities and foreign currency-denominated securities. It is also an active participant in the derivatives market, and an active market maker for Colombian sovereign debt securities. At December 31, 2021, Corficolombiana had consolidated total fixed income assets of Ps 4,590.0 billion.

Pension and severance fund management

Porvenir is controlled by and consolidated under Grupo Aval. Porvenir is the leading private pension and severance fund management business in Colombia, based on assets under management, with a 43.4% market share of assets under management at December 31, 2021. Pension funds provide individual savings for retirement, while severance funds provide temporary income to employees who become unemployed. Through Aportes en Línea, Porvenir manages social security related information systems designed to provide employees with efficient payment solutions.

For the year ended December 31, 2021, 59.8% of Porvenir's revenues were derived from mandatory pension funds, 16.6% from severance funds, 7.1% from voluntary pension funds and 0.3% from third-party sponsored pension liability funds. Porvenir derived the remaining 16.2% of its revenues from a combination of the profitability of its own investment portfolio, stabilization reserves and other income.

The following table presents a breakdown of Porvenir's assets under management at the dates indicated.

	At December 31,		Change, December 31, 2021 vs. December 31, 2020	
	2021	2020	#	%
		(in Ps billions)		
Mandatory pension funds	160,419.8	140,114.9	20,304.9	14.5
Severance funds	7,680.2	7,052.6	627.6	8.9
Voluntary pension funds	5,207.9	5,121.8	86.0	1.7
Third-party sponsored pension funds	21,500.6	22,793.5	(1,292.9)	(5.7)
Total assets under management	**194,808.4**	**175,082.9**	**19,725.6**	**11.3**

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

	At December 31,		Change, December 31, 2021 vs. December 31, 2020	
	2021	2020	#	%
		(in thousands)		
Mandatory pension funds	10,729.6	10,077.8	651.8	6.5
Severance funds	4,852.2	4,683.7	168.5	3.6
Voluntary pension funds	197.0	187.7	9.4	5.0
Total clients	**15,778.9**	**14,949.2**	**829.7**	**5.6**

Porvenir's investments

Porvenir is required to own at least 1.00% of the funds it manages that are subject to a minimum return, known as the stabilization reserve. This stabilization reserve represents 57.6% of Porvenir's proprietary investments. In addition, Porvenir holds voluntary investments. Revenues related to Porvenir's stabilization reserve and its proprietary portfolio represented 15.7% and 18.0% of its total revenues for the years ended December 31, 2021 and December 31, 2020, respectively.

Distribution channels

Porvenir attracts new individual customers mainly through its direct sales force (1,221 individuals) with direct report to five regional sales managers located in Bogotá, Antioquia, the Southern Region, the Eastern Region and the Northern Region. At December 31, 2021, Porvenir had 54 offices, 5 service modules, 64 electronic service centers and 8 business service centers. It maintains a presence in all regions of Colombia through its service agreements with Grupo Aval's banks.

Competition

Commercial banking

We are one of the largest financial banking groups in Colombia. Recently, we have outperformed one or more of our principal competitors under key operational metrics, such as ROAA, ROAE, and the ratio of loans classified as past due more than 30 days over gross loans. We believe that these results have been achieved due to our banks' historically strong franchises, results-oriented philosophy and their disciplined risk management approach; all of which has been supported by our multi-brand business model.

The following market share and other data comparing us and our banking subsidiaries to our competitors is based on information derived from separate financial information reported to the Superintendency of Finance by commercial banks based on Colombian IFRS. Our main competitors in Colombia are Bancolombia, Davivienda and BBVA Colombia, which are the three leading banking groups following Grupo Aval. Average balances are calculated using the 13 end-of-month average balances between December 2021 and December 2020. Grupo Aval figures reflect aggregated amounts of our separate banking subsidiaries in Colombia.

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

	At and for the Year ended December 31, 2021							
	Grupo Aval entities							
	Banco de Bogotá(1)	Banco de Occidente	Banco Popular	Banco AV Villas	Grupo Aval Aggregate (1)(2)	Bancolombia	Davivienda	BBVA Colombia
	(in percentages)							
ROAA(3)	4.0	1.1	1.2	1.0	2.7	2.2	1.1	1.3
ROAE(4)	19.5	10.8	11.4	9.8	17.0	15.1	9.7	17.1
Efficiency ratio(5)	29.0	49.3	65.0	65.7	40.8	45.7	45.2	44.4
Market share in Colombia:								
Net income	31.5	3.5	2.4	1.2	38.6	29.8	8.4	6.4
Deposits	11.6	6.1	3.9	2.5	24.2	25.9	14.2	11.0
Gross loans	11.8	6.2	4.1	2.3	24.4	26.7	16.5	10.5
Assets	13.3	5.8	3.6	2.1	24.8	25.6	14.4	9.7
Branches	10.3	3.6	3.7	5.7	23.3	12.3	10.0	8.2
ATMs	10.6	1.7	4.7	3.5	20.4	31.2	13.4	8.8

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

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

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

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

(4) Throughout this section, efficiency ratios are calculated as total expenses, divided by total income before net impairment losses on financial assets (including net interest income, net income from commissions and fees, net trading income and other income).

Lending activities

At December 31, 2021, we had the second largest market share of gross loans in Colombia, with a 24.4% market share. We have a strong presence in commercial loans and in consumer loans (particularly in payroll loans, in which we had a 44.7% market share at December 31, 2021). Our banks have increased their market share in mortgages since we actively re-entered this product in 2010, reaching a 13.7% market share in 2021 from 10.8% in 2015.

The following table presents a breakdown of the market share of our gross loans and that of our competitors by category at December 31, 2021.

	At December 31, 2021				
Colombian IFRS	**Grupo Aval aggregate**	**Bancolombia**	**Davivienda**	**BBVA Colombia**	**Rest of the Colombian market**
	(in percentages)				
Commercial loans	26.9	33.8	13.9	7.8	17.6
Consumer loans	27.3	19.9	16.2	12.9	23.7
Microcredit loans	2.0	4.6	0.0	0.0	93.4
Mortgages loans	13.7	19.8	29.2	16.4	21.0
Gross loans	**24.4**	**26.7**	**16.5**	**10.5**	**21.9**

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

Loan Portfolio Quality

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

Colombian IFRS	Loans past due more than 30 days / gross loans	Loans rated C, D, E / gross loans(1)	Gross provision expense / average gross loans(2)	Net provision expense / average gross loans(3)	Allowance / loans past due more than 30 days
	For the year ended December 31, 2021 (in percentages)				
Banco de Bogotá	4.3	8.1	2.4	2.0	159.5
Banco de Occidente	3.7	7.0	3.1	2.6	171.6
Banco Popular	2.7	3.8	1.1	0.9	195.4
Banco AV Villas	3.4	3.7	1.9	1.4	148.0
Grupo Aval aggregate	**3.8**	**6.7**	**2.3**	**1.9**	**165.8**
Bancolombia	4.3	6.7	1.8	1.5	175.6
Davivienda	5.1	6.5	3.6	3.1	112.7
BBVA Colombia	3.5	5.8	2.0	1.6	170.0
Rest of the Colombian market	4.5	6.5	2.1	1.7	134.7

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

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

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

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

Deposits

At December 31, 2021, we had the second largest market share of total deposits in Colombia, with a market share of 24.2%. At the same date our principal competitors—Bancolombia, Davivienda and BBVA Colombia—had market shares of 25.9%, 14.2% and 11.0%, respectively.

The following table presents a breakdown of market share of deposits by type of deposit at December 31, 2021.

	At December 31, 2021				
Colombian IFRS	Grupo Aval aggregate	Bancolombia	Davivienda	BBVA Colombia	Rest of the Colombian market
			(in percentages)		
Checking accounts	28.4	30.3	11.8	11.0	18.5
Savings accounts	23.6	28.3	15.2	10.4	22.6
Time deposits	24.9	18.9	14.2	12.9	29.0
Other deposits(1)	1.3	18.7	8.0	5.6	66.3
Total deposits	**24.2**	**25.9**	**14.2**	**11.0**	**24.7**

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

(1) Other deposits for the rest of the Colombian market include judicial deposits, mainly in Banco Agrario.

At December 31, 2021, deposits represented a larger share of our total funding than that of most of our principal competitor banks, and we had a higher concentration of checking accounts. The table below presents the total funding mix across the Colombian market at December 31, 2021.

	At December 31, 2021				
Colombian IFRS	**Grupo Aval aggregate**	**Bancolombia**	**Davivienda**	**BBVA Colombia**	**Rest of the Colombian market**
			(in percentages)		
Funding:					
Deposits	79.2	83.5	75.4	86.4	72.1
Other funding(1)	20.8	16.5	24.6	13.6	27.9
Total funding	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Deposits:					
Checking accounts	18.8	18.7	13.3	15.9	12.0
Savings accounts	54.0	60.5	59.1	52.1	50.7
Time deposits	27.1	19.1	26.3	30.8	30.9
Other deposits	0.1	1.7	1.3	1.2	6.4
Total deposits	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Average rate paid on funding:					
Average rate paid on deposits	1.6	1.3	1.7	2.4	1.9
Average rate paid on other funding(1)	3.6	4.3	4.6	3.7	3.0
Average rate paid on total funding	**2.0**	**1.9**	**2.4**	**2.6**	**2.2**

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

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

Distribution channels

Through our banking subsidiaries, we have the largest branch network in Colombia, with 1,173 branches and 3,272 ATMs at December 31, 2021. The following table presents the distribution of branches and ATMs across the market at December 31, 2021.

	At December 31, 2021			
	Branches		ATMs	
	# of branches	**Market share %**	**# of ATMs**	**Market share %**
Grupo Aval aggregate	**1,173**	**23.3%**	**3,272**	**20.4%**
Bancolombia	620	**12.3%**	4,999	31.2%
Davivienda	504	**10.0%**	2,140	13.4%
BBVA Colombia	414	**8.2%**	1,413	8.8%
Rest of the Colombian market	2,315	**46.1%**	4,185	26.1%

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

In Central America, our principal competitors, prior to the spin-off of BHI, were Bancolombia, Banco General, Banco Industrial and Banco Promerica. The following market share comparing us to our competitors is based on information derived from separate financial information reported by banks to the Superintendencies of Finance in the six countries where we operate in Central America.

	At December 31, 2021				
	Grupo Aval Central America	Bancolombia Central America	Banco General	Banco Industrial	Banco Promerica
			(in percentages)		
Central American market share:					
Loans, net	13.2	9.3	6.8	7.3	4.0
Assets	11.7	7.6	6.7	7.9	3.8
Deposits	12.5	7.8	6.7	7.2	3.9
Liabilities	11.8	7.6	6.2	8.0	3.8
Total equity	10.7	8.1	10.7	6.7	3.2
Net income	15.4	7.9	14.0	12.2	2.9

Source: Calculated based on consolidated data aggregated from the local superintendencies of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panamá. Loans, net exclude interbank and overnight funds.

(1) Grupo Aval Central America is based on the aggregated consolidated financial information for BAC and MFG, net of purchase price allocation and eliminations. As a result of the spin-off of BHI, we will not consolidate BAC for future periods and the scope and scale of our consolidated Central American operations will be substantially reduced.

The table below presents our market share of loans, net and deposits in each of our main markets in Central America at December 31, 2021.

	At December 31, 2021	
	Loans, net	Deposits
Costa Rica(1)	17.4	16.3
Panamá(2)	10.9	10.8
Guatemala	12.0	8.6
Honduras	14.5	16.8
El Salvador	15.1	14.6
Nicaragua	24.3	25.3

Source: Superintendency of banks of each country and company calculations. Percentage of total loans and deposits is based on banking operations in each country, as reported to the local financial regulator, which excludes certain credit card data and offshore operations.

(1) Percentage calculation for Costa Rica includes state-owned banks (Banco Nacional de Costa Rica, Banco de Costa Rica and Banco Popular), which jointly had a 54.6% and 57.7% market share of loans, net and deposits at December 31, 2021, respectively.

(2) Market share calculations in Panamá reflect the aggregated separate financial information for BAC and MFG.

Merchant banking

Corficolombiana was the largest merchant bank (*corporación financiera*) in Colombia in terms of assets and equity at December 31, 2021. Corficolombiana faces competition from local and global banks focused on merchant and investment banking. Bancolombia, through its subsidiary Banca de Inversión Bancolombia S.A., is Corficolombiana's largest local competitor. Corficolombiana also faces competition from global banks with local investment banking operations. In addition, as an equity investor, Corficolombiana faces competition from other equity investors such as hedge funds, private equity firms and others.

The following table presents the market shares of Corficolombiana and its principal competitors by assets, liabilities, equity and net income at and for the year ended December 31, 2021.

Colombian IFRS	Assets	Liabilities	Equity	Net income
		(in percentages)		
Corficolombiana	**86.1**	**95.9**	**77.3**	**89.2**
Banca de Inversión Bancolombia S.A.	8.0	0.5	14.7	9.3
BNP Paribas Colombia Corporación Financiera S.A.	2.0	3.0	1.1	0.2
Corporación Financiera GNB Sudameris S.A.	3.0	0.5	5.3	0.5
Corporación Financiera Davivienda S.A.	0.9	0.2	1.6	0.8

Source: Information published by the Superintendency of Finance.

Pension and severance fund management

Porvenir is the leading private pension fund manager in Colombia in terms of assets under management and has the largest share of earnings in the private pension and severance fund management market in Colombia. Porvenir's principal private competitors are other pension fund managers, including Protección, Colfondos and Skandia. Based on separate data prepared under Colombian IFRS, at December 31, 2021, Porvenir was the most efficient pension and severance fund manager in Colombia, with an efficiency ratio of 42.8%.

The following table presents the market shares of the main market participants in the private pension and severance fund management business with respect to assets under management and individual customers at December 31, 2021, as well as net income for the year ended December 31, 2021.

	At and for the year ended December 31, 2021			
	Porvenir	Protección	Colfondos	Skandia
		(in percentages)		
Individual customers to pension funds:				
Mandatory	59.8	29.2	10.2	0.7
Severance	54.9	34.4	10.1	0.7
Voluntary	23.7	58.4	6.9	11.0
Total	**57.1**	**31.7**	**10.1**	**1.0**
Assets under management:				
Mandatory	44.8	35.9	13.4	5.8
Severance	47.5	39.4	10.5	2.6
Voluntary	20.2	43.3	7.4	29.0
Total	**43.4**	**36.6**	**12.9**	**7.2**
Net income:	**56.0**	**26.7**	**8.4**	**8.8**

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

Other corporate information

Technology

We continuously invest in new technology and the renewal of equipment and infrastructure in order to serve customers effectively, improve our profitability and grow our business. We believe that proper management of technology is key to the efficient management of our business. Our technology architecture focuses on our customers and supports our business model.

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

Intellectual property

We register and monitor our brands and trademarks in Colombia and abroad according to the importance of such brands and trademarks to our and our subsidiaries' marketing and commercial strategy. Certain of brands and trademarks of Grupo Aval's are registered in South and Central American countries and in the United States and México.

Selected statistical data

The following tables present select statistical information in accordance with subpart 1400 of Regulation S-K (previously, certain similar information was provided under SEC Industry Guide 3).

The following information is included for analytical purposes and should be read in conjunction with our audited consolidated financial statements included in this annual report as well as "Operating and financial review and prospects". The selected statistical data of Grupo Aval at December 31, 2021, 2020 and 2019 and for the years ended December 31, 2021, 2020 and 2019, as applicable, have been derived from our audited consolidated financial statements prepared in accordance with IFRS that are included in this annual report. We believe that the average data set forth herein accurately reflects in all material aspects our financial condition and results of operation at the date and for the periods specified.

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

- average statement of financial position for 2021, 2020 and 2019 have been calculated as follows: the average of balances at December 31, at September 30, at June 30, and at March 31 of the corresponding year, and the balance at December 31, of the previous year.

Average Statement of Financial Position

For the years ended December 31, 2021, 2020 and 2019, the following table presents:

- average balances for 2021, 2020 and 2019 calculated using the average of balances for our assets and liabilities (based on a five period average) according with above paragraph;

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

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

	Average statement of financial position and income from interest-earning and non-interest-earning assets for the years ended December 31,								
	2021			2020			2019		
	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield
	(in Ps billions, except percentages)								
ASSETS									
Interest-earning assets									
Fixed Income Investments									
Domestic	23,565.2	894.7	3.8 %	19,350.9	713.1	3.7 %	16,579.4	727.1	4.4 %
Foreign	16,182.0	637.0	3.9 %	11,264.2	562.7	5.0 %	6,674.6	334.4	5.0 %
Total	**39,747.2**	**1,531.8**	**3.9 %**	**30,615.1**	**1,275.8**	**4.2 %**	**23,254.0**	**1,061.6**	**4.6 %**
Interbank and overnight funds [(1)]									
Domestic	1,705.3	137.5	8.1 %	1,626.7	164.5	10.1 %	2,734.0	364.5	13.3 %
Foreign	1,510.1	32.1	2.1 %	1,731.6	62.8	3.6 %	1,880.3	155.0	8.2 %
Total	**3,215.4**	**169.6**	**5.3 %**	**3,358.3**	**227.3**	**6.8 %**	**4,614.3**	**519.6**	**11.3 %**
Loans - Client portfolio									
Domestic	135,171.4	11,525.8	8.5 %	130,257.2	11,782.1	9.0 %	119,841.4	12,156.6	10.1 %
Foreign	79,319.2	6,420.4	8.1 %	69,973.2	6,937.7	9.9 %	53,560.0	5,815.0	10.9 %
Total	**214,490.6**	**17,946.1**	**8.4 %**	**200,230.4**	**18,719.7**	**9.3 %**	**173,401.5**	**17,971.6**	**10.4 %**
Loans [(2)]									
Domestic	136,876.7	11,663.2	8.5 %	131,883.9	11,946.6	9.1 %	122,575.4	12,521.1	10.2 %
Foreign	80,829.3	6,452.5	8.0 %	71,704.8	7,000.4	9.8 %	55,440.4	5,970.1	10.8 %
Total	**217,706.0**	**18,115.7**	**8.3 %**	**203,588.7**	**18,947.0**	**9.3 %**	**178,015.8**	**18,491.2**	**10.4 %**

	Average statement of financial position and income from interest-earning and non-interest-earning assets for the years ended December 31,								
	2021			2020			2019		
	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield
	(in Ps billions, except percentages)								
Total interest-earning assets									
Domestic	160,441.9	12,558.0	7.8 %	151,234.8	12,659.7	8.4 %	139,154.8	13,248.2	9.5 %
Foreign	97,011.3	7,089.5	7.3 %	82,969.0	7,563.1	9.1 %	62,114.9	6,304.5	10.1 %
Total interest-earning assets	**257,453.2**	**19,647.5**	**7.6 %**	**234,203.8**	**20,222.8**	**8.6 %**	**201,269.8**	**19,552.7**	**9.7 %**
Total non-interest-earning assets	**87,080.5**	**—**	—	**83,593.1**	**—**	—	**65,789.1**	**—**	**—**
Total interest-earning and non interest-earning assets									
Domestic	**220,725.1**	**12,558.0**	**5.7 %**	**209,745.8**	**12,659.7**	**6.0 %**	**186,776.1**	**13,248.2**	**7.1 %**
Foreign	**123,808.6**	**7,089.5**	**5.7 %**	**108,051.2**	**7,563.1**	**7.0 %**	**80,282.7**	**6,304.5**	**7.9 %**
Total assets	**344,533.7**	**19,647.5**	**5.7 %**	**317,797.0**	**20,222.8**	**6.4 %**	**267,058.8**	**19,552.7**	**7.3 %**

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

(2) Includes loans and interbank and overnight funds

	Average statement of financial position and income from interest-bearing and non-interest-bearing liabilities and equity for the years ended December 31,								
	2021			2020			2019		
	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate
	(in Ps billions, except percentages)								
LIABILITIES AND EQUITY									
Interest-bearing liabilities									
Interest-bearing checking accounts									
Domestic	7,384.8	60.7	0.8 %	8,426.6	104.2	1.2 %	8,818.4	279.5	3.2 %
Foreign	25,341.8	200.6	0.8 %	20,512.9	223.9	1.1 %	14,546.6	134.4	0.9 %
Total	**32,726.6**	**261.3**	**0.8 %**	**28,939.5**	**328.1**	**1.1 %**	**23,364.9**	**413.9**	**1.8 %**
Savings accounts									
Total domestic	63,918.1	872.8	1.4 %	56,078.0	1,281.8	2.3 %	47,039.3	1,362.0	2.9 %
Foreign	18,616.3	194.0	1.0 %	14,693.4	185.9	1.3 %	10,257.0	141.3	1.4 %
Total	**82,534.4**	**1,066.8**	**1.3 %**	**70,771.4**	**1,467.6**	**2.1 %**	**57,296.3**	**1,503.3**	**2.6 %**
Time deposits									
Total domestic	45,427.9	1,626.6	3.6 %	47,907.0	2,013.3	4.2 %	46,599.2	2,291.9	4.9 %
Foreign	39,685.8	1,442.2	3.6 %	34,625.3	1,650.1	4.8 %	24,659.4	1,303.7	5.3 %
Total	**85,113.7**	**3,068.7**	**3.6 %**	**82,532.3**	**3,663.4**	**4.4 %**	**71,258.5**	**3,595.6**	**5.0 %**
Total interest bearing deposits									
Total domestic	116,730.8	2,560.1	2.2 %	112,411.6	3,399.3	3.0 %	102,456.9	3,933.4	3.8 %
Foreign	83,643.9	1,836.8	2.2 %	69,831.5	2,059.9	2.9 %	49,462.9	1,579.4	3.2 %
Total	**200,374.7**	**4,396.8**	**2.2 %**	**182,243.1**	**5,459.1**	**3.0 %**	**151,919.8**	**5,512.8**	**3.6 %**
Interbank and overnight funds (1)									
Total domestic	9,918.5	161.9	1.6 %	8,197.3	283.1	3.5 %	7,009.4	372.8	5.3 %
Foreign	482.6	23.9	5.0 %	514.2	0.9	0.2 %	888.9	8.1	0.9 %
Total	**10,401.1**	**185.8**	**1.8 %**	**8,711.4**	**284.0**	**3.3 %**	**7,898.2**	**380.9**	**4.8 %**
Borrowings from banks and other									
Total domestic	14,866.1	721.4	4.9 %	15,899.6	563.8	3.5 %	14,669.1	650.3	4.4 %
Foreign	10,323.4	—	— %	11,078.6	423.8	3.8 %	9,846.4	502.8	5.1 %
Total	**25,189.5**	**721.4**	**2.9 %**	**26,978.2**	**987.6**	**3.7 %**	**24,515.5**	**1,153.1**	**4.7 %**
Long-term debt									
Total domestic	25,760.1	1,351.7	5.2 %	24,035.2	1,283.1	5.3 %	19,655.0	1,154.3	5.9 %
Foreign	4,303.6	263.0	6.1 %	3,305.5	248.5	7.5 %	1,065.2	66.1	6.2 %
Total	**30,063.7**	**1,614.7**	**5.4 %**	**27,340.7**	**1,531.6**	**5.6 %**	**20,720.2**	**1,220.4**	**5.9 %**
Total interest-bearing liabilities									
Total domestic	167,275.6	4,795.0	2.9 %	160,543.7	5,529.2	3.4 %	143,790.3	6,110.8	4.2 %
Foreign	98,753.5	2,123.7	2.2 %	84,729.8	2,733.1	3.2 %	61,263.3	2,156.4	3.5 %
Total interest-bearing liabilities	**266,029.1**	**6,918.7**	**2.6 %**	**245,273.4**	**8,262.3**	**3.4 %**	**205,053.7**	**8,267.2**	**4.0 %**
Total non-interest-bearing liabilities and equity	**78,504.6**	**—**	**—**	**72,523.5**	**—**	**—**	**62,005.1**	**—**	**—**
Total liabilities and equity	**344,533.7**	**6,918.7**	**2.0 %**	**317,797.0**	**8,262.3**	**2.6 %**	**267,058.8**	**8,267.2**	**3.1 %**

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

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

The following tables allocate by currency of denomination, the changes in our interest income (interest-earning assets) and interest expense (interest-bearing liabilities) between the changes in average volume and changes in average yield (interest-earning assets) and average rates (interest-bearing liabilities) for the year ended December 31, 2021 compared to the year ended December 31, 2020 and the year ended December 31, 2020 compared to the year ended December 31, 2019. Volume and rate variances have been calculated based on variances in average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing funding as follows: (a) changes in volume (change in volume times new rate) and (b) changes in rates (change in rate times old volume). Net changes attributable to changes in both volume and interest rate have been allocated to changes in volume. You should read the following tables and the footnotes thereto in conjunction to our observations noted in "—Average statement of financial position".

	2021 - 2020 Increase (decrease) due to changes in			2020 - 2019 Increase (decrease) due to changes in		
	Volume	Rate	Net change	Volume	Rate	Net change
	(in Ps billions, except percentages)					
Interest-earning assets:						
Fixed Income Investments						
Domestic	160.0	21.6	181.6	102.1	(116.2)	(164.5)
Foreign	193.6	(119.2)	74.4	229.3	(1.0)	228.2
Total	**351.9**	**(95.9)**	**256.0**	**306.7**	**(92.6)**	**(1,061.6)**
Interbank and overnight funds (1)						
Domestic	6.3	(33.4)	(27.0)	(112.0)	(88.1)	(200.0)
Foreign	(4.7)	(25.9)	(30.7)	(5.4)	(86.9)	(92.2)
Total	**(7.5)**	**(50.1)**	**(57.7)**	**(85.0)**	**(207.3)**	**(519.6)**
Loans - Client portfolio						
Domestic	419.0	(675.3)	(256.3)	942.1	(1,316.6)	(374.5)
Foreign	756.5	(1,273.8)	(517.3)	1,627.3	(504.7)	1,122.6
Total	**1,193.1**	**(1,966.8)**	**(773.6)**	**2,508.3**	**(1,760.1)**	**(17,971.6)**
Sum interest-earnings assets						
Domestic	585.4	(687.1)	(101.7)	932.3	(1,520.8)	(739.0)
Foreign	945.4	(1,419.0)	(473.6)	1,851.2	(592.6)	1,258.6
Total interest-earnings assets	**1,537.5**	**(2,112.8)**	**(575.3)**	**2,730.0**	**(2,059.9)**	**(19,552.7)**
Interest-bearing liabilities						
Checking accounts						
Domestic	(8.6)	(34.9)	(43.5)	(4.8)	(170.5)	89.5
Foreign	38.2	(61.6)	(23.4)	65.1	24.4	(85.8)
Total	**30.2**	**(97.1)**	**(66.9)**	**63.2**	**(149.0)**	**—**
Saving accounts						
Domestic	107.1	(516.0)	(409.0)	206.6	(286.8)	(80.2)
Foreign	40.9	(32.7)	8.2	56.1	(11.6)	44.6
Total	**152.0**	**(552.9)**	**(400.8)**	**279.4**	**(315.1)**	**(35.6)**
Time deposits						
Domestic	(88.8)	(298.0)	(386.7)	55.0	(333.6)	(278.6)
Foreign	183.9	(391.8)	(207.9)	474.9	(128.6)	346.4
Total	**93.1**	**(687.7)**	**(594.6)**	**500.4**	**(432.7)**	**67.7**
Interbank and overnight funds (1)						
Domestic	28.1	(149.3)	(121.2)	41.0	(130.7)	(89.7)
Foreign	(1.6)	24.6	23.0	(0.7)	(6.5)	(7.2)
Total	**30.2**	**(128.4)**	**(98.2)**	**26.5**	**(123.4)**	**(96.9)**
Borrowings from banks and other						
Domestic	(50.2)	207.7	157.6	43.6	(130.1)	(86.5)
Foreign	—	(423.8)	(423.8)	47.1	(126.1)	(79.0)
Total	**(51.2)**	**(215.0)**	**(266.2)**	**90.2**	**(255.6)**	**(165.5)**
Long-term debt						
Domestic	90.5	(21.9)	68.6	233.8	(105.1)	128.7
Foreign	61.0	(46.5)	14.5	168.4	14.0	182.4
Total	**146.2**	**(63.1)**	**83.1**	**370.9**	**(59.7)**	**311.1**
Total interest-bearing liabilities						
Domestic	193.0	(927.1)	(734.2)	577.0	(1,158.6)	(581.6)
Foreign	301.6	(911.0)	(609.4)	756.9	(180.3)	576.7
Total interest-bearing liabilities	**539.8**	**(1,883.4)**	**(1,343.6)**	**1,354.8**	**(1,359.8)**	**(5.0)**

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

Interest-earning assets – net interest margin and spread

The following table presents average balances of interest-earning assets as well as our yields on our average interest-earning assets, net interest earned, net interest margin and interest spread for the years ended December 31, 2021, 2020 and 2019.

	For the years ended December 31,		
	2021	2020	2019
	(in Ps billions, except percentages)		
Interbank and overnight funds			
Domestic	1,705.3	1,626.7	2,734.0
Foreign	1,510.1	1,731.6	1,880.3
Total	**3,215.4**	**3,358.3**	**4,614.3**
Loans - Client portfolio			
Domestic	135,171.4	130,257.2	119,841.4
Foreign	79,319.2	69,973.2	53,560.0
Total	**214,490.6**	**200,230.4**	**173,401.5**
Fixed Income Investments			
Domestic	23,565.2	19,350.9	16,579.4
Foreign	16,182.0	11,264.2	6,674.6
Total	**39,747.2**	**30,615.1**	**23,254.0**
Total average interest-earning assets			
Domestic	160,441.9	151,234.8	139,154.8
Foreign	97,011.3	82,969.0	62,114.9
Total	**257,453.2**	**234,203.8**	**201,269.8**
Gross interest earned			
Domestic	12,558.0	12,659.7	13,248.2
Foreign	7,089.5	7,563.1	6,304.5
Total	**19,647.5**	**20,222.8**	**19,552.7**
Net interest income (1)			
Domestic	7,763.0	7,130.5	7,137.4
Foreign	4,965.9	4,830.0	4,148.1
Total	**12,728.9**	**11,960.5**	**11,285.5**
Average yield on interest-earning assets			
Total Domestic	7.8 %	8.4 %	9.5 %
Foreign	7.3 %	9.1 %	10.1 %
Total	**7.6 %**	**8.6 %**	**9.7 %**
Net interest margin (2)			
Total Domestic	4.8 %	4.7 %	5.1 %
Foreign	5.1 %	5.8 %	6.7 %
Total	**4.9 %**	**5.1 %**	**5.6 %**
Interest spread on loans - Client portfolio (3)			
Total Domestic	6.3 %	6.0 %	6.3 %
Foreign	5.9 %	7.0 %	7.7 %
Total	**6.2 %**	**6.4 %**	**6.7 %**
Interest spread on total interest-earning assets (4)			
Total Domestic	5.0 %	4.9 %	5.3 %
Foreign	5.2 %	5.9 %	6.6 %
Total	**5.0 %**	**5.3 %**	**5.7 %**

(1) Net interest income is calculated as interest income less interest paid and includes accrued interest on interbank and overnight funds.

(2) Net interest margin is calculated as net interest income divided by total average interest-earning assets, determined based on quarterly ending balances during the applicable period.

(3) Interest spread on loans is calculated as the difference between the average yield on interest-earning loans and leases and the average rate paid on interest-bearing deposits.

(4) Interest spread on total interest-earning assets is calculated as the difference between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities.

Investment portfolio

The following tables summarizes the weighted average yield for each range of maturities by category of debt securities at fair value through OCI and at amortized cost as of December 31, 2021.

Investments in debt securities at fair value through OCI	At December 31, 2021 In one year or less	After one year through five years	After five years through ten years	After ten years	Total
	Average Yield % (1)	Average Yield % (1)	Average Yield % (1)	Average Yield % (1)	Average Yield % (1)
Debt securities					
Peso-denominated					
Securities issued or secured by the Colombian government	3.5 %	6.4 %	7.1 %	7.5 %	6.3 %
Securities issued or secured by Colombian government entities	— %	6.9 %	9.6 %	— %	7.9 %
Securities issued or secured by other financial entities	4.9 %	6.1 %	8.7 %	9.8 %	5.6 %
Other securities	4.0 %	4.8 %	9.0 %	— %	7.5 %
Total weighted average yield, peso-denominated	**3.9 %**	**6.4 %**	**7.3 %**	**7.6 %**	**6.4 %**
Foreign currency-denominated					
Securities issued or secured by the Colombian government	— %	1.9 %	3.3 %	4.5 %	2.4 %
Securities issued or secured by foreign Central Banks	2.7 %	2.7 %	3.3 %	— %	2.8 %
Securities issued or secured by Colombian government entities	— %	2.0 %	5.2 %	— %	2.6 %
US government and agencies	0.1 %	1.0 %	1.3 %	1.9 %	1.2 %
Non-US governments and agencies	4.3 %	3.5 %	4.7 %	4.9 %	4.1 %
Securities issued or secured by other financial entities	2.1 %	2.3 %	3.0 %	— %	2.4 %
Other securities	1.6 %	2.6 %	4.8 %	5.8 %	4.0 %
Total weighted average yield, foreign currency-denominated	**3.0 %**	**2.8 %**	**4.2 %**	**4.4 %**	**3.3 %**
Total Average Yield debt securities at fair value through OCI, net	**3.3 %**	**4.6 %**	**5.2 %**	**5.6 %**	**4.6 %**

(1) The weighted-average yield is computed using the internal rate of return, or "IRR", at December 31, 2021.

Investments in debt securities at amortized cost	At December 31, 2021 In one year or less	After one year through five years	After five years through ten years	After ten years	Total
	Average Yield % (1)	Average Yield % (1)	Average Yield % (1)	Average Yield % (1)	Average Yield % (1)
Debt securities					
Peso-denominated					
Securities issued or secured by the Colombian government	3.4 %	4.2 %	— %	— %	3.4 %
Securities issued or secured by Colombian government entities	2.5 %	— %	— %	— %	2.5 %
Other securities	— %	— %	6.6 %	— %	6.6 %
Total weighted average yield, peso-denominated	**2.7 %**	**4.2 %**	**6.6 %**	**— %**	**2.8 %**
Foreign currency-denominated					
Securities issued or secured by other financial entities	2.8 %	6.1 %	5.8 %	— %	4.9 %
Other securities	7.3 %	4.2 %	5.6 %	7.8 %	6.0 %
Total weighted average yield, foreign currency-denominated	**4.8 %**	**5.2 %**	**5.6 %**	**7.8 %**	**5.3 %**
Total Average Yield debt securities at amortized cost, net	**2.8 %**	**5.0 %**	**5.9 %**	**7.8 %**	**3.0 %**

(1) The weighted-average yield is computed using the internal rate of return, or "IRR", at December 31, 2021.

Loan portfolio

Maturity Profile of the Loan Portfolio

The following table presents the maturities of our loan portfolio at December 31, 2021.

	At December 31, 2021				
	In one year or less	After one year through five years	After five years through 15 years	After 15 years	Total
	(in Ps billions)				
Domestic					
Commercial					
General purpose loans	27,752.8	25,381.4	6,281.6	8.1	59,424.0
Loans funded by development banks	847.5	1,720.4	630.6	—	3,198.6
Working capital loans	6,038.0	1,086.3	38.2	0.1	7,162.6
Credit cards	183.0	105.9	1.5	—	290.4
Overdrafts	155.4	—	—	—	155.4
Leases	2,538.0	5,633.9	1,883.2	14.7	10,069.8
Interbank and overnight funds	1,707.5	—	—	—	1,707.5
Total commercial	**39,222.4**	**33,928.0**	**8,835.1**	**22.9**	**82,008.3**
Consumer					
Credit cards	2,740.5	2,800.2	168.9	—	5,709.6
Personal loans	2,451.5	6,252.5	691.8	3.8	9,399.6
Payroll loans	1,489.2	7,305.2	20,023.6	1.3	28,819.3
Automobile and vehicle loans	794.3	2,179.2	377.7	0.1	3,351.2
Overdrafts	22.6	—	—	—	22.6
General purpose loans	93.4	72.0	3.3	—	168.7
Leases	7.0	10.1	0.2	—	17.3
Total consumer	**7,598.6**	**18,619.2**	**21,265.5**	**5.1**	**47,488.4**
Mortgages					
Mortgages	455.5	1,440.4	6,103.2	1,626.4	9,625.5
Leases	149.4	437.1	1,028.0	447.2	2,061.7
Total Mortgages	**605.0**	**1,877.4**	**7,131.1**	**2,073.6**	**11,687.2**
Microcredit	**188.7**	**124.9**	**4.1**	**0.0**	317.7
Total domestic portfolio	**47,614.7**	**54,549.4**	**37,235.9**	**2,101.7**	**141,501.6**
Foreign					
Commercial					
General purpose loans	4,030.5	9,090.2	13,775.8	1,163.4	28,059.9
Working capital loans	9,421.2	2,600.7	224.3	1.5	12,247.7
Overdrafts	371.7	8.8	—	—	380.5
Leases	52.9	706.7	279.3	—	1,038.9
Interbank and overnight funds	1,510.9	—	—	—	1,510.9
Total commercial	**15,387.2**	**12,406.4**	**14,279.4**	**1,164.9**	**43,237.9**
Consumer					
Credit cards	12,737.5	557.6	885.6	1.5	14,182.2
Personal loans	94.9	705.1	1,130.5	1,026.1	2,956.6
Payroll loans	147.9	1,533.1	3,616.0	1,550.0	6,847.0
Automobile and vehicle loans	103.0	2,360.7	2,538.7	0.1	5,002.5
Overdrafts	66.6	1.1	—	—	67.8
Leases	5.7	170.2	168.7	—	344.7
Total consumer	**13,155.6**	**5,327.9**	**8,339.6**	**2,577.7**	**29,400.7**
Mortgages	**11.1**	**234.8**	**2,746.5**	**14,440.7**	17,433.2
Total foreign portfolio	**28,553.9**	**17,969.1**	**25,365.5**	**18,183.3**	**90,071.8**
Total loan portfolio	**76,168.6**	**72,518.5**	**62,601.4**	**20,284.9**	**231,573.4**

The following table presents our loan portfolio due after one year and within one year or less as of December 31, 2021, broken down between fixed and variable rates.

	At December 31, 2021
	(in Ps billions)
Loans with maturity of one year or less	
Variable rate:	
Peso-denominated	33,478.2
Foreign currency-denominated	15,322.8
Total	**48,801.0**
Fixed rate:	
Peso-denominated	14,136.5
Foreign currency-denominated	13,231.1
Total	**27,367.6**
Total loans with maturity of one year or less	**76,168.6**
Loans with maturity of more than one year	
Variable rate:	
Peso-denominated	40,948.1
Foreign currency-denominated	59,442.3
Total	**100,390.4**
Fixed rate:	
Peso-denominated	52,938.8
Foreign currency-denominated	2,075.6
Total	**55,014.4**
Total loans with maturity of more than one year	155,404.9
Total loan portfolio	**231,573.4**

Credit Ratios

The following table presents our credit ratios for the years indicated:

	At December 31,		
	2021	2020	2019
	(in Ps billions, except percentages)		
Domestic			
Commercial [(1)]	1.3%	1.6%	2.4%
Net charge-off during the period	1,046.2	1,373.7	1,794.9
Average amount outstanding	80,959.6	88,408.3	73,327.3
Consumer	5.2%	3.4%	4.5%
Net charge-off during the period	2,348.6	1,495.9	1,681.8
Average amount outstanding	45,446.0	44,528.3	37,580.6
Microcredit	14.6%	13.3%	13.0%
Net charge-off during the period	49.9	51.7	53.8
Average amount outstanding	342.8	388.9	414.7
Mortgages	0.2%	0.1%	0.2%
Net charge-off during the period	25.4	9.6	15.6
Average amount outstanding	11,493.3	12,859.7	8,518.8
Total domestic	**2.5%**	**2.0%**	**3.0%**
Net charge-off during the period	**3,470.1**	**2,930.9**	**3,546.0**
Average amount outstanding	**138,241.6**	**146,185.2**	**119,841.4**
Foreign			
Commercial [(1)]	0.7%	0.5%	0.5%
Net charge-off during the period	237.8	104.0	109.3
Average amount outstanding	35,327.2	23,103.5	22,892.4

	At December 31,		
	2021	2020	2019
	(in Ps billions, except percentages)		
Consumer	4.7%	4.4%	5.0%
Net charge-off during the period	1,192.7	886.3	999.2
Average amount outstanding	25,568.8	19,975.1	19,802.3
Mortgages	0.2%	0.7%	0.6%
Net charge-off during the period	34.9	75.8	62.2
Average amount outstanding	15,353.0	10,966.6	10,865.3
Total foreign	**1.9%**	**2.0%**	**2.2%**
Net charge-off during the period	**1,465.4**	**1,066.1**	**1,171.7**
Average amount outstanding	**76,249.0**	**54,045.2**	**53,560.03**
Total loans	**2.3%**	**2.0%**	**2.7%**
Net charge-off during the period	**4,935.5**	**3,997.0**	**4,717.7**
Average amount outstanding	**214,490.6**	**200,230.4**	**173,401.5**

(1) Reflects charge-offs of commercial loans entered into with clients, in the ordinary course of our business charge-offs for interbank and overnight funds are not usual.

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

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

Deposits

The following table presents our average interest-bearing and non-interest bearing deposits by category for the periods indicated:

	Average statement of financial position and income from interest-bearing and non-interest-bearing liabilities for the years ended December 31,								
	2021			2020			2019		
	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate
	(in Ps billions, except percentages)								
LIABILITIES									
Interest-bearing liabilities									
Interest-bearing checking accounts									
Domestic	7,384.8	60.7	0.8 %	8,426.6	104.2	1.2 %	8,818.4	279.5	3.2 %
Foreign	25,341.8	200.6	0.8 %	20,512.9	223.9	1.1 %	14,546.6	134.4	0.9 %
Total	**32,726.6**	**261.3**	**0.8 %**	**28,939.5**	**328.1**	**1.1 %**	**23,364.9**	**413.9**	**1.8 %**
Savings accounts									
Total domestic	63,918.1	872.8	1.4 %	56,078.0	1,281.8	2.3 %	47,039.3	1,362.0	2.9 %
Foreign	18,616.3	194.0	1.0 %	14,693.4	185.9	1.3 %	10,257.0	141.3	1.4 %
Total	**82,534.4**	**1,066.8**	**1.3 %**	**70,771.4**	**1,467.6**	**2.1 %**	**57,296.3**	**1,503.3**	**2.6 %**
Time deposits									
Total domestic	45,427.9	1,626.6	3.6 %	47,907.0	2,013.3	4.2 %	46,599.2	2,291.9	4.9 %
Foreign	39,685.8	1,442.2	3.6 %	34,625.3	1,650.1	4.8 %	24,659.4	1,303.7	5.3 %
Total	**85,113.7**	**3,068.7**	**3.6 %**	**82,532.3**	**3,663.4**	**4.4 %**	**71,258.5**	**3,595.6**	**5.0 %**
Total interest bearing deposits									
Total domestic	116,730.8	2,560.1	2.2 %	112,411.6	3,399.3	3.0 %	102,456.9	3,933.4	3.8 %
Foreign	83,643.9	1,836.8	2.2 %	69,831.5	2,059.9	2.9 %	49,462.9	1,579.4	3.2 %
Total	**200,374.7**	**4,396.8**	**2.2 %**	**182,243.1**	**5,459.1**	**3.0 %**	**151,919.8**	**5,512.8**	**3.6 %**
Non-interest-bearing checking accounts									
Domestic	17,356.9	—	— %	16,782.4	—	— %	13,192.7	—	— %
Foreign	5,564.9	—	— %	4,468.3	—	— %	3,019.1	—	— %
Total	**22,921.8**	**—**	**— %**	**21,250.7**	**—**	**— %**	**16,211.8**	**—**	**— %**
Others deposits									
Total domestic	287.5	—	— %	262.1	—	— %	210.3	—	— %
Foreign	280.8	—	— %	221.7	—	— %	289.0	—	— %
Total	**568.3**	**—**	**— %**	**483.8**	**—**	**— %**	**499.4**	**—**	**— %**
Total non interest bearing deposits									
Total domestic	17,644.3	—	— %	17,044.5	—	— %	13,403.1	—	— %
Foreign	5,845.7	—	— %	4,690.0	—	— %	3,308.1	—	— %
Total	**23,490.1**	**—**	**— %**	**21,734.5**	**—**	**— %**	**16,711.2**	**—**	**— %**

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

	At December 31, 2021 [1] (in Ps billions)		
	Peso-denominated	**Foreign currency-denominated**	**Total**
Barbados….............................	—	954.0	**954.0**
Colombia….............................	106,674.1	6,492.3	**113,166.3**
Costa Rica…............................	—	14,836.2	**14,836.2**
El Salvador…...........................	—	5,933.1	**5,933.1**
Guatemala…............................	—	12,957.7	**12,957.7**
Honduras….............................	—	9,969.7	**9,969.7**
Nicaragua…............................	—	3,271.2	**3,271.2**
Panamá..................................	—	43,099.2	**43,099.2**
Total[1]..................................	**106,674.1**	**97,513.4**	**204,187.5**

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

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

	Colombia At December 31, 2021 (in Ps billions)		
	Peso-denominated	**Foreign currency-denominated**	**Total**
3 months or less..................................	5,694.3	—	**5,694.3**
Over 3 through 6 months............................	4,628.0	—	**4,628.0**
Over 6 through 12 months..........................	7,093.3	—	**7,093.3**
Over 12 months..........................	15,656.4	—	**15,656.4**
Total...	**33,072.1**	**—**	**33,072.1**

	Barbados At December 31, 2021 (in Ps billions)		
	Peso-denominated	**Foreign currency-denominated**	**Total**
3 months or less..................................	—	125.3	**125.3**
Over 3 through 6 months............................	—	241.5	**241.5**
Over 6 through 12 months..........................	—	232.3	**232.3**
Over 12 months..........................	—	41.7	**41.7**
Total...	**—**	**640.8**	**640.8**

	Costa Rica At December 31, 2021 (in Ps billions)		
	Peso-denominated	**Foreign currency-denominated**	**Total**
3 months or less..................................	—	1,706.6	**1,706.6**
Over 3 through 6 months............................	—	1,131.3	**1,131.3**
Over 6 through 12 months..........................	—	1,314.6	**1,314.6**
Over 12 months..........................	—	1,685.2	**1,685.2**
Total...	**—**	**5,837.7**	**5,837.7**

	El Salvador At December 31, 2021 (in Ps billions)		
	Peso-denominated	Foreign currency-denominated	Total
3 months or less..................................	—	962.8	**962.8**
Over 3 through 6 months............................	—	437.5	**437.5**
Over 6 through 12 months..........................	—	414.4	**414.4**
Over 12 months..........................	—	56.2	**56.2**
Total...	**—**	**1,871.0**	**1,871.0**

	Guatemala At December 31, 2021 (in Ps billions)		
	Peso-denominated	Foreign currency-denominated	Total
3 months or less..................................	—	1,200.6	**1,200.6**
Over 3 through 6 months............................	—	977.5	**977.5**
Over 6 through 12 months..........................	—	1,835.2	**1,835.2**
Over 12 months..........................	—	143.2	**143.2**
Total...	**—**	**4,156.5**	**4,156.5**

	Honduras At December 31, 2021 (in Ps billions)		
	Peso-denominated	Foreign currency-denominated	Total
3 months or less..................................	—	1,635.3	**1,635.3**
Over 3 through 6 months............................	—	526.3	**526.3**
Over 6 through 12 months..........................	—	260.4	**260.4**
Over 12 months..........................	—	145.2	**145.2**
Total...	**—**	**2,567.3**	**2,567.3**

	Nicaragua At December 31, 2021 (in Ps billions)		
	Peso-denominated	Foreign currency-denominated	Total
3 months or less..................................	—	158.7	**158.7**
Over 3 through 6 months............................	—	123.4	**123.4**
Over 6 through 12 months..........................	—	152.5	**152.5**
Over 12 months..........................	—	80.3	**80.3**
Total...	**—**	**514.9**	**514.9**

	Panamá At December 31, 2021 (in Ps billions)		
	Peso-denominated	Foreign currency-denominated	Total
3 months or less..................................	—	9,787.7	**9,787.7**
Over 3 through 6 months............................	—	5,141.5	**5,141.5**
Over 6 through 12 months..........................	—	7,162.1	**7,162.1**
Over 12 months..........................	—	11,061.2	**11,061.2**
Total...	**—**	**33,152.4**	**33,152.4**

Supervision and regulation

Colombian Banking Regulators

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

Central Bank

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

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

Ministry of Finance

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

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

During 2021, the URF along with the Ministry of Finance issued 3 decrees: Decree 151 of 2021, which amends the regulation regarding information disclosure for securities issuers and that will be in force in 2023; Decree 270 of 2021 regarding a minimum profitability ratio methodology for severance funds; and Decree 1084 of 2021 regarding Insurance taken by financial entities on behalf of its debtors. None of this regulation seems to directly affect the profitability and business lines of our companies.

Superintendency of Finance

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

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

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

The Superintendency of Finance exerts its supervisory powers over the financial sector on a consolidated and comprehensive basis. The consolidated supervision extends to all financial institutions including banks operating in Colombia and their subsidiaries abroad, in the latter case to the extent permitted by the laws of the respective country of incorporation. For these purposes, the Superintendency of Finance has executed several memorandums of understanding with foreign financial sector regulators, including the Superintendency of Banks of Panamá, the Superintendency of the Financial System of El Salvador, the Superintendency of Banks and other Financial Institutions of Nicaragua, the Superintendency of Banks of Guatemala, and the National Commission of Banks and Insurance of Honduras. Additionally, the Superintendency of Finance permanently evaluates the possibility of entering into additional memorandums of understanding with other financial regulators to promote an exchange of information and enhance its consolidated and comprehensive supervision.

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

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

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

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

On 2021, 35 External Circulars ("CE") were issued by the Superintendence of Finance, we highlight the followings: CE 04 of 2021 (Report forms of solvency margin, and individual debtor report – active credit operations);CE 09 of 2021 (Authorization regime for equity investments made by financial holdings); CE 012 of 2021 (An extension over the aforementioned Program to Support Debtors, finished in August 31, 2021); CE 017 of 2021 regarding Know Your Client procedures for LA/TF; 018 of 2021 ("*Sistema Integral de Administración de Riesgos -SIAR-"* which amends all the existing Risk Administration framework in order to unify them in a single system for Credit, Counterparty, Liquidity, Market, Operative, Collateral and Insurance Risks. This amendment will take force on July 2023.) CE 026 of 2021 regarding temporary liquidity supports to be provided by the Central Bank, among others.

Fondo de Garantías de Instituciones Financieras

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

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

Securities Market Self-Regulatory Organization

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

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

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

Superintendency of Industry and Commerce

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

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

The Superintendency of Industry and Commerce is responsible for approving economic mergers, acquisitions and integrations between and among enterprises, except for mergers, acquisitions or integrations between financial entities. However, pursuant to Law 1340 of 2009, the Superintendency of Finance is the authority responsible for approving mergers, acquisitions and integrations between financial institutions. For such approvals, the Superintendency of Finance must obtain a prior written opinion by the Superintendency of Industry and Commerce.

Regulatory framework for Colombian Financial Conglomerates

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

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

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

- Rules of capital adequacy applicable to financial conglomerates,
- Criteria pursuant to which the Superintendency of Finance will be allowed to exclude certain entities and investment companies from the scope of these regulations,
- Criteria for determining whether certain entities must be identified as members of the financial conglomerate for the purpose of identifying, administering, monitoring and revealing conflicts of interest, and
- Limits of exposure and concentration of risk applicable to the financial conglomerate.

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

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

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

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

- Request information and conduct on-site visits, and

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

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

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

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

- Decree 774, issued on May 8, 2018, established capital adequacy levels applicable to financial conglomerates as a whole, considering the activities conducted by the entities that compose the conglomerate and the risks to which they are exposed. In terms of capital adequacy, this Decree requires that the technical capital (as defined therein) of financial conglomerates shall not fall below adequate capital (as defined therein).

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

Technical capital for the Aval Financial Conglomerate complied with the adequate capital required by regulation for each of the reported interim quarterly filings and at December 31, 2021. See “Item 3. Key Information—D. Risk factors—Risks relating to our businesses and industry—Risks relating to our banking business” and “Item 11. Quantitative and Qualitative Disclosures About Market Risk”.

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

Regulatory framework for Colombian financial institutions

Basic Framework: Decree 663 of 1993

The basic regulatory framework for the operations of the Colombian financial sector is set forth in the Financial System Organic Statute or “EOSF”, as amended by Laws 510 of 1999, 546 of 1999, 795 of 2003, 964 of 2005, 1328 of 2009 and 1555 of 2012. Decree 2555 of 2010 as well as in External Resolution 8 of 2000 (exchange control regulation statute) and External Resolution 4 of 2006 issued by the Board of Directors of the Colombian Central Bank.

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

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

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

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

Modifications to Framework

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

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

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

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

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

Key interest rates

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

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

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

Capital Adequacy Requirements

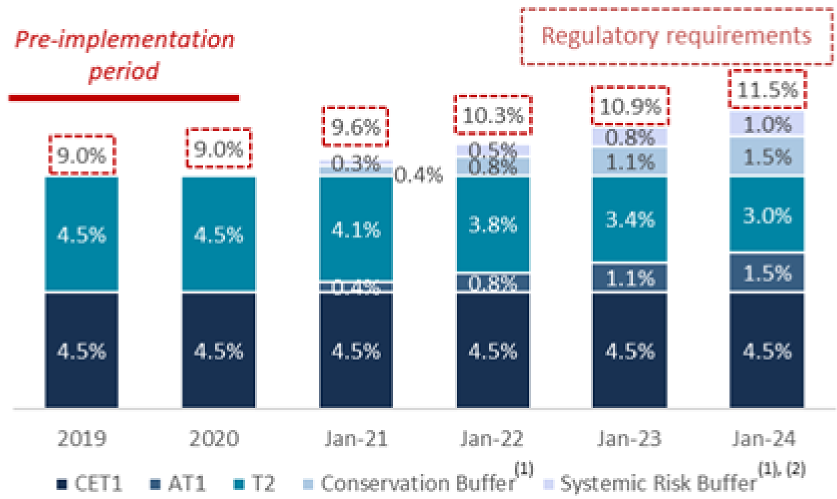
Decree 2555 of 2010 (as modified by Decree 1771 of 2012, Decree 1648 of 2014, Decree 2392 of 2015, Decrees 1477 of 2018 and 1421 of 2019) sets forth capital adequacy requirements for Colombian credit institutions. Between August 1, 2013 and January 1, 2021, technical capital for Colombian credit institutions consisted of the sum of total basic capital (*patrimonio básico*) or total primary capital (Tier I), and secondary capital (*patrimonio adicional*) or secondary capital (Tier II). Primary capital (Tier I) consists of the sum of ordinary basic capital or primary capital (*patrimonio básico ordinario*) and additional basic capital or additional primary capital (*patrimonio básico adicional*). Tier I and Tier II, as defined herein, may differ to the manner in which those terms are used in other jurisdictions.

The total solvency ratio prior to January 1, 2021 was defined as the value of the technical capital calculated in the terms of the Decree 2555 of 2010, divided by risk-weighted assets by level of credit and market risk. Credit institutions' technical capital had to be at least 9.0% of the institution's total risk-weighted assets and also had to comply with a measure of "core solvency" for Tier I, which required higher-quality capital set at a minimum of 4.5% of total risk-weighted assets. Pursuant to Decree 2555 of 2010 (as amended), the Superintendency of Finance must grant prior approval of the eligibility of a debt, equity or hybrid instrument in order to be classified as Tier I, Additional Tier I (AT1) or Tier II.

The Decrees 1477 of 2018 and 1421 of 2019 introduced Basel III principles to estimate adequate capital in credit establishments. The main changes contained in these Decrees, which came into effect on January 1, 2021, were as follows:

- Total solvency ratio is defined as the value of the technical capital (CET1, AT1 and T2) calculated under the terms of the Decree 1477 of 2018 and the Decree 1421 of 2019, divided by risk-weighted assets by level of credit, market and operational risk, at a minimum of 9%;
- A minimum Core Equity Tier 1 (CET1) of 4.5%;
- A minimum CET1 plus AT1 of 6%;
- A capital conservation buffer of 1.5% consisting of CET1;
- A systemic risk buffer of 1.0% for systemically important financial institutions (SIFI) consisting of CET1;
- Included an operational risk component in risk weighted assets; and
- In addition, these Decrees established a minimum leverage ratio of 3%.

The following chart presents the statutory transition period as set forth in the Decrees 1477 of 2018 and 1421 of 2019:



(1) Requires highest quality of capital.

(2) Only applies to SIFIs as defined by the Superintendency of Finance. The Circular Letters 76 of 2020 and 72 of 2021 issued by the Superintendency of Finance, published the list of SIFIs for the year 2021 and 2022, which only included Banco of Bogotá among our Colombian banking subsidiaries, in accordance with the methodology defined for the identification of entities with systemic importance (External Circular 030 of 2019 issued by the same Superintendency).

Pursuant to regulation defined by the Superintendency of Finance, the main differences between the Basel II and Basel III solvency frameworks consist of the following:

- **Risk-weighted assets:** The weightings of the assets included in risk-weighted assets were reassessed to adhere to Basel III standards, which resulted in an overall lower asset density for the Colombian banking sector. This was particularly noticeable in banks with a focus on low-risk consumer loans such as payrolls or those with a large base of transactor credit card clients. In addition, risk weightings under Basel III take into account counterparty risk (whereas Basel II did not account for it). As such, credit exposures to clients with higher credit risk ratings are now favored with a lower risk weighting. Finally, assets take into account the net credit exposure (under Basel II, gross exposure) and incorporate asset quality into the weightings.

- **Regulatory operational risk:** Basel III incorporated the operational risk component in the regulatory operational risk (operational risk multiplied by 100/9), subject to certain provisions established by the Superintendency of Finance. See “Item 11. Quantitative and Qualitative Disclosures About Market Risk—Risk Management Systems—Operational Risk Management”.

- **Technical capital:**

    - *Inclusions* - Certain capital items not included under Basel II were incorporated in full to the CET1 under Basel III standards, such as occasional reserves, other comprehensive income (OCI) and net income for the period. Under Basel II, OCI had only certain items recognized under Tier I and Tier II. Regarding net income, Basel II allowed partial recognition of net income in T2, only if the financial entity had an irrevocable net income appropriation commitment approved by its General Shareholders’ Meeting, in the percentage it was approved (e.g. 50% commitment). Certain components of the technical capital are subject to transition periods.

    - *Deductions* – Under Basel III, goodwill and intangibles must be deducted in full of CET1 whereas under Basel II, deductions were limited to goodwill and intangibles recognized after August 23, 2012. Unconsolidated financial sector investments are deducted from CET1 based on the result of (i) the sum of the reporting entity’s share of equity over each of the unconsolidated financial institutions’ CET1 or accounting equity, as applicable pursuant to regulation, (ii) minus a buffer consisting of 10% of the CET1 before deductions of unconsolidated financial sector investments. Under Basel II, these investments were deducted based on their book value in the reporting entity’s accounting records.

- **Accounting basis:** The Superintendency of Finance requires financial entities to comply with minimum capital adequacy requirements on both separate and consolidated basis. Accounting basis for separate capital adequacy follow Colombian IFRS accounting principles. As for the consolidated capital adequacy, starting on December, 2021, the Superintendency of Finance migrated the accounting basis to IFRS as issued by the IASB; prior to December, 2021, consolidated capital adequacy followed Colombian IFRS accounting principles. See "Presentation of Financial and Other Information—Financial Statements" for main differences between Colombian IFRS and IFRS as issued by IASB.

The following tables set forth the consolidated capital adequacy information, in compliance with the applicable Superintendency of Finance's guidelines, for each of our Colombian banking subsidiaries, Porvenir and Corficolombiana at December 31, 2021 and 2020. Each of our subsidiaries subject to capital adequacy requirements presents technical capital levels above the minimum regulatory capital adequacy requirements established in their respective jurisdictions.

Banco de Bogotá

	At December 31,	
	2021	**2020**
	(in Ps billions)	
Subscribed and paid-in capital	3	3
Reserves and retained earnings	18,371	16,758
Other comprehensive income	5,579	4,294
Net income for the period	4,357	—
Non-controlling interests	—	—
Deductions:		
Unconsolidated financial sector investments	(2,638)	(4,039)
Goodwill and other intangibles	(7,652)	(3,379)
Deferred taxes	(1,222)	(710)
Other	—	(99)
CET1 (Basel III) or Primary capital (Basel II)	**16,798**	**12,829**
Hybrid instruments recognized as additional primary capital	2,070	1,785
Other	—	—
AT1 (Basel III) or Additional Primary capital (Basel II)	**2,070**	**1,785**
Tier I (Basel III) or Total primary capital (Basel II)	**18,868**	**14,614**
Net income for the period	—	664
Non-controlling interests	—	—
Unrealized gains/losses on debt securities available for sale(1)	—	117
Unrealized gains on equity securities available for sale(1)	—	—
Subordinated bonds	3,439	3,691
Unrealized losses on equity securities available for sale(1)	—	—
Plus/minus others	—	666
Tier II capital	**3,439**	**5,138**
Other deductions from technical capital	(28)	—
Technical capital	**22,279**	**19,752**
Risk-weighted assets	142,408	149,690
Value at risk	1,014	1,268
Regulatory value at risk(2)	11,266	14,091
Operational risk	977	—
Regulatory operational risk(2)	10,857	—
Risk-weighted assets including regulatory value at risk and operational risk	164,531	163,781
CET1 or Primary capital solvency ratio	**10.2%**	**7.8%**
AT1 or Additional primary capital solvency ratio	**1.3%**	**1.1%**
Tier 1 or Total primary capital solvency ratio	**11.5%**	**8.9%**
Tier II solvency ratio	**2.1%**	**3.1%**
Total solvency ratio(3)	**13.5%**	**12.1%**

(1) Unrealized gains/losses on securities available for sale do not flow through the statement of income until such securities are disposed of and the gain or loss is realized.
(2) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the Superintendency of Finance. Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.
(3) Solvency ratio is calculated as technical capital to risk-weighted assets, including regulatory value at risk and regulatory operational risk.

Banco de Occidente

	At December 31, 2021	At December 31, 2020
	(in Ps billions)	
Subscribed and paid-in capital	5	5
Reserves and retained earnings	4,359	3,851
Other comprehensive income	210	(12)
Net income for the period	580	—
Non-controlling interests	—	10
Deductions:		
Unconsolidated financial sector investments	(671)	(208)
Goodwill and other intangibles	(448)	(338)
Deferred taxes	(54)	(127)
Other	(5)	(5)
CET1 (Basel III) or Primary capital (Basel II)	**3,976**	**3,177**
Hybrid instruments recognized as additional primary capital	—	—
Other	—	—
AT1 (Basel III) or Additional Primary capital (Basel II)	**—**	**—**
Tier I (Basel III) or Total primary capital (Basel II)	**3,976**	**3,177**
Net income for the period	—	—
Non-controlling interests	—	12
Unrealized gains/losses on debt securities available for sale(1)	—	33
Unrealized gains on equity securities available for sale(1)	—	22
Subordinated bonds	465	575
Unrealized losses on equity securities available for sale(1)	—	(2)
Plus/minus others	—	74
Tier II capital	**465**	**714**
Other deductions from technical capital	—	—
Technical capital	**4,441**	**3,891**
Risk-weighted assets	30,662	34,570
Value at risk	328	193
Regulatory value at risk(2)	3,640	2,143
Operational risk	150	—
Regulatory operational risk(2)	1,671	—
Risk-weighted assets including regulatory value at risk and operational risk	35,973	36,713
CET1 or Primary capital solvency ratio	**11.1%**	**8.7%**
AT1 or Additional primary capital solvency ratio	**0.0%**	**0.0%**
Tier 1 or Total primary capital solvency ratio	**11.1%**	**8.7%**
Tier II solvency ratio	**1.3%**	**1.9%**
Total solvency ratio(3)	**12.3%**	**10.6%**

(1) Unrealized gains/losses on securities available for sale do not flow through the statement of income until such securities are disposed of and the gain or loss is realized.

(2) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the Superintendency of Finance. Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.

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

Banco Popular

	At December 31,	
	2021	2020
	(in Ps billions)	
Subscribed and paid-in capital	77	77
Reserves and retained earnings	2,694	2,448
Other comprehensive income	270	—
Net income for the period	313	—
Non-controlling interests	28	32
Deductions:		
Unconsolidated financial sector investments	(286)	(243)
Goodwill and other intangibles	(243)	(222)
Deferred taxes	—	—
Other	(174)	(36)
CET1 (Basel III) or Primary capital (Basel II)	**2,679**	**2,057**
Hybrid instruments recognized as additional primary capital	—	—
Other	—	—
AT1 (Basel III) or Additional Primary capital (Basel II)	**—**	**—**
Tier I (Basel III) or Total primary capital (Basel II)	**2,679**	**2,057**
Net income for the period	—	148
Non-controlling interests	—	—
Unrealized gains/losses on debt securities available for sale(1)	—	36
Unrealized gains on equity securities available for sale(1)	—	17
Subordinated bonds	197	219
Unrealized losses on equity securities available for sale(1)	—	—
Plus/minus others	—	—
Tier II capital	**197**	**419**
Other deductions from technical capital	—	—
Technical capital	**2,876**	**2,476**
Risk-weighted assets	17,137	22,510
Value at risk	173	102
Regulatory value at risk(2)	1,925	1,131
Operational risk	72	—
Regulatory operational risk(2)	801	—
Risk-weighted assets including regulatory value at risk and operational risk	19,863	23,641
CET1 or Primary capital solvency ratio	**13.5%**	**8.7%**
AT1 or Additional primary capital solvency ratio	**0.0%**	**0.0%**
Tier 1 or Total primary capital solvency ratio	**13.5%**	**8.7%**
Tier II solvency ratio	**1.0%**	**1.8%**
Total solvency ratio(3)	**14.5%**	**10.5%**

(1) Unrealized gains/losses on securities available for sale do not flow through the statement of income until such securities are disposed of and the gain or loss is realized.

(2) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the Superintendency of Finance. Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.

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

Banco AV Villas

	At December 31,	
	2021	2020
	(in Ps billions)	
Subscribed and paid-in capital	22	22
Reserves and retained earnings	1,424	1,350
Other comprehensive income	70	—
Net income for the period	162	—
Non-controlling interests	—	—
Deductions:		
Unconsolidated financial sector investments	(2)	(24)
Goodwill and other intangibles	(111)	—
Deferred taxes	(38)	—
Other	(198)	—
CET1 (Basel III) or Primary capital (Basel II)	**1,328**	**1,349**
Hybrid instruments recognized as additional primary capital	—	—
Other	0	0
AT1 (Basel III) or Additional Primary capital (Basel II)	**0**	**0**
Tier I (Basel III) or Total primary capital (Basel II)	**1,328**	**1,349**
Reserves and retained earnings	—	64
Non-controlling interests	—	—
Unrealized gains/losses on debt securities available for sale(1)	—	4
Unrealized gains on equity securities available for sale(1)	—	—
Subordinated bonds	—	—
Unrealized losses on equity securities available for sale(1)	—	—
Plus/minus others	68	93
Tier II capital	**68**	**160**
Other deductions from technical capital	—	—
Technical capital	**1,396**	**1,509**
Risk-weighted assets	8,781	11,362
Value at risk	127	110
Regulatory value at risk(2)	1,409	1,223
Operational risk	55	—
Regulatory operational risk(2)	614	—
Risk-weighted assets including regulatory value at risk and operational risk	10,805	12,585
CET1 or Primary capital solvency ratio	**12.3%**	**10.7%**
AT1 or Additional primary capital solvency ratio	**0.0%**	**0.0%**
Tier 1 or Total primary capital solvency ratio	**12.3%**	**10.7%**
Tier II solvency ratio	**0.6%**	**1.3%**
Total solvency ratio(3)	**12.9%**	**12.0%**

(1) Unrealized gains/losses on securities available for sale do not flow through the statement of income until such securities are disposed of and the gain or loss is realized.

(2) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the Superintendency of Finance. Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.

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

Porvenir

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

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

On August 6, 2019, the Decree 1420, established additional rules for pension fund administrators related to the percentage of exposure applicable to operational risks.

	At December 31,	
	2021	2020
	(in Ps billions)	
Subscribed and paid-in capital	109	109
Reserves and retained earnings	2,033	1,975
Deductions:		
Others	(51)	(51)
Primary capital	**2,091**	**2,034**
Unrealized gains/losses on securities available for sale(1)	(2)	14
Secondary capital (Tier II)	**(2)**	**14**
Deductions:		
Value of the stabilization reserve	(1,613)	(1,347)
Technical capital	**476**	**701**
Risk-weighted assets	1,097	954
Value at risk	24	14
Regulatory value at risk(2)	263	154
Operational risk	1,133	1,051
Regulatory operational risk(2)	1,510	1,402
Risk-weighted assets including regulatory value at risk and operational risk	2,870	2,510
Solvency ratio(3)	**16.6%**	**28.0%**

(1) Unrealized gains/losses on securities available for sale do not flow through the statement of income until such securities are disposed of and the gain or loss is realized.

(2) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the Superintendency of Finance. Regulatory operational risk consists of operational risk multiplied by specific weightings as defined the Superintendency of Finance.

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

Corficolombiana

	At December 31,	
	2021	2020
	(in Ps billions)	
Subscribed and paid-in capital	3	3
Reserves and retained earnings	8,406	4,881
Other comprehensive income	644	—
Net income for the period	1,296	—
Non-controlling interests	—	1
Deductions:		
Unconsolidated financial sector investments	—	(40)
Goodwill and other intangibles	(39)	(19)
Deferred taxes	(2)	—
Other	(11)	(84)
CET1 (Basel III) or Primary capital (Basel II)	**10,297**	**4,742**
Hybrid instruments recognized as additional primary capital	—	—
Other	0	0
AT1 (Basel III) or Additional Primary capital (Basel II)	**0**	**0**
Tier I (Basel III) or Total primary capital (Basel II)	**10,297**	**4,742**
Net income for the period	—	—
Non-controlling interests	—	—
Unrealized gains/losses on debt securities available for sale(1)	—	27
Unrealized gains on equity securities available for sale(1)	—	622
Subordinated bonds	—	—
Unrealized losses on equity securities available for sale(1)	—	(72)
Plus/minus others	—	—
Tier II capital	**—**	**577**
Other deductions from technical capital	(49)	—
Technical capital	**10,248**	**5,319**
Risk-weighted assets	15,661	13,065
Value at risk	212	178
Regulatory value at risk(2)	2,352	1,983
Operational risk	190	—
Regulatory operational risk(2)	2,112	—
Risk-weighted assets including regulatory value at risk and operational risk	20,125	15,048
CET1 or Primary capital solvency ratio	**51.2%**	**31.5%**
AT1 or Additional primary capital solvency ratio	**0.0%**	**0.0%**
Tier 1 or Total primary capital solvency ratio	**51.2%**	**31.5%**
Tier II solvency ratio	**0.0%**	**3.8%**
Total solvency ratio(3)	**50.9%**	**35.3%**

(1) Unrealized gains/losses on securities available for sale do not flow through the statement of income until such securities are disposed of and the gain or loss is realized.

(2) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the Superintendency of Finance. Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.

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

Mandatory Investments

Colombian banking institutions are required to invest in agricultural development bonds (*Títulos de Desarrollo Agropecuario*, or "TDAs") issued by Finagro, a Government entity, according to External Resolution 3 of 2000 of the Colombian Central Bank, as amended by External Resolution 5 of 2000, External Resolution 1 of 2002, External Resolution 2 of 2005, External Resolutions 2, 8, 9 and 17 of 2007, External Resolutions 2, 6, 8 and 14 of 2008, External Resolution 15 of 2012, External Resolution 7 of 2014, External Resolution 19 of 2015, External Resolution 10 of 2016, External Resolution 6 of 2019 and External Resolution 10 of 2020. The Colombian Central Bank requires that each bank maintains a total investment in these bonds equal to 5.61% of its checking and savings deposits minus legal reserves, plus 4.25% of its time deposits minus legal reserves with a maturity of up to 18 months. Finagro may issue two different types of agricultural development bonds:

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

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

If the DTF interest rate falls to 4% or less, the profitability of the Class A TDAs will be 0%, and if the DTF rate falls to 2% or less, the profitability of the Class B TDAs will be 0%. The same applies to IBR rate. Banks are required to invest 37% of the total mandatory investment in Class A TDAs and 63% in Class B TDAs; however, in accordance with the External Resolution 6 of 2019, starting on the third quarter of 2019, financial institutions are required to invest 50% of the total mandatory investment in Class A TDAs and 50% in Class B TDAs.

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

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

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

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

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

Minimum Capital Requirements

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

The minimum incorporation capital requirement for Colombian banks on a separate basis for 2021 was Ps 102,110 million. As of the date of this annual report, all our banks have consistently satisfied this incorporation capital requirement.

Capital Investment Limit

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

Foreign Currency Position Requirements

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

Currency exchange intermediaries such as Banco de Bogotá, with controlling interest of its overseas investments, are required to exclude those investments and any declared and approved hedging instruments (derivatives or debt) from their foreign currency positions starting on March 26, 2019. At December 31, 2021, Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas had unconsolidated net foreign currency positions of U.S.$(32.2) million, U.S.$(3.4) million, U.S.$10.9 million and U.S.$0.03 million, respectively, which fell within these regulatory guidelines.

Lending Limits

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

Notwithstanding the general rule set above regarding the lending limit of 10%, Decree 816 of 2014 issued to promote the financing of Fourth Generation Concessions toll roads established that commercial banks are allowed to lend to a single borrower, a sum up to 25% of technical capital (*Patrimonio Técnico*). Fourth generation concessions fall under a governmental program issued under the administration of Former President Juan Manuel Santos, aiming to execute the construction of road infrastructure projects in association with private entities.

Decree 2555 of 2010 sets a maximum limit for risk concentrated in one single party, equivalent to 30% of a bank's technical capital, the calculation of which includes loans, leasing operations and equity and debt investments.

Pursuant Decree 2555 of 2010, a credit institution may not make a loan to any shareholder that holds directly more than 10% of its share capital for one year after such shareholder reaches the 10% threshold. In no event may a loan to a shareholder that holds, directly or indirectly, 20% or more of a bank's share capital exceed 20% of a bank's capital requirements. In addition, this Decree establishes no loan to a single financial institution may exceed 30% of a bank's technical capital, with the exception of loans funded by Colombian development banks for which no limit exists.

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

No concentration limits apply to Grupo Aval on a consolidated basis, however, since February 6, 2020, pursuant to the Law of Financial Conglomerates, and in particular, Decree 1486 of 2018, on February, 2020, the Board of Directors of Grupo Aval approved the policies and limits of exposure and concentration of risks for operations between entities belonging to its financial conglomerate and between these and their related entities or individuals *(vinculados)*. These policies include the identification of material risks, operations between entities of the financial conglomerate and between them and their related parties, responsibilities and obligations of administrators and governing bodies, certain quantitative limits and an early warning scheme, as well as disclosure mechanisms.

In 2021, Grupo Aval's management carried out the necessary controls and activities to comply with the provisions of these policies.

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

At December 31, 2021, pursuant to Decree 2555 of 2010, our banks were subject to the following lending limits for unsecured and secured loans: Banco de Bogotá's lending limit per borrower on a separate basis was Ps 2.23 billion for unsecured loans and Ps 5.57 billion for secured loans, Banco de Occidente's lending limit per borrower on a separate basis was Ps 0.44 billion for unsecured loans and Ps 1.11 billion for secured loans, Banco Popular's lending limit per borrower on a separate basis was Ps 0.29 billion for unsecured loans and Ps 0.72 billion for secured loans, and Banco AV Villas' lending limit per borrower on a separate basis was 0.13 billion for unsecured loans and Ps 0.32 billion for secured loans.

Reserve Requirements

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

Prior to April 22, 2020 reserve requirements for credit institutions presented a range between 0% and 11.0%. For example, credit institutions had to maintain reserves of 11.0% for checking accounts and savings deposits, reserves of 4.5% for time deposits with a maturity of less than 540 days, and no reserves for time deposits with a maturity equal or greater than 540 days. Starting on April 22, 2020, and as a measure to mitigate the negative impact of COVID-19 on credit institutions, the Central Bank lowered these requirements to 8% on checking and savings deposits, and 3.5% for time deposits with a maturity of less than 540 days. For time deposits with a maturity equal or greater than 540 days, the reserve requirement remained at 0%.

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

Foreign Currency Loans

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

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

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

Restrictions on Foreign Investment in Colombia

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

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

Loss Allowance

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

Regarding the entire loan portfolio, in accordance with IFRS 9, financial institutions must evaluate at the end of each accounting period if there is or has been a significant increase in the credit risk (SICR) of a loan measured in accordance with the amortized cost methodology. Impairment indicators include significant economic difficulties faced by the borrower, payment default and the probability that the borrower will seek protection from creditors. If impairment is determined, a loan loss provision charged to income is calculated as follows:

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

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

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

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

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

Public Tender Offer Rules

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

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

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

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

In 2021, and as of the date of this annual report, there have been no public tender offers by third parties with respect to the Company's shares or by Grupo Aval in respect to another company's shares.

Sales of Publicly Traded Stock

Any transaction involving the sale of publicly traded stock of any Colombian company, including any sale of our preferred shares for the peso equivalent of 66,000 UVRs (U.S.$ 4,784.8) or more must be effected through the Colombian Stock Exchange. At December 31, 2021, one UVR equaled Ps 288.6 and 66,000 UVRs equal Ps 19,048,860.6.

Intervention Powers of the Superintendency of Finance – Bankruptcy Considerations

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

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

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

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

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

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

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

Troubled Financial Institutions – Deposit Insurance

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

To protect the customers of commercial banks and certain financial institutions, Resolution No. 1 of 1988 of FOGAFIN, as amended by Resolutions 1, 3 and 4 of 2012, Resolution 1 of 2013, Resolutions 1, 2, 3 and 5 of 2014, Resolution 1 of 2015, Resolution 2 of 2016, Resolution 2 of 2017, Resolution 3 of 2018, Resolution 3 of 2019 and Resolution 2 of 2020 requires mandatory deposit insurance. Under this resolution, banks must pay an annual premium of 0.3% of total funds received on savings accounts, checking accounts, certificates of deposit, special savings deposits, mortgage bonds, special accounts, bank collection services and electronic deposits. If a bank is liquidated, the deposit insurance will cover the funds deposited by an individual or corporation with such bank, up to a maximum of Ps 50 million, regardless of the number of accounts held.

Anti-Money-Laundering Provisions

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

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

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

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

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

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

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

Insolvency Law

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

Prepayment of Credit Operations without Penalty

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

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

Data Protection Law

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

Regulation on Liens over Movable Assets

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

Regulation on Payroll Loans

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

Regulatory Framework for Non-Financial Subsidiaries

Our Colombian subsidiaries that are not part of the financial sector are governed by the laws and regulations of the Colombian Civil Code and the Colombian Code of Commerce, as well as any regulations issued by the Colombian Superintendency of Industry and Commerce and the Superintendency of Corporations or any other type of special regulations that may be applicable to corporations, and the commercial and industrial activities carried out by these subsidiaries.

Service of Process and Enforcement of Judgments

Grupo Aval is incorporated under the laws of Colombia. All of our directors and officers reside outside the United States. Substantially all of our assets are located outside the United States, primarily in Colombia. As a result, it may not be possible, or it may be difficult, for you to effect service of process upon us or these other persons within the United States or to obtain recognition and enforcement of judgments obtained in U.S. courts against us or them, including those predicated upon the civil liability provisions of the U.S. federal securities laws or otherwise.

The Colombian Supreme Court will determine whether to recognize a U.S. judgment predicated on the U.S. securities laws through a proceeding known under Colombian law as "exequatur". Enforcement of U.S. judgments may require a separate court procedure in Colombia. After the exequatur has been granted, if the judicial decision imposes an obligation to pay a sum of money or to comply with certain obligations, an executive judicial proceeding (*proceso ejecutivo)* before a local court is available. Such proceeding would follow the same rules applicable for the enforcement of local judicial decisions.

The Colombian Supreme Court will recognize a foreign judgment, without reconsideration of the merits, only if the judgment satisfies the requirements of Articles 605, 606 and 607 of Law 1564 of 2012 (*Código General del Proceso*), provided that the parties affected by the judgment were summoned in the exequatur proceedings in accordance with applicable rules. Law 1564 of 2012 provides that the foreign judgment will be recognized if:

- a treaty or convention exists between Colombia and the country where the judgment was granted relating to the recognition and enforcement of foreign judgments or, in the absence of such treaty or convention, there is reciprocity in the recognition of foreign judgments between the courts of the relevant jurisdiction and the courts of Colombia;

- the foreign judgment does not refer to "in rem" rights vested in assets that were located in Colombia at the time the suit was filed in the foreign court which issued the judgment;

- the foreign judgment does not contravene or conflict with Colombian laws relating to public order (i.e., provision considered to be international public policy) other than those governing judicial procedures;

- the foreign judgment is final and not subject to appeal in accordance with the laws of the country in which it was obtained. The copy of the judgment provided to the Colombian Supreme Court must be authenticated and legalized by a Colombian Consul and translated into Spanish by an authorized translator, duly registered at the Ministry of Foreign Affairs;

- the foreign judgment does not refer to any matter upon which Colombian courts have exclusive jurisdiction;
- no proceedings are pending in Colombia with respect to the same cause of action, and no final judgment has been awarded in any proceeding in Colombia on the same subject matter and between the same parties;
- in the proceedings commenced in the foreign court that issued the judgment, the defendant was served properly in accordance with the applicable laws in such jurisdiction, and was given a reasonable opportunity to defend itself against the action; and
- the Colombian Supreme Court has granted exequatur upon the foreign judgment.

The United States and Colombia do not have a bilateral treaty providing for automatic reciprocal recognition and enforcement of judgments in civil and commercial matters. The Colombian Supreme Court, which is the only Colombian court that can recognize foreign judgments, has generally accepted that reciprocity exists when it has been proven that either a U.S. court has recognized a Colombian judgment or that a U.S. court would recognize a foreign judgment, including a judgment issued by a Colombian court. However, the Colombian legal system is not based on precedents and exequatur decisions are made on a case-by-case basis.

We have appointed Banco de Bogotá S.A., New York Agency as our authorized agent upon whom process may be served in any action instituted in any U.S. federal or state court having subject matter jurisdiction in the Borough of Manhattan in New York, New York, arising out of or based upon the ADSs or the underwriting agreement related to the ADSs.

Notwithstanding the foregoing, we cannot assure you that a Colombian court would recognize or enforce a judgment issued by a state or federal court in the United States with respect to the preferred shares or ADSs based on U.S. securities laws. We have been advised by our Colombian counsel that there is no legal basis for a Colombian court to exert jurisdiction over original actions to be brought against us or our directors and executive officers predicated solely upon the provisions of U.S. securities laws. In addition, certain remedies available under U.S. securities laws may not be admitted or enforced by Colombian courts.

Grupo Aval's articles of incorporation and by-laws contain an arbitration clause that provides for the exclusive jurisdiction of an arbitral tribunal to be seated in Bogotá, D.C., Colombia. The arbitration provision provides that any conflict arising among shareholders, or between shareholders and Grupo Aval in connection with the by-laws, must be resolved by an arbitral tribunal.

Risk Management Framework

In order to comply with the provisions of Law 1870 of 2018, Conglomerate Law, and specifically the provisions of External Circular 013 of 2019 now Chapter XXX of the CBCF issued by the SFC which entered into validity on June 21, 2021, Grupo Aval implemented this regulations through the Risk Management Framework ("Marco de Gestión de Riesgos" in Spanish or "MGR" By its acronym) of the Financial Conglomerate, which corresponds to the set of policies, procedures, methodologies and controls that act in an integrated manner through metrics that allow the Financial Holding as the visible head of the financial conglomerate Aval, the management of the own risks, which are the Risk of Contagion, Risk of Concentration and Strategic Risk, through the identification, measurement, control and monitoring of such risks; as well as having a general knowledge of the risks of the entities that make up the financial conglomerate Aval.

Pension and Severance Fund Management

Pension business overview

The Ministry of Finance limits the range of assets in which pension and severance fund managers ("AFP") can invest and sets concentration limits. In addition, each AFP is required by law to provide a minimum return on investment for each of its mandatory pension and severance funds. This minimum return is determined pursuant to certain formulas established by means of Decree 2555 of 2010, which vary pursuant to the type of fund. Prior to the multi-fund scheme, the minimum return was calculated on a 36-month time horizon for mandatory pension funds and 24-month time horizon for severance funds. With the introduction of the multi-fund scheme, a new risk profile system came into effect which differentiates conservative, moderate and aggressive risk portfolios for individual clients of mandatory pension funds. To adjust the minimum return of mandatory pension funds to the new risk profile portfolios, the time horizon for the minimum return will change from 36 months to a range of 36 to 60 months, depending on the risk profile of each portfolio. For severance funds, the long-term portfolio will continue to have a 24-month time horizon, and the short-term portfolio will have a three-month time horizon.

If a fund's cumulative return for any month is lower than the minimum return, the AFP must supplement the necessary amount to cover the difference within a period of five days. To do so, the AFP must first apply funds from its "stabilization reserve", which is a portion of the AFP's capital invested in the fund administered by the AFP and which must represent at least 1.0% of the value of that fund. If the stabilization reserve is insufficient to cover the difference, the AFP must provide resources from its remaining capital. If the AFP does not have enough resources to cover the difference, the Superintendency of Finance may order the capitalization of the AFP to its shareholders. If, notwithstanding the above, a AFP fails to observe either the minimum return or the stabilization requirements or the order of capitalization, the Superintendency of Finance may take control over the AFP, in which case FOGAFIN, the Colombian deposit insurance fund, is required to supply funds to cover the shortfall. In that event, the AFP may be dissolved and the funds transferred to another AFP. See "Item 3. Key Information—D. Risk Factors—Risks relating to our businesses and industry—Risks relating to our pension and severance fund management business".

Mandatory pension funds

Mandatory pension funds are independent trusts formed by contributions made by individual customers to the social security pension system.

Contributions to these pension funds are mandatory for all employees in Colombia and are jointly funded by the employer and the employee. In the case of contributing clients, the base contribution rate is 16.0% (up to 18.0% for employees meeting a certain salary threshold) of an employee's base salary, whereby the employer contributes 75.0% and the employee 25.0% of the base contribution rate. Contributions are paid on a monthly basis. Of the 16.0%-18.0% total contribution, 11.5% goes to the individual customer's fund. The AFP retains 300 basis points (3.0%) as compensation, of which Porvenir currently pays 200 basis points (2%) to an insurer for life and disability coverage, to which it is required by law to subscribe. The percentage that Porvenir pays for this insurance may increase or decrease depending on market conditions among other factors. The remainder is distributed between the National Solidarity Fund (Fondo de Solidaridad Pensional), depending on the employee's salary (up to 2.0%), and the National Minimum Pension Warranty Fund (Fondo de Garantía de Pensión Mínima) (at 1.5%).

In the case of non-contributing clients, regulation allows private pension funds to charge a performance-based commission considering that these customers have to be to be served in the same manner as a contributing client through branches, call-centers, billing and managing of their individual customer fund. The established performance-based commission is 4.5% of monthly returns of the clients' individual customer fund, with a cap at 50% of the last value charged as commission over the clients' contribution as an active customer.

Employees may freely select their mandatory pension fund, a private pension and severance fund manager of their choice or the Government-sponsored defined public benefit plan, administered by Colpensiones, and can change plans after meeting minimum tenure requirement of five years to switch from the public fund to a private plan and only up to ten years prior to the retirement age, and six months to switch between private fund providers with no limitation prior to retirement age. Whenever an employee changes from one AFP to another, his/her entire savings balance at the fund is transferred to the pension fund administered by the new AFP. Mandatory pension funds cannot be withdrawn prematurely, and they generally expand over the individual's working years.

Severance funds

Severance funds are independent trusts formed by the accumulated severance payment allowance required by Colombian labor law. The severance payment allowance is a social benefit inuring to employees for which employers are responsible under an employment agreement. The allowance consists of the payment of one month's salary per year of service and pro rata amounts for fractions of a year. This amount is deposited directly with the AFP by the employer. Porvenir and all other pension and severance fund managers in Colombia charge a fee (per year for assets under management) of 1.0% for amounts in the mandatory investments short-term portfolio and 3.0% in the long-term portfolio.

Voluntary pension funds

Voluntary pension funds are independent trusts formed by contributions from their participants and/or sponsors and their respective yields, for the purposes of complying with one or several voluntary retirement or disability pension plans. Porvenir earns annual management commissions for assets under management that range between 0.5% and 3.0%, depending on the balance of the customer and the selected portfolios (lower commissions for liquidity portfolios and higher commissions for more complex portfolios).

In 2020, the Colombian Government, through Decree 1207 issued a new legal framework applicable to voluntary pension funds. This legal framework requires AFP to adopt higher standards of corporate governance rules and operating guidelines including a general investment policy.

Third-party sponsored pension liability funds

Third-party sponsored pension liability funds are independent trusts made up of deposits from different institutions (both private and publicly owned) that require a professional institution to manage a fund that is usually created to finance special pension regimes (i.e., pensions that are paid by the employer; before 1994, companies were allowed to establish their own internal pension systems).

Third-party sponsored pension liability funds enable Porvenir to receive performance-based commissions, in few cases these funds have a minimum guaranteed return pursuant to their specific terms. The most important of these contracts is with FONPET, which was subject to renewal upon expiration during 2021, but was delayed by the Ministry of Finance until the last quarter of 2022. Porvenir retains a percentage of the yearly returns of each third-party sponsored pension liability fund, and in some cases, a portion of assets under management.

C. Organizational structure

See Note 1 of our consolidated financial statements for information on our organizational structure. We conduct our operations through our four banks (Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas), a pension and severance fund manager (Porvenir), our merchant bank (Corficolombiana) and our Central American operations (through BHI and MFH).

D. Property, plant and equipment

We have listed below the carrying amount of property, plant and equipment of each of our operating segments at December 31, 2021.

	Buildings and land(1)	Machinery	Equipment	Bearer plants	Other properties	Total
			(Ps billions)			
Banco de Bogotá	766.0	5.3	208.9	—	89.9	1,070.1
BHI	812.5	—	481.4	—	153.6	1,447.5
Banco de Occidente	157.7	0.0	81.1	—	10.5	249.3
Banco Popular	431.6	0.4	77.0	—	12.7	521.7
Banco AV Villas	236.5	—	43.8	—	12.8	293.1
Porvenir	51.7	0.6	20.8	—	1.5	74.7
Corficolombiana	1,026.9	1,162.5	39.1	240.3	23.7	2,492.5
Other segments	—	—	1.8	—	0.9	2.8
Eliminations and adjustments	1.0	0.6	(0.2)	—	1.1	2.5
Grupo Aval	**3,484.0**	**1,169.4**	**953.8**	**240.3**	**306.7**	**6,154.2**

(1) Includes ongoing constructions.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating results

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 and the related notes thereto, and with the other financial information included in this annual report. The preparation of our audited consolidated financial statements requires the adoption of assumptions and estimates that affect the amounts recorded as assets, liabilities, revenue and expenses in the years and periods addressed and are subject to certain risks and uncertainties. Our future results may vary substantially from those indicated because of various factors that affect our business, including, among others, those identified under "Forward-Looking Statements" and "Item 3. Key Information—D. Risk factors", "Item 5. Operating and Financial Review and Prospects—D. Trend information", and other factors discussed in this annual report. Our audited consolidated financial statements at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 included in this annual report have been prepared in accordance with IFRS. For information regarding the calculation methodology of the main key performance indicators used throughout this section see "Item 3. Key Information—A. Selected Financial Data".

Volume and rate variances have been calculated based on variances in average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing funding as follows: (a) changes in volume (change in volume times new rate) and (b) changes in rates (change in rate times old volume). Net changes attributable to changes in both volume and interest rate have been allocated to changes in volume. Calculations are done on a line-by-line basis to account for changes in mix when analyzing each group of interest-earning assets (gross loans, total gross loans and total interest-earning assets) and interest-bearing funding (customer deposits, other funding and total funding). In Item 5, we refer to "N.A." as not applicable.

We have not included a discussion of year-over-year comparisons between 2020 and 2019 in this annual report on Form 20-K. This discussion can be located in "Item 5. Operating and financial review and prospects— Results of Operations for the Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019" in our annual report on Form 20-F for the year ended December 31, 2020, filed with the SEC on April 12, 2021.

Principal factors affecting our financial condition and results of operations

BHI spin-off

In March 2022, after obtaining the necessary approvals, Banco de Bogotá executed a spin-off of a 75% equity stake in BHI to its shareholders and Grupo Aval subsequently spun-off its equity interest to its shareholders. Prior to the spin-off, Banco de Bogotá was the direct parent of BHI. We have retained an indirect stake of approximately 17.2% in BHI (representing our proportional interest in the 25% equity stake in BHI retained by Banco de Bogotá). Prior to the spin-off, BHI transferred its interest in MFG to Banco de Bogotá and, accordingly, MFG remains a consolidated subsidiary. Accordingly, in future periods, we will no longer consolidate BHI and its subsidiaries and will no longer report BHI as an operating segment. Our interest in BHI will be reported as discontinued operations for reporting periods prior to the spin-off and under the "share of profit of equity accounted investees, net of tax (equity method)" line item for subsequent periods. The retained 25% equity interest will be initially recognized at fair value as an investment in associate and subsequent changes in the value of the investment will be recognized through the equity method. At December 31, 2021 BHI and its consolidated subsidiaries accounted for approximately 31.5% of our consolidated assets and 30.7% of our attributable net income before tax expense for the year ended December 31, 2021.

International context

The year 2021 was considered as one of economic transition, in which countries around the world experienced a marked pick-up in their commercial activity, domestic demand and the resulting subsequent inflationary pressures. This year was preceded by a deep global shock. According to the IMF, following the 3.1% contraction experienced in 2020, the World Output (GDP) increased 5.9% in 2021. When compared to 2019, the World GDP increased 2.6%. The following analysis will focus on economic performance of 2021 compared to 2019, to evidence the economic recovery after an atypical 2020, negatively impacted by the effects of the COVID-19 pandemic.

IMF estimates point towards a full recovery to pre-pandemic levels from emerging markets, with a 4.4% growth in 2021 compared to 2019, and a mild recovery from advanced economies with a 0.3% growth over the same time span. The Latin America and the Caribbean region was not able to fully recover from the negative impact of the COVID-19 pandemic and lower commodity prices. IMF estimates point to a 0.6% contraction of GDP in the region between 2021 and 2019. However, the economic performance diverged between countries in the region, with Colombia being the second most dynamic economy in the region after Chile.

As a result of the abovementioned inflationary pressures, monetary policy around the globe shifted towards a less accommodative stance in order to keep inflation expectations anchored. As such, monetary policy for the second half of 2021 was dominated by central banks discussing the possibility of tapering stimulus programs and starting hiking cycles of their reference rates.

Colombian Economic Conditions

In 2021, Colombian GDP registered the biggest expansion in its recent history with a 10.6% expansion of its GDP, relative to 2020 when GDP contracted 7.0% from 2019. When compared to 2019, Colombian GDP grew 2.8%. The progressive easing of lockdowns and social distancing measures adopted in 2020 enabled a strong pick-up in economic activity. The first half of the year grew 0.3% relative to the same period in 2019 as the economy faced challenges coming from sectorized lockdowns and the effects of protests. During the second half of the year, lockdowns eased, the country's workforce progressively returned to on-site labors or to hybrid work models, protests receded and the rate for full vaccination schemes exceeded 50% of the population. As such, GDP for the second half of 2021 grew 5.2% as compared to the same period in 2019. The last quarter of the year was the most dynamic one compared to pre-pandemic levels, with a 6.9% growth relative to the same quarter in 2019.

From the supply side, ten out of twelve sectors of the economy, representing 81.5% of GDP, exceeded pre-pandemic levels: commercial activities grew 4.6%, government services grew 7.1%, manufacturing grew 5.0%, and real estate activities grew 4.1%, collectively these sectors account for 54.3% of GDP. The remainder of GDP reached the same level as in 2019. Construction and mining activities had a lagging performance, with contractions of 22.6% and 15.2% respectively. Other sectors of the economy grew 6.1% and helped offset the negative performance of said sectors.

From the demand side, total consumption increased 9.3% compared to 2019, and was the main driver for economic growth in 2021. Government spending grew 11.4% and household demand grew 8.9% as compared to 2019. On the other hand, investment decreased 12.6% and net imports grew 26.9%. The monthly average national unemployment rate was 13.7% in 2021, still above the 10.5% in 2019, but better than the 16.1% registered in 2020. National unemployment for December 2021 reached 11.0% as compared to 9.5% at December 2019 and 13.4% at December 2020. Employment figures have not yet recovered to pre-pandemic levels despite the strong uptick in economic activity evidencing the high informality rates of the workforce in Colombia and an increase in productivity, as the economy is generating more output with less employees.

Interest Rates and Inflation

Inflation increased rapidly during the second half of 2021 as a result of the measures taken in response to the COVID-19 pandemic and the aforementioned recovery in economic activity, and reached 5.62% in 2021 as compared to 1.61% in 2020. After reaching 1.50% in March 2021, inflation accelerated during the remainder of the year.

During the second half of the year increasing prices of commodities and other raw materials and transportation, combined with heavier rainfall, contributed to high food prices, thus driving half of the total inflation of 2021. Regulated goods and services explained approximately 30% of inflation for the year, partially due to the low statistical base of 2020 in connection with measures taken by the Government during the economic and social emergency to mitigate the negative effects of the crisis on households. On the other hand, prices for goods registered a 2.0% increase led by vehicle prices, supply chain disruptions, increased willingness to purchase durable goods and the lagging pass-through effect of the Colombian Peso depreciation that increased prices, however goods such as clothing & footwear and mobile phones helped offset the increase in prices.

In this context, and supported by the rapid contraction of the output gap, the Board of Directors of the Central Bank started a rate hike cycle in September that by December, had taken the reference rate from 1.75% to 3.00%.

Exchange rates

The Colombian peso ended the year 2021 at Ps 3,981.16 per dollar, depreciating 16.0% compared to the previous year. The average exchange rate in 2021 was Ps 3,747.24 per dollar, depreciating 1.5% compared to 2020. The exchange rate reached a maximum of Ps 4,023.68 on December 30, 2021. Exchange rate performance was driven by the following main factors: (i) the U.S. dollar strengthened driven by the anticipation of a tapering of the FED's accommodative policy and (ii) Colombia's risk premium increased as the country's fiscal accounts deteriorated and led to the loss of the investment grade status.

We continue to be subject to impacts on our consolidated financial statements derived from fluctuations in the exchange rate of the Colombian peso, in particular, against the U.S. dollar, the currency in which most of our foreign long-term debt is denominated. Prior to the BHI spin-off, we were also subject to fluctuations between the U.S. dollar and each of the currencies in our Central American operations. At December 31, 2021, 44.2% of our average consolidated assets and 47.9% of our average consolidated liabilities were denominated in foreign currency. On a consolidated basis, we had U.S.$5.2 billion (Ps 20.8 trillion) of long-term debt denominated in U.S. dollars at December 31, 2021.

Fiscal accounts

Colombia's fiscal accounts in 2020 were subject to a triple shock derived from the sanitary crisis, economic contraction and lower oil prices. The resulting decrease in tax collection, encompassed with an increase in Government expenses intended to alleviate the effects of the sanitary crisis pressured the country's fiscal deficit. As such, the Central National Government deficit in 2020 deteriorated to 7.8% of GDP compared to a 2.5% in 2019. In 2021, the improvement of economic conditions and the return of tax collection to more normalized levels enabled a strengthening of Colombia's fiscal deficit, which the Government expects will close the year at 7.1%, and better than the 8.6% initially projected in the Ministry of Finance's (MoF) 2021 Medium Term Fiscal Framework.

On September 14, 2021, Congress approved a tax reform under Law 2155 or "*Ley de Inversión Social*" amidst social unrest regarding a previously announced tax bill. Initially, the tax bill proposed by the MoF sought an adjustment of 1.5% of GDP through increases in VAT and other initiatives that were negatively perceived by the public. This resulted in the withdrawal of the proposed bill. Between May and July 2021, both S&P and Fitch cut the country's risk rating from BBB- to BB+, which meant losing the investment grade status Colombia had held for 10 years. Law 2155 was the result of several months of talks with unions, the national strike committee ("*Comité del Paro Nacional*") and the public to reconcile diverging interests and expectations regarding the need of a tax reform. Ultimately, the law passed is expected to adjust 1.2% of GDP starting on 2023.

For 2022 the MoF's Financial Plan assumes a 5.0% GDP growth and a fiscal deficit of 6.2% of GDP.

Credit Volumes

At December 31, 2021, gross loans in the banking system grew 10.3% compared to the prior year end, while at December 31, 2020, growth was 4.2% (10.1% and 4.0% when adjusted for securitized mortgage loans). Commercial loans grew 7.9% compared to 4.7% the previous year. Consumer loans accelerated rapidly and grew 12.7% in 2021 after growing 2.3% in 2020 driven by the decrease in households' confidence in the economy's future performance and by a shift in risk appetite levels of the banking system. Mortgages grew 14.3% compared to 7.0% the previous year. As Colombia's nominal GDP expanded 17.8%, the ratio of bank loans (adjusted for securitized mortgage loans) to GDP decreased to 47.0% from 50.3% in 2020, but was higher than the 45.6% three-year average between 2019 and 2017.

Central American Economic Conditions

Given that BHI and MFH's business operations are concentrated in Central America, their results are linked to the region's economic performance. The Central American region is sensitive to international trade, being a region primarily composed of small economies susceptible to trade balances, income from remittances, foreign direct investment and tourism.

During 2021 the long-term sovereign risk ratings or outlooks of some of the countries in Central America were modified as public spending and public debt increased, as a result of government measures to mitigate the impact of COVID-19 and support households and companies. **Costa Rica** maintained a negative outlook from S&P and Fitch, in contrast, Moody's improved the country's outlook from negative to stable; risk ratings remained stable as follows Moody's B2, Fitch B and S&P B. In **Panama**, Fitch cut its risk rating from BBB to BBB- with a negative outlook on February 2021, Moody's also cut the risk rating to Baa2 from Baa1, improving the outlook to stable; finally, S&P maintained its rating at BBB, adjusting the outlook to negative. In **Guatemala**, there were no changes in ratings or outlooks, which stand as follows: S&P BB- with stable outlook, Moody's Ba1 rating with negative outlook and Fitch BB- rating with stable outlook. In the case of **Honduras** there were no changes in ratings or outlooks (S&P BB- and Moody's B1, both with stable outlooks). Moving on to **El Salvador**, Moody's lowered its risk rating in July 2021 to Caa1 from B3 with a negative outlook; S&P and Fitch maintained their risk ratings at B- with a negative outlook. Finally, in **Nicaragua**, there were no changes in ratings or outlooks which stand as follows: S&P B- with stable outlook, Moody's B3 rating with stable outlook and Fitch B- rating with stable outlook.

Finally, regarding credit volumes in Central America, at December 31, 2021 net loans for the banking system grew 2.7% in U.S.$ terms. Guatemala was the most dynamic country, with a 12.2% growth (11.1% in local currency), followed by Honduras with 12.1% (13.2% in local currency), and El Salvador with 6.6%. Nicaragua grew 4.7% (6.8% in local currency), Panama 3.1% and Costa Rica 0.9% (despite growing 5.5% in local currency).

Results of Operations for the Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020

In 2021, our net income attributable to owners of the parent was Ps 3,297.7 billion, 40.4% higher than in 2020. Our results for 2021 were driven by a combination of the following factors:

- The economic recovery in the countries where we operate enabled a recovery of GDP to pre-pandemic levels, driven by household consumption. In Colombia GDP growth reached 10.6%, the highest figure in recent history, and 2.8% above 2019.

- As a result, the improvement in expected credit losses (ECL), delinquency ratios and the composition of our loan portfolio as measured by loans classified by stages drove the 32.9% or Ps 2.0 trillion decrease in impairment loss on loans and accounts receivable. The return to more a normalized payment behavior of our clients and the improvement of economic expectations as compared to a year earlier supported this performance. As such, Grupo Aval's cost of risk net of recoveries of charged-off assets for 2021 was 1.9%, similar to pre-pandemic levels.

- Net interest margins for loans remained relatively flat as compared to 2020. This was achieved in the midst of decreases in interest rates for loans and funding. The decreases in interest rates was driven by a 95 basis points reduction in the average Central Bank rate in Colombia.

- Net fee income posted a 10.2% growth as compared to 2020, driven by a recovery in transactional activity and increased origination activity, accompanied by an improvement in bancassurance fee income.

- Solid results from our non-financial and pension fund management companies complemented the recovery of our banking operations. Nonetheless, the results of our non-financial entities were negatively affected by the tax reform and the resulting increase in deferred tax liabilities.

- We maintained our focus on a group wide cost control strategy, which allowed our expenses to increase 5.6% in Colombia, in line with inflation, and 6.9% in Central America in U.S. dollar terms.

- Local and international fixed income and equity markets experienced volatility throughout the year, which coupled with the negative performance of local fixed income due to the loss of Colombia's investment grade status, led to lower than expected returns on our financial subsidiaries' investment portfolios.

- Finally, we maintained the strength of our balance sheet. As evidence of this strength, at December 31, 2021 our total deposits to net loans ratio, measured as Customer deposits divided by Total loans, net, was 106% compared to 108% at December 31, 2020. Our liquidity position, measured as Cash and cash equivalents divided by Customer deposits, remained at 16% both at December 31, 2021 and 2020. Our tangible equity ratio was 8.2% at December 31, 2021 compared to 8.3% at December 31, 2020.

Our results for the year should be read in conjunction with our audited consolidated financial statements.

Grupo Aval

Overview

The following discussion describes the main drivers of Grupo Aval's results of operations for the year ended December 31, 2021 compared to the year ended December 31, 2020. Further detail is provided in the Management Discussion and Analysis of Operating Segments.

Grupo Aval's net income attributable to owners of the parent for the year ended December 31, 2021 was Ps 3,297.7 billion (Ps 148 per share, including common and preferred shares), increasing 40.4% or Ps 948.2 billion compared to the year ended December 31, 2020. Return on average equity (attributable to the owners of the parent) for 2021 was 15.3% as compared to 11.7% in 2020.

	Grupo Aval Consolidated			
	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Total interest income	19,647.5	20,222.8	(575.3)	(2.8)
Total interest expense	(6,918.7)	(8,262.3)	1,343.6	(16.3)
Net interest income	**12,728.9**	**11,960.5**	**768.3**	**6.4**
Impairment loss on loans and other accounts receivable	(4,500.1)	(6,267.2)	1,767.1	(28.2)
Impairment (loss) recovery on other financial assets	(16.2)	(74.8)	58.5	(78.3)
Recovery of charged-off financial assets	481.2	328.1	153.1	46.7
Net impairment loss on financial assets	**(4,035.1)**	**(6,013.9)**	**1,978.8**	**(32.9)**
Net interest income, after impairment losses	**8,693.8**	**5,946.6**	**2,747.1**	**46.2**
Net income from commissions and fees	5,611.4	5,093.4	518.0	10.2
Gross profit from sales of goods and services	3,098.9	2,823.3	275.6	9.8
Net trading income	948.7	1,295.4	(346.7)	(26.8)
Net income from other financial instruments mandatorily at fair value through profit or loss	270.1	252.4	17.7	7.0
Other income	1,294.0	1,716.9	(422.9)	(24.6)
Other expenses	(11,396.7)	(10,652.7)	(743.9)	7.0
Net income before tax expense	**8,520.3**	**6,475.3**	**2,045.0**	**31.6**
Income tax expense	(2,851.8)	(1,843.7)	(1,008.1)	54.7
Net income for the year	**5,668.5**	**4,631.6**	**1,036.9**	**22.4**
Net income for the year attributable to:				
Owners of the parent	**3,297.7**	**2,349.5**	**948.2**	**40.4**
Non-controlling interest	**2,370.8**	**2,282.1**	**88.7**	**3.9**

Net interest income

Net interest income increased 6.4% or Ps 768.3 billion to Ps 12,728.9 billion in 2021. Total interest expense decreased 16.3% or Ps 1,343.6 billion, more than total interest income, resulting from a 77 basis point reduction in interest rates paid on interest-bearing funding that was partially offset by an 8.5% or Ps 20,768.7 billion increase in the average balance of interest-bearing funding. Total interest income performance was driven by a 1 percentage point decrease in the average yield of interest-earning assets that was partially offset by a 9.9% or Ps 23,249.3 billion increase in the average balance of interest-earning assets. Yields and rates paid continued to experience downward pressure due to additional reductions of the average benchmark interest rate and a high liquidity environment. The interest spread between the average yield on gross loans and the average rate paid on interest-bearing deposits decreased by 18 basis points to 6.2%. In turn, net interest margin contracted by 16 basis points to 4.9%.

Average balance of interest-earning assets for the year ended December 31,		Change, 2021 vs. 2020		Net interest margin for the year ended December 31,		Net interest income for the year ended December 31,		Change, 2021 vs. 2020	
2021	2020	#	%	2021	2020	2021	2020	#	%
(in Ps billions)						(in Ps billions)			
257,453.2	234,203.8	23,249.3	9.9	4.9%	5.1%	12,728.9	11,960.5	768.3	6.4

The following tables show: (i) the average balance, average yield and interest income on interest-earning assets with an analysis of impacts derived from changes in the average balance and the average yield, per type of interest-earning asset; interbank and overnight funds are shown separate from gross loans due to their characteristics and short-term nature and (ii) the average balance, average rate paid and interest expense on interest-bearing funding with an analysis of impacts derived from changes in the average balance and the average rate, per type of interest-bearing funding.

(i)	Average balance for the year ended December 31,		Change, 2021 vs. 2020		Average yield for the year ended December 31,		Interest income for the year ended December 31,		Impact on interest income due to changes in			Change, 2021 vs. 2020
	2021	2020	#	%	2021	2020	2021	2020	Balance	Yield	Total	%
	(in Ps billions)						(in Ps billions)		(in Ps billions)			
Commercial	116,286.8	111,511.8	4,774.9	4.3	5.7%	6.7%	6,583.9	7,442.9	270.3	(1,129.4)	(859.0)	(11.5)
Consumer	71,014.8	64,503.4	6,511.4	10.1	13.0%	14.4%	9,260.9	9,319.0	849.1	(907.3)	(58.2)	(0.6)
Mortgages	26,846.3	23,826.3	3,020.0	12.7	7.5%	7.8%	2,023.5	1,862.1	227.6	(66.3)	161.4	8.7
Microcredit	342.8	388.9	(46.1)	(11.9)	22.7%	24.6%	77.9	95.7	(10.5)	(7.3)	(17.8)	(18.6)
Gross loans	**214,490.6**	**200,230.4**	**14,260.2**	**7.1**	**8.4%**	**9.3%**	**17,946.1**	**18,719.7**	**1,193.1**	**(1,966.8)**	**(773.6)**	**(4.1)**
Interbank and overnight funds	3,215.4	3,358.3	(142.9)	(4.3)	5.3%	6.8%	169.6	227.3	(7.5)	(50.1)	(57.7)	(25.4)
Total gross loans	**217,706.0**	**203,588.7**	**14,117.3**	**6.9**	**8.3%**	**9.3%**	**18,115.7**	**18,947.0**	**1,174.7**	**(2,006.0)**	**(831.3)**	**(4.4)**
Investments in debt securities	39,747.2	30,615.1	9,132.0	29.8	3.9%	4.2%	1,531.8	1,275.8	351.9	(95.9)	256.0	20.1
Total interest-earning assets	**257,453.2**	**234,203.8**	**23,249.3**	**9.9**	**7.6%**	**8.6%**	**19,647.5**	**20,222.8**	**1,774.3**	**(2,349.5)**	**(575.3)**	**(2.8)**

(ii)	Average balance for the year ended December 31,		Change, 2021 vs. 2020		Average rate paid for the year ended December 31,		Interest expense for the year ended December 31,		Impact on interest expense due to changes in			Change, 2021 vs. 2020
	2021	2020	#	%	2021	2020	2021	2020	Balance	Rate	Total	%
	(in Ps billions)						(in Ps billions)		(in Ps billions)			
Checking accounts	32,739.6	28,939.5	3,800.1	13.1	0.8%	1.1%	(261.3)	(328.1)	(30.3)	97.2	66.9	(20.4)
Time deposits	85,113.7	82,532.3	2,581.4	3.1	3.6%	4.4%	(3,068.7)	(3,663.4)	(93.1)	687.7	594.6	(16.2)
Savings accounts	82,534.4	70,771.4	11,763.1	16.6	1.3%	2.1%	(1,066.8)	(1,467.6)	(152.0)	552.9	400.8	(27.3)
Total interest-bearing deposits	**200,387.7**	**182,243.1**	**18,144.6**	**10.0**	**2.2%**	**3.0%**	**(4,396.8)**	**(5,459.1)**	**(398.1)**	**1,460.4**	**1,062.3**	**(19.5)**
Interbank borrowings and overnight funds	10,401.1	8,711.4	1,689.7	19.4	1.8%	3.3%	(185.8)	(284.0)	(30.2)	128.4	98.2	(34.6)
Borrowings from banks and others	21,516.3	23,017.2	(1,500.9)	(6.5)	2.9%	3.7%	(631.3)	(860.5)	44.0	185.1	229.1	(26.6)
Bonds issued	30,063.7	27,340.7	2,723.0	10.0	5.4%	5.6%	(1,614.7)	(1,531.6)	(146.2)	63.1	(83.1)	5.4
Borrowings from development entities	3,673.2	3,961.0	(287.8)	(7.3)	2.5%	3.2%	(90.0)	(127.1)	7.1	30.1	37.1	(29.2)
Other funding	**65,654.4**	**63,030.3**	**2,624.0**	**4.2**	**3.8%**	**4.4%**	**(2,521.8)**	**(2,803.1)**	**(100.8)**	**382.1**	**281.3**	**(10.0)**
Total interest-bearing funding	**266,042.1**	**245,273.4**	**20,768.7**	**8.5**	**2.6%**	**3.4%**	**(6,918.7)**	**(8,262.3)**	**(540.1)**	**1,883.7**	**1,343.6**	**(16.3)**

Grupo Aval's average balance of gross loans increased 7.1% or Ps 14,260.2 billion in 2021 and the average yield was 8.4%, 98 basis points lower than in 2020. Most of the growth is attributable to organic growth (3.9% or Ps 8,062.0 billion) and the Colombian peso depreciation versus the U.S. dollar on foreign currency denominated loans of our Central American operations (0.6% or Ps 1,206.1 billion). Given that MFG was consolidated throughout 2021, but only starting on the quarter ended June 2020, Grupo Aval's average balances still have Ps 4,992.2 billion or 2.6% of growth explained by the statistical effect of this acquisition. Growth of average balances was lower than that of closing balances (13.2%), partly explained by (i) the difference between a 16.0% year-on-year and a 1.5% average peso depreciation versus the U.S. dollar on foreign currency denominated loans of our Central American operations and (ii) by stronger underwriting dynamics towards the second half of 2021, when social unrest and uncertainty regarding the tax reform dissipated.

The main drivers for the decrease in the average yield were (i) repricing following the reductions in average benchmark rates in Colombia and Central America and (ii) underwriting throughout most part of the year leaned towards lower credit risk segments and products and increased pricing competition related thereto.

The average Central Bank rate in Colombia contracted by 95 basis points to 1.92% in 2021 from 2.87% in 2020 and the average 3-month LIBOR contracted by 49 basis points to 0.16% in 2021 from 0.65% in 2020, which negatively impacted yields in Central America. The end of period Central Bank rate in Colombia increased by 125 basis points to 3.00% at December 31, 2021 from 1.75% a year earlier and the end of period 3-month LIBOR contracted by 3 basis points to 0.21% from 0.24%, respectively. The contractions of both reference rates negatively impacted interest income on interbank and overnight funds as these tend to yield close to these rates.

Our banks granted most of reliefs and structural payment programs between April 2020 and August 2021. Although there is still a portion of our loan book under payment holidays and structural payment programs, the volume has significantly decreased, as explained under the "Net impairment loss on financial assets" section of this analysis. As a result, the recalculation of present values of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate impacted interest income in a lesser amount than a year ago. Net modification losses for 2021 amounted to Ps 33.9 billion (Ps 18.9 billion in commercial loans, Ps 8.8 billion in consumer loans, Ps 6.2 billion in mortgages and Ps 0.01 billion in microcredit) compared to Ps 135.1 billion in 2020 (Ps 13.2 billion in commercial loans, Ps 83.0 billion in consumer loans, Ps 36.9 billion in mortgages and Ps 2.0 billion in microcredit).

Grupo Aval's average balance of interest-earning investments in debt securities increased 29.8% or Ps 9,132.0 billion in 2021 and the average yield was 3.9%, 31 basis points lower than in 2020. Most of the growth is attributable to organic growth (22.5% or Ps 7,254.4 billion) and the Colombian peso depreciation versus the U.S. dollar on foreign currency denominated interest-earning investments in debt securities of our Central American operations (1.0% or Ps 308.7 billion). Given that MFG was consolidated throughout 2021, but only starting on the quarter ended June 2020, Ps 1,568.8 billion or 6.3% growth of Grupo Aval's average balances was explained by the statistical effect of this acquisition. During the first quarter, portfolios reflected the negative performance of global markets, leading to losses in net trading income and a negative valuation in the FVOCI portfolio during most part of the year. Prior to the downturn of financial markets during February and March 2021 we were able to realize a portion of gains on fixed income investments at FVOCI (recognized under Other income) in Colombia. In addition, given the favorable positioning strategy of our portfolio in Central America during 2020 we were able to realize gains, especially during the first nine months of 2021.

Finally, with respect to interest-bearing funding, the average rate paid was 2.6%, 77 basis points lower than in 2020, and the average balance increased 8.5% or Ps 20,768.7 billion in 2021. Most of the growth is attributable to organic growth (5.3% or Ps 13,334.8 billion) and the Colombian peso depreciation versus the U.S. dollar on foreign currency denominated interest-bearing funding of our Central American operations (1.0% or Ps 2,606.6 billion). Given that MFG was consolidated throughout 2021, but only starting on the quarter ended June 2020, Ps 4,827.3 billion or 2.1% of growth of Grupo Aval's average balances was explained by the statistical effect of this acquisition. The driver behind this growth was the liquidity provided by interest-bearing deposits which benefited from the expansionary monetary policy implemented in the countries where we operate. This interest rate environment enabled us to drive down rates paid containing interest spreads contraction.

Regarding other funding, the increase in the average balance of bonds issued is mainly explained by (i) the translation effect of the Colombian peso depreciation on our U.S. dollar denominated issued bonds, (ii) Banco de Bogotá's Ps 600.0 billion ordinary bond issuance in February 2021, (iii) Banco AV Villas' first time bond issuance in an amount of Ps 500.0 billion on February 2021 and (iv) Corficolombiana's Ps 500.0 billion social bonds issuance in October 2021.

Net impairment loss on financial assets

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Impairment loss on loans and other accounts receivable	(4,500.1)	(6,267.2)	1,767.1	(28.2)
Impairment (loss) recovery on other financial assets	(16.2)	(74.8)	58.5	(78.3)
Recovery of charged-off financial assets	481.2	328.1	153.1	46.7
Net impairment loss on financial assets	**(4,035.1)**	**(6,013.9)**	**1,978.8**	**(32.9)**

Grupo Aval's impairment loss on loans and other accounts receivable decreased driven by the economic recovery experienced in the countries in which we operate and the improvement of our clients' payment behavior. This resulted in an improvement of ECL, the delinquency ratios and the composition of our portfolio by stages, that ultimately led to a 28.2% or Ps 1,767.1 billion decrease in impairment loss on loans and other accounts receivable. In addition, recovery of charged-off financial assets increased 46.7% or Ps 153.1 billion, driven by (i) a normalization of our customers' conditions that resulted from lower uncertainty and an improvement in employment conditions and (ii) better public health conditions under which our banks carry out collection processes. For more information regarding Grupo Aval's risk management measures implemented during 2021 please see "Item 11. Quantitative and Qualitative Disclosures About Market Risk".

The improvement in impairment (loss) recovery on other financial assets was driven by the maturity of investments in debt securities impaired during 2020 that enabled the recovery of impairment losses, mainly in public debt of Costa Rica, El Salvador and Panama.

The following table provides detail by category of impairment loss on loans and other accounts receivable, cost of risk and cost of risk, net. For more information on the calculation methodology please refer to "Item 3. Key Information—A. Selected Financial Data".

	Impairment loss on loans and other accounts receivable				Cost of risk for the year ended December 31,		Change, 2021 vs. 2020	Cost of risk, net for the year ended December 31,		Change, 2021 vs. 2020
	Year ended December 31,		Change, 2021 vs. 2020							
	2021	2020	#	%	2021	2020	basis points	2021	2020	basis points
	(in Ps billions)									
Commercial	(1,468.2)	(2,213.1)	744.9	(33.7)	1.3%	2.0%	(72)	1.2%	1.9%	(74)
Consumer	(2,813.4)	(3,657.8)	844.4	(23.1)	4.0%	5.7%	(171)	3.4%	5.2%	(185)
Mortgage	(170.2)	(290.1)	120.0	(41.3)	0.6%	1.2%	(58)	0.6%	1.2%	(58)
Microcredit	(17.5)	(76.0)	58.5	(77.0)	5.1%	19.6%	(1,444)	2.7%	18.1%	(1,542)
Gross loans	**(4,469.3)**	**(6,237.1)**	**1,767.8**	**(28.3)**	**2.1%**	**3.1%**	**(103)**	**1.9%**	**3.0%**	**(109)**
Interbank and overnight funds	(1.5)	0.1	(1.7)	(1,239.0)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total gross loans	**(4,470.9)**	**(6,236.9)**	**1,766.1**	**(28.3)**	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Other accounts receivable	(29.2)	(30.3)	1.0	(3.5)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Impairment loss on loans and other accounts receivable	**(4,500.1)**	**(6,267.2)**	**1,767.1**	**(28.2)**	**2.1%**	**3.1%**	**(103)**	**1.9%**	**3.0%**	**(109)**

Grupo Aval's composition of gross loans per stage improved driven by the following factors:

1. Uncertainty about borrowers' payment capacity decreased in 2021, as payment holidays ended and payment behavior patterns of clients under programs consolidated, ECL models were updated with information that is likely to more accurately reflect future conditions of our borrowers. In 2020, overlays intended to anticipate future performance of delinquency were put in place and drove a Ps 23.1 trillion transfer of gross loans from Stage 1 to Stage 2. In 2021, Ps 10.1 trillion of gross loans transferred from Stage 2 to Stage 1 and Ps 7.1 trillion showed further signs of deterioration and were transferred to Stage 3, the majority of which was ultimately charged-off.

2. In 2021, the balance of Stage 2 loans increased 1.2% or Ps 310.4 billion and decreased its weight on the overall mix of Stages to 11.8% in 2021 from 13.2% in 2020. However, consumer and commercial differed in performance.

    a. Consumer: The balance of Stage 2 consumer loans decreased 13.7% or Ps 1,554.0 billion in 2021 as compared to a Ps 7,475.3 billion increase in 2020. As such, impairment losses required to cover ECL were less than a year earlier. In 2021 results were driven by the positive performance of relieved loans as shown by net repayments of loans amounting to Ps 1,703.7 billion and by net transfer outflows of Ps 420.8 billion from or to Stage 2. Loans that were transferred to Stage 3 had higher probabilities of default (PD) than the loans that remained under Stage 2. As a result, loss allowance as a percentage of gross consumer loans decreased to 14.2% in 2021 from 17.1% in 2020. At December 31, 2021, 46.4% of our consumer loans were payroll loans - mainly to Government employees and retirees- and 10.9% were automobile loans.

    b. Commercial: The balance of Stage 2 commercial loans increased 19.3% or Ps 1,904.3 billion in 2021 as compared to Ps 7,076.6 billion in 2020. The performance for 2021 was driven by a Ps 1,206.4 billion increase in Central America, particularly in Panama as payment holidays ended in September 2021 and resulted in increased delinquency. In addition, a Ps 697.8 billion deterioration occurred in Colombia, mainly in loans that were given relief or were under structural payment programs. As a result, loss allowance as a percentage of gross commercial loans increased to 8.6% in 2021 from 8.2% in 2020. At December 31, 2021, 51.5% of our commercial loans were collateralized or were secured by other banks.

3. Economic performance in 2021 was better than initially estimated when applying forward-looking macroeconomic information in 2020. In addition, risk models give a higher weight to recent history when incorporating economic information, this benefited ECL as 2021 was a year of recovery from the effects of the pandemic. As such, the forward-looking component of loss allowance decreased by Ps 93.3 billion.

4. Origination activity improved significantly in 2021. The share of Stage 1 loans on the overall mix increased to 82.2%, up from 80.7% a year earlier, driven by Ps 23.8 trillion new financial assets originated (net of payments) in 2021. This was 3.7 times or Ps 17.4 trillion more than in 2020 and 47.1% or Ps 7.6 trillion more than in 2019.

For more information on loss allowance calculations, please refer to Note 4 of our audited consolidated financial statements.

The following table shows our gross loan classification by Stages in accordance with IFRS 9 (interbank and overnight funds are not included as they tend to be mostly Stage 1 and with low loss allowance due to their characteristics and short-term nature).

	At December 31,								Change, 2021 vs. 2020			
	2021				2020							
	Stage 1	**Stage 2**	**Stage 3**	**Gross loans**	**Stage 1**	**Stage 2**	**Stage 3**	**Gross loans**	**Stage 1**	**Stage 2**	**Stage 3**	**Gross loans**
	(in Ps billions)								%			
Commercial	100,858.4	11,748.0	9,421.4	**122,027.8**	92,626.1	9,843.7	8,517.1	**110,986.9**	8.9	19.3	10.6	**9.9**
Consumer	63,811.7	9,828.7	3,248.7	**76,889.1**	51,453.5	11,382.7	2,999.2	**65,835.5**	24.0	(13.7)	8.3	**16.8**
Mortgages	22,743.1	5,278.5	1,098.7	**29,120.3**	18,537.9	5,217.9	803.0	**24,558.8**	22.7	1.2	36.8	**18.6**
Microcredit	187.4	43.4	87.0	**317.7**	178.6	143.9	49.9	**372.3**	5.0	(69.9)	74.4	**(14.7)**
Gross loans	**187,600.7**	**26,898.6**	**13,855.7**	**228,355.0**	**162,796.1**	**26,588.2**	**12,369.2**	**201,753.5**	15.2	1.2	12.0	**13.2**
Commercial	82.7%	9.6%	7.7%	**100.0%**	83.5%	8.9%	7.7%	**100.0%**				
Consumer	83.0%	12.8%	4.2%	**100.0%**	78.2%	17.3%	4.6%	**100.0%**				
Mortgages	78.1%	18.1%	3.8%	**100.0%**	75.5%	21.2%	3.3%	**100.0%**				
Microcredit	59.0%	13.6%	27.4%	**100.0%**	48.0%	38.6%	13.4%	**100.0%**				
Composition of gross loans per Stage	**82.2%**	**11.8%**	**6.1%**	**100.0%**	**80.7%**	**13.2%**	**6.1%**	**100.0%**				

See "Item 11. Quantitative and Qualitative Disclosures About Market Risk" for detailed information regarding reliefs and structural payment programs granted by Grupo Aval during 2021 and 2020. In general terms, Colombian and Central American Governments (excluding Nicaragua) adopted measures aimed at mitigating the negative effect of the pandemic on their respective economies, including through the regulation of an extension on tax returns and payments deadlines, temporary payment holidays on loans and a reduction and/or freezing of interest rates, without negative consequences on credit scores or payment records. Although each bank tailored reliefs and structural payment programs to best suit their clients' profiles, such support measures shared certain general characteristics. In this section, retail portfolios under relief programs consisted mainly of credit cards, mortgages, automobile, and personal loans.

In Colombia, the Superintendency of Finance issued External Circular 012 of May 31, 2021, extending the end of the PAD program until August 31, 2021. At December 31, 2021, 15.1% (24.5% in 2020) of our gross loans in Colombia had benefited from reliefs or were under PAD. At the same date, payment holidays were materially over. Loans past due more than 30 days that had benefited either from payment holidays or PAD represented 1.4% (1.2% in 2020) of gross loans or 9.3% (5.3% in 2020) of loans that had active payment schedules. Loans past due more than 90 days that had been benefited either from payment holidays or PAD represented 1.0% (0.6% in 2020) of gross loans or 6.7% (2.8% in 2020) of loans that had active payment schedules. The following table shows the outstanding balances and status of loans that were relieved and under PAD in Colombia, as well as their proportion over each category of loans at the date indicated.

Outstanding balance of loans that were relieved and under PAD

	At December 31, 2021						At December 31, 2020					
	Currently paying	**Under payment holidays**	**Past due between 1 and 30 days**	**Past due between 31 and 90 days**	**Past due more than 90 days**	**Outstanding balance**	**Currently paying**	**Under payment holidays**	**Past due between 1 and 30 days**	**Past due between 31 and 90 days**	**Past due more than 90 days**	**Outstanding balance**
						(in Ps billions)						
Commercial	11,100.6	49.7	743.2	177.0	600.1	**12,670.4**	14,510.0	2,611.0	676.5	201.7	309.1	**18,308.3**
As a % of commercial loans	13.8%	0.1%	0.9%	0.2%	0.7%	15.8%	18.6%	3.3%	0.9%	0.3%	0.4%	23.5%
Consumer	3,772.8	—	338.2	247.0	620.8	**4,978.9**	7,050.6	930.2	627.7	374.9	408.6	**9,392.0**
As a % of consumer loans	7.9%	0.0%	0.7%	0.5%	1.3%	10.5%	16.5%	2.2%	1.5%	0.9%	1.0%	22.0%
Mortgages	2,705.4	—	367.8	130.8	134.1	**3,338.0**	3,676.1	66.1	343.3	133.8	59.5	**4,278.7**
As a % of mortgages	23.1%	0.0%	3.1%	1.1%	1.1%	28.6%	36.2%	0.7%	3.4%	1.3%	0.6%	42.1%
Microcredit	37.3	—	14.5	7.8	46.7	**106.3**	161.6	2.0	19.2	11.0	10.2	**204.1**
As a % of microcredit loans	11.7%	0.0%	4.6%	2.4%	14.7%	33.4%	43.4%	0.5%	5.2%	3.0%	2.7%	54.8%
Gross loans	**17,616.1**	**49.7**	**1,463.7**	**562.5**	**1,401.7**	**21,093.6**	**25,398.3**	**3,609.3**	**1,666.7**	**721.4**	**787.4**	**32,183.1**
As a % of gross loans	12.6%	0.0%	1.0%	0.4%	1.0%	15.1%	19.4%	2.8%	1.3%	0.5%	0.6%	24.5%

In Central America, regulation issued by the Superintendency of Banks in Panamá extended the payment holidays until September 2021. In El Salvador, authorities extended payment holidays for certain loan categories until March 2021. At December 31, 2021, 35.8% (47.2% in 2020) of gross loans in our Central American operations had been benefited from reliefs or were under structural payment programs. At the same date, 2.0% (15.2% in 2020) of their gross loans were under payment holidays. Loans past due more than 30 days that had benefited either from payment holidays or structural payment programs represented 1.8% (stable from 2020) of gross loans or 5.3% (5.5% in 2020) of loans that had active payment schedules. Loans past due more than 90 days that had benefited either from payment holidays or structural payment programs represented 0.9% (0.8% in 2020) of gross loans or 2.7% (2.5% in 2020) of loans that had active payment schedules. The following table shows the outstanding balances and status of loans that were relieved and restructured under structural payment programs in Central America, as well as their proportion over each category of loans at the date indicated.

Outstanding balance of loans that were relieved and under structural payment programs

	At December 31, 2021						At December 31, 2020					
	Currently paying	**Under payment holidays**	**Past due between 1 and 30 days**	**Past due between 31 and 90 days**	**Past due more than 90 days**	**Outstanding balance**	**Currently paying**	**Under payment holidays**	**Past due between 1 and 30 days**	**Past due between 31 and 90 days**	**Past due more than 90 days**	**Outstanding balance**
						(in Ps billions)						
Commercial	10,557.1	837.5	278.5	75.0	116.1	**11,864.2**	7,875.9	5,175.8	175.4	56.0	47.6	**13,330.6**
As a % of commercial loans	25.3%	2.0%	0.7%	0.2%	0.3%	28.4%	23.9%	15.7%	0.5%	0.2%	0.1%	40.5%
Consumer	8,430.1	572.1	584.9	443.4	377.2	**10,407.9**	7,178.2	2,534.9	540.4	470.0	384.8	**11,108.2**
As a % of consumer loans	28.7%	1.9%	2.0%	1.5%	1.3%	35.4%	30.9%	10.9%	2.3%	2.0%	1.7%	47.8%
Mortgages	7,962.8	355.8	558.4	262.7	302.3	**9,442.0**	5,244.0	3,001.2	349.5	167.1	127.1	**8,889.0**
As a % of mortgages	45.7%	2.0%	3.2%	1.5%	1.7%	54.2%	36.4%	20.8%	2.4%	1.2%	0.9%	61.7%
Gross loans	**26,950.1**	**1,765.4**	**1,421.8**	**781.1**	**795.6**	**31,714.0**	**20,298.2**	**10,711.8**	**1,065.3**	**693.1**	**559.4**	**33,327.8**
As a % of gross loans	30.4%	2.0%	1.6%	0.9%	0.9%	35.8%	28.8%	15.2%	1.5%	1.0%	0.8%	47.2%

At December 31, 2021, asset quality measured by loans at least 91 days past due had improved 66 basis points to 2.9% as compared to a year earlier. At December 31, 2021, 23.1% (32.5% in 2020) of our gross loans had benefited from reliefs, were under PAD or structural payment programs. At the same date, 0.8% (7.1% in 2020) of our gross loans were under payment holidays. Loans past due more than 30 days that had benefited either from payment holidays or structural payment programs represented 1.6% (1.3% in 2020) of gross loans or 6.9% (5.4% in 2020) of loans that had active payment schedules. Loans past due more than 90 days that had benefited either from payment holidays or structural payment programs represented 1.0% (0.7% in 2020) of gross loans or 4.3% (2.6% in 2020) of loans that had active payment schedules. The following table shows the outstanding consolidated balances and status of loans that were relieved and under structural payment programs (including PAD), as well as their proportion over each category of consolidated loans at the date indicated.

	Outstanding balance of loans that were relieved and under PAD or structural payment programs											
	At December 31, 2021						At December 31, 2020					
	Currently paying	Under payment holidays	Past due between 1 and 30 days	Past due between 31 and 90 days	Past due more than 90 days	Outstanding balance	Currently paying	Under payment holidays	Past due between 1 and 30 days	Past due between 31 and 90 days	Past due more than 90 days	Outstanding balance
	(in Ps billions)											
Commercial	21,657.7	887.1	1,021.7	251.9	716.2	**24,534.6**	22,385.9	7,786.7	851.9	257.7	356.7	**31,638.9**
As a % of commercial loans	17.7%	0.7%	0.8%	0.2%	0.6%	20.1%	20.2%	7.0%	0.8%	0.2%	0.3%	28.5%
Consumer	12,203.0	572.1	923.2	690.5	998.0	**15,386.8**	14,228.8	3,465.1	1,168.1	844.8	793.4	**20,500.3**
As a % of consumer loans	15.9%	0.7%	1.2%	0.9%	1.3%	20.0%	21.6%	5.3%	1.8%	1.3%	1.2%	31.1%
Mortgages	10,668.3	355.8	926.1	393.4	436.3	**12,780.0**	8,920.1	3,067.3	692.8	300.9	186.6	**13,167.6**
As a % of mortgages	36.6%	1.2%	3.2%	1.4%	1.5%	43.9%	36.3%	12.5%	2.8%	1.2%	0.8%	53.6%
Microcredit	37.3	—	14.5	7.8	46.7	**106.3**	161.6	2.0	19.2	11.0	10.2	**204.1**
As a % of microcredit loans	11.7%	0.0%	4.6%	2.4%	14.7%	33.4%	43.4%	0.5%	5.2%	3.0%	2.7%	54.8%
Gross loans	**44,566.2**	**1,815.1**	**2,885.5**	**1,343.6**	**2,197.3**	**52,807.6**	**45,696.4**	**14,321.2**	**2,732.1**	**1,414.4**	**1,346.9**	**65,510.9**
As a % of gross loans	19.5%	0.8%	1.3%	0.6%	1.0%	23.1%	22.6%	7.1%	1.4%	0.7%	0.7%	32.5%

The following table shows the balance of loans past due at least 91 days past due, delinquency ratios, charge-offs and charge-offs as a percentage of average gross loans for Grupo Aval (interbank and overnight funds are not included as they tend not to be past due or charged-off due to their characteristics and short-term nature).

	Loans at least 91 days past due				Delinquency ratio (1)		Change,
	At December 31,		Change, 2021 vs. 2020		at December 31,		2021 vs. 2020
	2021	2020	#	%	2021	2020	basis points
	(in Ps billions)						
Commercial	3,736.6	4,461.0	(724.4)	(16.2)	3.1%	4.0%	(96)
Consumer	1,989.3	1,954.7	34.6	1.8	2.6%	3.0%	(38)
Mortgages	817.9	722.0	95.9	13.3	2.8%	2.9%	(13)
Microcredit	86.9	49.8	37.1	74.6	27.4%	13.4%	1,398
Gross loans	**6,630.7**	**7,187.5**	**(556.8)**	**(7.7)**	**2.9%**	**3.6%**	**(66)**

	Charge-offs				Charge-offs as a percentage		Change,
	At December 31,		Change, 2021 vs. 2020		of average gross loans		2021 vs. 2020
	2021	2020	#	%	2021	2020	basis points
	(in Ps billions)						
Commercial	1,284.1	1,477.7	(193.6)	(13.1)	1.1%	1.3%	(22)
Consumer	3,541.2	2,382.2	1,159.1	48.7	5.0%	3.7%	129
Mortgages	60.3	85.4	(25.1)	(29.4)	0.2%	0.4%	(13)
Microcredit	49.9	51.7	(1.8)	(3.5)	14.6%	13.3%	127
Total charge-offs	**4,935.5**	**3,997.0**	**938.5**	**23.5**	**2.3%**	**2.0%**	**30**

(1) Calculated as loans past due more than 90 days divided by gross loans.

Delinquency coverage ratio for gross loans, as measured by loss allowance divided by past due gross loans more than 90 days was 170.1% in 2021 and 151.7% in 2020. The progressive expiration of relief programs impacted the amount of charge-offs in 2021 as they had temporarily reduced past due loan formation in 2020 and halted charge-offs based on thresholds for days past due set out in each of our bank's policies. As these loans grew delinquent, they were charged-off. Charge-offs as a percentage of average gross loans increased explained by a higher ratio in consumer loans associated with delinquency of relieved loans and partially offset by a lower ratio in commercial loans. Charge-offs for commercial loans decreased due to the Ps 823.8 billion charge-off of the exposure to *Concesionaria Ruta del Sol* recorded during the third quarter of 2020, that was partially offset by and increase charge-offs of other loans that became delinquent, a portion of which had been previously relieved.

Net income from commissions and fees

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Banking fees	4,693.5	4,178.9	514.6	12.3
Bonded warehouse services	169.4	155.3	14.1	9.1
Trust activities and portfolio management services	336.6	343.3	(6.6)	(1.9)
Pension and severance fund management	1,253.7	1,158.5	95.2	8.2
Income from commissions and fees	**6,453.2**	**5,835.9**	**617.3**	**10.6**
Expenses from commissions and fees	(841.8)	(742.5)	(99.3)	13.4
Net income from commissions and fees	**5,611.4**	**5,093.4**	**518.0**	**10.2**

Income from commissions and fees increased 10.6% or Ps 617.3 billion, positively impacted by a 12.3% or Ps 514.6 billion increase in banking fees related to the following:

1. Banking service fees increased 10.7% or Ps 303.2 billion due to (i) higher transaction volumes on our branch network, especially during the last quarter of the year and (ii) higher bancassurance income in 2021 due to an increase in retail underwriting. Banking service fees increased 11.7% or Ps 134.5 billion in Colombia and 10.1% or Ps 168.7 billion in Central America (8.1% or U.S.$37.0 million).

2. Debit and credit card fees increased 16.5% or Ps 213.7 billion mainly explained by a 31.5% or Ps 246.4 billion increase in income from merchant acquiring, as transactions on point-of-sale (POS) were significantly higher in 2021 exceeding pre-pandemic levels in both regions where we operate. Debit and credit card fees increased 12.6% or Ps 73.8 billion in Colombia and 19.6% or Ps 139.9 billion in Central America (16.5% or U.S.$32.2 million).

The Ps 95.2 billion increase in fees from pension and severance fund management was primarily driven by (i) a Ps 71.9 billion increase in fee income from mandatory pension fund management, (ii) a Ps 30.7 billion increase in fee income from severance fund management driven by an increase in the number of clients and assets under management, (iii) a Ps 5.7 billion increase in revenues received from voluntary pension fund management mainly due to an increase in the balance of assets under management, and (iv) a Ps 13.2 billion decrease in fee income third-party pension fund management, mainly FONPET. Mandatory pension fund management was driven by a Ps 38.0 billion increase in fees charged by Porvenir to non-contributing clients (performance-based) due to higher returns on assets under management, a Ps 22.7 billion increase in fees charged by Porvenir to contributing clients (contribution-based) related to the improvement in employment, and a Ps 11.3 billion increase in fees charged by BHI under pension fund management services.

The increase in expenses from commissions and fees was mainly driven by expenses related to the recovery of income from commissions and fees and by higher fees paid for external sales-forces, as commercial activity increased after contracting due to the lockdowns during most part of 2020.

Gross profit from sales of goods and services

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Income from sales of goods and services	10,450.9	9,144.8	1,306.1	14.3
Costs and expenses of sales of goods and services	(7,352.0)	(6,321.5)	(1,030.5)	16.3
Gross profit from sales of goods and services	**3,098.9**	**2,823.3**	**275.6**	**9.8**

Gross profit from sales of goods and services mainly reflects the result of Corficolombiana's non-financial companies. Infrastructure companies were the largest contributor to this line item with Ps 2,367.9 billion in 2021. This sector drove the overall performance in gross profit from sales of goods and services growing 15.7% or Ps 321.7 billion compared to 2020 mainly explained by (i) increases in the internal rate of return (DOB or "*Diferencial de Obra Bruto*") used to calculate financial assets of concession arrangements, driven by the depreciation of the Colombian peso relative to the U.S. dollar and its positive effect on U.S. dollar denominated future guaranteed payments and (ii) construction progress in Covioriente (25.4% in 2021 compared to 20.9% in 2020).

Gross profit for energy and gas companies in 2021 was Ps 1,060.2 billion, Ps 79.0 billion less than in 2020. Income increased 7.5% or Ps 348.1 billion and costs increased 12.2% or Ps 427.0 billion. The decrease in gross profit was mainly explained by the absence of a Ps 373.5 billion (U.S.$107.7 million) income in Gases del Pacífico and Gases del Perú, arising from the remeasurement of an intangible asset related to concession contracts in December 2020. This income resulted from a reassessment of the company's commercial potential evidenced by an increase in the number of industrial clients, favorable arbitration outcomes and adjustments in the tariff frameworks, that allowed the remeasurement of future recoverable cash flows. Partially offsetting the effect of a high comparison base in 2020, Promigas' grew its recurring business activities by 16.9% or Ps 721.6 billion.

Gross loss for hospitality companies in 2021 was Ps 14.1 billion, Ps 7.5 billion an improvement relative to the Ps 21.6 billion loss in 2020. Income increased 89.8% or Ps 140.5 billion driven by an increase in occupancy rates toward the second half of the year as lockdowns and travel restrictions were lifted. Costs increased 74.7% or Ps 132.9 billion driven by the reactivation of activities.

Gross profit for agribusiness companies in 2021 was Ps 56.8 billion, Ps 33.7 billion more than in 2020. Income increased 50.2% or Ps 84.4 billion due to a higher price of rubber and African palm oil, while costs increased 34.9% or Ps 50.7 billion mainly explained by the increase in inflation and supply chain disruptions.

Gross loss for other sectors was Ps 371.8 billion, mainly reflects operating costs of other services companies (mainly call-centers) that provide Grupo Aval's entities with BPO and external sales-force services, Ps 8.3 billion more than the Ps 363.5 billion gross loss in 2020.

For a detailed analysis of the different sectors see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Management Discussion and Analysis of Operating Segments—Corficolombiana" and for information related to concession arrangements rights see Note 16 of our audited consolidated financial statements.

Net trading income

Grupo Aval's net trading income (refer to Note 29 of our audited consolidated financial statements) was Ps 948.7 billion in 2021, Ps 346.7 billion or 26.8% lower than in 2020, resulting from Ps 475.6 billion decrease in income from investment securities at fair value through profit or loss and a Ps 128.9 billion increase in net trading income from derivatives. The performance of net trading income from derivatives was offset by a Ps 275.8 billion decrease in foreign exchange gains (losses), net, recognized under other income.

Total income from investment securities

Grupo Aval's securities portfolio is classified in the following categories: (i) equity and fixed income investments at FVTPL (described in this section as net trading income in investment securities at FVTPL), (ii) fixed income investments at FVOCI and (iii) fixed income investments at AC (results from (ii) and (iii) are included in net interest income as interest income on investments in debt securities). Grupo Aval manages its investment portfolio in a comprehensive and integral manner that considers individual return of each one of these three categories and the total return of the investment securities portfolio.

Total income from investment securities for Grupo Aval (comprised of interest income on investments in debt securities and net trading income from investment securities at FVTPL) was Ps 1,682.3 billion for 2021, 11.5% or Ps 219.6 billion less than in 2020. This was primarily driven by 141 basis points decrease in the average yield on total investment securities to 3.4% in 2021 from 4.8% in 2020, generating a Ps 561.9 billion decrease in interest income. Partially offsetting the above was a Ps 10,169.3 billion increase in the average balance of total investment securities to Ps 49,970.6 billion in 2021, resulting in a Ps 342.4 billion increase in interest income. The main drivers for this performance were discussed above in net interest income.

Net income from other financial instruments mandatorily at FVTPL

Net income from financial instruments mandatorily at FVTPL reflect the fair value of concession arrangements entered between Promigas and the Colombian Government and increased by Ps 17.7 billion to Ps 270.1 billion in 2021 as compared to 2020.

Other income

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Foreign exchange gains (losses), net	87.2	363.0	(275.8)	(76.0)
Share of profit of equity accounted investees, net of tax (Equity method)	300.2	220.2	80.1	36.4
Net gain on sale of debt and equity securities	315.0	613.2	(298.3)	(48.6)
Dividends	159.1	91.6	67.6	73.8
Gain (loss) on the sale of non-current assets held for sale	36.2	112.0	(75.8)	(67.7)
Gain on sale of property, plant and equipment	23.8	22.9	0.8	3.6
Net gain (loss) in asset valuation	21.0	(50.3)	71.3	(141.7)
Other	351.5	344.3	7.3	2.1
Other income	**1,294.0**	**1,716.9**	**(422.9)**	**(24.6)**

Other income decreased 24.6% or Ps 422.9 billion, mainly because of a decrease in net gain on sale of debt and equity securities. The Ps 298.3 billion decrease in net gain on sale of debt and equity securities was explained by temporary favorable conditions in fixed income markets during 2020 that were not present in 2021, especially in our Colombian operations. The Ps 275.8 billion decrease in foreign exchange gains (losses), net to a Ps 87.2 billion net gain was partially offset by the Ps 128.9 billion increase in net trading income from derivatives mentioned before. The net result of both activities (foreign exchange and derivatives) for 2021 was a Ps 885.4 billion gain, Ps 146.9 billion lower than in 2020, mainly explained by the realization of Ps 246.5 billion in foreign currency denominated retained earnings in Banco de Bogotá's offshore agencies in Miami and New York in 2020.

The Ps 75.8 billion decrease in gain (loss) on the sale of non-current assets held for sale and the Ps 71.3 billion increase in net gain (loss) in asset valuation are mainly explained by the following transaction carried out during 2020. Grupo Aval, through Banco de Bogotá and Banco de Occidente, optimized its PP&E structure by transferring some non-strategic investment properties and non-current assets held for sale in exchange for equity in NEXUS Real Estate Capital Funds (a private equity fund specialized in real estate management). The transaction resulted in 2020 in a Ps 92.9 billion gain on the sale of non-current assets held for sale (as their fair value was higher than their book value at the time of transfer) and a Ps 22.7 billion net loss in asset valuation for investment properties (as their fair value at the time of transfer was lower than their book value), with a net positive effect of Ps 70.1 billion.

The Ps 80.1 billion increase in share of profit of equity accounted investees, net of tax (equity method) was driven by (i) a Ps 37.9 billion increase in Cálidda due to an increase in productivity of internal installations, relocation of networks and reconnections of domestic gas, (ii) a Ps 27.7 billion increase in Aerocali (airport concession in Cali held through Corficolombiana) which recovered from the negative impact of travel restrictions in place throughout 2020, and (iii) a Ps 8.9 billion increase from ACH due to increased volumes of automated clearinghouse transactions.

The Ps 67.6 billion increase in dividends was mainly driven by a Ps 63.2 billion increase from Grupo Energía de Bogotá (GEB) of which Ps 45.2 billion correspond to an extraordinary dividend declared in September 2021.

Other expenses

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Losses from sales of noncurrent assets held for sale	(3.2)	(3.4)	0.2	(7.0)
Personnel expenses	(4,513.0)	(4,400.5)	(112.5)	2.6
Administrative and other expenses	(5,467.4)	(4,966.4)	(501.0)	10.1
Depreciation and amortization	(1,031.0)	(1,015.4)	(15.6)	1.5
Impairment loss on other assets	(72.2)	(7.1)	(65.2)	922.6
Other	(309.9)	(260.0)	(49.9)	19.2
Other expenses	**(11,396.7)**	**(10,652.7)**	**(743.9)**	**7.0**

In 2021, we continued with our initiatives of cost contention. Other expenses increased 7.0% or Ps 743.9 billion. However, this includes the negative impact of the Colombian peso depreciation against the U.S. dollar on our Central American expenses.

1. In Colombia, other expenses increased 5.6% or Ps 340.1 billion, in line with inflation, to Ps 6,394.3 billion led by a 4.7% or Ps 138.1 billion increase in administrative and other expenses, a 3.9% or Ps 93.1 billion increase in personnel expenses, a Ps 58.7 billion increase in impairment loss on other assets and a Ps 49.4 billion increase in other.

a. The increase in administrative and other expenses is mostly attributable to (i) 34.5% or Ps 52.0 billion increase in affiliation, contributions and transfers due to higher payment processing transactions on POS, (ii) 10.9% or Ps 41.2 billion increase in insurance expenses, mainly related to deposit insurance expenses due the increase in the average balance of deposits between 2021 and 2020, and (iii) a 35.9% or Ps 44.5 billion increase in marketing expenses, which returned to 90.1% of pre-pandemic levels, after contracting 33.7% during 2020 in an effort to contain the negative effects of the pandemic on our business and taking into account the reduced commercial activity throughout the year.

b. The increase in personnel expenses resulted from a 2.3% or Ps 53.4 billion increase in salaries and employee benefits and a 46.2% or Ps 39.7 billion increase in labor severances and bonus plan payments, as commercial incentives increased vis-à-vis with the recovery in origination activity. For reference, the minimum wage in Colombia increased by 3.5% in 2021 as compared to 2020.

c. The Ps 58.7 billion increase in impairment loss on other assets was driven by a Ps 56.8 billion provision recognized by Corficolombiana on its investment in Covipacífico due to excess costs expected to be incurred on the Pacífico 1 project.

d. The Ps 49.4 billion increase in other is explained by a Ps 53.3 billion increase in provisions related to emerging costs of legal proceedings arising from individual civil lawsuits originated from mandatory pension fund clients in Porvenir.

2. In Central America, other expenses increased 8.8% or Ps 403.8 billion to Ps 5,002.4 billion, led by (i) a 18.0% or Ps 362.9 billion increase in administrative and other expenses, mainly explained by higher payment processing transactions on POS, (ii) a 1.0% or Ps 19.4 billion increase in personnel expenses, and (iii) a 3.2% or Ps 14.6 billion increase in depreciation and amortization. For more information see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Management Discussion and Analysis of Operating Segments— BHI".

   In U.S. dollars, other expenses increased 6.9% or U.S.$85.8 million to U.S.$1,333.0 million, led by (i) a 15.6% or U.S.$85.2 million increase in administrative and other expenses, (ii) a 0.4% or U.S.$2.3 million decrease in personnel expenses and (iii) a 1.0% or U.S.$1.3 million increase in depreciation and amortization.

Given that Grupo Aval's other expenses increased by 7.0% and its total income before net impairment losses on financial assets (defined as the sum of net interest income, net income from commissions and fees, gross profit (loss) from sales of goods and services, net trading income, net income from other financial instruments mandatorily at fair value through profit or loss "FVTPL" and other income) increased by 3.5%, the cost to income efficiency ratio was 47.6% in 2021 as compared to 46.0% in 2020, similar to pre-pandemic levels. The ratio of other expenses as a percentage of average assets improved to 3.3% in 2021, down from 3.4% in 2020.

Tax expense

Income tax expense for Grupo Aval increased by 54.7%, or Ps 1,008.1 billion, to Ps 2,851.8 billion in 2021. The increase was driven by (i) a 31.6% or Ps 2,044.9 billion increase in income before tax expense and (ii) the effects of the tax reform on deferred taxes, which was particularly marked on our non-financial companies operating in the infrastructure sector due to the temporary differences between income recognition under IFRS15 and Government payments of future guaranteed cash flows. The effect of the tax reform on Grupo Aval's tax expense amounted to Ps 473.8 billion. Grupo Aval's effective tax rate, calculated as income tax expense divided by income before income tax expense excluding dividends and the equity method (as both are non-taxable income), was 35.4% in 2021 and 29.9% in 2020. For more information on income tax expense please refer to Note 19 of our audited consolidated financial statements.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest increased 3.9%, or Ps 88.7 billion, to Ps 2,370.8 billion in 2021 compared to 2020. The ratio of net income attributable to non-controlling interest to net income decreased to 41.8% in 2021 from 49.3% in 2020. The decrease in this ratio is mainly attributable to (i) an increase in the results of our banking operations, where we hold non-controlling interests and (ii) a 21.9% decrease in Corficolombiana's attributable net income, of which 60.0% is attributable to non-controlling shareholders (see Note 26 of our audited consolidated financial statements).

Management Discussion and Analysis of Operating Segments

In the following section we will refer to the consolidated results of our main operating segments. Overall, the principal drivers for our operating segments are the same as those discussed under Grupo Aval's Management Discussion and Analysis. As such, the following section will focus on the drivers affecting each of our operating segments rather than revisiting the general discussion.

During 2021 Grupo Aval modified its business segments structure compared to the business segment structure used in previous years.

The modified structure evaluates Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A. (Porvenir) separately from the Banco de Bogotá S.A. segment. This modification resulted from the change in control of Porvenir, which is now under direct control of Grupo Aval. The change in control did not modify Grupo Aval's ownership percentage or derived in any financial impact on Grupo Aval's consolidated financial statements. In the case of Banco de Bogotá, after the deconsolidation, Porvenir is classified as an investment in associates.

In addition, on September 2021, Leasing Bogotá S.A. Panamá (LB Panamá) changed its name to BAC Holding International Corp. (BHI), and its 99.57% stake in Multi Financial Group, Inc. (MFG) was spun-off to Banco de Bogotá, through a new holding company established in Panama under the name Multi Financial Holding (MFH), whose sole shareholder is Banco de Bogotá with a 100% stake. MFH received a 99.57% interest in MFG, becoming its direct parent. This transaction had no effect on Banco de Bogotá or Grupo Aval's consolidated financial statements.

Banco de Bogotá and BHI's operating segment figures previously reported for 2020 have been modified to be consistent with 2021. As a result, the Banco de Bogotá segment was modified to (i) reflect Porvenir as an investment in associates under the "Share of profit of equity accounted investees, net of tax (Equity method)" line included in "Other income" and (ii) to consolidate MFH on a line by line basis. On the other hand, the BHI segment was modified to show the MFH operation as a discontinued operation. The modified BHI is reflected in the Banco de Bogotá segment in a single line under "Participation in results of subsidiaries" included in "Other income".

The presentation format in the following tables follows the structure of the Consolidated Statement of Income in our audited consolidated financial statements and may differ from the presentation of our operating segments in Note 31 of our audited consolidated financial statements in that the following tables aggregate intersegment and external income.

Net income attributable presented in the following section refers to net income attributable to the owners of each of the subsidiaries presented herein. Grupo Aval's ownership in each subsidiary is described in "Item 4. Information on the company—C. Organizational structure".

In March 2022, Banco de Bogotá executed a spin-off of a 75% equity stake in BHI to its shareholders and Grupo Aval subsequently spun-off its equity interest to its shareholders. We have retained an indirect stake of approximately 17.2% in BHI (representing our proportional interest in the 25% equity stake in BHI retained by Banco de Bogotá). Accordingly, in future periods, we will no longer consolidate BHI and its subsidiaries and will no longer report BHI as an operating segment.

Banco de Bogotá

Overview

Banco de Bogotá's net income attributable to owners of the parent for the year ended December 31, 2021 was Ps 4,356.1 billion, increasing 98.2% or Ps 2,158.2 billion compared to the year ended December 31, 2020. The following discussion describes the main drivers of Banco de Bogotá's results of operations for the year ended December 31, 2021 compared to the year ended December 31, 2020.

	Banco de Bogotá			
	For the year ended December 31,		Change 2021 vs 2020	
	2021	2020	#	%
	(in Ps billions)			
Total interest income	6,170.5	6,317.0	(146.5)	(2.3)
Total interest expense	(2,122.2)	(2,612.2)	490.1	(18.8)
Net interest income	**4,048.3**	**3,704.8**	**343.6**	**9.3**
Impairment loss on loans and other accounts receivable	(1,899.3)	(2,698.6)	799.3	(29.6)
Impairment (loss) recovery on other financial assets	0.1	(11.8)	11.9	(100.8)
Recovery of charged-off financial assets	219.6	137.5	82.1	59.7
Net impairment loss on financial assets	**(1,679.6)**	**(2,572.9)**	**893.3**	**(34.7)**
Net interest income, after impairment losses	**2,368.8**	**1,131.9**	**1,236.9**	**109.3**
Net income from commissions and fees	1,098.8	958.5	140.2	14.6
Gross loss from sales of goods and services	(126.7)	(122.5)	(4.2)	3.5
Net trading income	538.6	603.4	(64.8)	(10.7)
Other income	3,554.8	2,337.1	1,217.8	52.1
Other expenses	(2,756.5)	(2,673.0)	(83.5)	3.1
Net income before tax expense	**4,677.8**	**2,235.4**	**2,442.4**	**109.3**
Income tax expense	(252.6)	(18.8)	(233.8)	1,247.0
Net income for the year from continued operations	**4,425.2**	**2,216.6**	**2,208.6**	**99.6**
Net income for the year from discontinued operations	(64.2)	(19.9)	(44.4)	223.4
Net income for the year	**4,361.0**	**2,196.7**	**2,164.2**	**98.5**
Net income for the year attributable to:				
Owners of the parent	**4,356.1**	**2,197.9**	**2,158.2**	**98.2**
Non-controlling interest	**4.8**	**(1.2)**	**6.0**	**(515.3)**

Net interest income

Net interest income increased 9.3% or Ps 343.6 billion to Ps 4,048.3 billion in 2021. Total interest expense decreased 18.8% or Ps 490.1 billion, more than total interest income, resulting from a 74 basis points reduction in the average interest rate paid on interest-bearing funding that was partially offset by a 7.7% or Ps 6,605.9 billion increase in the average balance of interest-bearing funding. Total interest income performance was driven by a 96 basis points decrease in the average yield of interest-earning assets that was partially offset by a 11.9% or Ps 9,834.8 billion increase in the average balance of interest-earning assets. Yields and rates paid were pressured downwards by a declining average benchmark interest rate and a high liquidity environment. The interest spread between the average yield on gross loans and the average rate paid on interest-bearing deposits decreased by 15 basis points to 5.3%. In turn, net interest margin contracted by 10 basis points to 4.4%. The main drivers impacting interest-earning assets and interest-bearing funding during 2021, are as described under Grupo Aval's analysis.

Average balance of interest-earning assets for the year ended December 31,		Change, 2021 vs. 2020		Net interest margin for the year ended December 31,		Net interest income for the year ended December 31,		Change, 2021 vs. 2020	
2021	2020	#	%	2021	2020	2021	2020	#	%
(in Ps billions)						(in Ps billions)			
92,342.5	82,507.7	9,834.8	11.9	4.4%	4.5%	4,048.3	3,704.8	343.6	9.3

The following tables show: (i) the average balance, average yield and interest income on interest-earning assets with an analysis of impacts derived from changes in the average balance and the average yield, per type of interest-earning asset; interbank and overnight funds are shown separate from gross loans due to their characteristics and short-term nature and (ii) the average balance, average rate paid and interest expense on interest-bearing funding with an analysis of impacts derived from changes in the average balance and the average rate, per type of interest-bearing funding.

(i)	Average balance for the year ended December 31,		Change, 2021 vs. 2020		Average yield for the year ended December 31,		Interest income for the year ended December 31,		Impact on interest income due to changes in			Change, 2021 vs. 2020
	2021	2020	#	%	2021	2020	2021	2020	Balance	Yield	Total	%
	(in Ps billions)						(in Ps billions)		(in Ps billions)			
Commercial	53,938.2	50,623.5	3,314.7	6.5	5.2%	6.2%	2,807.5	3,140.6	172.5	(505.6)	(333.1)	(10.6)
Consumer	17,505.0	15,081.9	2,423.1	16.1	13.2%	14.6%	2,305.6	2,205.0	319.1	(218.6)	100.6	4.6
Mortgages	7,884.4	5,930.3	1,954.1	33.0	7.2%	7.7%	565.8	457.1	140.2	(31.5)	108.7	23.8
Microcredit	338.2	383.0	(44.8)	(11.7)	22.9%	24.9%	77.6	95.2	(10.3)	(7.3)	(17.6)	(18.5)
Gross loans	**79,665.9**	**72,018.8**	**7,647.1**	**10.6**	**7.2%**	**8.2%**	**5,756.5**	**5,897.9**	**552.6**	**(694.0)**	**(141.4)**	**(2.4)**
Interbank and overnight funds	345.9	420.6	(74.8)	(17.8)	18.0%	21.0%	62.4	88.2	(13.5)	(12.3)	(25.8)	(29.2)
Total gross loans	**80,011.8**	**72,439.4**	**7,572.3**	**10.5**	**7.3%**	**8.3%**	**5,818.9**	**5,986.1**	**550.7**	**(717.9)**	**(167.2)**	**(2.8)**
Investments in debt securities	12,330.7	10,068.3	2,262.5	22.5	2.9%	3.3%	351.6	330.9	64.5	(43.8)	20.8	6.3
Total interest-earning assets	**92,342.5**	**82,507.7**	**9,834.8**	**11.9**	**6.7%**	**7.7%**	**6,170.5**	**6,317.0**	**657.2**	**(803.7)**	**(146.5)**	**(2.3)**

(ii)	Average balance for the year ended December 31,		Change, 2021 vs. 2020		Average rate paid for the year ended December 31,		Interest expense for the year ended December 31,		Impact on interest expense due to changes in			Change, 2021 vs. 2020
	2021	2020	#	%	2021	2020	2021	2020	Balance	Rate	Total	%
	(in Ps billions)						(in Ps billions)		(in Ps billions)			
Checking accounts	7,521.6	8,346.1	(824.4)	(9.9)	0.7%	1.3%	(54.7)	(109.8)	6.0	49.1	55.1	(50.2)
Time deposits	30,910.6	28,371.7	2,538.9	8.9	2.8%	3.7%	(879.6)	(1,043.6)	(72.2)	236.2	164.0	(15.7)
Savings accounts	30,324.5	26,962.2	3,362.3	12.5	1.2%	2.2%	(376.8)	(584.8)	(41.8)	249.7	208.0	(35.6)
Total interest-bearing deposits	**68,756.7**	**63,680.0**	**5,076.7**	**8.0**	**1.9%**	**2.7%**	**(1,311.1)**	**(1,738.1)**	**(96.8)**	**523.8**	**427.0**	**(24.6)**
Interbank borrowings and overnight funds	3,116.0	3,460.9	(345.0)	(10.0)	2.1%	3.5%	(65.1)	(121.8)	7.2	49.5	56.7	(46.5)
Borrowings from banks and others	8,070.8	7,239.4	831.4	11.5	1.5%	1.9%	(123.3)	(141.1)	(12.7)	30.5	17.8	(12.6)
Bonds issued	10,591.3	9,419.6	1,171.7	12.4	5.3%	5.6%	(565.0)	(529.7)	(62.5)	27.2	(35.3)	6.7
Borrowings from development entities	2,107.5	2,236.5	(128.9)	(5.8)	2.7%	3.6%	(57.7)	(81.6)	3.5	20.3	23.8	(29.2)
Other funding	**23,885.6**	**22,356.4**	**1,529.2**	**6.8**	**3.4%**	**3.9%**	**(811.1)**	**(874.2)**	**(51.9)**	**115.0**	**63.1**	**(7.2)**
Total interest-bearing funding	**92,642.3**	**86,036.4**	**6,605.9**	**7.7**	**2.3%**	**3.0%**	**(2,122.2)**	**(2,612.2)**	**(151.3)**	**641.4**	**490.1**	**(18.8)**

Banco de Bogotá's average balance of gross loans increased 10.6% or Ps 7,647.1 billion in 2021 and the average yield was 7.2%, 96 basis points lower than in 2020. Growth of average balances was lower than that of closing balances (6.5%) due to predominant commercial dynamics evidenced in 2020, which were driven by strong growth during first half of the year and a slower performance during the second half. Given that MFG was consolidated throughout 2021, but only starting in the quarter ended June 2020, Ps 4,992.2 billion or 7.2% of growth of Banco de Bogotá's average balances was explained by the statistical effect of this acquisition. In addition, organic growth (3.2% or Ps 2,484.6 billion) and the Colombian peso depreciation versus the U.S. dollar on foreign currency denominated loans of MFH's operations (0.2% or Ps 170.3 billion) explain average gross loan growth. As described in Grupo Aval's analysis, yields on loans were negatively impacted by trends in reference rates and competition. In addition, reliefs granted had a negative effect on interest income for gross loans when using the effective interest rate method. In the case of Banco de Bogotá, the effect of reliefs recognized was null in 2021 and Ps 45.4 billion in 2020.

Banco de Bogotá's average balance of interest-earning investments in debt securities increased 22.5% or Ps 2,262.5 billion in 2021 and the average yield was 2.9%, 43 basis points lower than in 2020. Given that MFG was consolidated throughout 2021, but only starting in the quarter ended June 2020, Ps 1,568.8 billion or 16.5% of growth of Banco de Bogotá's average balances was explained by the statistical effect of this acquisition. Additional growth is attributable to organic growth (5.6% or Ps 650.1 billion) and the Colombian peso depreciation versus the U.S. dollar on foreign currency denominated interest-earning investments in debt securities of MFH's operations (0.4% or Ps 43.5 billion).

Finally, with respect to interest-bearing funding, the average rate paid was 2.3%, 75 basis points lower than in 2020, and the average balance increased 7.7% or Ps 6,605.9 billion in 2021. Given that MFG was consolidated throughout 2021, but only starting in the quarter ended June 2020, Ps 4,827.3 billion or 5.7% of growth of Banco de Bogotá's average balances was explained by the statistical effect of this acquisition. In addition, organic growth (0.8% or Ps 706.8 billion) and the Colombian peso depreciation versus the U.S. dollar on foreign currency denominated interest-bearing funding of MFH's operations (1.2% or Ps 1,071.8 billion) explain average interest-bearing funding growth. Regarding other funding, the increase in the average balance of bonds issued is mainly explained by Banco de Bogotá S.A.'s Ps 600.0 billion ordinary bond issuance in February 2021 and by the translation effect of the Colombian peso depreciation on Banco de Bogotá's U.S. dollar denominated issued bonds.

Net impairment loss on financial assets

	Year ended December 31, 2021	Year ended December 31, 2020	Change, 2021 vs. 2020 #	Change, 2021 vs. 2020 %
	(in Ps billions)			
Impairment loss on loans and other accounts receivable	(1,899.3)	(2,698.6)	799.3	(29.6)
Impairment (loss) recovery on other financial assets	0.1	(11.8)	11.9	(100.8)
Recovery of charged-off financial assets	219.6	137.5	82.1	59.7
Net impairment loss on financial assets	**(1,679.6)**	**(2,572.9)**	**893.3**	**(34.7)**

Banco de Bogotá's impairment loss on loans and other accounts receivable decreased 29.6% or Ps 799.3 billion to Ps 1,889.3 billion, driven by the improvement of the loan portfolio's ECL, in line with the positive outlook of asset quality resulting from the economic recovery and its effect on borrowers' credit risk. For more information regarding risk management measures implemented during 2021 in relation to COVID-19 please see "Item 11. Quantitative and Qualitative Disclosures About Market Risk".

In addition, recovery of charged-off financial assets increased 59.7% or Ps 82.1 billion to Ps 219.6 billion, due to the drivers discussed under Grupo Aval's analysis.

The following table provides detail by category of impairment loss on loans and other accounts receivable, cost of risk and cost of risk, net. For more information on the calculation methodology please refer to "Item 3. Key Information—A. Selected Financial Data".

	Impairment loss on loans and other accounts receivable: Year ended December 31, 2021	Year ended December 31, 2020	Change, 2021 vs. 2020 #	Change, 2021 vs. 2020 %	Cost of risk for the year ended December 31, 2021	2020	Change, 2021 vs. 2020 basis points	Cost of risk, net for the year ended December 31, 2021	2020	Change, 2021 vs. 2020 basis points
	(in Ps billions)									
Commercial	(687.8)	(1,279.0)	591.2	(46.2)	1.3%	2.5%	(125)	1.2%	2.5%	(126)
Consumer	(1,090.2)	(1,274.0)	183.8	(14.4)	6.2%	8.4%	(222)	5.1%	7.7%	(253)
Mortgage	(97.6)	(61.1)	(36.5)	59.7	1.2%	1.0%	21	1.2%	1.0%	20
Microcredit	(17.7)	(75.6)	57.9	(76.6)	5.2%	19.7%	(1,451)	3.0%	18.4%	(1,535)
Gross loans	**(1,893.3)**	**(2,689.6)**	**796.3**	**(29.6)**	**2.4%**	**3.7%**	**(136)**	**2.1%**	**3.5%**	**(144)**
Interbank and overnight funds	0.2	(0.7)	0.9	(122.6)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total gross loans	**(1,893.2)**	**(2,690.4)**	**797.2**	**(29.6)**	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Other accounts receivable	(6.2)	(8.2)	2.1	(25.2)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Impairment loss on loans and other accounts receivable	**(1,899.3)**	**(2,698.6)**	**799.3**	**(29.6)**	**2.4%**	**3.7%**	**(136)**	**2.1%**	**3.6%**	**(145)**

Banco de Bogotá's cost of risk decreased across most categories of loans, driven by a Ps 591.2 billion decrease in impairment loss on commercial loans as compared to 2020. Impairment loss for Stage 2 and Stage 3 commercial loans decreased Ps 288.3 billion and Ps 288.5 billion respectively, showing reduced needs for impairment as the amounts of loans that transitioned to each stage significantly decreased from a year earlier. In the case of Stage 2 commercial loans, the increase in the outstanding balance was 18.1% or Ps 766.9 billion in 2021, Ps 2,088.2 billion or 73.1% less than the Ps 2,855.1 billion increase in 2020. For Stage 3 commercial loans, the increase in the outstanding balance was Ps 570.5 billion in 2021, Ps 673.6 billion or 54.1% less than the Ps 1,244.1 billion increase in 2020. At December 31, 2020, loans contributed by MFH were mostly classified as Stage 1 (Ps 6,081.7 billion) given that they were recognized at fair value, and during the year some deterioration resulted in a Ps 129.7 billion and Ps 418.9 billion transitions to Stage 2 and Stage 3 loans, respectively. At December 31, 2021, the end of payment holidays in Panama led to increased delinquency and drove a Ps 808.6 billion increase in the balance of MFH's Stage 2 commercial loans (Ps 247.6 billion of which was classified as "normal risk", Ps 283.9 billion as "acceptable above normal risk" and Ps 260.0 billion as "appreciable risk").

Moving on to consumer loans, at December 31, 2021, the balance of Stage 2 loans had decreased 29.4% or Ps 1,237.1 billion to Ps 2,963.8 billion. This figure improved Ps 4,479.9 billion relative to the Ps 3,242.9 billion increase in the balance of Stage 2 loans in 2020. A portion of this change corresponds to loans previously relieved or under structural payment programs that deteriorated and transitioned to Stage 3, to be ultimately charged-off during 2021. The decrease in Stage 2 balance was driven by personal loans, credit cards and auto loans that accounted for Ps 1,061.2 billion, Ps 148.0 billion and Ps 73.9 billion of the total decrease in Stage 2 consumer loans, respectively. As a result of these drivers, impairment losses for Stage 2 consumer loans decreased Ps 641.0 billion and were partially offset by a Ps 602.0 billion increase of impairment losses for Stage 3 consumer loans.

For further detail on credit risk model overlays and transitioning between stages, please refer to Grupo Aval's analysis. For more information on loss allowance calculations and a description of PD risk categories under IFRS 9, please refer to Note 4.1 of our audited consolidated financial statements. The following table shows Banco de Bogotá's gross loan classification by Stages in accordance with IFRS 9 (interbank and overnight funds are not included as they tend to be mostly Stage 1 and with low loss allowance due to their characteristics and short-term nature).

	At December 31,								Change, 2021 vs. 2020			
	2021				2020							
	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Gross loans
	(in Ps billions)								%			
Commercial	43,872.9	5,002.1	5,414.6	**54,289.6**	43,830.2	4,235.2	4,844.1	**52,909.5**	0.1	18.1	11.8	2.6
Consumer	14,890.0	2,963.8	693.4	**18,547.3**	11,726.1	4,200.9	568.2	**16,495.2**	27.0	(29.4)	22.0	12.4
Mortgages	6,743.1	1,803.1	204.4	**8,750.6**	5,314.3	1,646.1	148.8	**7,109.2**	26.9	9.5	37.4	23.1
Microcredit	184.7	43.2	86.4	**314.4**	174.5	143.5	48.9	**367.0**	5.9	(69.9)	76.6	(14.3)
Gross loans	**65,690.8**	**9,812.3**	**6,398.8**	**81,901.8**	**61,045.1**	**10,225.7**	**5,610.0**	**76,880.8**	7.6	(4.0)	14.1	**6.5**
Commercial	80.8%	9.2%	10.0%	**100.0%**	82.8%	8.0%	9.2%	**100.0%**				
Consumer	80.3%	16.0%	3.7%	**100.0%**	71.1%	25.5%	3.4%	**100.0%**				
Mortgages	77.1%	20.6%	2.3%	**100.0%**	74.8%	23.2%	2.1%	**100.0%**				
Microcredit	58.8%	13.8%	27.5%	**100.0%**	47.6%	39.1%	13.3%	**100.0%**				
Composition of gross loans per Stage	**80.2%**	**12.0%**	**7.8%**	**100.0%**	**79.4%**	**13.3%**	**7.3%**	**100.0%**				

For a general description of reliefs granted in Colombia to support borrowers affected by the pandemic refer to Grupo Aval's analysis. In Colombia, at December 31, 2021, 17.2% (25.8% in 2020) of Banco de Bogotá's gross loans had benefited from reliefs or were under PAD. At the same date, the bank did not have any outstanding loan balances under payment holidays. Loans past due more than 30 days that had benefited either from payment holidays or PAD represented 1.7% (0.8% in 2020) of gross loans or 9.8% (3.2% in 2020) of loans that had active payment schedules. Loans past due more than 90 days that had benefited either from payment holidays or PAD represented 1.1% (0.3% in 2020) of gross loans or 6.6% (1.4% in 2020) of loans that had active payment schedules. The following table shows the outstanding balances and status of loans that were relieved and under PAD for Banco de Bogotá in Colombia, as well as their proportion over each category of loans at the dates indicated.

	Outstanding balance of loans that were relieved and under PAD											
	At December 31, 2021						At December 31, 2020					
	Currently paying	Under payment holidays	Past due between 1 and 30 days	Past due between 31 and 90 days	Past due more than 90 days	Outstanding balance	Currently paying	Under payment holidays	Past due between 1 and 30 days	Past due between 31 and 90 days	Past due more than 90 days	Outstanding balance
	(in Ps billions)											
Commercial	5,983.7	—	498.8	113.2	321.2	**6,916.9**	8,743.7	484.1	326.5	105.4	109.9	**9,769.5**
As a % of commercial loans	12.9%	0.0%	1.1%	0.2%	0.7%	14.9%	18.9%	1.0%	0.7%	0.2%	0.2%	21.1%
Consumer	2,062.0	—	208.7	170.6	312.3	**2,753.6**	3,419.6	839.2	277.3	135.1	79.6	**4,750.8**
As a % of consumer loans	13.5%	0.0%	1.4%	1.1%	2.0%	18.0%	24.6%	6.0%	2.0%	1.0%	0.6%	34.1%
Mortgages	1,451.5	—	221.3	75.5	90.2	**1,838.5**	1,973.5	3.7	120.5	33.9	12.8	**2,144.4**
As a % of mortgages	25.2%	0.0%	3.8%	1.3%	1.6%	31.9%	42.0%	0.1%	2.6%	0.7%	0.3%	45.7%
Microcredit	37.0	—	14.5	7.7	46.6	**105.9**	161.2	2.0	19.2	10.9	10.0	**203.3**
As a % of microcredit loans	11.8%	0.0%	4.6%	2.5%	14.8%	33.7%	43.9%	0.6%	5.2%	3.0%	2.7%	55.4%
Gross loans	**9,534.2**	**—**	**943.3**	**367.0**	**770.3**	**11,614.8**	**14,297.9**	**1,329.0**	**743.5**	**285.3**	**212.3**	**16,868.0**
As a % of gross loans	14.1%	0.0%	1.4%	0.5%	1.1%	17.2%	21.9%	2.0%	1.1%	0.4%	0.3%	25.8%

In Panama, at December 31, 2021, 40.0% (45.8% in 2020) of MFH's gross loans had benefited from reliefs or were under structural payment programs. At the same date, 5.1% (37.5% in 2020) of the bank's gross loans were under payment holidays. Loans past due more than 30 days that had benefited either from payment holidays or PAD represented 1.2% (0.1% in 2020) of gross loans or 3.4% (1.4% in 2020) of loans that had active payment schedules. Loans past due more than 90 days that had benefited either from payment holidays or PAD represented 0.7% (0.1% in 2020) of gross loans or 2.1% (0.6% in 2020) of loans that had active payment schedules. The following table shows the outstanding balances and status of loans that were relieved and under structural payment programs for MFH in Panama, as well as their proportion over each category of loans at the dates indicated.

	Outstanding balance of loans that were relieved and under structural payment programs											
	At December 31, 2021						At December 31, 2020					
	Currently paying	Under payment holidays	Past due between 1 and 30 days	Past due between 31 and 90 days	Past due more than 90 days	Outstanding balance	Currently paying	Under payment holidays	Past due between 1 and 30 days	Past due between 31 and 90 days	Past due more than 90 days	Outstanding balance
	(in Ps billions)											
Commercial	2,464.0	631.8	202.8	22.7	41.8	**3,363.1**	683.9	2,458.0	9.6	1.2	0.3	**3,153.0**
As a % of commercial loans	30.9%	7.9%	2.5%	0.3%	0.5%	42.2%	10.3%	37.1%	0.1%	0.0%	0.0%	47.6%
Consumer	694.5	39.6	127.8	23.3	44.4	**929.7**	138.7	755.7	17.7	4.1	5.6	**921.7**
As a % of consumer loans	21.2%	1.2%	3.9%	0.7%	1.4%	28.4%	5.4%	29.3%	0.7%	0.2%	0.2%	35.7%
Mortgages	1,090.4	59.5	222.6	17.8	19.7	**1,410.1**	82.4	1,142.7	15.5	1.9	0.3	**1,242.9**
As a % of mortgages	36.4%	2.0%	7.4%	0.6%	0.7%	47.1%	3.4%	47.4%	0.6%	0.1%	0.0%	51.5%
Gross loans	**4,248.9**	**731.0**	**553.3**	**63.8**	**105.9**	**5,702.9**	**905.0**	**4,356.5**	**42.8**	**7.2**	**6.1**	**5,317.6**
As a % of gross loans	29.8%	5.1%	3.9%	0.4%	0.7%	40.0%	7.8%	37.5%	0.4%	0.1%	0.1%	45.8%

At December 31, 2021, asset quality measured by loans at least 91 days past due had improved 55 basis points to 3.9% as compared to a year earlier. At December 31, 2021, 21.1% (28.9% in 2020) of Banco de Bogotá's gross loans had been benefited from reliefs or were under PAD or structural payment programs. At the same date, 0.9% (7.4% in 2020) of the bank's gross loans were under payment holidays. Loans past due more than 30 days that had benefited either from payment holidays or PAD represented 1.6% (0.7% in 2020) of gross loans or 7.9% (3.1% in 2020) of loans that had active payment schedules. Loans past due more than 90 days that had benefited either from payment holidays or PAD represented 1.1% (0.3% in 2020) of gross loans or 5.3% (1.3% in 2020) of loans that had active payment schedules. The following table shows the outstanding balances and status of loans that were relieved and under PAD or structural payment programs for Banco de Bogotá, as well as their proportion over each category of loans at the dates indicated.

	Outstanding balance of loans that were relieved and under PAD or structural payment programs											
	At December 31, 2021						At December 31, 2020					
	Currently paying	Under payment holidays	Past due between 1 and 30 days	Past due between 31 and 90 days	Past due more than 90 days	Outstanding balance	Currently paying	Under payment holidays	Past due between 1 and 30 days	Past due between 31 and 90 days	Past due more than 90 days	Outstanding balance
	(in Ps billions)											
Commercial	8,447.6	631.8	701.6	135.9	363.0	**10,280.0**	9,427.5	2,942.1	336.0	106.6	110.2	**12,922.5**
As a % of commercial loans	15.6%	1.2%	1.3%	0.3%	0.7%	18.9%	17.8%	5.6%	0.6%	0.2%	0.2%	24.4%
Consumer	2,756.6	39.6	336.5	193.9	356.7	**3,683.3**	3,558.3	1,594.9	295.0	139.1	85.2	**5,672.5**
As a % of consumer loans	14.9%	0.2%	1.8%	1.0%	1.9%	19.9%	21.6%	9.7%	1.8%	0.8%	0.5%	34.4%
Mortgages	2,541.9	59.5	443.9	93.3	109.9	**3,248.5**	2,055.9	1,146.4	136.1	35.8	13.1	**3,387.3**
As a % of mortgages	29.0%	0.7%	5.1%	1.1%	1.3%	37.1%	28.9%	16.1%	1.9%	0.5%	0.2%	47.6%
Microcredit	37.0	—	14.5	7.7	46.6	**105.9**	161.2	2.0	19.2	10.9	10.0	**203.3**
As a % of microcredit loans	11.8%	0.0%	4.6%	2.5%	14.8%	33.7%	43.9%	0.6%	5.2%	3.0%	2.7%	55.4%
Gross loans	**13,783.1**	**731.0**	**1,496.6**	**430.8**	**876.2**	**17,317.7**	**15,202.9**	**5,685.4**	**786.2**	**292.5**	**218.5**	**22,185.6**
As a % of gross loans	16.8%	0.9%	1.8%	0.5%	1.1%	21.1%	19.8%	7.4%	1.0%	0.4%	0.3%	28.9%

The following table shows the balance of loans past due at least 91 days past due, delinquency ratios, charge-offs and charge-offs as a percentage of average gross loans for Banco de Bogotá (interbank and overnight funds are not included as they tend not to be past due or charged-off due to their characteristics and short-term nature).

	Loans at least 91 days past due				Delinquency ratio (1)		Change,
	At December 31,		Change, 2021 vs. 2020		at December 31,		2021 vs. 2020
	2021	2020	#	%	2021	2020	basis points
	(in Ps billions)						
Commercial	2,147.2	2,602.3	(455.1)	(17.5)	4.0%	4.9%	(96)
Consumer	688.6	566.0	122.6	21.7	3.7%	3.4%	28
Mortgages	254.1	186.7	67.4	36.1	2.9%	2.6%	28
Microcredit	86.4	48.9	37.5	76.6	27.5%	13.3%	1,415
Gross loans	**3,176.3**	**3,403.9**	**(227.6)**	**(6.7)**	**3.9%**	**4.4%**	**(55)**

	Charge-offs				Charge-offs as a percentage		Change,
	At December 31,		Change, 2021 vs. 2020		of average gross loans		2021 vs. 2020
	2021	2020	#	%	2021	2020	basis points
	(in Ps billions)						
Commercial	550.2	619.4	(69.2)	(11.2)	1.0%	1.2%	(20)
Consumer	1,528.8	668.8	860.0	128.6	8.7%	4.4%	430
Mortgages	23.4	8.0	15.4	193.7	0.3%	0.1%	16
Microcredit	49.4	51.5	(2.1)	(4.1)	14.6%	13.4%	116
Total charge-offs	**2,151.8**	**1,347.7**	**804.1**	**59.7**	**2.7%**	**1.9%**	**83**

(1) Calculated as loans past due more than 90 days divided by gross loans.

Delinquency coverage ratio for gross loans, as measured by loss allowance divided by past due gross loans more than 90 days was 159.3% in 2021 and 148.2% in 2020. Charge-offs as a percentage of average gross loans increased explained by a higher ratio in consumer loans associated with delinquency of relieved loans and partially offset by a lower ratio in commercial loans, mainly driven by the Ps 475.2 billion charge-off of the exposure to *Concesionaria Ruta del Sol* during the third quarter of 2020.

Net income from commissions and fees

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Banking fees	1,154.5	943.4	211.2	22.4
Bonded warehouse services	113.7	99.0	14.7	14.8
Trust activities and portfolio management services	156.2	170.8	(14.7)	(8.6)
Pension and severance fund management	(0.0)	8.8	(8.8)	(100.0)
Income from commissions and fees	**1,424.4**	**1,222.0**	**202.4**	**16.6**
Expenses from commissions and fees	(325.6)	(263.4)	(62.1)	23.6
Net income from commissions and fees	**1,098.8**	**958.5**	**140.2**	**14.6**

Income from commissions and fees increased 16.6% or Ps 202.4 billion, recovering from the effects of lockdowns. Banking fees mainly explained this result, with a 22.4% or Ps 211.1 billion increase. The main drivers for this performance were the same as those discussed under Grupo Aval's analysis. Banking service fees increased 29.3% or Ps 164.0 billion and debit and credit card fees increased 14.2% or Ps 51.5 billion. This in turn, was driven by an increase in income from merchant acquiring, supported by higher transactional activity as compared to 2020. Bonded warehouse services increased Ps 14.7 billion and were offset by a decrease in equal magnitude of trust activities and portfolio management services. The increase in expenses from commissions and fees reflects expenses directly related to the recovery of income from commissions and fees and by higher fees paid for external sales-forces, as commercial activity increased after being negatively impacted by lockdowns during most part of 2020.

Gross loss from sales of goods and services

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Income from sales of goods and services	34.4	28.2	6.2	22.1
Costs and expenses of sales of goods and services	(161.1)	(150.6)	(10.4)	6.9
Gross loss from sales of goods and services	**(126.7)**	**(122.5)**	**(4.2)**	**3.5**

Gross loss from sales of goods and services increased by Ps 4.2 billion to a gross loss of Ps 126.7 billion in 2021. This reflect the non-financial results of Almaviva and Megalinea, Banco de Bogotá's subsidiaries. Income from sales of goods and services increased 22.1% or Ps 6.2 billion to Ps 34.4 billion in 2021. On the other hand, costs and expenses of sales of goods and services showed a 6.9% or Ps 10.4 billion increase to Ps 161.1 billion in 2021. The gross loss from sales of goods and services results from goods and services provided by the bank's non-financial subsidiaries to Banco de Bogotá and its subsidiaries (which income is eliminated in the consolidation process).

Net trading income

Banco de Bogotá's net trading income for 2021 was Ps 538.6 billion, Ps 64.8 billion lower than the Ps 603.4 billion income in 2020, resulting from a Ps 238.6 billion decrease in net trading income from investment securities and a Ps 173.8 billion increase in income from derivatives. The performance of net trading income from derivatives was offset by a Ps 332.1 billion increase in foreign exchange gains (losses), net, recognized under other income.

Total income from investment securities

Banco de Bogotá's securities portfolio is classified in the following categories: (i) equity and fixed income investments at FVTPL (described in this section as net trading income in investment securities at FVTPL), (ii) fixed income investments at FVOCI and (iii) fixed income investments at AC (results from (ii) and (iii) are included in net interest income as interest income on investments in debt securities). Banco de Bogotá manages its investment portfolio in a comprehensive and integral manner that considers individual return of each one of these three categories and the total return of the investment securities portfolio.

Total income from investment securities for Banco de Bogotá (comprised of interest income on investments in debt securities and net trading income from investment securities at FVTPL) was Ps 289.6 billion for 2021, 42.9% or Ps 217.8 billion less than in 2020, primarily driven by an 222 basis points decrease in the average yield on total investment securities to 2.00% in 2021 from 4.21% in 2020, resulting in a Ps 267.0 billion decrease in interest income, which was partially offset by a 20.5% or Ps 2,466.6 billion increase in the average balance of total investment securities to Ps 14,513.1 billion in 2021, resulting in a Ps 49.2 billion increase in interest income. The main drivers for this performance were discussed above in net interest income.

Other income

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Foreign exchange gains (losses), net	(432.3)	(100.2)	(332.1)	331.4
Share of profit of equity accounted investees, net of tax (Equity method)	711.3	828.0	(116.7)	(14.1)
Participation in results of subsidiaries	1,691.4	1,169.5	521.9	44.6
Net gain on sale of debt and equity securities	50.8	230.8	(180.1)	(78.0)
Dividends	12.9	12.8	0.0	0.4
Gain (loss) on the sale of non-current assets held for sale	1.4	57.1	(55.7)	(97.5)
Gain on sale of property, plant and equipment	12.0	16.1	(4.1)	(25.6)
Net gain (loss) in asset valuation	6.3	(37.7)	44.0	(116.8)
Gain on deconsolidation (loss of control) of subsidiaries	1,303.0	—	1,303.0	N.A.
Other	198.0	160.5	37.4	23.3
Other income	**3,554.8**	**2,337.1**	**1,217.8**	**52.1**

Other income increased 52.1% or Ps 1,217.8 billion, mainly driven by a Ps 1,303.0 billion gain on the deconsolidation of Porvenir, resulting from the difference between the bank's investment in Porvenir's equity and its fair value at the date in which Banco de Bogotá lost control of Porvenir. In addition, participation in results of subsidiaries increased Ps 521.9 billion, which results from an increase in net income from BHI. BHI's performance drivers are discussed below in "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Management Discussion and Analysis of Operating Segments—BAC Holding International Corp.".

The Ps 332.1 billion decrease in foreign exchange gains (losses), net to a Ps 432.3 billion net loss was partially offset by the Ps 173.8 billion increase in net trading income from derivatives mentioned before. The net result of both activities (foreign exchange and derivatives) for 2021 was a Ps 168.3 billion gain, Ps 158.3 billion lower than in 2020, mainly explained by the realization of Ps 246.5 billion in foreign currency denominated retained earnings in Banco de Bogotá's offshore agencies in Miami and New York in 2020.

The Ps 180.1 billion decrease in net gain on sale of debt and equity securities was explained by temporary favorable conditions in fixed income markets during 2020 that were not present in 2021. Finally, the Ps 116.7 billion increase in share of profit of equity accounted investees, net of tax (equity method) was driven by Corficolombiana's 21.9% decrease in net income and (ii) Porvenir's 0.2% increase in net income. For more information on the performance of these companies refer to "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Management Discussion and Analysis of Operating Segments—Corficolombiana" and "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Management Discussion and Analysis of Operating Segments—Porvenir".

The Ps 55.7 billion decrease in gain (loss) on the sale of non-current assets held for sale and the Ps 44.0 billion increase in net gain (loss) in asset valuation are mainly explained by certain actions carried out during 2020. During 2020, Banco de Bogotá, optimized its PP&E structure by transferring some non-strategic investment properties and non-current assets held for sale in exchange for equity in NEXUS Real Estate Capital Funds (a private equity fund specialized in real estate management). This resulted in a Ps 56.1 billion gain on the sale of non-current assets held for sale (as their fair value was higher than their book value at the time of transfer) and a Ps 25.2 billion net loss in asset valuation for investment properties (as their fair value at the time of transfer was lower than their book value), with a net positive effect of Ps 30.9 billion.

Other expenses

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Losses from sales of noncurrent assets held for sale	(1.3)	(1.0)	(0.2)	22.4
Personnel expenses	(1,058.1)	(991.2)	(66.9)	6.7
Administrative and other expenses	(1,301.0)	(1,308.2)	7.3	(0.6)
Depreciation and amortization	(285.7)	(283.6)	(2.1)	0.7
Impairment loss on other assets	(5.2)	(0.8)	(4.3)	520.0
Other	(105.4)	(88.1)	(17.3)	19.6
Other expenses	**(2,756.5)**	**(2,673.0)**	**(83.5)**	**3.1**

Other expenses increased 3.1% or Ps 83.5 billion to Ps 2,756.5 billion. The Ps 66.9 billion increase in personnel expenses results from a 7.3% or Ps 69.8 billion increase in salaries and employee benefits and a 9.1% or Ps 3.0 billion decrease in labor severances and bonus plan payments. The increase in personnel expenses was driven by the terms of the bank's collective bargaining agreement that came into effect in August 2021.

Administrative and other expenses remained materially flat over the year, with a 0.6% or Ps 7.3 billion decrease as the bank was able to materialize recurring savings arising as lockdowns during the first half of the year, work-from-home policies and footprint optimization reduced expenses such as staffing, utilities, travel and transportation expenses, and supplies and stationery, among others.

Given that Banco de Bogotá's other expenses decreased by 3.1% and its total income before net impairment losses on financial assets (defined as the sum of net interest income, net income from commissions and fees, gross profit (loss) from sales of goods and services, net trading income and other income) increased by 21.8%, the cost to income efficiency ratio improved 548 basis points to 30.2% in 2021 from 35.7% in 2020. The ratio of other expenses as a percentage of average assets improved by 6 basis points to 2.3% in 2021 from 2.4% in 2020.

Tax expense

Income tax expense for Banco de Bogotá increased by Ps 233.8 billion, to a Ps 252.6 billion tax expense in 2021. This was driven by a Ps 734.1 billion increase in taxable income (defined as income before income tax expense excluding dividends, participation in results of subsidiaries, equity method, and gains on deconsolidation (loss of control) as these are non-taxable income), resulting in a Ps 233.8 billion increase in income tax expense. The tax reform had a one-time negative effect on Banco de Bogotá's deferred taxes that implied a recovery Ps 14.0 billion in 2021.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest increased Ps 5.7 billion, to Ps 4.8 billion in 2021 compared with 2020. The ratio of net income attributable to non-controlling interest to net income was 0.1% in 2021 and -0.04% in 2020. The increase in this ratio is mainly attributable to the recovery of net income at Fiduciaria Bogotá.

BAC Holding International Corp. ("BHI")

Overview

BHI, prior to its spin-off in March 2022 (see "Item 5. Operating and Financial Review and Prospects—Principal factors affecting our financial condition and result of operations—BHI spin-off") was Banco de Bogotá's fully owned subsidiary that consolidates our investments in Central America, namely in BAC Credomatic Inc. (BAC) and prior to September, 2021 in Multi Financial Group Inc. (MFG). BHI's functional currency is the U.S. dollar (incorporating local currencies in Costa Rica, Guatemala, Honduras and Nicaragua and U.S. dollars in Panama and El Salvador), and is impacted when translated into Colombian pesos. As such, the analysis presented herein will also refer to this operating segment's results of operations in U.S. dollars, when pertinent to better explain its performance. BHI's results are translated into Colombian pesos on a monthly basis at the daily average exchange rate for each month and aggregated to reflect the full year. As a result, the average translation exchange rate for the year may differ between line items depending on the seasonality on the recognition of each line item. The end of period exchange rate depreciated 16.0% and the implicit average exchange rate at which net income was translated depreciated 2.3% to Ps 3,747.12 per dollar in 2021, up from from Ps 3,661.91 per dollar in 2020.

BHI spun-off MFG in favor of MFH, a Banco de Bogotá fully owned subsidiary, during September 2021 including the U.S.$36.4 million goodwill associated with BHI's acquisition of MFG. As such, MFG's consolidated results were recognized in BHI's consolidated financial statements from the date it obtained control over MFG until September 2021, reflecting seven months of revenues and expenses in 2020 and nine months in 2021. Net income recognized by BHI relating to MFG in 2021 and 2020 is depicted under "Discontinued operations", net of purchase price allocation (PPA) and eliminations. For more information on the reorganization and business combination please refer to Note 1 and Note 35 of our audited consolidated financial statements, respectively.

Net income attributable to owners of the parent for the year ended December 31, 2021 was Ps 1,691.2 billion, increasing 44.6% or Ps 522.0 billion (U.S.$451.3 million, increasing 41.4% or U.S.$132.0 million) compared to the year ended December 31, 2020. The following discussion describes the main drivers of BHI's results of operations for the year ended December 31, 2021 compared to the year ended December 31, 2020.

	BAC Holding International, Corp.			
	For the year ended December 31,		Change 2021 vs 2020	
	2021	2020	#	%
	(in Ps billions)			
Total interest income	6,856.1	7,006.7	(150.6)	(2.1)
Total interest expense	(2,257.8)	(2,460.6)	202.8	(8.2)
Net interest income	**4,598.3**	**4,546.1**	**52.2**	**1.1**
Impairment loss on loans and other accounts receivable	(1,307.8)	(1,675.1)	367.3	(21.9)
Impairment (loss) recovery on other financial assets	(15.6)	(57.9)	42.4	(73.1)
Recovery of charged-off financial assets	9.3	—	9.3	N.A.
Net impairment loss on financial assets	**(1,314.0)**	**(1,733.0)**	**419.0**	**(24.2)**
Net interest income, after impairment losses	**3,284.2**	**2,813.0**	**471.2**	**16.8**
Net income from commissions and fees	2,547.2	2,281.9	265.3	11.6
Net trading income	26.4	7.3	19.2	263.0
Other income	904.4	859.7	44.7	5.2
Other expenses	(4,606.6)	(4,328.5)	(278.1)	6.4
Net income before tax expense	**2,155.7**	**1,633.4**	**522.2**	**32.0**
Income tax expense	(528.4)	(483.6)	(44.8)	9.3
Net income for the year	**1,627.3**	**1,149.8**	**477.5**	**41.5**
Net income (loss) from discontinued operations	64.1	19.7	44.4	226.1
Net income for the year from continued operations	**1,691.4**	**1,169.5**	**521.9**	**44.6**
Net income for the year attributable to:				
Owners of the parent	**1,691.2**	**1,169.2**	**522.0**	**44.6**
Non-controlling interest	**0.2**	**0.2**	**(0.1)**	**(24.6)**

Net interest income

Net interest income increased 1.1% or Ps 52.2 billion to Ps 4,598.3 billion in 2021 (equivalent to a 0.1% or U.S.$1.7 million decrease to U.S.$1,226.2 million). Interest expense decreased 8.2% or Ps 202.8 billion (9.6% or U.S.$63.9 million), more than total interest income, resulting from a 54 basis point reduction in interest rates paid on interest-bearing funding that was partially offset by a 10.0% or Ps 7,592.9 billion (8.4% or U.S.$1,721.4 million) increase in the average balance of interest-bearing funding. Total interest income performance was driven by a 109 basis points decrease in the average yield of interest-earning assets that was partially offset by a 10.4% or Ps 7,608.5 billion (8.6% or U.S.$1,716.7 million) increase in average interest-earning assets. Yields and rates paid continued to experience downward pressure due to additional reductions of the average benchmark interest rates and a high liquidity environment. The interest spread between the average yield on gross loans and the average rate paid on interest-bearing deposits decreased by 40 basis points to 6.9%. In turn, net interest margin contracted by 52 basis points to 5.7%.

Average balance of interest-earning assets for the year ended December 31, 2021	2020	Change, 2021 vs. 2020 #	%	Net interest margin for the year ended December 31, 2021	2020	Net interest income for the year ended December 31, 2021	2020	Change, 2021 vs. 2020 #	%
(in Ps billions)						(in Ps billions)			
80,703.7	**73,095.1**	**7,608.5**	**10.4**	**5.7%**	**6.2%**	**4,598.3**	**4,546.1**	**52.2**	**1.1**

The following tables show: (i) the average balance, average yield and interest income on interest-earning assets with an analysis of impacts derived from changes in the average balance and the average yield, per type of interest-earning asset; interbank and overnight funds are shown separate from gross loans due to their characteristics and short-term nature and (ii) the average balance, average rate paid and interest expense on interest-bearing funding with an analysis of impacts derived from changes in the average balance and the average rate, per type of interest-bearing funding.

(i)	Average balance for the year ended December 31, 2021	2020	Change, 2021 vs. 2020 #	%	Average yield for the year ended December 31, 2021	2020	Interest income for the year ended December 31, 2021	2020	Impact on interest income due to changes in Balance	Yield	Total	Change, 2021 vs. 2020 %
	(in Ps billions)						(in Ps billions)		(in Ps billions)			
Commercial	29,868.9	27,757.4	2,111.5	7.6	6.3%	6.8%	1,885.3	1,899.3	133.3	(147.3)	(14.0)	(0.7)
Consumer	23,184.3	22,081.3	1,103.0	5.0	14.5%	16.3%	3,370.2	3,591.2	160.3	(381.4)	(221.0)	(6.2)
Mortgages	13,302.5	12,646.3	656.1	5.2	7.1%	7.4%	943.4	936.8	46.5	(39.9)	6.6	0.7
Gross loans	**66,355.7**	**62,485.0**	**3,870.7**	**6.2**	**9.3%**	**10.3%**	**6,198.9**	**6,427.3**	**361.6**	**(590.0)**	**(228.4)**	**(3.6)**
Interbank and overnight funds	1,511.3	1,699.2	(187.9)	(11.1)	2.3%	3.6%	34.6	61.6	(4.3)	(22.7)	(27.0)	(43.8)
Total gross loans	**67,866.9**	**64,184.2**	**3,682.8**	**5.7**	**9.2%**	**10.1%**	**6,233.6**	**6,489.0**	**338.3**	**(593.6)**	**(255.4)**	**(3.9)**
Investments in debt securities	12,836.7	8,910.9	3,925.8	44.1	4.8%	5.8%	622.5	517.7	190.4	(85.6)	104.8	20.2
Total interest-earning assets	**80,703.7**	**73,095.1**	**7,608.5**	**10.4**	**8.5%**	**9.6%**	**6,856.1**	**7,006.7**	**646.4**	**(797.0)**	**(150.6)**	**(2.1)**

(ii)	Average balance for the year ended December 31, 2021	2020	Change, 2021 vs. 2020 #	%	Average rate paid for the year ended December 31, 2021	2020	Interest expense for the year ended December 31, 2021	2020	Impact on interest expense due to changes in Balance	Rate	Total	Change, 2021 vs. 2020 %
	(in Ps billions)						(in Ps billions)		(in Ps billions)			
Checking accounts	24,446.7	20,253.2	4,193.4	20.7	0.8%	1.1%	(198.9)	(216.1)	(34.1)	51.3	17.2	(8.0)
Time deposits	31,755.7	29,803.6	1,952.1	6.5	4.3%	5.0%	(1,368.6)	(1,489.9)	(84.1)	205.4	121.3	(8.1)
Savings accounts	17,123.5	13,832.2	3,291.3	23.8	1.1%	1.3%	(191.4)	(175.4)	(36.8)	20.8	(16.0)	9.1
Total interest-bearing deposits	**73,325.8**	**63,889.0**	**9,436.8**	**14.8**	**2.4%**	**2.9%**	**(1,758.9)**	**(1,881.4)**	**(226.4)**	**348.9**	**122.5**	**(6.5)**
Interbank borrowings and overnight funds	376.9	433.7	(56.8)	(13.1)	6.2%	0.8%	(23.3)	(3.6)	3.5	(23.3)	(19.7)	551.8
Borrowings from banks and others	6,906.9	9,283.3	(2,376.3)	(25.6)	3.3%	4.2%	(229.6)	(391.5)	79.0	82.9	161.9	(41.3)
Bonds issued	2,759.4	2,170.2	589.2	27.2	8.9%	8.5%	(246.0)	(184.2)	(52.5)	(9.3)	(61.8)	33.6
Other funding	**10,043.2**	**11,887.2**	**(1,843.9)**	**(15.5)**	**5.0%**	**4.9%**	**(498.9)**	**(579.2)**	**91.6**	**(11.3)**	**80.3**	**(13.9)**
Total interest-bearing funding	**83,369.1**	**75,776.2**	**7,592.9**	**10.0**	**2.7%**	**3.2%**	**(2,257.8)**	**(2,460.6)**	**(205.6)**	**408.4**	**202.8**	**(8.2)**

BHI's average balance of gross loans increased 6.2% or Ps 3,870.7 billion (4.5% or U.S.$770.9 million) in 2021 and the average yield was 9.3%, 94 basis points lower than in 2020. Growth of average balances in U.S.$ was lower than that of closing balances (8.7%) due to stronger commercial dynamics evidenced in 2021 as compared to a year earlier. BHI's commercial strategy over the year focused on maintaining its dynamic in lower risk consumer products and segments and was favored by a increase in activity of credit cards, a product de-emphasized during the pandemic, particularly on clients with low risk. As described in Grupo Aval's analysis, yields on loans were negatively impacted by trends in reference rates and competition. In addition, reliefs granted had a negative effect on interest income for gross loans when using the effective interest rate method. In the case of BHI, there was no effect of reliefs recognized in 2021 as compared to Ps 44.1 billion (U.S.$12.7 million) in 2020.

BHI's average balance of interest-earning investments in debt securities increased 44.1% or Ps 3,925.8 billion (41.3% or U.S.$1,002.0 million) in 2021 and the average yield decreased 96 basis points to 4.8% in 2021, down from 5.8% in 2020. BHI's portfolio strategy continued to be focused on increasing the exposure to Central American and U.S. public debt and to some extent in corporate and sovereign global issuers. BHI was able to realize a significant portion of gains on fixed income investments at FVOCI (recognized under Other income) during the first nine months of the year given favorable market conditions.

Finally, with respect to interest-bearing funding, BHI's average balance increased 10.0% or Ps 7,592.9 billion in 2021 (8.4% or U.S.$1,721.4 million) and the average rate paid was 2.7%, 54 basis points lower than in 2020. BHI shifted its interest-bearing deposits towards checking and savings accounts, which have lower average rates paid than time deposits.

Net impairment loss on financial assets

	Year ended December 31, 2021	2020	Change, 2021 vs. 2020 #	%
	(in Ps billions)			
Impairment loss on loans and other accounts receivable	(1,307.8)	(1,675.1)	367.3	(21.9)
Impairment (loss) recovery on other financial assets	(15.6)	(57.9)	42.4	(73.1)
Recovery of charged-off financial assets	9.3	—	9.3	N.A.
Net impairment loss on financial assets	**(1,314.0)**	**(1,733.0)**	**419.0**	**(24.2)**

BHI's impairment loss on loans and other accounts receivable decreased 21.9% or Ps 367.3 billion to Ps 1,307.8 billion (22.8% or U.S.$103.1 million), driven by the improvement of the loan portfolio's ECL, in line with the positive outlook of asset quality resulting from the economic recovery and its effect on borrowers' credit risk. For more information regarding risk management measures implemented during 2021 in relation to COVID-19 please see "Item 11. Quantitative and Qualitative Disclosures About Market Risk".

The improvement in impairment (loss) recovery on other financial assets was driven by the maturity of investments in debt securities impaired during 2020 that enabled the recovery of impairment losses, mainly in public debt of Costa Rica, El Salvador and Panama.

The following table provides detail by category of impairment loss on loans and other accounts receivable, cost of risk and cost of risk, net. For more information on the calculation methodology please refer to "Item 3. Key Information—A. Selected Financial Data".

	Impairment loss on loans and other accounts receivable				Cost of risk for the year ended December 31,		Change, 2021 vs. 2020	Cost of risk, net for the year ended December 31,		Change, 2021 vs. 2020
	Year ended December 31,		Change, 2021 vs. 2020							
	2021	2020	#	%	2021	2020	basis points	2021	2020	basis points
	(in Ps billions)									
Commercial	(243.2)	(288.7)	45.4	(15.7)	0.8%	1.0%	(23)	0.8%	1.0%	(24)
Consumer	(984.8)	(1,196.4)	211.6	(17.7)	4.2%	5.4%	(117)	4.2%	5.4%	(120)
Mortgage	(70.3)	(178.8)	108.5	(60.7)	0.5%	1.4%	(89)	0.5%	1.4%	(89)
Gross loans	**(1,298.3)**	**(1,663.8)**	**365.5**	**(22.0)**	**2.0%**	**2.7%**	**(71)**	**1.9%**	**2.7%**	**(72)**
Interbank and overnight funds	—	—	—	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total gross loans	**(1,298.3)**	**(1,663.8)**	**365.5**	**(22.0)**	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Other accounts receivable	(9.4)	(11.3)	1.8	(16.2)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Impairment loss on loans and other accounts receivable	**(1,307.8)**	**(1,675.1)**	**367.3**	**(21.9)**	**2.0%**	**2.7%**	**(71)**	**2.0%**	**2.7%**	**(72)**

BHI's cost of risk decreased across all categories of loans, aided by the improvement in asset quality as shown by the net movements in loans measured by Stages. As payment holidays ended and payment behavior patterns of clients under programs consolidated, ECL more accurately reflected future conditions of BHI's borrowers. As such, in 2021 overlays considered in 2020 were progressively removed and resulted in either the transfer of gross loans from Stage 2 to Stage 1, if payment behavior supported the improvement in ECL, or the transfer to Stage 3 of delinquent loans or those deemed to have high credit risk. This applies particularly to consumer loans, where the balance of Stage 2 loans decreased Ps 604.8 billion, leading to Ps 476.0 billion decrease in impairment losses, while impairment losses for Stage 3 and Stage 1 increased Ps 134.6 billion and Ps 129.8 billion, respectively. BHI's risk assessment relied on analyses carried out on clients for whom reliefs had expired, that showed recurring payments for 12 months and that had normalized their credit conditions.

For further detail on credit risk model overlays and transitioning between stages refer to Grupo Aval's analysis. For more information on loss allowance calculations and a description of PD risk categories under IFRS 9, please refer to Note 4.1 of our audited consolidated financial statements. The following table shows BHI's gross loan classification by Stages in accordance with IFRS 9 (interbank and overnight funds are not included as they tend to be mostly Stage 1 and with low loss allowance due to their characteristics and short-term nature).

	At December 31,								Change, 2021 vs. 2020			
	2021				2020							Gross
	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	loans
	(in Ps billions)								%			
Commercial	29,976.1	2,860.3	918.2	**33,754.6**	23,072.1	2,462.5	790.3	**26,324.8**	29.9	16.2	16.2	28.2
Consumer	21,184.6	3,579.0	1,360.2	**26,123.8**	15,195.3	4,183.8	1,274.8	**20,653.9**	39.4	(14.5)	6.7	26.5
Mortgages	10,709.3	3,078.3	651.2	**14,438.9**	8,452.0	3,108.9	425.0	**11,985.9**	26.7	(1.0)	53.2	20.5
Gross loans	**61,870.1**	**9,517.6**	**2,929.6**	**74,317.3**	**46,719.4**	**9,755.2**	**2,490.0**	**58,964.7**	32.4	(2.4)	17.7	**26.0**
Commercial	88.8%	8.5%	2.7%	**100.0%**	87.6%	9.4%	3.0%	**100.0%**				
Consumer	81.1%	13.7%	5.2%	**100.0%**	73.6%	20.3%	6.2%	**100.0%**				
Mortgages	74.2%	21.3%	4.5%	**100.0%**	70.5%	25.9%	3.5%	**100.0%**				
Composition of gross loans per Stage	**83.3%**	**12.8%**	**3.9%**	**100.0%**	**79.2%**	**16.5%**	**4.2%**	**100.0%**				

For a general description of reliefs granted in Central America to support borrowers affected by the pandemic refer to Grupo Aval's analysis. At December 31, 2021, asset quality measured by loans at least 91 days past due had improved 45 basis points to 1.4% as compared to a year earlier. At December 31, 2021, 35.0% (47.5% in 2020) of BHI's gross loans had benefited from reliefs or were under structural payment programs. At the same date, 1.4% (10.8% in 2020) of BHI's gross loans were under payment holidays. Loans past due more than 30 days that had benefited either from payment holidays or structural payment programs represented 1.9% (2.1% in 2020) of gross loans or 5.6% (5.8% in 2020) of loans that had active payment schedules. Loans past due more than 90 days that had benefited either from payment holidays or structural payment programs represented 0.9% (stable from 2020) of gross loans or 2.8% (2.6% in 2020) of loans that had active payment schedules. The following table shows the outstanding balances and status of loans that were relieved and restructured under structural payment programs for BHI, as well as their proportion over each category of loans at the date indicated.

	Outstanding balance of loans that were relieved and under structural payment programs											
	At December 31, 2021						At December 31, 2020					
	Currently paying	Under payment holidays	Past due between 1 and 30 days	Past due between 31 and 90 days	Past due more than 90 days	Outstanding balance	Currently paying	Under payment holidays	Past due between 1 and 30 days	Past due between 31 and 90 days	Past due more than 90 days	Outstanding balance
	(in Ps billions)											
Commercial	8,093.1	205.6	75.7	52.3	74.4	**8,501.1**	7,192.0	2,717.7	165.8	54.7	47.3	**10,177.6**
As a % of commercial loans	24.0%	0.6%	0.2%	0.2%	0.2%	25.2%	27.3%	10.3%	0.6%	0.2%	0.2%	38.7%
Consumer	7,735.6	532.5	457.1	420.1	332.8	**9,478.1**	7,039.5	1,779.2	522.7	465.9	379.2	**10,186.6**
As a % of consumer loans	29.6%	2.0%	1.7%	1.6%	1.3%	36.3%	34.1%	8.6%	2.5%	2.3%	1.8%	49.3%
Mortgages	6,872.4	296.3	335.7	244.8	282.6	**8,031.9**	5,161.6	1,858.4	334.0	165.2	126.8	**7,646.1**
As a % of mortgages	47.6%	2.1%	2.3%	1.7%	2.0%	55.6%	43.1%	15.5%	2.8%	1.4%	1.1%	63.8%
Gross loans	**22,701.1**	**1,034.4**	**868.5**	**717.2**	**689.8**	**26,011.1**	**19,393.2**	**6,355.3**	**1,022.6**	**685.8**	**553.3**	**28,010.2**
As a % of gross loans	30.5%	1.4%	1.2%	1.0%	0.9%	35.0%	32.9%	10.8%	1.4%	1.2%	0.9%	47.5%

The following table shows the balance of loans past due at least 91 days past due, delinquency ratios, charge-offs and charge-offs as a percentage of average gross loans for BHI (interbank and overnight funds are not included as they tend not to be past due or charged-off due to their characteristics and short-term nature).

	Loans at least 91 days past due				Delinquency ratio (1)		Change,
	At December 31,		Change, 2021 vs. 2020		at December 31,		2021 vs. 2020
	2021	2020	#	%	2021	2020	basis points
	(in Ps billions)						
Commercial	202.1	318.5	(116.4)	(36.5)	0.6%	1.2%	(61)
Consumer	474.7	453.3	21.4	4.7	1.8%	2.2%	(38)
Mortgages	347.4	303.3	44.1	14.6	2.4%	2.5%	(12)
Gross loans	**1,024.3**	**1,075.1**	**(50.8)**	**(4.7)**	**1.4%**	**1.8%**	**(45)**

	Charge-offs				Charge-offs as a percentage		Change,
	At December 31,		Change, 2021 vs. 2020		of average gross loans		2021 vs. 2020
	2021	2020	#	%	2021	2020	basis points
	(in Ps billions)						
Commercial	199.3	96.4	102.9	106.7	0.7%	0.3%	32
Consumer	1,158.2	870.5	287.7	33.0	5.0%	3.9%	105
Mortgages	33.2	75.6	(42.4)	(56.1)	0.2%	0.6%	(35)
Total charge-offs	**1,390.7**	**1,042.5**	**348.2**	**33.4**	**2.1%**	**1.7%**	**43**

(1) Calculated as loans past due more than 90 days divided by gross loans.

Delinquency coverage ratio for gross loans, as measured by loss allowance divided by past due gross loans more than 90 days was 251.5% in 2021 and 214.0% in 2020. The progressive expiration of relief programs impacted the amount of charge-offs in 2021 as they had temporarily reduced past due loan formation in 2020 and halted charge-offs based on thresholds for days past due set out in BHI's policies. As these loans grew delinquent, they were charged-off.

Net income from commissions and fees

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Banking fees	2,602.6	2,345.3	257.4	11.0
Pension fund management	54.6	43.4	11.3	26.0
Income from commissions and fees	**2,657.3**	**2,388.7**	**268.6**	**11.2**
Expenses from commissions and fees	(110.0)	(106.8)	(3.3)	3.1
Net income from commissions and fees	**2,547.2**	**2,281.9**	**265.3**	**11.6**

Income from commissions and fees increased 11.2% or Ps 268.6 billion (8.9% or U.S.$57.8 million increase), recovering from the effects of lockdowns. Banking fees were the main driver of this result, increasing 11.0% or Ps 257.4 billion (8.6% or U.S.$55.0 million increase), and a 26.0% or Ps 11.3 billion increase (a 23.7% or U.S.$2.8 million increase) in pension fund management. The main drivers for banking fees performance were the same as those discussed under Grupo Aval's analysis.

Banking service fees increased 7.5% or Ps 122.7 billion (5.4% or U.S.$24.1 million decrease) and debit and credit card fees increased 19.1% or Ps 134.7 billion (16.0% or U.S.$30.9 million increase). This includes a 26.6% or Ps 157.9 billion increase (23.1% or U.S.$37.4 million increase) in income from merchant acquiring and a 20.5% or Ps 23.2 billion decrease (21.4% or U.S.$6.6 million decrease) in credit card fees. The latter is a result of BHI's credit card strategy during 2020 and most part of 2021, which focused on lower risk clients and resulted in a 12.8% decrease in activated issued credit cards between December 31, 2021 and December 31, 2019.

The 3.1% or Ps 3.3 billion increase (1.4% or U.S.$0.4 million increase) in expenses from commissions and fees was driven by the depreciation of the Colombian peso.

Net trading income

BHI's net trading income was Ps 26.4 billion in 2021, Ps 19.2 billion higher than in 2020, resulting from a Ps 20.9 billion increase in income from investment securities at fair value through profit or loss and a Ps 1.7 billion decrease in net trading income from derivatives.

Total income from investment securities

BHI's securities portfolio is classified in the following categories: (i) equity and fixed income investments at FVTPL (described in this section as net trading income in investment securities at FVTPL), (ii) fixed income investments at FVOCI and (iii) fixed income investments at AC (results from (ii) and (iii) are included in net interest income as interest income on investments in debt securities). BHI manages its investment portfolio in a comprehensive and integral manner that considers the individual return of each one of these three categories and the total return of the investment securities portfolio.

Total income from investment securities for BHI (comprised of interest income on investments in debt securities and net trading income from investment securities at FVTPL) was Ps 648.0 billion for 2021, 24.1% or Ps 125.7 billion more than in 2020 (22.5% or U.S.$31.8 million). This was primarily driven by a 43.1% or Ps 3,916.3 billion increase (40.3% or U.S.$998.8 million) in the average balance of total investment securities to Ps 13,007.5 billion in 2021, resulting in a Ps 195.1 billion increase in interest income, which was partially offset by a 76 basis points decrease in the average yield on total investment securities to 5.0% in 2021 from 5.7% in 2020, resulting in a Ps 69.4 billion decrease in interest income. The main drivers for this performance were discussed above in net interest income.

Other income

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Foreign exchange gains (losses), net	578.7	611.3	(32.7)	(5.3)
Net gain on sale of debt and equity securities	231.3	139.4	92.0	66.0
Dividends	5.2	7.2	(2.0)	(28.1)
Gain (loss) on the sale of non-current assets held for sale	22.6	10.4	12.2	117.6
Gain on sale of property, plant and equipment	3.1	0.5	2.6	N.A.
Other	63.5	91.0	(27.5)	(30.2)
Other income	**904.4**	**859.7**	**44.7**	**5.2**

Other income increased 5.2% or Ps 44.7 billion (2.7% or U.S.$6.4 million), mainly as a result of (i) a Ps 92.0 billion increase (U.S.$24.1 million) in net gain on sale of debt and equity securities driven by a profit-taking strategy implemented, taking advantage of temporary favorable conditions in fixed income markets, in spite of the volatility throughout the year, (ii) a Ps 12.2 billion increase (U.S.$3.2 million) in gain (loss) on the sale of non-current assets held for sale, (iii) a Ps 32.7 billion decrease (U.S.$13.6 million) in foreign exchange gains (losses), net gain derived from the appreciation of the Central American currencies against the U.S. dollar, and (iv) a Ps 27.5 billion (U.S.$7.4 million) decrease in other.

Other expenses

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Losses from sales of noncurrent assets held for sale	(0.3)	(0.5)	0.3	(53.8)
Personnel expenses	(1,878.8)	(1,919.0)	40.2	(2.1)
Administrative and other expenses	(2,257.8)	(1,925.6)	(332.2)	17.3
Depreciation and amortization	(424.1)	(431.6)	7.5	(1.7)
Impairment loss on other assets	(2.3)	(1.1)	(1.2)	114.4
Other	(43.4)	(50.7)	7.3	(14.4)
Other expenses	**(4,606.6)**	**(4,328.5)**	**(278.1)**	**6.4**

Other expenses increased 6.4% or Ps 278.8 billion to Ps 4,606.6 billion, led by a 17.3% or Ps 332.2 billion increase in administrative and other expenses, which was partially offset by a 2.1% or Ps 40.2 billion decrease in personnel expenses, a 1.7% or Ps 7.5 billion decrease in depreciation and amortization and a Ps 7.3 billion decrease in other.

In U.S. dollars, other expenses increased 4.8% or U.S.$56.2 million to U.S.$1,228.2 million, led by a 14.6% or U.S.$76.7 million increase in administrative and other expenses, which was partially offset by a 3.4% or U.S.$17.8 million decrease in personnel expenses, a 3.1% or U.S.$3.6 million decrease in depreciation and amortization and a U.S.$0.7 million decrease in other.

1. The increase in administrative and other expenses is mostly attributable to (i) a U.S.$30.6 million increase in affiliation, contributions and transfers due to higher payment processing transactions on POS, as evidenced by the U.S.$37.4 million increase in merchant acquiring fees mentioned before, (ii) a U.S.$15.6 million increase in taxes and fees, and (iii) a U.S.$7.5 million increase in marketing expenses.

2. The decrease in personnel expenses results from a 28.6% or U.S.$10.8 million decrease in labor severances and bonus plan payments and a 1.5% or U.S.$7.0 million decrease in salaries and employee benefits.

Given that BHI's other expenses increased by 6.4% and its total income before net impairment losses on financial assets (defined as the sum of net interest income, net income from commissions and fees, gross profit (loss) from sales of goods and services, net trading income and other income) increased by 5.0%, the cost to income efficiency ratio increased slightly to 57.0% in 2021 from 56.2% in 2020. The ratio of other expenses as a percentage of average assets remained stable in 4.0% for the years 2021 and 2020.

Tax expense

Income tax expense for BHI increased by 9.3%, or Ps 44.8 billion, to Ps 528.4 billion in 2021. BHI's effective tax rate, calculated as income tax expense divided by income before income tax expense excluding dividends and the equity method (as both are non-taxable income), was 24.6% in 2021 and 29.7% in 2020.

Net income from discontinued operations

Net income from MFG was recognized in BHI during nine months of 2021 and seven months of 2020. Net income recognized by BHI increased by Ps 44.4 billion or U.S.$11.9 million between 2021 and 2020.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest is not a significant contributor to net income for BHI.

Banco de Occidente

Overview

Banco de Occidente's net income attributable to owners of the parent for the year ended December 31, 2021 was Ps 580.2 billion, increasing 73.3% or Ps 245.3 billion compared to the year ended December 31, 2020. The following discussion describes the main drivers of Banco de Occidente's results of operations for the year ended December 31, 2021 compared to the year ended December 31, 2020.

	Banco de Occidente			
	For the year ended December 31,		Change 2021 vs 2020	
	2021	2020	#	%
	(in Ps billions)			
Total interest income	2,742.0	2,974.0	(232.0)	(7.8)
Total interest expense	(769.6)	(1,082.2)	312.6	(28.9)
Net interest income	**1,972.3**	**1,891.8**	**80.5**	**4.3**
Impairment loss on loans and other accounts receivable	(882.6)	(1,246.6)	364.1	(29.2)
Impairment (loss) recovery on other financial assets	0.5	(3.9)	4.3	(112.6)
Recovery of charged-off financial assets	158.4	113.2	45.2	40.0
Net impairment loss on financial assets	**(723.7)**	**(1,137.3)**	**413.7**	**(36.4)**
Net interest income, after impairment losses	**1,248.7**	**754.5**	**494.2**	**65.5**
Net income from commissions and fees	331.8	318.4	13.4	4.2
Gross loss from sales of goods and services	(81.7)	(75.7)	(6.0)	8.0
Net trading income (loss)	(67.8)	396.9	(464.7)	(117.1)
Other income	552.6	204.3	348.2	170.4
Other expenses	(1,322.8)	(1,323.4)	0.6	(0.0)
Net income before tax expense	**660.8**	**275.1**	**385.7**	**140.2**
Income tax expense	(74.9)	65.5	(140.4)	(214.4)
Net income for the year	**585.9**	**340.6**	**245.3**	**72.0**
Net income for the year attributable to:				
Owners of the parent	**580.2**	**334.9**	**245.3**	**73.3**
Non-controlling interest	**5.7**	**5.7**	**0.0**	**0.3**

Net interest income

Net interest income increased 4.3% or Ps 80.5 billion to Ps 1,972.3 billion in 2021. Total interest expense decreased 28.9% or Ps 312.6 billion, more than total interest income, resulting from a 98 basis points reduction in the average interest rate paid on interest-bearing funding that was partially offset by a 2.4% or Ps 821.6 billion increase in the average balance of interest-bearing funding. Total interest income performance was driven by a 109 basis points decrease in the average yield of interest-earning assets that was partially offset by a 7.0% or Ps 2,623.2 billion increase in the average balance of interest-earning assets. Yields and rates paid were pressured downwards by a declining average benchmark interest rate and a high liquidity environment. The interest spread between the average yield on gross loans and the average rate paid on interest-bearing deposits decreased by 23 basis points to 5.6%. In turn, net interest margin contracted by 13 basis points to 4.9%. The main drivers impacting interest-earning assets and interest-bearing funding during 2021, are as described under Grupo Aval's analysis.

Average balance of interest-earning assets for the year ended December 31,		Change, 2021 vs. 2020		Net interest margin for the year ended December 31,		Net interest income for the year ended December 31,		Change, 2021 vs. 2020	
2021	2020	#	%	2021	2020	2021	2020	#	%
(in Ps billions)						(in Ps billions)			
40,239.1	**37,615.9**	**2,623.2**	**7.0**	**4.9%**	**5.0%**	**1,972.3**	**1,891.8**	**80.5**	**4.3**

The following tables show: (i) the average balance, average yield and interest income on interest-earning assets with an analysis of impacts derived from changes in the average balance and the average yield, per type of interest-earning asset; interbank and overnight funds are shown separate from gross loans due to their characteristics and short-term nature and (ii) the average balance, average rate paid and interest expense on interest-bearing funding with an analysis of impacts derived from changes in the average balance and the average rate, per type of interest-bearing funding.

(i)	Average balance for the year ended December 31,		Change, 2021 vs. 2020		Average yield for the year ended December 31,		Interest income for the year ended December 31,		Impact on interest income due to changes in			Change, 2021 vs. 2020
	2021	2020	#	%	2021	2020	2021	2020	Balance	Yield	Total	%
	(in Ps billions)						(in Ps billions)		(in Ps billions)			
Commercial	23,951.6	23,205.1	746.6	3.2	5.9%	7.3%	1,402.8	1,689.9	43.7	(330.9)	(287.1)	(17.0)
Consumer	8,253.9	7,518.4	735.4	9.8	11.7%	12.7%	969.6	957.5	86.4	(74.3)	12.1	1.3
Mortgages	2,006.8	1,766.0	240.8	13.6	9.0%	9.1%	181.0	160.7	21.7	(1.4)	20.3	12.7
Gross loans	**34,212.4**	**32,489.5**	**1,722.8**	**5.3**	**7.5%**	**8.6%**	**2,553.4**	**2,808.1**	**128.6**	**(383.3)**	**(254.7)**	**(9.1)**
Interbank and overnight funds	433.2	557.4	(124.2)	(22.3)	3.9%	3.5%	17.0	19.4	(4.9)	2.6	(2.3)	(12.0)
Total gross loans	**34,645.5**	**33,046.9**	**1,598.6**	**4.8**	**7.4%**	**8.6%**	**2,570.4**	**2,827.4**	**118.6**	**(375.6)**	**(257.0)**	**(9.1)**
Investments in debt securities	5,593.6	4,569.0	1,024.6	22.4	3.1%	3.2%	171.6	146.6	31.4	(6.4)	25.0	17.1
Total interest-earning assets	**40,239.1**	**37,615.9**	**2,623.2**	**7.0**	**6.8%**	**7.9%**	**2,742.0**	**2,974.0**	**178.8**	**(410.8)**	**(232.0)**	**(7.8)**

(ii)	Average balance for the year ended December 31,		Change, 2021 vs. 2020		Average rate paid for the year ended December 31,		Interest expense for the year ended December 31,		Impact on interest expense due to changes in			Change, 2021 vs. 2020
	2021	2020	#	%	2021	2020	2021	2020	Balance	Rate	Total	%
	(in Ps billions)						(in Ps billions)		(in Ps billions)			
Checking accounts	698.6	1,474.5	(775.9)	(52.6)	0.8%	0.5%	(5.9)	(6.9)	6.6	(5.6)	1.0	(14.4)
Time deposits	8,499.5	9,495.1	(995.6)	(10.5)	3.0%	4.0%	(256.7)	(379.9)	30.1	93.2	123.3	(32.4)
Savings accounts	17,458.1	14,902.7	2,555.4	17.1	1.3%	2.3%	(231.6)	(338.6)	(33.9)	141.0	107.1	(31.6)
Total interest-bearing deposits	**26,656.3**	**25,872.3**	**784.0**	**3.0**	**1.9%**	**2.8%**	**(494.2)**	**(725.5)**	**(14.5)**	**245.9**	**231.3**	**(31.9)**
Interbank borrowings and overnight funds	1,692.6	1,398.0	294.6	21.1	1.5%	3.6%	(25.9)	(50.7)	(4.5)	29.3	24.8	(48.9)
Borrowings from banks and others	2,078.3	1,883.9	194.4	10.3	1.9%	2.8%	(38.7)	(52.9)	(3.6)	17.8	14.2	(26.8)
Bonds issued	2,975.7	3,276.2	(300.6)	(9.2)	6.2%	6.6%	(184.7)	(216.2)	18.7	12.9	31.5	(14.6)
Borrowings from development entities	1,143.9	1,294.7	(150.8)	(11.6)	2.3%	2.9%	(26.2)	(37.0)	3.5	7.3	10.7	(29.1)
Other funding	**7,890.5**	**7,852.8**	**37.6**	**0.5**	**3.5%**	**4.5%**	**(275.5)**	**(356.7)**	**(1.3)**	**82.6**	**81.3**	**(22.8)**
Total interest-bearing funding	**34,546.7**	**33,725.1**	**821.6**	**2.4**	**2.2%**	**3.2%**	**(769.6)**	**(1,082.2)**	**(18.3)**	**330.9**	**312.6**	**(28.9)**

Banco de Occidente's average balance of gross loans increased 5.3% or Ps 1,722.8 billion in 2021 and the average yield was 7.5%, 118 basis points lower than in 2020. Growth of average balances was lower than that of closing balances (12.0%) due to predominant commercial dynamics evidenced in 2020. As described in Grupo Aval's analysis, yields on loans were negatively impacted by trends in reference rates and competition. In addition, reliefs granted had a negative effect on interest income for gross loans when using the effective interest rate method. In the case of Banco de Occidente, the effect of reliefs recognized was Ps 11.6 billion in 2021 and Ps 22.3 billion in 2020.

Banco de Occidente rebalanced the composition of its average balance of investments in debt securities (interest-earning and held for trading) increasing the position held in investments in debt securities held at fair value though other comprehensive income and at amortized cost by Ps 1,024.6 billion and decreasing the position of investments held at fair value though profit or loss by Ps 589.4 billion. The bank's portfolio strategy intended to achieve positive carry on the excess liquidity provided by funding at favorable investment yields and was concentrated in Colombian public debt and private debt pegged to IBR (interbank rate).

Finally, Banco de Occidente shifted its interest-bearing deposits towards savings accounts, which have lower average rates paid than time deposits. Repricing efforts on deposits focused on the institutional and large corporate segments, through which the bank managed to pass through most of the decrease in the average benchmark rate, while growing its average balance. In addition, Banco de Occidente was able to increase its average non-interest bearing checking accounts by Ps 1,402.0 billion, mainly in institutional and official clients.

Net impairment loss on financial assets

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Impairment loss on loans and other accounts receivable	(882.6)	(1,246.6)	364.1	(29.2)
Impairment (loss) recovery on other financial assets	0.5	(3.9)	4.3	(112.6)
Recovery of charged-off financial assets	158.4	113.2	45.2	40.0
Net impairment loss on financial assets	**(723.7)**	**(1,137.3)**	**413.7**	**(36.4)**

Banco de Occidente's impairment loss on loans and other accounts receivable decreased 29.2% or Ps 364.1 billion to Ps 882.6 billion, driven by the improvement of the loan portfolio's ECL, in line with the positive outlook of asset quality resulting from the economic recovery and its effect on borrowers' credit risk. For more information regarding risk management measures implemented during 2021 in relation to COVID-19 please see "Item 11. Quantitative and Qualitative Disclosures About Market Risk".

In addition, recovery of charged-off financial assets increased 40.0% or Ps 45.2 billion to Ps 158.4 billion, due to the drivers discussed under Grupo Aval's analysis.

The following table provides detail by category of impairment loss on loans and other accounts receivable, cost of risk and cost of risk, net. For more information on the calculation methodology please refer to "Item 3. Key Information—A. Selected Financial Data".

	Impairment loss on loans and other accounts receivable				Cost of risk for the year ended December 31,		Change, 2021 vs. 2020	Cost of risk, net for the year ended December 31,		Change, 2021 vs. 2020
	Year ended December 31,		Change, 2021 vs. 2020							
	2021	2020	#	%	2021	2020	basis points	2021	2020	basis points
	(in Ps billions)									
Commercial	(490.3)	(532.4)	42.1	(7.9)	2.0%	2.3%	(25)	1.9%	2.2%	(32)
Consumer	(384.4)	(673.0)	288.6	(42.9)	4.7%	9.0%	(429)	3.3%	7.8%	(451)
Mortgage	(2.9)	(35.8)	32.8	(91.8)	0.1%	2.0%	(188)	0.1%	2.0%	(187)
Gross loans	**(877.7)**	**(1,241.2)**	**363.5**	**(29.3)**	**2.6%**	**3.8%**	**(125)**	**2.1%**	**3.5%**	**(137)**
Interbank and overnight funds	0.0	0.9	(0.9)	(98.8)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total gross loans	**(877.7)**	**(1,240.3)**	**362.6**	**(29.2)**	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Other accounts receivable	(4.9)	(6.3)	1.5	(23.0)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Impairment loss on loans and other accounts receivable	**(882.6)**	**(1,246.6)**	**364.1**	**(29.2)**	**2.6%**	**3.8%**	**(126)**	**2.1%**	**3.5%**	**(137)**

Banco de Occidente's cost of risk decreased across all categories of loans, aided by the improvement in asset quality as shown by the net movements in loans measured by Stages, a Ps 118.5 billion decrease in the balance of Stage 3 consumer loans (Ps 89.1 billion of which consisted of credit cards and auto loans classified as "non-recoverable") led to a Ps 252.7 billion decrease in impairment loss on consumer loans as compared to 2020.

At December 31, 2021, the balance of Stage 2 loans had increased 25.9% or Ps 1,114.5 billion to Ps 5,420.1 billion. In commercial, Stage 2 loans increased Ps 711.6 billion to Ps 3,371.0 billion, driven by a deterioration in the large corporates and SME segments (Ps 443.3 billion of this increase was classified as "normal", Ps 37.9 billion as "acceptable above normal" and Ps 230.4 billion as "appreciable") as the bank transferred PAD 2, 3 and 4 (higher risk ratings) that remained under Stage 1 to Stage 2. In consumer, Stage 2 loans increased Ps 252.7 billion (Ps 221.3 billion of which was classified as "acceptable above normal" and Ps 64.5 billion as "appreciable") to Ps 1,792.1 billion, mainly in personal loans, credit cards and auto loans accounted for Ps 278.5 billion, Ps 34.8 billion and Ps 18.4 billion of the total increase in Stage 2 consumer loans, respectively, while payroll loans showed a Ps 76.5 billion decrease.

For further detail on credit risk model overlays and transitioning between stages refer to Grupo Aval's analysis. For more information on loss allowance calculations and a description of PD risk categories under IFRS 9, please refer to Note 4.1 of our audited consolidated financial statements. The following table shows Banco de Occidente's gross loan classification by Stages in accordance with IFRS 9 (interbank and overnight funds are not included as they tend to be mostly Stage 1 and with low loss allowance due to their characteristics and short-term nature).

	At December 31,								Change, 2021 vs. 2020			
	2021				2020							
	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Gross loans
	(in Ps billions)								%			
Commercial	19,857.2	3,371.0	2,350.6	**25,578.8**	17,943.5	2,659.4	2,267.7	**22,870.6**	10.7	26.8	3.7	11.8
Consumer	6,683.5	1,792.1	411.8	**8,887.5**	5,833.8	1,539.4	530.3	**7,903.5**	14.6	16.4	(22.3)	12.4
Mortgages	1,755.1	257.0	120.9	**2,132.9**	1,680.8	106.8	118.1	**1,905.7**	4.4	140.6	2.3	11.9
Gross loans	**28,295.8**	**5,420.1**	**2,883.3**	**36,599.2**	**25,458.1**	**4,305.6**	**2,916.2**	**32,679.9**	11.1	25.9	(1.1)	**12.0**
Commercial	77.6%	13.2%	9.2%	**100.0%**	78.5%	11.6%	9.9%	**100.0%**				
Consumer	75.2%	20.2%	4.6%	**100.0%**	73.8%	19.5%	6.7%	**100.0%**				
Mortgages	82.3%	12.0%	5.7%	**100.0%**	88.2%	5.6%	6.2%	**100.0%**				
Composition of gross loans per Stage	**77.3%**	**14.8%**	**7.9%**	**100.0%**	**77.9%**	**13.2%**	**8.9%**	**100.0%**				

For a general description of reliefs granted in Colombia to support borrowers affected by the pandemic refer to Grupo Aval's analysis. At December 31, 2021, asset quality measured by loans at least 91 days past due had improved 156 basis points to 3.5% as compared to a year earlier. At December 31, 2021, 16.4% (31.8% in 2020) of Banco de Occidente's gross loans had benefited from reliefs or were under PAD. At the same date, the bank did not have any outstanding loan balances under payment holidays. Loans past due more than 30 days that had benefited either from payment holidays or PAD represented 1.1% (2.1% in 2020) of gross loans or 6.4% (8.1% in 2020) of loans that had active payment schedules. Loans past due more than 90 days that had benefited either from payment holidays or PAD represented 0.8%

(1.3% in 2020) of gross loans or 4.7% (4.8% in 2020) of loans that had active payment schedules. The following table shows the outstanding balances and status of loans that were relieved and under PAD for Banco de Occidente, as well as their proportion over each category of loans at the dates indicated.

	Outstanding balance of loans that were relieved and under PAD											
	At December 31, 2021						**At December 31, 2020**					
	Currently paying	**Under payment holidays**	**Past due between 1 and 30 days**	**Past due between 31 and 90 days**	**Past due more than 90 days**	**Outstanding balance**	**Currently paying**	**Under payment holidays**	**Past due between 1 and 30 days**	**Past due between 31 and 90 days**	**Past due more than 90 days**	**Outstanding balance**
						(in Ps billions)						
Commercial	4,197.7	—	196.4	57.7	228.0	**4,679.8**	4,569.0	1,667.3	252.5	85.5	157.0	**6,731.2**
As a % of commercial loans	16.4%	0.0%	0.8%	0.2%	0.9%	18.3%	20.0%	7.3%	1.1%	0.4%	0.7%	29.4%
Consumer	786.1	—	74.4	30.4	42.6	**933.5**	2,129.0	90.5	230.6	142.3	241.3	**2,833.8**
As a % of consumer loans	8.8%	0.0%	0.8%	0.3%	0.5%	10.5%	26.9%	1.1%	2.9%	1.8%	3.1%	35.9%
Mortgages	311.9	—	61.6	14.1	13.3	**401.0**	580.9	62.3	121.2	53.7	13.7	**831.9**
As a % of mortgages	14.6%	0.0%	2.9%	0.7%	0.6%	18.8%	30.5%	3.3%	6.4%	2.8%	0.7%	43.7%
Gross loans	**5,295.7**	**—**	**332.4**	**102.2**	**284.0**	**6,014.3**	**7,278.9**	**1,820.2**	**604.3**	**281.5**	**412.1**	**10,396.9**
As a % of gross loans	14.5%	0.0%	0.9%	0.3%	0.8%	16.4%	22.3%	5.6%	1.8%	0.9%	1.3%	31.8%

The following table shows the balance of loans past due at least 91 days past due, delinquency ratios, charge-offs and charge-offs as a percentage of average gross loans for Banco de Occidente (interbank and overnight funds are not included as they tend not to be past due or charged-off due to their characteristics and short-term nature).

	Loans at least 91 days past due				**Delinquency ratio (1)**		**Change,**
	At December 31,		**Change, 2021 vs. 2020**		**at December 31,**		**2021 vs. 2020**
	2021	**2020**	**#**	**%**	**2021**	**2020**	**basis points**
	(in Ps billions)						
Commercial	1,022.7	1,160.9	(138.1)	(11.9)	4.0%	5.1%	(108)
Consumer	198.3	428.8	(230.5)	(53.8)	2.2%	5.4%	(319)
Mortgages	67.9	70.4	(2.5)	(3.5)	3.2%	3.7%	(51)
Gross loans	**1,288.9**	**1,660.0**	**(371.2)**	**(22.4)**	**3.5%**	**5.1%**	**(156)**

	Charge-offs				**Charge-offs as a percentage**		**Change,**
	At December 31,		**Change, 2021 vs. 2020**		**of average gross loans**		**2021 vs. 2020**
	2021	**2020**	**#**	**%**	**2021**	**2020**	**basis points**
	(in Ps billions)						
Commercial	495.9	574.9	(79.0)	(13.7)	2.1%	2.5%	(41)
Consumer	498.4	365.7	132.8	36.3	6.0%	4.9%	118
Mortgages	1.8	0.5	1.4	291.6	0.1%	0.0%	7
Total charge-offs	**996.2**	**941.0**	**55.1**	**5.9**	**2.9%**	**2.9%**	**2**

(1) Calculated as loans past due more than 90 days divided by gross loans.

Delinquency coverage ratio for gross loans, as measured by loss allowance divided by past due gross loans more than 90 days was 152.7% in 2021 and 119.4% in 2020. Charge-offs remained relatively stable as a percentage of average gross loans, with a higher ratio in consumer loans associated with delinquency of relieved loans and a lower ratio in commercial loans, mainly driven by the Ps 168.6 billion charge-off of the exposure to *Concesionaria Ruta del Sol* during the third quarter of 2020.

Net income from commissions and fees

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Banking fees	377.8	346.2	31.6	9.1
Trust activities and portfolio management services	80.4	76.5	3.9	5.0
Income from commissions and fees	**458.2**	**422.8**	**35.4**	**8.4**
Expenses from commissions and fees	(126.4)	(104.4)	(22.0)	21.1
Net income from commissions and fees	**331.8**	**318.4**	**13.4**	**4.2**

Income from commissions and fees increased 8.4% or Ps 35.4 billion, recovering from the effects of lockdowns. Banking fees mainly explained this result, with a 9.1% or Ps 31.6 billion increase. The main drivers for this performance were the same as those discussed under Grupo Aval's analysis. Debit and credit card fees increased 18.1% or Ps 18.9 billion and banking service fees increased 6.2% or Ps 14.3 billion. The Ps 18.9 billion increase in debit and credit cards was driven by a 49.1% or Ps 22.6 billion increase in income from merchant acquiring, supported by higher transactional activity as compared to 2020, that was partially offset by a 6.6% or Ps 3.6 billion decrease in credit and debit card fees. In addition, trust activities and portfolio management services from Fiduciaria de Occidente grew 5.0% or Ps 3.9 billion. The increase in expenses from commissions and fees reflects expenses directly related to the recovery of income from commissions and fees and by higher fees paid for external sales-forces, as commercial activity increased after being negatively impacted by lockdowns during most part of 2020.

Gross loss from sales of goods and services

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Income from sales of goods and services	237.0	235.8	1.2	0.5
Costs and expenses of sales of goods and services	(318.7)	(311.4)	(7.2)	2.3
Gross loss from sales of goods and services	**(81.7)**	**(75.7)**	**(6.0)**	**8.0**

Gross loss from sales of goods and services increased by Ps 6.0 billion to a gross loss of Ps 81.7 billion in 2021, and refers to the non-financial results of Nexa BPO, Banco de Occidente's subsidiary. Income from sales of goods and services increased 0.5% or Ps 1.2 billion to Ps 237.0 billion in 2021, mainly driven by (i) a Ps 7.9 billion increase in customer service call centers and from sales force outsourcing and (ii) a Ps 6.4 billion decrease in income related to income in 2020 from Government-sponsored programs PAEF ("*Programa de Apoyo al Empleo Formal*") and PAP ("*Programa de Apoyo a Primas*"), for which Nexa BPO applied during certain months.

Costs and expenses of sales of goods and services showed a 2.3% or Ps 7.2 billion increase to Ps 318.7 billion in 2021, mainly driven by a Ps 7.1 billion increase in personnel expenses. The gross loss from sales of goods and services results from the provision of services by Nexa BPO to Banco de Occidente and its subsidiaries (which income is eliminated in the consolidation process).

Net trading income (loss)

Banco de Occidente's net trading loss for 2021 was Ps 67.8 billion, Ps 464.7 billion lower than the Ps 396.9 billion income in 2020, resulting from a Ps 378.9 billion decrease in net trading income from derivatives and a Ps 85.8 billion decrease in income from investment securities at fair value through profit or loss. The performance of net trading income from derivatives was offset by a Ps 416.6 billion increase in foreign exchange gains (losses), net, recognized under other income.

Total income from investment securities

Banco de Occidente's securities portfolio is classified in the following categories: (i) equity and fixed income investments at FVTPL (described in this section as net trading income in investment securities at FVTPL), (ii) fixed income investments at FVOCI and (iii) fixed income investments at AC (results from (ii) and (iii) are included in net interest income as interest income on investments in debt securities). Banco de Occidente manages its investment portfolio in a comprehensive and integral manner that considers the individual return of each one of these three categories and the total return of the investment securities portfolio.

Total income from investment securities for Banco de Occidente (comprised of interest income on investments in debt securities and net trading income from investment securities at FVTPL) was Ps 192.7 billion for 2021, 24.0% or Ps 60.8 billion less than in 2020, primarily driven by an 118 basis points decrease in the average yield on total investment securities to 2.72% in 2021 from 3.90% in 2020, resulting in a Ps 76.7 billion decrease in interest income, which was partially offset by a 9.0% or Ps 587.9 billion increase in the average balance of total investment securities to Ps 7,085.4 billion in 2021, resulting in a Ps 16.0 billion increase in interest income. The main drivers for this performance were discussed above in net interest income.

Other income

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Foreign exchange gains (losses), net	230.6	(186.0)	416.6	(224.0)
Share of profit of equity accounted investees, net of tax (Equity method)	245.9	256.6	(10.8)	(4.2)
Net gain on sale of debt and equity securities	1.3	70.8	(69.4)	(98.1)
Dividends	3.1	2.3	0.8	33.9
Gain (loss) on the sale of non-current assets held for sale	12.0	44.4	(32.4)	(73.0)
Gain on sale of property, plant and equipment	5.1	6.3	(1.2)	(19.5)
Net gain (loss) in asset valuation	17.7	(16.1)	33.8	(209.9)
Other	36.8	26.0	10.9	42.0
Other income	**552.6**	**204.3**	**348.2**	**170.4**

Other income increased 170.4% or Ps 348.2 billion, mainly as a result of an increase in foreign exchange gains (losses), net. The Ps 416.6 billion increase in foreign exchange gains (losses), net to a Ps 230.6 billion net gain was partially offset by the Ps 378.9 billion decrease in net trading income from derivatives mentioned before. The net result of both activities (foreign exchange and derivatives) for 2021 was a Ps 141.6 billion gain, Ps 37.6 billion higher than in 2020, resulting from favorable portfolio positioning along the year.

The Ps 69.4 billion decrease in net gain on sale of debt and equity securities was explained by temporary favorable conditions in fixed income markets during 2020 that were not present in 2021.

In 2020 Banco de Occidente carried out a PP&E structure optimization program that helped mitigate the negative effects of the pandemic on the bank's results. As such, the Ps 32.4 billion decrease in gain (loss) on the sale of non-current assets held for sale is mainly attributable to the absence of a Ps 36.8 billion gain on the sale of non-current assets held for sale (as their fair value was higher than their book value at the time of transfer). The Ps 33.8 billion increase in net gain (loss) in asset valuation was mainly explained by favorable valuation of investment properties in 2021 as compared to unfavorable valuation in 2020, associated with the aforementioned PP&E structure optimization.

Finally, the Ps 10.8 billion decrease in share of profit of equity accounted investees, net of tax (equity method) was driven by (i) Corficolombiana's 21.9% decrease in net income and (ii) Porvenir's 0.2% increase in net income. For more information on the performance of these companies refer to "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Management Discussion and Analysis of Operating Segments—Corficolombiana" and "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Management Discussion and Analysis of Operating Segments—Porvenir".

Other expenses

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Losses from sales of noncurrent assets held for sale	(0.1)	(0.0)	(0.0)	106.9
Personnel expenses	(503.6)	(513.0)	9.4	(1.8)
Administrative and other expenses	(687.3)	(655.9)	(31.4)	4.8
Depreciation and amortization	(126.5)	(116.1)	(10.5)	9.0
Impairment loss on other assets	(1.6)	(4.1)	2.5	(60.1)
Other	(3.6)	(34.2)	30.6	(89.5)
Other expenses	**(1,322.8)**	**(1,323.4)**	**0.6**	**(0.0)**

Other expenses remained flat over the year at Ps 1,322.8 billion. The Ps 30.6 billion decrease in other was mainly driven by a Ps 20.8 billion decrease in provisions related to contingent loans (e.g., loan commitments, financial guarantees and unused credit card balances) measured by expected credit loss (ECL). The Ps 9.4 billion decrease in personnel expenses results from a 1.7% or Ps 8.0 billion decrease in salaries and employee benefits and a 4.3% or Ps 1.4 billion decrease in labor severances and bonus plan payments. For reference, the minimum wage in Colombia increased by 3.5% in 2021 as compared to 2020.

The Ps 31.4 billion increase in administrative and other expenses is mostly attributable to (i) a Ps 24.1 billion increase in contributions and affiliations due to higher payment processing transactions on POS and (ii) a Ps 23.2 billion increase in deposit insurance expenses related to the increase in the average balance of deposits between 2021 and 2020 and increased premiums charged by FOGAFIN to Banco de Occidente. Partially offsetting the above, the bank was able to achieve a Ps 5.9 billion decrease in service expenses due to recurring savings arising as lockdowns during the first half of the year, work-from-home policies and footprint optimization reduced expenses such as staffing, utilities, travel and transportation expenses, and supplies and stationery, among others. Finally, other expenses decreased Ps 11.3 billion mainly explained by joint ventures, software development services and collaboration expenses.

The increase in depreciation and amortization is explained by (i) a Ps 9.4 billion increase in amortizations, explained by the completion in 2020 and amortization in 2021 of IT and digital transformation projects and (ii) a Ps 4.4 billion increase in depreciation of rights-of-use that was offset by a Ps 3.4 billion decrease in depreciation of PP&E.

Given that Banco de Occidente's other expenses decreased by 0.04% and its total income before net impairment losses on financial assets (defined as the sum of net interest income, net income from commissions and fees, gross profit (loss) from sales of goods and services, net trading income and other income) decreased by 1.0%, the cost to income efficiency ratio deteriorated 49 basis points to 48.9% in 2021 from 48.4% in 2020. The ratio of other expenses as a percentage of average assets improved by 13 basis points to 2.8% in 2021 from 2.9% in 2020.

Tax expense

Income tax expense for Banco de Occidente increased by Ps 140.4 billion, to a Ps 74.9 billion tax expense in 2021. This was driven by a Ps 395.7 billion increase in taxable income (defined as income before income tax expense excluding dividends and the equity method, as both are non-taxable income), resulting in a Ps 134.2 billion increase in income tax expense. The tax reform had a one-time negative effect on Banco de Occidente's deferred taxes that implied an additional Ps 34.2 billion expense in 2021.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest increased 0.3%, or Ps 0.02 billion, to Ps 5.7 billion in 2021 compared with 2020. The ratio of net income attributable to non-controlling interest to net income decreased to 1.0% in 2021 from 1.7% in 2020. The decrease in this ratio is mainly attributable to the recovery of net income at Banco de Occidente, which lowers this ratio relative to a year ago.

Banco Popular

Overview

Banco Popular's net income attributable to owners of the parent for the year ended December 31, 2021, was Ps 313.3 billion, increasing 33.9% or Ps 79.3 billion compared to the year ended December 31, 2020. The following discussion describes the main drivers of Banco de Popular's results of operations for the year ended December 31, 2021, compared to the year ended December 31, 2020.

	Banco Popular			
	For the year ended December 31,		Change 2021 vs 2020	
	2021	2020	#	%
	(in Ps billions)			
Total interest income	2,208.7	2,235.0	(26.3)	(1.2)
Total interest expense	(617.6)	(822.6)	205.0	(24.9)
Net interest income	**1,591.1**	**1,412.4**	**178.7**	**12.7**
Impairment loss on loans and other accounts receivable	(197.2)	(333.0)	135.8	(40.8)
Impairment (loss) recovery on other financial assets	(0.6)	(0.3)	(0.3)	108.0
Recovery of charged-off financial assets	35.9	29.6	6.3	21.3
Net impairment loss on financial assets	**(161.9)**	**(303.7)**	**141.8**	**(46.7)**
Net interest income, after impairment losses	**1,429.2**	**1,108.7**	**320.5**	**28.9**
Net income from commissions and fees	194.1	189.7	4.3	2.3
Net trading income	18.5	51.9	(33.4)	(64.4)
Other income	134.7	137.5	(2.9)	(2.1)
Other expenses	(1,306.1)	(1,161.7)	(144.4)	12.4
Net income before tax expense	**470.3**	**326.1**	**144.2**	**44.2**
Income tax expense	(155.7)	(91.3)	(64.4)	70.5
Net income for the year	**314.6**	**234.8**	**79.8**	**34.0**
Net income for the year attributable to:				
Owners of the parent	**313.3**	**234.0**	**79.3**	**33.9**
Non-controlling interest	**1.3**	**0.8**	**0.5**	**65.1**

Net interest income

Net interest income increased 12.7% or Ps 178.7 billion to Ps 1,591.1 billion in 2021. Interest expense decreased 24.9%, more than total interest income, due to a 112 basis points reduction in the average interest rate paid on interest-bearing funding which was partially offset by a 6.6% or Ps 1,421.3 billion increase in the average balance of interest-bearing funding. Total interest income performance was driven by a 67 basis points decrease in the average yield of interest-earning assets that was partially offset by a 6.5% or Ps 1,555.2 billion increase in average interest-earning assets. Yields and rates paid were pressured downwards by a declining benchmark interest rate and a high liquidity environment. In this context, Banco Popular was able to increase its spreads and net interest margin given its focus on payroll loans, which tend to price in changes in the benchmark rate slower than other products given their longer maturity. The interest spread between the average yield on gross loans and the average rate paid on interest-bearing deposits increased by 40 basis points to 6.9%. In turn, net interest margin increased by 34 basis points to 6.2%. The main drivers impacting interest-earning assets and interest-bearing funding during 2021, are as described under Grupo Aval's analysis.

Average balance of interest-earning assets for the year ended December 31,		Change, 2021 vs. 2020		Net interest margin for the year ended December 31,		Net interest income for the year ended December 31,		Change, 2021 vs. 2020	
2021	2020	#	%	2021	2020	2021	2020	#	%
(in Ps billions)						(in Ps billions)			
25,632.6	24,077.4	1,555.2	6.5	6.2%	5.9%	1,591.1	1,412.4	178.7	12.7

The following tables show: (i) the average balance, average yield and interest income on interest-earning assets with an analysis of impacts derived from changes in the average balance and the average yield, per type of interest-earning asset; interbank and overnight funds are shown separate from gross loans due to their characteristics and short-term nature and (ii) the average balance, average rate paid and interest expense on interest-bearing funding with an analysis of impacts derived from changes in the average balance and the average rate, per type of interest-bearing funding.

(i)	Average balance for the year ended December 31,		Change, 2021 vs. 2020		Average yield for the year ended December 31,		Interest income for the year ended December 31,		Impact on interest income due to changes in			Change, 2021 vs. 2020
	2021	2020	#	%	2021	2020	2021	2020	Balance	Yield	Total	%
	(in Ps billions)						(in Ps billions)		(in Ps billions)			
Commercial	6,640.3	7,558.6	(918.3)	(12.1)	4.3%	5.9%	284.6	444.4	(39.4)	(120.4)	(159.8)	(36.0)
Consumer	14,197.0	12,458.5	1,738.5	14.0	11.8%	12.8%	1,672.0	1,595.5	204.7	(128.2)	76.5	4.8
Mortgages	1,170.6	1,031.9	138.8	13.4	8.0%	7.9%	93.2	81.4	11.0	0.7	11.8	14.5
Microcredit	4.1	5.3	(1.2)	(21.9)	4.9%	6.7%	0.2	0.4	(0.1)	(0.1)	(0.1)	(41.9)
Gross loans	**22,012.0**	**21,054.2**	**957.8**	**4.5**	**9.3%**	**10.1%**	**2,050.0**	**2,121.6**	**89.2**	**(160.8)**	**(71.6)**	**(3.4)**
Interbank and overnight funds	80.0	161.9	(81.8)	(50.6)	7.3%	6.4%	5.9	10.4	(6.0)	1.5	(4.5)	(43.4)
Total gross loans	**22,092.1**	**21,216.1**	**876.0**	**4.1**	**9.3%**	**10.0%**	**2,055.9**	**2,132.0**	**81.5**	**(157.6)**	**(76.1)**	**(3.6)**
Investments in debt securities	3,540.5	2,861.3	679.2	23.7	4.3%	3.6%	152.8	103.0	29.3	20.5	49.8	48.4
Total interest-earning assets	**25,632.6**	**24,077.4**	**1,555.2**	**6.5**	**8.6%**	**9.3%**	**2,208.7**	**2,235.0**	**134.0**	**(160.3)**	**(26.3)**	**(1.2)**

(ii)	Average balance for the year ended December 31,		Change, 2021 vs. 2020		Average rate paid for the year ended December 31,		Interest expense for the year ended December 31,		Impact on interest expense due to changes in			Change, 2021 vs. 2020
	2021	2020	#	%	2021	2020	2021	2020	Balance	Rate	Total	%
	(in Ps billions)						(in Ps billions)		(in Ps billions)			
Checking accounts	191.0	151.5	39.6	26.1	0.6%	0.9%	(1.1)	(1.3)	(0.2)	0.4	0.2	(15.3)
Time deposits	7,894.6	7,994.8	(100.2)	(1.3)	3.7%	4.9%	(293.8)	(392.2)	3.7	94.7	98.4	(25.1)
Savings accounts	11,800.1	10,341.0	1,459.2	14.1	1.6%	2.6%	(184.7)	(268.2)	(22.8)	106.3	83.5	(31.1)
Total interest-bearing deposits	**19,885.8**	**18,487.3**	**1,398.5**	**7.6**	**2.4%**	**3.6%**	**(479.7)**	**(661.8)**	**(33.7)**	**215.8**	**182.1**	**(27.5)**
Interbank borrowings and overnight funds	476.3	607.4	(131.1)	(21.6)	1.1%	3.5%	(5.5)	(21.5)	1.5	14.5	16.0	(74.6)
Borrowings from banks and others	478.4	438.0	40.4	9.2	1.9%	3.8%	(9.0)	(16.8)	(0.8)	8.5	7.8	(46.2)
Bonds issued	1,888.2	1,753.0	135.2	7.7	6.2%	6.5%	(117.6)	(114.2)	(8.4)	5.0	(3.4)	3.0
Borrowings from development entities	389.6	411.3	(21.7)	(5.3)	1.5%	2.0%	(5.9)	(8.3)	0.3	2.1	2.5	(29.7)
Other funding	**3,232.5**	**3,209.7**	**22.8**	**0.7**	**4.3%**	**5.0%**	**(138.0)**	**(160.8)**	**(1.0)**	**23.8**	**22.9**	**(14.2)**
Total interest-bearing funding	**23,118.3**	**21,697.0**	**1,421.3**	**6.6**	**2.7%**	**3.8%**	**(617.6)**	**(822.6)**	**(38.0)**	**242.9**	**205.0**	**(24.9)**

Banco Popular's average balance of gross loans increased 4.5% or Ps 957.8 billion in 2021 and the average yield was 9.3%, 76 basis points lower than in 2020. Growth of average balances was lower than that of closing balances (5.3%) due to the predominant commercial dynamics evidenced in 2020. Banco Popular's average consumer loans grew vigorously while average commercial loans decreased. Average consumer loans grew more than closing balances (12.7%) due to a low comparison base in 2020, when underwriting was slowed down due to the effects of the pandemic. The performance of commercial loans is mainly attributable to (i) increased price competition for low-risk commercial loans related to the official sector, in which Banco Popular focuses and (ii) the fact that average balances during the first months of 2020 were particularly high due an increased appetite for loans as safeguard to the effects of the pandemic.

As described in Grupo Aval's analysis, yields on loans were negatively impacted by trends in reference rates and competition. In addition, reliefs granted had a negative effect on interest income for gross loans when using the effective interest rate method. In the case of Banco Popular, the effect of reliefs recognized in interest income was Ps 21.0 billion in 2021 and Ps 9.6 billion in 2020.

The main driver for interest-earning investments in debt securities growth was the liquidity consequence of the temporary differences between an increase in funding and slow origination, which set the tone for the bank's portfolio strategy. The increase in the average yield of interest-earning securities resulted from a portfolio strategy focused on inflation indexed (UVR) sovereign debt that enabled the bank to benefit from the uptick in inflation throughout the year.

Finally, Banco Popular shifted its interest-bearing deposits towards savings accounts, which have lower average rates paid than those of time deposits. Repricing efforts on deposits focused on the institutional and large corporate segments. This allowed the bank to transfer most of the decrease in the average benchmark rate, while growing its average balance.

Net impairment loss on financial assets

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Impairment loss on loans and other accounts receivable	(197.2)	(333.0)	135.8	(40.8)
Impairment (loss) recovery on other financial assets	(0.6)	(0.3)	(0.3)	108.0
Recovery of charged-off financial assets	35.9	29.6	6.3	21.3
Net impairment loss on financial assets	**(161.9)**	**(303.7)**	**141.8**	**(46.7)**

Banco Popular's impairment loss on loans and other accounts receivable decreased 40.8% or Ps 135.8 billion to Ps 197.2 billion, driven by the improvement of the loan portfolio's ECL, in line with the positive outlook of asset quality resulting from the economic recovery and its effect on borrowers' credit risk. For more information regarding risk management measures implemented during 2021 please see "Item 11. Quantitative and Qualitative Disclosures About Market Risk".

In addition, recovery of charged-off financial assets increased 21.3% or Ps 6.3 billion to Ps 35.9 billion in 2021, due to the drivers discussed under Grupo Aval's analysis.

The following table provides detail by category of impairment loss on loans and other accounts receivable, cost of risk and cost of risk, net. For more information on the calculation methodology please refer to "Item 3. Key Information—A. Selected Financial Data".

	Impairment loss on loans and other accounts receivable				Cost of risk for the year ended December 31,		Change, 2021 vs. 2020	Cost of risk, net for the year ended December 31,		Change, 2021 vs. 2020
	Year ended December 31,		Change, 2021 vs. 2020							
	2021	2020	#	%	2021	2020	basis points	2021	2020	basis points
	(in Ps billions)									
Commercial	(28.8)	(80.8)	52.0	(64.3)	0.4%	1.1%	(64)	0.4%	1.0%	(59)
Consumer	(165.0)	(245.4)	80.4	(32.8)	1.2%	2.0%	(81)	0.9%	1.8%	(86)
Mortgage	(0.2)	(5.1)	4.9	(95.6)	0.0%	0.5%	(48)	0.0%	0.5%	(47)
Microcredit	0.1	(0.4)	0.5	(131.6)	(3.0)%	7.4%	(1,033)	(19.6)%	3.4%	(2,305)
Gross loans	**(193.9)**	**(331.8)**	**137.9**	**(41.6)**	**0.9%**	**1.6%**	**(69)**	**0.7%**	**1.4%**	**(72)**
Interbank and overnight funds	(1.7)	(0.1)	(1.7)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total gross loans	**(195.6)**	**(331.8)**	**136.2**	**(41.0)**	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Other accounts receivable	(1.5)	(1.2)	(0.4)	33.4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Impairment loss on loans and other accounts receivable	**(197.2)**	**(333.0)**	**135.8**	**(40.8)**	**0.9%**	**1.6%**	**(69)**	**0.7%**	**1.4%**	**(71)**

Banco Popular's cost of risk decreased across all categories of loans, given that Stage 2 loans increased Ps 214.3 billion in 2021, less than the Ps 514.4 billion in 2020. The balance of Stage 2 commercial loans drove the increase in Stage 2 balances with a Ps 286.4 billion increase. However, Ps 292.4 billion of the increase in Stage 2 commercial loans was classified as "normal" with a PD of between 0% and 7.5% which implied low impairment loss needs. In addition, the 16.1% or Ps 1,003.8 billion contraction of Stage 1 commercial loans implied a Ps 45.0 billion decrease in impairment losses.

For further detail on credit risk model overlays and transitioning between stages, refer to Grupo Aval's analysis. For more information on loss allowance calculations and a description of PD risk categories under IFRS 9, please refer to Note 4.1 of our audited consolidated financial statements. The following table shows Banco de Popular's gross loan classification by Stages in accordance with IFRS 9 (interbank and overnight funds are not included as they tend to be mostly Stage 1 and with low loss allowance due to their characteristics and short-term nature).

	At December 31,								Change, 2021 vs. 2020			
	2021				2020							
	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Gross loans
	(in Ps billions)								%			
Commercial	5,217.5	655.1	549.8	**6,422.4**	6,221.2	368.7	467.9	**7,057.8**	(16.1)	77.7	17.5	(9.0)
Consumer	14,079.9	430.9	483.8	**14,994.6**	12,376.6	468.0	457.3	**13,301.9**	13.8	(7.9)	5.8	12.7
Mortgages	1,135.4	31.7	30.3	**1,197.5**	1,027.5	66.5	26.2	**1,120.3**	10.5	(52.3)	15.7	6.9
Microcredit	2.5	0.1	0.6	**3.2**	3.8	0.2	0.9	**4.9**	(34.1)	(54.3)	(39.2)	(36.0)
Gross loans	**20,435.3**	**1,117.8**	**1,064.5**	**22,617.6**	**19,629.1**	**903.5**	**952.2**	**21,484.9**	4.1	23.7	11.8	**5.3**
Commercial	81.2%	10.2%	8.6%	**100.0%**	88.1%	5.2%	6.6%	**100.0%**				
Consumer	93.9%	2.9%	3.2%	**100.0%**	93.0%	3.5%	3.4%	**100.0%**				
Mortgages	94.8%	2.6%	2.5%	**100.0%**	91.7%	5.9%	2.3%	**100.0%**				
Microcredit	79.3%	3.3%	17.4%	**100.0%**	77.0%	4.6%	18.3%	**100.0%**				
Composition of gross loans per Stage	**90.4%**	**4.9%**	**4.7%**	**100.0%**	**91.4%**	**4.2%**	**4.4%**	**100.0%**				

For a general description of reliefs granted in Colombia to support borrowers affected by the pandemic refer to Grupo Aval's analysis. At December 31, 2021, asset quality measured by loans at least 91 days past due had improved 33 basis points to 2.9% as compared to a year earlier. At December 31, 2021, 7.1% (10.3% in 2020) of Banco Popular's gross loans had benefited from reliefs or were under PAD. At the same date, 0.2% (6.9% in 2020) of the bank's gross loans were under payment holidays. Loans past due more than 30 days that had benefited either from payment holidays or PAD represented 0.6% (0.5% in 2020) of gross loans or 8.2% (6.7% in 2020) of loans that had active payment schedules. Loans past due more than 90 days that had benefited either from payment holidays or PAD represented 0.4% (0.3% in 2020) of gross loans or 5.9% (4.1% in 2020) of loans that had active payment schedules. The following table shows the outstanding balances and status of loans that were relieved and under PAD for Banco Popular, as well as their proportion over each category of loans at the dates indicated.

	Outstanding balance of loans that were relieved and under PAD											
	At December 31, 2021						At December 31, 2020					
	Currently paying	Under payment holidays	Past due between 1 and 30 days	Past due between 31 and 90 days	Past due more than 90 days	Outstanding balance	Currently paying	Under payment holidays	Past due between 1 and 30 days	Past due between 31 and 90 days	Past due more than 90 days	Outstanding balance
	(in Ps billions)											
Commercial	686.6	49.7	46.5	5.4	35.1	**823.3**	723.6	450.6	80.0	8.9	26.0	**1,289.1**
As a % of commercial loans	10.7%	0.8%	0.7%	0.1%	0.5%	12.8%	10.3%	6.4%	1.1%	0.1%	0.4%	18.3%
Consumer	304.4	—	19.7	13.9	44.0	**382.0**	405.4	—	31.3	16.5	32.5	**485.6**
As a % of consumer loans	2.0%	0.0%	0.1%	0.1%	0.3%	2.5%	3.0%	0.0%	0.2%	0.1%	0.2%	3.7%
Mortgages	317.5	—	52.2	16.3	12.2	**398.2**	353.4	—	57.0	19.6	14.0	**444.0**
As a % of mortgages	26.5%	0.0%	4.4%	1.4%	1.0%	33.3%	31.5%	0.0%	5.1%	1.7%	1.3%	39.6%
Microcredit	0.1	—	0.0	0.0	0.1	**0.3**	0.3	—	0.0	0.1	0.2	**0.6**
As a % of microcredit loans	4.5%	0.0%	0.5%	0.7%	2.7%	8.4%	5.7%	0.0%	1.0%	2.1%	3.9%	12.7%
Gross loans	**1,308.7**	**49.7**	**118.4**	**35.6**	**91.4**	**1,603.8**	**1,482.6**	**450.6**	**168.4**	**45.1**	**72.7**	**2,219.3**
As a % of gross loans	5.8%	0.2%	0.5%	0.2%	0.4%	7.1%	6.9%	2.1%	0.8%	0.2%	0.3%	10.3%

The following table shows the balance of loans past due at least 91 days past due, delinquency ratios, charge-offs and charge-offs as a percentage of average gross loans for Banco Popular (interbank and overnight funds are not included as they tend not to be past due or charged-off due to their characteristics and short-term nature).

	Loans at least 91 days past due				Delinquency ratio (1)		Change,
	At December 31,		Change, 2021 vs. 2020		at December 31,		2021 vs. 2020
	2021	2020	#	%	2021	2020	basis points
	(in Ps billions)						
Commercial	261.9	287.5	(25.5)	(8.9)	4.1%	4.1%	1
Consumer	351.0	356.3	(5.3)	(1.5)	2.3%	2.7%	(34)
Mortgages	38.0	45.6	(7.6)	(16.6)	3.2%	4.1%	(90)
Microcredit	0.5	0.8	(0.3)	(38.3)	16.5%	17.2%	(64)
Gross loans	**651.4**	**690.2**	**(38.8)**	**(5.6)**	**2.9%**	**3.2%**	**(33)**

	Charge-offs				Charge-offs as a percentage		Change,
	At December 31,		Change, 2021 vs. 2020		of average gross loans		2021 vs. 2020
	2021	2020	#	%	2021	2020	basis points
	(in Ps billions)						
Commercial	45.4	132.5	(87.1)	(65.7)	0.7%	1.8%	(107)
Consumer	189.6	213.3	(23.8)	(11.1)	1.3%	1.7%	(38)
Mortgages	0.5	1.3	(0.8)	(60.6)	0.0%	0.1%	(8)
Microcredit	0.5	0.1	0.4	368.9	12.6%	2.1%	1,049
Total charge-offs	**236.0**	**347.3**	**(111.3)**	**(32.0)**	**1.1%**	**1.6%**	**(58)**

(1) Calculated as loans past due more than 90 days divided by gross loans.

Delinquency coverage ratio for gross loans, as measured by loss allowance divided by past due gross loans more than 90 days was 168.8% in 2021 and 154.0% in 2020. Charge-offs decreased as a percentage of average gross loans; in consumer loans driven by the performance of payroll loans and in commercial loans explained by the Ps 126.0 billion charge-off of the exposure to *Concesionaria Ruta del Sol* during the third quarter of 2020.

Net income from commissions and fees

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Banking fees	175.7	165.3	10.4	6.3
Bonded warehouse services	58.3	58.9	(0.6)	(1.0)
Trust activities and portfolio management services	22.2	23.0	(0.7)	(3.2)
Pension fund management	1.5	1.8	(0.3)	(14.2)
Income from commissions and fees	**257.8**	**249.0**	**8.8**	**3.5**
Expenses from commissions and fees	(63.7)	(59.3)	(4.5)	7.5
Net income from commissions and fees	**194.1**	**189.7**	**4.3**	**2.3**

Income from commissions and fees increased 3.5% or Ps 8.8 billion, recovering from the effects of lockdowns. Banking fees explained this result, increasing 6.3% or Ps 10.4 billion. These were partially offset by the decrease of (i) 1.0% or Ps 0.6 billion in bonded warehouse services, (ii) 3.2% or Ps 0.7 billion of trust activities and portfolio management services and (iii) 14.2% or Ps 0.3 billion in pension and fund management. Banking service fees increased 10.5% or Ps 13.0 billion, partially offset by the 6.6% or Ps 2.7 billion decrease of debit and credit cards. The bank focused its credit card growth during 2021 on the "*Tarjeta Cero*" a card with no maintenance fees. The increase in expenses from commissions and fees reflects expenses directly related to the recovery of income from commissions and fees and by higher fees paid to external sales-forces, as commercial activity increased after being negatively impacted by lockdowns during most part of 2020.

Net trading income

Banco Popular's net trading income was Ps 18.5 billion in 2021, Ps 33.4 billion lower than in 2020, resulting from a Ps 21.7 billion decrease in net trading income from derivatives and a Ps 11.7 billion decrease in income from investment securities at fair value through profit or loss. The performance of net trading income from derivatives was offset by a Ps 28.2 billion increase in foreign exchange gains (losses), net, recognized under other income.

Total income from investment securities

Banco Popular's securities portfolio is classified in the following categories: (i) equity and fixed income investments at FVTPL (described in this section as net trading income in investment securities at FVTPL), (ii) fixed income investments at FVOCI and (iii) fixed income investments at AC (results from (ii) and (iii) are included in net interest income as interest income on investments in debt securities). Banco Popular manages its investment portfolio in a comprehensive and integral manner that considers individual return of each one of these three categories and the total return of the investment securities portfolio.

Total income from investment securities for Banco Popular (comprised of interest income on investments in debt securities and net trading income from investment securities at FVTPL) was Ps 163.3 billion for 2021, 30.5% or Ps 38.2 billion higher than in 2020. This was primarily driven by a 21.0% or Ps 671.6 billion increase in the average balance of total investment securities to Ps 3,866.3 billion in 2021, resulting in a Ps 28.4 billion increase in interest income and a 31 basis points increase in the average yield on total investment securities to 4.2% in 2021 from 3.9% in 2020 resulting in a Ps 9.8 billion increase in interest income. The main drivers for this performance were discussed above in net interest income.

Other income

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Foreign exchange gains (losses), net	11.1	(17.1)	28.2	(165.0)
Share of profit of equity accounted investees, net of tax (Equity method)	67.2	83.7	(16.5)	(19.7)
Net gain on sale of debt and equity securities	16.6	27.0	(10.4)	(38.4)
Dividends	7.7	5.8	1.8	31.3
Gain on sale of property, plant and equipment	2.7	0.3	2.4	800.8
Net gain (loss) in asset valuation	(3.1)	2.3	(5.4)	(235.3)
Other	32.4	35.4	(3.0)	(8.5)
Other income	**134.7**	**137.5**	**(2.9)**	**(2.1)**

Other income decreased 2.1% or Ps 2.9 billion, mainly as a result of (i) a Ps 16.5 billion decrease in share of profit of equity accounted investees, net of tax (equity method) driven by the results of Corficolombiana, (ii) a Ps 10.4 billion decrease in net gain on sale of debt and equity securities, explained by temporary favorable conditions in fixed income markets during 2020 that were not present in 2021, and (iii) a Ps 5.4 billion decrease in net gain (loss) in asset valuation. The above were partially offset by a Ps 28.2 billion increase in foreign exchange gains (losses), net. The Ps 28.2 billion increase in foreign exchange gains (losses), net to a Ps 11.1 billion net gain was partially offset by the Ps 21.7 billion decrease in net trading income from derivatives mentioned before. The net result of both activities (foreign exchange and derivatives) for 2021 was a Ps 19.2 billion gain, Ps 6.4 billion higher than in 2020, resulting from favorable portfolio positioning along the year.

Other expenses

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Personnel expenses	(450.4)	(391.1)	(59.3)	15.2
Administrative and other expenses	(745.6)	(667.3)	(78.3)	11.7
Depreciation and amortization	(100.1)	(89.5)	(10.6)	11.9
Impairment loss on other assets	(3.7)	(0.1)	(3.5)	N.A.
Other	(6.3)	(13.8)	7.4	(54.0)
Other expenses	**(1,306.1)**	**(1,161.7)**	**(144.4)**	**12.4**

Other expenses increased 12.4% or Ps 144.4 billion driven by a Ps 78.3 billion increase in administrative and other expenses. In turn, this was explained by (i) a Ps 10.7 billion increase in insurance expenses, driven by deposit insurance related to the increase in the average balance of deposits between 2021 and 2020, (ii) a Ps 8.0 billion increase consulting and legal fees among others, (iii) a Ps 9.8 billion increase in service expenses, among which marketing and outsourcing services explained most of the increase, (iv) a Ps 5.3 billion increase in maintenance and repairs, (v) a Ps 4.5 billion increase in non-deductible VAT, and (vi) a Ps 33.3 billion increase in other expenses, mainly explained by joint ventures, software development services and collaboration expenses.

The increase in personnel expenses results from a Ps 51.4 billion increase in labor severances and bonus plan payments, associated with a headcount optimization plan carried out by Banco Popular. In addition, salaries and employee benefits increased 2.1% or Ps 8.0 billion. For reference, the minimum wage in Colombia increased by 3.5% in 2021 as compared to 2020.

The increase in depreciation and amortization is explained by (i) a Ps 14.2 billion increase in amortizations, explained by the completion in 2020 and amortization in 2021 of IT and digital transformation projects, (ii) a Ps 2.5 billion decrease in depreciation of rights-of-use, and (iii) a Ps 1.1 billion decrease in depreciation of PP&E.

Given that Banco Popular's other expenses increased by 12.4% and its total income before net impairment losses on financial assets (defined as the sum of net interest income, net income from commissions and fees, net trading income and other income) increased by 8.2%, the cost to income efficiency ratio increased to 67.4% in 2021 from 64.8% in 2020. The ratio of other expenses as a percentage of average assets increased to 4.6% in 2021 from 4.3% in 2020.

Tax expense

Income tax expense for Banco Popular increased by Ps 64.4 billion, to Ps 155.7 billion in 2021. This was driven by a Ps 158.9 billion increase in taxable income (defined as income before income tax expense excluding dividends and the equity method, as both are non-taxable income), resulting in a Ps 54.0 billion increase in income tax expense. The tax reform had a one-time negative effect on Banco Popular's deferred taxes that implied an additional Ps 8.5 billion expense in 2021. Banco Popular's effective tax rate, calculated as income tax expense divided by income before income tax expense excluding dividends and the equity method (as both are non-taxable income), was 39.4% in 2021 and 38.6% in 2020.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest is not a significant contributor to net income for Banco Popular and is responsible for only 0.4% of net income for 2021 and 0.3% for 2020.

Banco AV Villas

Overview

Banco AV Villas' net income attributable to owners of the parent for the year ended December 31, 2021 was Ps 191.8 billion, increasing 17.5% or Ps 28.5 billion compared to the year ended December 31, 2020. The following discussion describes the main drivers of Banco AV Villas' results of operations for the year ended December 31, 2021 compared to the year ended December 31, 2020.

	Banco AV Villas			
	For the year ended December 31,		Change 2021 vs 2020	
	2021	2020	#	%
	(in Ps billions)			
Total interest income	1,306.1	1,353.7	(47.6)	(3.5)
Total interest expense	(238.0)	(352.6)	114.6	(32.5)
Net interest income	**1,068.1**	**1,001.1**	**67.0**	**6.7**
Impairment loss on loans and other accounts receivable	(207.0)	(300.6)	93.6	(31.1)
Impairment (loss) recovery on other financial assets	(0.3)	(0.5)	0.2	(35.1)
Recovery of charged-off financial assets	57.9	47.8	10.1	21.2
Net impairment loss on financial assets	**(149.5)**	**(253.3)**	**103.9**	**(41.0)**
Net interest income, after impairment losses	**918.6**	**747.8**	**170.8**	**22.8**
Net income from commissions and fees	93.1	118.1	(25.0)	(21.2)
Net trading income (loss)	(0.6)	16.1	(16.7)	(103.8)
Other income	28.9	58.9	(30.1)	(51.0)
Other expenses	(730.9)	(718.2)	(12.7)	1.8
Net income before tax expense	**309.0**	**222.7**	**86.3**	**38.8**
Income tax expense	(116.7)	(58.7)	(58.0)	98.7
Net income for the year	**192.2**	**163.9**	**28.3**	**17.3**
Net income for the year attributable to:				
Owners of the parent	**191.8**	**163.3**	**28.5**	**17.5**
Non-controlling interest	**0.4**	**0.6**	**(0.2)**	**(32.4)**

Net interest income

Net interest income increased 6.7% or Ps 67.0 billion to Ps 1,068.1 billion in 2021. Interest expense decreased 32.5% or Ps 114.6 billion, more than total interest income, due to a 109 basis points reduction in the average interest rate paid on interest-bearing funding, which was partially offset by a 8.7% or Ps 1,064.2 billion increase in average balance of interest-bearing funding. Total interest income decreased 3.5% or Ps 47.6 billion driven by a 109 basis points decrease in the average yield of interest-earning assets that was partially offset by an 8.8% or Ps 1,244.7 billion increase in average interest-earning assets. Yields and rates paid were pressured downwards by a declining average benchmark interest rate and a high liquidity environment. The interest spread between the average yield on gross loans and the average rate paid on interest-bearing deposits increased by 25 basis points to 8.2%. In turn, net interest margin contracted by 14 basis points to 7.0%. The main drivers impacting interest-earning assets and interest-bearing funding during 2021, are as described under Grupo Aval's analysis.

Average balance of interest-earning assets for the year ended December 31,		Change, 2021 vs. 2020		Net interest margin for the year ended December 31,		Net interest income for the year ended December 31,		Change, 2021 vs. 2020	
2021	2020	#	%	2021	2020	2021	2020	#	%
(in Ps billions)						(in Ps billions)			
15,322.8	**14,078.0**	**1,244.7**	**8.8**	**7.0%**	**7.1%**	**1,068.1**	**1,001.1**	**67.0**	**6.7**

The following tables show: (i) the average balance, average yield and interest income on interest-earning assets with an analysis of impacts derived from changes in the average balance and the average yield, per type of interest-earning asset; interbank and overnight funds are shown separate from gross loans due to their characteristics and short-term nature, (ii) the average balance, average rate paid and interest expense on interest-bearing funding with an analysis of impacts derived from changes in the average balance and the average rate, per type of interest-bearing funding, and (iii) net interest margin and net interest income.

(i)	Average balance for the year ended December 31,		Change, 2021 vs. 2020		Average yield for the year ended December 31,		Interest income for the year ended December 31,		Impact on interest income due to changes in			Change, 2021 vs. 2020
	2021	2020	#	%	2021	2020	2021	2020	Balance	Yield	Total	%
	(in Ps billions)						(in Ps billions)		(in Ps billions)			
Commercial	2,552.6	2,682.9	(130.3)	(4.9)	5.0%	6.6%	127.8	176.2	(6.5)	(41.9)	(48.4)	(27.5)
Consumer	7,396.3	6,951.7	444.6	6.4	11.5%	12.8%	849.7	887.3	51.1	(88.6)	(37.5)	(4.2)
Mortgages	2,468.0	2,440.6	27.4	1.1	9.7%	9.2%	238.6	224.7	2.6	11.3	13.9	6.2
Microcredit	0.4	0.6	(0.1)	(24.7)	15.8%	18.2%	0.1	0.1	(0.0)	(0.0)	(0.0)	(34.5)
Gross loans	**12,417.3**	**12,075.8**	**341.5**	**2.8**	**9.8%**	**10.7%**	**1,216.2**	**1,288.2**	**33.5**	**(105.5)**	**(72.0)**	**(5.6)**
Interbank and overnight funds	113.9	170.0	(56.1)	(33.0)	1.8%	3.5%	2.0	5.9	(1.0)	(2.9)	(3.9)	(65.7)
Total gross loans	**12,531.2**	**12,245.8**	**285.4**	**2.3**	**9.7%**	**10.6%**	**1,218.2**	**1,294.2**	**27.7**	**(103.7)**	**(75.9)**	**(5.9)**
Investments in debt securities	2,791.6	1,832.2	959.3	52.4	3.1%	3.2%	87.9	59.5	30.2	(1.8)	28.4	47.7
Total interest-earning assets	**15,322.8**	**14,078.0**	**1,244.7**	**8.8**	**8.5%**	**9.6%**	**1,306.1**	**1,353.7**	**106.1**	**(153.7)**	**(47.6)**	**(3.5)**

(ii)	Average balance for the year ended December 31,		Change, 2021 vs. 2020		Average rate paid for the year ended December 31,		Interest expense for the year ended December 31,		Impact on interest expense due to changes in			Change, 2021 vs. 2020
	2021	2020	#	%	2021	2020	2021	2020	Balance	Rate	Total	%
	(in Ps billions)						(in Ps billions)		(in Ps billions)			
Checking accounts	186.4	117.4	69.0	58.8	0.5%	0.8%	(1.0)	(1.0)	(0.4)	0.3	(0.0)	1.1
Time deposits	3,386.3	4,296.3	(910.0)	(21.2)	2.9%	4.4%	(98.4)	(190.2)	26.4	65.4	91.8	(48.3)
Savings accounts	8,456.0	7,353.4	1,102.6	15.0	1.1%	1.8%	(96.7)	(132.6)	(12.6)	48.5	35.9	(27.1)
Total interest-bearing deposits	**12,028.7**	**11,767.2**	**261.6**	**2.2**	**1.6%**	**2.8%**	**(196.0)**	**(323.7)**	**(4.3)**	**132.0**	**127.7**	**(39.4)**
Interbank borrowings and overnight funds	602.4	199.4	403.0	202.1	2.4%	8.0%	(14.7)	(16.0)	(9.8)	11.1	1.3	(8.2)
Borrowings from banks and others	271.1	272.3	(1.2)	(0.4)	4.0%	4.6%	(11.0)	(12.6)	0.0	1.6	1.6	(12.7)
Bonds issued	401.0	—	401.0	N.A.	4.0%	N.A.	(16.1)	—	(16.1)	—	(16.1)	N.A.
Borrowings from development entities	11.1	11.3	(0.2)	(1.3)	2.0%	2.5%	(0.2)	(0.3)	0.0	0.1	0.1	(22.3)
Other funding	**1,285.6**	**483.0**	**802.7**	**166.2**	**3.3%**	**6.0%**	**(42.0)**	**(28.8)**	**(26.2)**	**13.1**	**(13.1)**	**45.6**
Total interest-bearing funding	**13,314.4**	**12,250.1**	**1,064.2**	**8.7**	**1.8%**	**2.9%**	**(238.0)**	**(352.6)**	**(19.0)**	**133.6**	**114.6**	**(32.5)**

Banco AV Villas' average balance of gross loans increased 2.8% or Ps 341.5 billion in 2021 and the average yield was 9.8%, 87 basis points lower than in 2020. Average balances grew slower than closing balances (10.3%), explained by strong growth toward the end of the year. Commercial loans decreased 4.9% on average balances and increased 16.6% at end of period. Consumer loan growth of average and end of period balances was 6.4% and 9.5%, respectively. However, when divided by products, the end of period balance for payroll loans and credit cards grew 19.5% and 2.7%, respectively, while personal loans contracted 11.2%. Banco AV Villas started to shift its secured-product driven focus, in place for the last three years, toward unsecured products; seeking to increase its presence in segments that started to recover from the negative impacts of the pandemic.

Given that payroll loans have lower interest rates than personal loans and credit cards, Banco AV Villas' average yields on consumer loans decreased 127 basis points. This was partially offset by an increase in mix for consumer loans on the average gross loan portfolio, which have higher yields than commercial loans. As described in Grupo Aval's analysis, yields on loans were negatively impacted by trends in reference rates and competition. In addition, reliefs granted had a negative effect on interest income for gross loans when using the effective interest rate method. In the case of Banco AV Villas, the effect of reliefs recognized was Ps 1.4 billion in 2021 and Ps 13.7 billion in 2020.

The main driver for interest-earning investments in debt securities growth was the liquidity consequence of the temporary differences between an increase in deposits and origination, which gained traction over the second half of the year, setting the tone for the bank's portfolio strategy.

Finally, Banco AV Villas shifted its interest-bearing deposits towards savings accounts, which have lower average rates paid than time deposits. Banco AV Villas issued bonds for the first time in the bank's history in an amount for Ps 500.0 billion on February 2021 with maturities between 3 and 5 years.

Net impairment loss on financial assets

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Impairment loss on loans and other accounts receivable	(207.0)	(300.6)	93.6	(31.1)
Impairment (loss) recovery on other financial assets	(0.3)	(0.5)	0.2	(35.1)
Recovery of charged-off financial assets	57.9	47.8	10.1	21.2
Net impairment loss on financial assets	**(149.5)**	**(253.3)**	**103.9**	**(41.0)**

Banco AV Villas' impairment loss on loans and other accounts receivable decreased 31.1% or Ps 93.6 billion to Ps 207.0 billion, driven by the improvement of the loan portfolio's ECL, in line with the positive outlook of asset quality resulting from the economic recovery and its effect on borrowers' credit risk. For more information regarding risk management measures implemented during 2020 in relation to COVID-19 please see "Item 11. Quantitative and Qualitative Disclosures About Market Risk".

The bank achieved a 21.2% or Ps 10.1 billion increase in recovery of charged-off financial assets, leveraged on improved collection processes which enabled the bank to identify potential recoverable clients through data mining initiatives.

The following table provides detail by category of impairment loss on loans and other accounts receivable, cost of risk and cost of risk, net. For more information on the calculation methodology please refer to "Item 3. Key Information—A. Selected Financial Data".

	Impairment loss on loans and other accounts receivable				Cost of risk for the year ended December 31,		Change, 2021 vs. 2020	Cost of risk, net for the year ended December 31,		Change, 2021 vs. 2020
	Year ended December 31,		Change, 2021 vs. 2020							
	2021	2020	#	%	2021	2020	basis points	2021	2020	basis points
	(in Ps billions)									
Commercial	(27.5)	(32.0)	4.5	(14.2)	1.1%	1.2%	(12)	1.1%	1.2%	(11)
Consumer	(180.5)	(258.0)	77.5	(30.0)	2.4%	3.7%	(127)	1.7%	3.0%	(137)
Mortgage	0.9	(9.4)	10.3	(109.7)	0.0%	0.4%	(42)	(0.1)%	0.4%	(43)
Microcredit	0.0	(0.1)	0.1	(161.5)	(9.5)%	11.6%	(2,106)	(11.2)%	5.5%	(1,677)
Gross loans	**(207.0)**	**(299.4)**	**92.4**	**(30.8)**	**1.7%**	**2.5%**	**(81)**	**1.2%**	**2.1%**	**(88)**
Interbank and overnight funds	(0.0)	(0.0)	0.0	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total gross loans	**(207.0)**	**(299.4)**	**92.4**	**(30.8)**	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Other accounts receivable	(0.0)	(1.2)	1.2	(99.1)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Impairment loss on loans and other accounts receivable	**(207.0)**	**(300.6)**	**93.6**	**(31.1)**	**1.7%**	**2.5%**	**(82)**	**1.2%**	**2.1%**	**(89)**

Banco de AV Villas' cost of risk decreased, particularly in consumer loans. At December 31, 2021, the balance of Stage 2 consumer loans increased Ps 62.4 billion (Ps 249.3 billion of which was classified as "normal", while the remaining riskier classifications showed a Ps 186.8 billion decrease) to Ps 995.2 billion. Payroll loans drove the increase in the balance of consumer Stage 2 loans with a Ps 340.6 billion increase, albeit with the lowest probability of default (Ps 320.8 billion of which were classified as "normal"), while personal loans and credit cards accounted for Ps 180.3 billion and Ps 88.6 billion of the decrease. The delinquency of these products increased driven by customers benefited from reliefs and PAD, transferred to Stage 3, and as such, the balance of Stage 3 consumer loans increased Ps 126.7 billion.

Mortgages performed better than what was initially expected by the bank, which resulted in reclassifications of loans from Stage 2 to Stage 1 and the resulting decrease in the cost of risk. This is reflected by a Ps 181.1 billion decrease in the balance of Stage 2 mortgages (Ps 152.5 billion of which were classified as "normal") and a Ps 332.4 billion increase of Stage 1 mortgages.

For further detail on credit risk model overlays and transitioning between stages refer to Grupo Aval's analysis. For more information on loss allowance calculations and a description of PD risk categories under IFRS 9, please refer to Note 4.1 of our audited consolidated financial statements. The following table shows Banco AV Villas' gross loan classification by Stages in accordance with IFRS 9 (interbank and overnight funds are not included as they tend to be mostly Stage 1 and with low loss allowance due to their characteristics and short-term nature).

	At December 31,								Change, 2021 vs. 2020			
	2021				2020							
	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Gross loans
	(in Ps billions)								%			
Commercial	2,507.3	71.4	188.3	**2,767.0**	2,093.7	117.9	160.6	**2,372.3**	19.8	(39.5)	17.2	16.6
Consumer	6,505.2	995.2	262.8	**7,763.2**	6,018.2	932.8	136.1	**7,087.1**	8.1	6.7	93.1	9.5
Mortgages	2,383.8	108.4	91.9	**2,584.1**	2,051.4	289.5	84.9	**2,425.8**	16.2	(62.6)	8.2	6.5
Microcredit	0.2	0.0	0.0	**0.2**	0.2	0.1	0.0	**0.4**	(31.3)	(78.6)	(26.1)	(45.7)
Gross loans	**11,396.5**	**1,175.0**	**543.0**	**13,114.5**	**10,163.5**	**1,340.4**	**381.7**	**11,885.6**	12.1	(12.3)	42.3	**10.3**
Commercial	90.6%	2.6%	6.8%	**100.0%**	88.3%	5.0%	6.8%	**100.0%**				
Consumer	83.8%	12.8%	3.4%	**100.0%**	84.9%	13.2%	1.9%	**100.0%**				
Mortgages	92.2%	4.2%	3.6%	**100.0%**	84.6%	11.9%	3.5%	**100.0%**				
Microcredit	75.1%	12.4%	12.6%	**100.0%**	59.3%	31.4%	9.2%	**100.0%**				
Composition of gross loans per Stage	**86.9%**	**9.0%**	**4.1%**	**100.0%**	**85.5%**	**11.3%**	**3.2%**	**100.0%**				

For a general description of reliefs granted in Colombia to support borrowers affected by the pandemic refer to Grupo Aval's analysis. At December 31, 2021, asset quality measured by loans at least 91 days past due had deteriorated 67 basis points to 3.6% as compared to a year earlier, driven by the deterioration of consumer loans. In particular, credit cards and personal loans contributed with 42 and 36 basis points of the increase in the delinquency ratio of consumer loans. This was driven by loans relieved or under PAD that became delinquent, adding 208 basis points to the deterioration of consumer loans, that was offset by a 54 basis points improvement of delinquency in non-relieved loans.

At December 31, 2021, 14.2% (22.7% in 2020) of Banco AV Villas' gross loans had benefited from reliefs or were under PAD. At the same date, the bank did not have any outstanding loan balances under payment holidays. Loans past due more than 30 days that had benefited either from payment holidays or PAD represented 2.4% (1.7% in 2020) of gross loans or 16.9% (7.4% in 2020) of loans that had active payment schedules. Loans past due more than 90 days that had benefited either from payment holidays or PAD represented 2.0% (0.8% in 2020) of gross loans or 13.8% (3.4% in 2020) of loans that had active payment schedules. The following table shows the outstanding balances and status of loans that were relieved and under PAD for Banco AV Villas, as well as their proportion over each category of loans at the dates indicated.

	Outstanding balance of loans that were relieved and under PAD											
	At December 31, 2021						**At December 31, 2020**					
	Currently paying	**Under payment holidays**	**Past due between 1 and 30 days**	**Past due between 31 and 90 days**	**Past due more than 90 days**	**Outstanding balance**	**Currently paying**	**Under payment holidays**	**Past due between 1 and 30 days**	**Past due between 31 and 90 days**	**Past due more than 90 days**	**Outstanding balance**
	(in Ps billions)											
Commercial	232.6	—	1.5	0.7	15.7	**250.4**	473.8	9.0	17.5	1.9	16.3	**518.5**
As a % of commercial loans	8.4%	0.0%	0.1%	0.0%	0.6%	9.0%	20.0%	0.4%	0.7%	0.1%	0.7%	21.9%
Consumer	620.3	—	35.5	32.1	221.9	**909.8**	1,096.6	0.5	88.6	81.0	55.2	**1,321.9**
As a % of consumer loans	8.0%	0.0%	0.5%	0.4%	2.9%	11.7%	15.5%	0.0%	1.2%	1.1%	0.8%	18.7%
Mortgages	624.5	—	32.6	24.9	18.4	**700.4**	768.3	0.1	44.4	26.6	18.9	**858.4**
As a % of mortgages	24.2%	0.0%	1.3%	1.0%	0.7%	27.1%	31.7%	0.0%	1.8%	1.1%	0.8%	35.4%
Microcredit	0.1	—	—	—	0.0	**0.1**	0.2	—	—	—	—	**0.2**
As a % of microcredit loans	44.9%	0.0%	0.0%	0.0%	11.0%	55.8%	47.6%	0.0%	0.0%	0.0%	0.0%	47.6%
Gross loans	**1,477.5**	**—**	**69.6**	**57.7**	**256.0**	**1,860.7**	**2,338.8**	**9.6**	**150.6**	**109.5**	**90.3**	**2,698.9**
As a % of gross loans	11.3%	0.0%	0.5%	0.4%	2.0%	14.2%	19.7%	0.1%	1.3%	0.9%	0.8%	22.7%

The following table shows the balance of loans past due at least 91 days past due, delinquency ratios, charge-offs and charge-offs as a percentage of average gross loans for Banco AV Villas (interbank and overnight funds are not included as they tend not to be past due or charged-off due to their characteristics and short-term nature).

	Loans at least 91 days past due				Delinquency ratio (1)		Change,
	At December 31,		Change, 2021 vs. 2020		at December 31,		2021 vs. 2020
	2021	2020	#	%	2021	2020	basis points
	(in Ps billions)						
Commercial	102.6	105.4	(2.8)	(2.6)	3.7%	4.4%	(73)
Consumer	254.1	122.5	131.6	107.4	3.3%	1.7%	154
Mortgages	110.4	116.0	(5.5)	(4.8)	4.3%	4.8%	(51)
Microcredit	0.0	0.0	(0.0)	(26.1)	12.6%	9.2%	334
Gross loans	**467.2**	**343.9**	**123.2**	**35.8**	**3.6%**	**2.9%**	**67**

	Charge-offs				Charge-offs as a percentage		Change,
	At December 31,		Change, 2021 vs. 2020		of average gross loans		2021 vs. 2020
	2021	2020	#	%	2021	2020	basis points
	(in Ps billions)						
Commercial	3.0	54.5	(51.5)	(94.5)	0.1%	2.0%	(191)
Consumer	162.7	259.3	(96.6)	(37.2)	2.2%	3.7%	(153)
Mortgages	1.4	0.1	1.3	1,413.8	0.1%	0.0%	5
Microcredit	0.0	0.1	(0.1)	(90.3)	2.0%	15.8%	(1,373)
Total charge-offs	**167.2**	**314.0**	**(146.8)**	**(46.8)**	**1.3%**	**2.6%**	**(125)**

(1) Calculated as loans past due more than 90 days divided by gross loans.

Delinquency coverage ratio for gross loans, as measured by loss allowance divided by past due gross loans more than 90 days was 115.0% in 2021 and 141.6% in 2020. Charge-offs decreased as a percentage of average gross loans; in consumer loans driven by the shift in mix toward payroll loans and in commercial loans explained by the Ps 54.0 billion charge-off of the exposure to *Concesionaria Ruta del Sol* during the third quarter of 2020.

Net income from commissions and fees

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Banking fees	298.7	275.4	23.3	8.5
Income from commissions and fees	**298.7**	**275.4**	**23.3**	**8.5**
Expenses from commissions and fees	(205.6)	(157.4)	(48.2)	30.7
Net income from commissions and fees	**93.1**	**118.1**	**(25.0)**	**(21.2)**

Income from commissions and fees increased as a direct result of an 8.5% or Ps 23.3 billion increase in banking fees. The main drivers for this increase are the same as those discussed under Grupo Aval's analysis. Debit and credit card fees increased 13.8% or Ps 11.7 billion, banking service fees increased 5.6% or Ps 9.8 billion, and branch network services increased 18.6% or Ps 2.1 billion. The 30.7% or Ps 48.2 billion increase in expenses from commissions and fees is mainly attributable to an increase in fees paid to Nexa BPO for external sales-force fees, resulting from the increase in volume of payroll loan originations as compared to 2020. This contributed to the 19.5% growth in the end of period balance of this product.

Net trading income (loss)

Banco AV Villas' net trading loss was Ps 0.6 billion in 2021, Ps 16.7 billion lower than the Ps 16.1 billion income in 2020, resulting from a Ps 14.6 billion decrease income from investment securities at fair value through profit or loss and Ps 2.2 billion decrease in net trading income from derivatives.

Total income from investment securities

Banco AV Villas' securities portfolio is classified in the following categories: (i) equity and fixed income investments at FVTPL (described in this section as net trading income in investment securities at FVTPL), (ii) fixed income investments at FVOCI and (iii) fixed income investments at AC (results from (ii) and (iii) are included in net interest income as interest income on investments in debt securities). Banco

AV Villas manages its investment portfolio in a comprehensive and integral manner that considers the individual return of each one of these three categories and the total return of the investment securities portfolio.

Total income from investment securities for Banco AV Villas (comprised of interest income on investments in debt securities and net trading income from investment securities at FVTPL) was Ps 90.6 billion for 2021, 17.9% or Ps 13.8 billion more than in 2020. This was primarily driven by a 43.6% or Ps 946.0 billion increase in the average balance of total investment securities to Ps 3,116.9 billion in 2021, resulting in a Ps 27.5 billion increase in interest income, which was partially offset by a 63 basis points decrease in the average yield on total investment securities to 2.9% in 2021 from 3.5% in 2020, resulting in a Ps 13.7 billion decrease in interest income. The main drivers for this performance were discussed above in net interest income.

Other income

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	**2020**	**#**	**%**
	(in Ps billions)			
Foreign exchange gains (losses), net	1.7	1.3	0.4	29.9
Share of profit of equity accounted investees, net of tax (Equity method)	1.6	(0.7)	2.4	(326.3)
Net gain on sale of debt and equity securities	4.2	26.0	(21.7)	(83.8)
Dividends	4.6	3.9	0.7	16.8
Gain (loss) on the sale of non-current assets held for sale	0.0	0.1	(0.0)	(25.3)
Gain on sale of property, plant and equipment	0.8	0.0	0.8	N.A.
Net gain (loss) in asset valuation	0.2	2.5	(2.3)	(92.3)
Other	15.6	25.9	(10.3)	(39.6)
Other income	**28.9**	**58.9**	**(30.1)**	**(51.0)**

Other income decreased 51.0% or Ps 30.1 billion, mainly as a result of a decrease in net gain on sale of debt and equity securities. The Ps 21.7 billion decrease in net gain on sale of debt and equity securities was explained by temporary favorable conditions in fixed income markets during 2020 that were not present in 2021. The Ps 10.3 billion decrease in other is mainly explained by commercial incentives received from Mastercard in 2020 for reaching credit and debit card issuance goals. The Ps 2.4 billion increase in share of profit of equity accounted investees, net of tax (equity method) is mainly attributable to the recognition of equity method on the Renting Automayor S.A.S joint venture, which was entered into in 2021. The Ps 0.4 billion increase in foreign exchange gains (losses), net to a Ps 1.7 billion net gain was offset by the Ps 2.2 billion decrease in net trading income from derivatives mentioned before. The net result of both activities (foreign exchange and derivatives) for 2021 was a Ps 1.6 billion loss, Ps 1.8 billion lower than in 2020.

Other expenses

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	**2020**	**#**	**%**
	(in Ps billions)			
Losses from sales of noncurrent assets held for sale	(0.0)	(0.1)	0.1	(61.2)
Personnel expenses	(262.2)	(255.2)	(7.0)	2.8
Administrative and other expenses	(394.8)	(391.5)	(3.3)	0.9
Depreciation and amortization	(66.5)	(67.6)	1.1	(1.6)
Other	(7.3)	(3.8)	(3.5)	90.6
Other expenses	**(730.9)**	**(718.2)**	**(12.7)**	**1.8**

During 2021, Banco AV Villas' focus remained on strict cost contention. Other expenses increased 1.8% or Ps 12.7 billion. The 2.8% or Ps 7.0 billion increase in personnel expenses results from a 1.7% or Ps 4.2 billion increase in salaries and employee benefits and a 25.5% or Ps 2.8 billion increase in labor severances and bonus plan payments related to a headcount optimization plan carried out between March and September. Banco AV Villas' collective bargaining agreement stipulates a CPI + 2% salary increase for direct employees (CPI for 2020 was 1.6%).

As explained under Grupo Aval's analysis, recurring savings were captured in service expenses as lockdowns during the first half of 2021 , work-from-home policies and footprint optimization reduced expenses such as staffing, utilities, travel and transportation expenses, and supplies and stationery, among others. For Banco AV Villas, expenses related to these services decreased Ps 2.0 billion. Finally, other increased Ps 3.5 billion due to operational risk losses and provisions related to contingent loans (e.g., loan commitments, financial guarantees and unused credit card balances) measured by expected credit loss (ECL). The Ps 1.1 billion decrease in depreciation and amortization was driven by a Ps 0.9 billion decrease in depreciation of rights-of-use assets.

Given that Banco AV Villas' other expenses increased 1.8% and its total income before net impairment losses on financial assets (defined as the sum of net interest income, net income from commissions and fees, net trading income and other income) decreased by 0.4%, the cost to income efficiency ratio increased to 61.5% in 2021 from 60.1% in 2020. The ratio of other expenses as a percentage of average assets improved by 28 basis points to 4.3% in 2021 from 4.6% in 2020.

Tax expense

Income tax expense for Banco AV Villas increased by 98.7% or Ps 58.0 billion, to Ps 116.7 billion in 2021. Banco AV Villas' effective tax rate, calculated as income tax expense divided by income before income tax expense excluding dividends and the equity method (as both are non-taxable income), was 38.6% in 2021 and 26.8% in 2020. This was driven by a 38.0% or Ps 83.3 billion increase in taxable income (defined as income before income tax expense excluding dividends and the equity method), resulting in a Ps 23.9 billion increase in income tax expense. In addition, changes in statutory rates for deferred tax expense calculations had a one-time negative effect from the tax reform, resulting in a Ps 29.1 billion increase in tax expenses in 2021.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest is not a significant contributor to net income for Banco AV Villas, and is responsible for only 0.2% of net income for 2021 and 0.4% for 2020.

Porvenir

Overview

Porvenir's net income attributable to owners of the parent for the year ended December 31, 2021 was Ps 579.5 billion, increasing 0.2% or Ps 1.4 billion compared to the year ended December 31, 2020. The following discussion describes the main drivers of Porvenir's results of operations for the year ended December 31, 2021 compared to the year ended December 31, 2020.

	Porvenir			
	For the year ended December 31,		Change 2021 vs 2020	
	2021	2020	#	%
	(in Ps billions)			
Total interest income	50.2	47.9	2.3	4.8
Total interest expense	(40.2)	(42.4)	2.1	(5.0)
Net interest income	**10.0**	**5.5**	**4.5**	**80.9**
Impairment loss on loans and other accounts receivable	(6.6)	(2.0)	(4.6)	230.0
Impairment (loss) recovery on other financial assets	(0.3)	0.0	(0.3)	(943.2)
Net impairment loss on financial assets	**(6.9)**	**(2.0)**	**(5.0)**	**251.0**
Net interest income, after impairment losses	**3.0**	**3.5**	**(0.5)**	**(14.3)**
Net income from commissions and fees	1,098.5	1,020.0	78.5	7.7
Gross loss from sales of goods and services	(8.9)	(11.6)	2.7	(23.2)
Net trading income	221.8	203.9	17.9	8.8
Other income	(54.8)	(5.8)	(48.9)	839.1
Other expenses	(487.5)	(385.8)	(101.8)	26.4
Net income before tax expense	**772.1**	**824.2**	**(52.1)**	**(6.3)**
Income tax expense	(191.9)	(245.4)	53.5	(21.8)
Net income for the year	**580.2**	**578.8**	**1.4**	**0.2**
Net income for the year attributable to:				
Owners of the parent	**579.5**	**578.1**	**1.4**	**0.2**
Non-controlling interest	**0.7**	**0.7**	**0.0**	**0.5**

Net interest income

Porvenir's net interest income was Ps 10.0 billion and Ps 5.5 billion in 2021 and 2020, respectively. Net interest income is mainly the result of interest accrued on interest-earning investments in debt securities corresponding to Porvenir's proprietary investment portfolio (at fair value through other comprehensive income and at amortized cost) and on interbank and overnight funds. Interest expense is the result of Porvenir's U.S.$ 184.0 million outstanding loan with Grupo Aval Limited, entered into to finance the acquisition of AFP Horizonte in 2013.

Interest income increased 4.8% or Ps 2.3 billion to Ps 50.2 billion in 2021, mainly as a result of a Ps 4.8 billion increase in interest income from investment securities. This increase was driven by a 14.0% or Ps 102.8 billion increase in the average balance of interest-earning investments in debt securities to Ps 836.8 billion in 2021 that was partially offset by a 14 basis points decrease in the average yield of interest-earning investments in debt securities to 5.7% in 2021. The decrease in income on interbank and overnight funds was driven by the decrease in the average Central Bank rate.

Net impairment loss on financial assets

Porvenir's net impairment loss on financial assets increased Ps 5.0 billion to Ps 6.9 billion in 2021.

Net income from commissions and fees

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Banking fees	15.8	17.3	(1.5)	(8.7)
Pension and severance fund management	1,197.5	1,113.4	84.2	7.6
Income from commissions and fees	**1,213.3**	**1,130.7**	**82.7**	**7.3**
Expenses from commissions and fees	(114.8)	(110.7)	(4.2)	3.8
Net income from commissions and fees	**1,098.5**	**1,020.0**	**78.5**	**7.7**

Net income from commissions and fees increased 7.7% or Ps 78.5 billion. Pension and severance fund management increased 7.6% or Ps 84.2 billion primarily driven by (i) a Ps 60.7 billion increase in fee income from mandatory pension fund management, (ii) a Ps 30.7 billion increase in fee income from severance fund management driven by an increase in the number of clients and assets under management, (iii) a Ps 6.0 billion increase in revenues received from voluntary pension fund management mainly due to an increase in the balance of assets under management, and (iv) a Ps 13.2 billion decrease in fee income third-party third-party pension fund management, mainly FONPET. Mandatory pension fund management was driven by a Ps 38.0 billion increase in fees charged to non-contributing clients (performance-based) due to higher returns on assets under management and a Ps 22.7 billion increase in fees charged to contributing clients (contribution-based) related to the recovery of employment.

Gross loss from sales of goods and services

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Income from sales of goods and services	46.7	42.3	4.3	10.3
Costs and expenses of sales of goods and services	(55.6)	(53.9)	(1.7)	3.1
Gross loss from sales of goods and services	**(8.9)**	**(11.6)**	**2.7**	**(23.2)**

Gross loss from sales of goods and services decreased by Ps 2.7 billion to a gross loss of Ps 8.9 billion in 2021, reflecting the result of Aportes en Línea, Porvenir's subsidiary. Aportes en Línea provides technical and administrative services to Porvenir and third-parties, among which are Grupo Aval and its subsidiaries. Income from sales of goods and services to third-parties increased 10.3% or Ps 4.3 billion. Costs and expenses of sales of goods and services increased 3.1% or Ps 1.7 billion, driven by a Ps 1.3 billion increase in administrative and other expenses.

Net trading income

Porvenir's net trading income was Ps 221.8 billion in 2021, Ps 17.9 billion higher than in 2020, resulting from a Ps 45.6 billion increase in net trading income from derivatives that was partially offset by a Ps 27.7 billion decrease in income from investment securities at fair value through profit or loss. The performance of net trading income from derivatives was partially offset by a Ps 36.9 billion decrease in foreign exchange gains (losses), net, recognized under other income. Porvenir's income from investment securities at fair value through profit or loss mainly reflects the result of the stabilization reserve, which is a portion of the pension and severance fund manager's capital invested in the fund administered by the pension and severance fund manager and which must represent at least 1.0% of the value of that fund. At December 31, 2021, Porvenir's stabilization reserve amounted to Ps 2.0 trillion and its income increased Ps 10.2 billion to Ps 163.4 billion in 2021. The result of Porvenir's proprietary investment portfolio held for trading at fair value through profit or loss decreased Ps 37.8 billion to Ps 2.7 billion in 2021.

Other income

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Foreign exchange gains (losses), net	(59.2)	(22.2)	(36.9)	166.4
Share of profit of equity accounted investees, net of tax (Equity method)	0.0	—	0.0	N.A.
Net gain on sale of debt and equity securities	0.2	8.5	(8.3)	(97.8)
Gain on sale of property, plant and equipment	—	0.2	(0.2)	(100.0)
Net gain (loss) in asset valuation	(1.0)	0.0	(1.1)	(4,586.6)
Other	5.3	7.7	(2.4)	(31.7)
Other income	**(54.8)**	**(5.8)**	**(48.9)**	**839.1**

Other income decreased Ps 48.9 billion, mainly as a result of a decrease in foreign exchange gains (losses), net. The Ps 36.9 billion decrease in foreign exchange gains (losses), net to a Ps 59.2 billion net loss was offset by the Ps 45.6 billion increase in net trading income from derivatives mentioned before. The net result of both activities (foreign exchange and derivatives) for 2021 was a Ps 3.5 billion loss, Ps 8.6 billion less negative than the Ps 12.1 billion loss in 2020. The Ps 8.3 billion decrease in net gain on sale of debt and equity securities was explained by temporary favorable conditions in fixed income markets during 2020 that were not present in 2021.

Other expenses

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Personnel expenses	(156.4)	(145.1)	(11.3)	7.8
Administrative and other expenses	(213.0)	(188.6)	(24.4)	12.9
Depreciation and amortization	(12.2)	(13.3)	1.2	(8.8)
Other	(106.0)	(38.7)	(67.2)	173.5
Other expenses	**(487.5)**	**(385.8)**	**(101.8)**	**26.4**

Other expenses increased 26.4% or Ps 101.8 billion. The Ps 67.2 billion increase in other is mainly explained by a Ps 53.3 billion increase in provisions related to emerging costs of legal proceedings arising from individual civil lawsuits originated from mandatory pension fund clients. The increase Ps 24.4 billion increase in administrative and other expenses is explained by IT and marketing related expenses, that grew after a slow year during 2020, as a result of the pandemic. The increase Ps 11.3 billion increase in personnel expenses results from a 13.4% or Ps 18.1 billion increase in salaries and employee benefits, returning to 95.5% of pre-pandemic levels, and a 72.0% or Ps 6.8 billion decrease in labor severances and bonus plan payments.

Tax expense

Income tax expense for Porvenir decreased by Ps 53.5 billion, or 21.8%, to Ps 191.9 billion in 2021. Porvenir's effective tax rate, calculated as income tax expense divided by income before income tax expense excluding dividends and the equity method (as both are non-taxable income), was 24.9% in 2021 and 29.8% in 2020. This was driven by a Ps 17.8 billion recovery of deferred tax assets and by lower income from Porvenir's stabilization reserve portfolios.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest is not a significant contributor to net income for Porvenir, and is responsible for only 0.1% of net income for 2021 and 2020.

Corficolombiana

Overview

Corficolombiana's net income attributable to owners of the parent for the year ended December 31, 2021 was Ps 1,278.0 billion, decreasing 21.9% or Ps 358.9 billion compared to the year ended December 31, 2020. The following discussion describes the main drivers of Corficolombiana's results of operations for the year ended December 31, 2021 compared to the year ended December 31, 2020.

	Corficolombiana			
	For the year ended December 31,		Change 2021 vs 2020	
	2021	2020	#	%
	(in Ps billions)			
Total interest income	463.9	478.7	(14.8)	(3.1)
Total interest expense	(1,028.3)	(984.5)	(43.9)	4.5
Net interest income(expense)	**(564.4)**	**(505.7)**	**(58.7)**	**11.6**
Impairment loss on loans and other accounts receivable	(9.3)	(11.4)	2.1	(18.8)
Impairment (loss) recovery on other financial assets	0.1	(0.6)	0.7	(113.6)
Recovery of charged-off financial assets	(0.0)	—	(0.0)	N.A.
Net impairment loss on financial assets	**(9.2)**	**(12.0)**	**2.9**	**(23.7)**
Net interest income, after impairment losses	**(573.6)**	**(517.8)**	**(55.8)**	**10.8**
Net income from commissions and fees	82.5	72.8	9.7	13.3
Gross profit from sales of goods and services	3,480.0	3,189.2	290.8	9.1
Net trading income	207.5	22.1	185.4	838.5
Net income from other financial instruments mandatorily at fair value through profit or loss	270.1	252.4	17.7	7.0
Other income	189.2	466.9	(277.7)	(59.5)
Other expenses	(330.1)	(231.0)	(99.2)	42.9
Net income before tax expense	**3,325.6**	**3,254.7**	**70.9**	**2.2**
Income tax expense	(1,476.6)	(962.3)	(514.3)	53.4
Net income for the year	**1,849.0**	**2,292.4**	**(443.4)**	**(19.3)**
Net income for the year attributable to:				
Owners of the parent	**1,278.0**	**1,637.0**	**(358.9)**	**(21.9)**
Non-controlling interest	**571.0**	**655.4**	**(84.4)**	**(12.9)**

Net interest income

Corficolombiana's net interest expense was Ps 564.4 billion and Ps 505.7 billion in 2021 and 2020, respectively. Net interest expenses are mainly the result of a net leverage position of the non-financial subsidiaries consolidated by Corficolombiana, as their average balance of interest earning assets (Ps 1,766.1 billion) is smaller than the average of their interest-bearing funding (Ps 11,868.9 billion). Corficolombiana's consolidated non-financial subsidiaries' (such as Promigas and toll road concessions) net interest income has been and is expected to continue to be negative in the future as these entities are not financial entities and thus pay interest expenses to fund returns of assets that are mostly not considered interest-earning assets. The returns on those assets were primarily registered in the gross profit (loss) from sales of goods and services and net income from other financial instruments mandatorily at FVTPL line items, and to a lesser extent, in Other income under share of profit of equity accounted investees, net of tax (equity method) and foreign exchange gains (losses), net. Net interest expense contribution from non-financial subsidiaries was Ps 381.4 billion for 2021 and Ps 308.5 billion for 2020.

Average balance of interest-earning assets for the year ended December 31,		Change, 2021 vs. 2020		Net interest margin for the year ended December 31,		Net interest income for the year ended December 31,		Change, 2021 vs. 2020	
2021	2020	#	%	2021	2020	2021	2020	#	%
(in Ps billions)						(in Ps billions)			
4,642.5	4,123.5	519.0	12.6	(12.2)%	(12.3)%	(564.4)	(505.7)	(58.7)	11.6

The following tables show: (i) the average balance, average yield and interest income on interest-earning assets with an analysis of impacts derived from changes in the average balance and the average yield, per type of interest-earning asset; interbank and overnight funds are shown separate from gross loans due to their characteristics and short-term nature and (ii) the average balance, average rate paid and interest expense on interest-bearing funding with an analysis of impacts derived from changes in the average balance and the average rate, per type of interest-bearing funding.

(i)	Average balance for the year ended December 31,		Change, 2021 vs. 2020		Average yield for the year ended December 31,		Interest income for the year ended December 31,		Impact on interest income due to changes in			Change, 2021 vs. 2020
	2021	2020	#	%	2021	2020	2021	2020	Balance	Yield	Total	%
	(in Ps billions)						(in Ps billions)		(in Ps billions)			
Commercial	1,280.9	1,370.9	(90.0)	(6.6)	15.4%	15.5%	196.7	211.9	(13.8)	(1.4)	(15.2)	(7.2)
Consumer	478.3	411.6	66.7	16.2	19.6%	20.1%	93.9	82.6	13.1	(1.9)	11.2	13.6
Mortgages	14.0	11.1	2.8	25.2	10.2%	13.2%	1.4	1.5	0.3	(0.3)	(0.0)	(3.4)
Gross loans	**1,773.2**	**1,793.6**	**(20.5)**	**(1.1)**	**16.5%**	**16.5%**	**292.0**	**296.0**	**(3.4)**	**(0.7)**	**(4.0)**	**(1.4)**
Interbank and overnight funds	734.8	371.1	363.7	98.0	9.4%	24.4%	69.3	90.5	34.3	(55.5)	(21.1)	(23.4)
Total gross loans	**2,507.9**	**2,164.7**	**343.2**	**15.9**	**14.4%**	**17.9%**	**361.3**	**386.5**	**49.4**	**(74.6)**	**(25.2)**	**(6.5)**
Investments in debt securities	2,134.6	1,958.7	175.8	9.0	4.8%	4.7%	102.6	92.2	8.5	1.9	10.4	11.3
Total interest-earning assets	**4,642.5**	**4,123.5**	**519.0**	**12.6**	**10.0%**	**11.6%**	**463.9**	**478.7**	**51.9**	**(66.7)**	**(14.8)**	**(3.1)**

(ii)	Average balance for the year ended December 31,		Change, 2021 vs. 2020		Average rate paid for the year ended December 31,		Interest expense for the year ended December 31,		Impact on interest expense due to changes in			Change, 2021 vs. 2020
	2021	2020	#	%	2021	2020	2021	2020	Balance	Rate	Total	%
	(in Ps billions)						(in Ps billions)		(in Ps billions)			
Time deposits	4,577.6	3,914.6	663.0	16.9	4.8%	5.6%	(220.1)	(220.5)	(31.9)	32.3	0.4	(0.2)
Savings accounts	566.4	656.5	(90.1)	(13.7)	2.1%	3.3%	(11.7)	(21.7)	1.9	8.1	9.9	(45.9)
Total interest-bearing deposits	**5,144.0**	**4,571.1**	**572.9**	**12.5**	**4.5%**	**5.3%**	**(231.8)**	**(242.2)**	**(25.8)**	**36.2**	**10.4**	**(4.3)**
Interbank borrowings and overnight funds	4,141.0	2,613.8	1,527.2	58.4	1.3%	2.8%	(53.0)	(72.1)	(19.5)	38.6	19.1	(26.5)
Borrowings from banks and others	7,154.6	6,611.4	543.3	8.2	6.5%	6.8%	(461.8)	(448.2)	(35.1)	21.4	(13.7)	3.0
Bonds issued	5,299.3	4,427.5	871.8	19.7	5.3%	5.0%	(281.7)	(222.0)	(46.3)	(13.4)	(59.7)	26.9
Borrowings from development entities	21.0	7.2	13.8	190.8	0.0%	0.0%	—	—	—	—	—	N.A.
Other funding	**16,615.9**	**13,659.9**	**2,956.0**	**21.6**	**4.8%**	**5.4%**	**(796.6)**	**(742.3)**	**(141.7)**	**87.4**	**(54.3)**	**7.3**
Total interest-bearing funding	**21,759.9**	**18,231.0**	**3,528.9**	**19.4**	**4.7%**	**5.4%**	**(1,028.3)**	**(984.5)**	**(166.8)**	**122.9**	**(43.9)**	**4.5**

Corficolombiana derives its interest income mainly from the following activities: (i) income on commercial loans from the Sociedad Portuaria del Callao (SPEC) LNG regasification terminal, which is classified as a financial lease in accordance with IFRS 16, (ii) interests on investment in debt securities and interbank and overnight funds, mainly corresponding to Corficolombiana's treasury operations, and (iii) income on consumer loans from Promigas' non-banking financing program under the Brilla brand. The Ps 21.1 billion decrease in income on interbank and overnight funds was driven by the decrease in the average Central Bank rate. The Ps 14.8 billion decrease in interest income was mainly the result of a 162 basis points decrease in the average yield of interest-earning assets to 10.0% in 2021 which was partially offset by a 12.6% or Ps 519.0 billion increase in the average balance of interest-earning assets.

The Ps 58.7 billion increase in net interest expenses to a Ps 564.4 billion net expense was driven by a Ps 43.9 billion increase in interest expense and a Ps 14.8 billion decrease in total interest income. The increase in total interest expense was mainly the result of a 19.4% or Ps 3,528.9 billion increase in the average balance of interest-bearing funding in 2021, which was partially offset by a 67 basis points decrease in the average cost of interest-bearing funding to 4.7% in 2021.

Interest expense for 2021 was impacted by a declining average benchmark interest rate and a high liquidity environment. Corficolombiana's deposit taking activities focused on capturing the liquidity through time deposits while pressing down rates. In addition, the average rate paid on other funding decreased as variable rate borrowings from banks and other (mainly DTF and IBR) decreased with the benchmark rates and bonds issued (mainly CPI) increased with average inflation.

Net impairment loss on financial assets

Corficolombiana's net impairment loss on financial assets decreased Ps 2.9 billion to Ps 9.2 billion in 2021. This was driven by a Ps 2.1 billion decrease in impairment loss on loans and accounts receivable, mainly as a result of an improving asset quality of consumer loans in Promigas, as measured by delinquency, at December 31, 2021.

Net income from commissions and fees

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Banking fees	17.6	11.1	6.5	58.3
Trust activities and portfolio management services	78.5	73.7	4.8	6.5
Income from commissions and fees	**96.1**	**84.8**	**11.3**	**13.3**
Expenses from commissions and fees	(13.6)	(12.0)	(1.5)	12.8
Net income from commissions and fees	**82.5**	**72.8**	**9.7**	**13.3**

Net income from commissions and fees increased 13.3% or Ps 9.7 billion, driven by income from commissions and fees, which increased 58.3% or Ps 6.5 billion, resulting from an increase in investment banking activity. Trust and portfolio management activities increased 6.5% or Ps 4.8 billion as Fiduciaria Corficolombiana's AUMs grew 28.8% and resulted in higher income from fees.

Gross profit from sales of goods and services

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Income from sales of goods and services	10,310.5	9,013.6	1,296.9	14.4
Costs and expenses of sales of goods and services	(6,830.5)	(5,824.3)	(1,006.1)	17.3
Gross profit from sales of goods and services	**3,480.0**	**3,189.2**	**290.8**	**9.1**

Gross profit from sales of goods and services mainly reflects the result of Corficolombiana's non-financial companies. The Ps 290.8 billion increase was driven by companies in the infrastructure sector. The following discussion identifies the main drivers contributing to the performance by industry:

Infrastructure

Gross profit for infrastructure companies in 2021 was Ps 2,365.0 billion, Ps 328.2 billion more than in 2020. Income increased 17.8% or Ps 711.8 billion mainly explained by (i) increases in the internal rate of return (DOB or "*Diferencial de Obra Bruto*") used to calculate financial assets of concession arrangements, driven by the depreciation of the Colombian peso relative to the U.S. dollar and its positive effect on U.S. dollar denominated future guaranteed payments and (ii) construction progress in Covioriente (25.4% in 2021 compared to 20.9% in 2020). For more information on the accumulated construction progress, please refer to Note 16 of our audited consolidated financial statements. Costs increased 19.5% or Ps 383.6 billion driven by construction progress and a Ps 44.0 billion provision recognized by Prodepacífico in its investment on Covipacífico due to excess costs expected to be incurred on the Pacífico 1 project. Episol recognized a Ps 16.9 billion expense, regarding the penalty imposed by the Colombian Superintendency of Industry and Commerce, in relation to the *Concesionaria Ruta del Sol* II investigation.

Energy and Gas

Gross profit for energy and gas companies in 2021 was Ps 1,062.5 billion, Ps 80.0 billion less than in 2020. Income increased 7.5% or Ps 348.0 billion and costs increased 12.2% or Ps 428.1 billion. The decrease in gross profit was mainly explained by the absence of a Ps 373.5 billion (U.S.$107.7 million) income in Gases del Pacífico and Gases del Perú, arising from the remeasurement of an intangible asset related to concession contracts in December 2020. This income resulted from a reassessment of the company's commercial potential that was successfully developed in 2020 (leading to an increase in the number of industrial clients), which coupled with favorable arbitration outcomes and adjustments in the tariff frameworks, allowed the remeasurement of future recoverable cash flows. Offsetting the aforementioned decrease, Promigas' grew its recurring business activities by 16.9% or Ps 721.5 billion.

Other sectors

Gross loss for hospitality companies in 2021 was Ps 14.3 billion, Ps 6.1 billion better than the Ps 20.3 billion loss in 2020. Income increased 88.0% or Ps 139.3 billion driven by an increase in occupancy rates toward the second half of the year as lockdowns and travel restrictions were lifted. In fact, these companies returned to a gross profit during the second half of the year. Costs increased 74.6% or Ps 133.2 billion driven by the reactivation of activities.

Gross profit for agribusiness companies in 2021 was Ps 57.1 billion, Ps 34.1 billion more than in 2020. Income increased 50.4% or Ps 84.7 billion due to a higher prices of rubber and African palm oil, while costs increased 34.9% or Ps 50.6 billion mainly explained by the increase in inflation and supply chain disruptions. Gross profit for other companies, mainly Tesicol, was Ps 9.7 billion, Ps 2.4 billion more than in 2020. Income increased 29.1% or Ps 13.1 billion and costs increased 28.2% or Ps 10.7 billion.

Net trading income

Corficolombiana's net trading income was Ps 207.5 billion in 2021, Ps 185.4 billion higher than in 2020, resulting from a Ps 314.4 billion increase in net trading income from derivatives and a Ps 129.0 billion decrease in income from investment securities at fair value through profit or loss. The performance of net trading income from derivatives was offset by a Ps 319.7 billion decrease in foreign exchange gains (losses), net, recognized under other income.

Total income from investment securities

Corficolombiana's securities portfolio is classified in the following categories: (i) equity and fixed income investments at FVTPL (described in this section as net trading income in investment securities at FVTPL), (ii) fixed income investments at FVOCI and (iii) fixed income investments at AC (results from (ii) and (iii) are included in net interest income as interest income on investments in debt securities). Corficolombiana manages its investment portfolio in a comprehensive and integral manner that considers individual return of each one of these three categories and the total return of the investment securities portfolio.

Total income from investment securities for Corficolombiana (comprised of interest income on investments in debt securities and net trading income from investment securities at FVTPL) was Ps 84.6 billion for 2021, 58.4% or Ps 118.6 billion less than in 2020. This was primarily driven by a 320 basis points decrease in the average yield on total investment securities to 1.5% in 2021 from 4.7% in 2020, resulting in a Ps 138.1 billion decrease in interest income, which was partially offset by a 29.8% or Ps 1,284.9 billion increase in the average balance of total investment securities to Ps 5,598.7 billion in 2021, resulting in a Ps 19.4 billion increase in interest income The main drivers for this performance were discussed above in net interest income.

Net income from other financial instruments mandatorily at FVTPL

Net income from financial instruments mandatorily at FVTPL reflect the fair value of concession arrangements entered between Promigas and the Colombian Government, and increased by Ps 17.7 billion to Ps 270.1 billion in 2021 as compared to 2020.

Other income

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	**2020**	**#**	**%**
	(in Ps billions)			
Foreign exchange gains (losses), net	(243.7)	76.1	(319.7)	(420.3)
Share of profit of equity accounted investees, net of tax (Equity method)	273.8	202.4	71.4	35.3
Net gain on sale of debt and equity securities	10.5	110.8	(100.3)	(90.5)
Dividends	144.5	75.1	69.3	92.2
Gain on sale of property, plant and equipment	0.1	0.0	0.1	N.A.
Net gain (loss) in asset valuation	1.0	(1.4)	2.4	(169.7)
Other	3.1	3.9	(0.8)	(20.2)
Other income	**189.2**	**466.9**	**(277.7)**	**(59.5)**

Other income decreased 59.5% or Ps 277.7 billion, mainly as a result of a decrease in foreign exchange gains (losses), net. The Ps 319.7 billion decrease in foreign exchange gains (losses), net to a Ps 243.7 billion net loss was offset by the Ps 314.4 billion increase in net trading income from derivatives mentioned before. The net result of both activities (foreign exchange and derivatives) for 2021 was a Ps 18.2 billion loss, Ps 5.3 billion more than in 2020.

The Ps 100.3 billion decrease in net gain on sale of debt and equity securities was driven by temporary favorable conditions in fixed income markets during 2020 that were not present in 2021.

The Ps 71.4 billion increase in share of profit of equity accounted investees, net of tax (equity method) was mainly driven by a Ps 40.4 billion increase in Promigas' investments in associates in the gas distribution business and a Ps 27.7 billion increase in Aerocali (airport concession in Cali) which recovered from the negative impact of travel restrictions in place throughout 2020. Other equity accounted investees such as Nexa BPO, Extrucol and Concesionaria Tibitoc contributed to the increase in equity method. The Ps 69.3 billion increase in dividends was mainly driven by a Ps 63.2 billion increase from Grupo Energía de Bogotá (GEB) of which Ps 45.2 billion correspond to an extraordinary dividend declared in September 2021.

Other expenses

	Year ended December 31,		Change, 2021 vs. 2020	
	2021	2020	#	%
	(in Ps billions)			
Personnel expenses	(108.0)	(97.1)	(10.9)	11.2
Administrative and other expenses	(100.6)	(88.6)	(12.0)	13.5
Depreciation and amortization	(9.4)	(8.9)	(0.5)	5.5
Impairment loss on other assets	(59.2)	(0.6)	(58.7)	N.A.
Net loss from liquidation of subsidiaries	(22.0)	(5.2)	(16.8)	N.A.
Other	(30.9)	(30.6)	(0.3)	1.1
Other expenses	**(330.1)**	**(231.0)**	**(99.2)**	**42.9**

Other expenses increased 42.9% or Ps 99.2 billion. The Ps 58.7 billion increase in impairment loss on other assets was driven by a Ps 56.8 billion provision recognized by Corficolombiana on its investment in Covipacífico due to excess costs expected to be incurred on the Pacífico 1 project. The Ps 16.8 billion increase in net loss from liquidation of subsidiaries results from expenses recognized by Leasing Corficolombiana, which continued its voluntary liquidation process. The Ps 12.0 billion increase in administrative and other expenses is explained by consultancy, audit and other fees, mainly in IT, which increased Ps 4.8 billion and to a Ps 1.6 billion increase in deposit insurance expenses related to the increase in the average balance of deposits between 2021 and 2020. The increase in personnel expenses results from a 10.3% or Ps 9.9 billion increase in salaries and employee benefits and a Ps 1.0 billion increase in labor severances and bonus plan payments. Corficolombiana recognized a Ps 27.8 billion expense under other, regarding the penalty imposed by the Colombian Superintendency of Industry and Commerce, in relation to the Concesionaria Ruta del Sol II investigation.

Tax expense

Income tax expense for Corficolombiana increased by Ps 514.3 billion, or 53.4%, to Ps 1,476.6 billion in 2021. Corficolombiana's effective tax rate, calculated as income tax expense divided by income before income tax expense excluding dividends and the equity method (as both are non-taxable income), was 50.4% in 2021 and 32.3% in 2020. The increase was mainly driven by the effects of the tax reform on deferred taxes, which was particularly marked on infrastructure companies due to the temporary differences between income recognition under IFRS15 and Government payments of future guaranteed cash flows. The effect of the tax reform on Corficolombiana's tax expense amounted to Ps 443.4 billion.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest in Corficolombiana decreased by 12.9%, or Ps 84.4 billion to Ps 571.0 billion in 2021.

B. Liquidity and capital resources

The following table sets forth our sources of liquidity and capital resources at the dates indicated.

	At December 31, 2021	At December 31, 2020
	(in Ps billions)	
Liabilities and equity:		
Trading liabilities	1,049.9	1,452.6
Hedging derivatives liabilities	55.8	56.6
Customer deposits	234,470.4	211,841.6
Interbank borrowings and overnight funds	10,672.4	7,179.6
Borrowings from banks and others	27,124.7	19,654.5
Bonds issued	32,257.9	27,760.8
Borrowings from development entities	3,227.3	4,029.8
Provisions	1,150.3	912.9
Income tax liabilities	4,714.7	3,588.2
Employee benefits	1,163.1	1,201.9
Other liabilities	11,545.8	9,777.9
Total liabilities	**327,432.3**	**287,456.3**
Equity attributable to owners of the parent	23,013.7	20,657.3
Non-controlling interest	16,458.0	14,782.3
Total equity	**39,471.6**	**35,439.6**
Total liabilities and equity	**366,903.9**	**322,895.9**

Capitalization ratios

The following tables present consolidated capitalization ratios for our main subsidiaries subject to capital requirements. As discussed in other sections of this document, Decree 1477 of 2018 modified the capital adequacy requirements applicable to financing entities in Colombia. As a result, our banking subsidiaries migrated to Basel III capital requirements starting in January 2021.

	At December 31, 2021						
	Grupo Aval entities						
(in percentages)	Banco de Bogotá	Banco de Occidente	Banco Popular	Banco AV Villas	Porvenir	Corficolombiana	Grupo Aval consolidated
Tangible equity ratio(1)	7.8%	9.2%	10.5%	10.3%	61.0%	27.6%	8.2%
CET1 ratio	10.2%	11.1%	13.5%	12.3%	N.A.	51.2%	—
Tier 1 ratio(2)	11.5%	11.1%	13.5%	12.3%	N.A.	51.2%	—
Solvency ratio(3)	13.5%	12.3%	14.5%	12.9%	16.6%	50.9%	—

Source: Company calculations based on each entity's respective financial statements for the period indicated.

(1) Tangible equity ratio is calculated as total equity minus intangible assets (calculated as goodwill plus other intangible assets excluding those related to concession arrangements rights) divided by total assets minus intangible assets (calculated as goodwill plus other intangible assets excluding those related to concession arrangements rights). See "Item 3. Key Information—A. Selected financial data— Ratios and Measures of Financial Performance".

(2) Tier 1 ratio is calculated CET1 and AT1 divided by risk-weighted assets.

(3) Solvency ratio is calculated as technical capital divided by risk-weighted assets. For a definition of technical capital, see "Item 4. Information on the Company—B. Business Overview—Supervision and regulation—Capital Adequacy Requirements".

All of our banking subsidiaries (Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas), Porvenir and Corficolombiana, are subject to inspection and supervision as financial institutions by the Superintendency of Finance. Grupo Aval is now also subject to the inspection and supervision of the Superintendency of Finance as a result of Law 1870 of 2017, also known as Law of Financial Conglomerates, which came in effect on February 6, 2019. Grupo Aval, as the holding company of its financial conglomerate is responsible for the compliance with capital adequacy requirements, corporate governance standards, risk management and internal control and criteria for identifying, managing and revealing conflicts of interest, applicable to its financial conglomerate. See "Item 4. Information on the Company—B. Business Overview—Supervision and regulation—Capital Adequacy Requirements".

In March 2022, we spun-off a 75% equity interest in BHI, which may impact our capitalization ratios for future periods. See "Item 5. Operating and Financial Review and Prospects—Principal factors affecting our financial condition and result of operations—BHI spin-off".

Funding

Our banking subsidiaries fund most of their loans with customer deposits. Other sources of funding include interbank borrowings and overnight funds, borrowings from banks and others, borrowings from development entities and bonds issued. For more information on funding, refer to Note 21 of our audited consolidated financial statements.

The following table summarizes the funding structure of our banks on a consolidated basis at the dates indicated.

	At December 31,	
	2021	2020
	(in Ps billions)	
Customer deposits	234,470.4	211,841.6
Interbank borrowings and overnight funds	10,672.4	7,179.6
Borrowings from banks and others	27,124.7	19,654.5
Bonds issued	32,257.9	27,760.8
Borrowings from development entities	3,227.3	4,029.8
Total funding	**307,752.7**	**270,466.4**

Total funding increased by 13.8% between December 31, 2021 and December 31, 2020 mainly as a result of an increase in deposits and borrowings from banks and others.

Between December 31, 2021 and December 31, 2020, borrowings from banks and others, interbank borrowings and overnight funds and bonds issued as a percentage of total funding increased by 155 basis points, 81 basis points and 22 basis points to 8.8%, 3.5% and 10.5%, respectively. Customer deposits and borrowings from development entities as a percentage of total funding decreased by 214 basis points and 44 basis points to 76.2% and 1.0%, respectively.

Our Colombian funding base also benefits from the highest available local credit ratings for each of our banking subsidiaries and each of Corficolombiana and Porvenir, as assigned by BRC Investor Services S.A., an affiliate of Standard & Poor's Investors Services LLC, or "S&P". Banco Popular and Banco AV Villas have also achieved the highest available local credit ratings as assigned by Value and Risk Rating S.A. S.C.V.

The following table presents Grupo Aval's and its direct subsidiaries international and local ratings as issuers.

		International			Local				
		Moody's	Fitch Ratings	Standard & Poor's	Fitch Ratings Nacional	BRC Standard & Poor's	Outlook Moody's	Outlook Fitch Ratings	Outlook Standard & Poor's
Grupo Aval	Foreign currency - Long term	Ba2	BB+				Negative	Stable	
	Local currency - Long term	Ba2	BB+			AAA			
Banco de Bogotá	Foreign currency - Long term	Baa2	BB+	BB+			Stable	Stable	Stable
	Foreign currency - Short term	P2	B	B					
	Local currency - Long term	Baa2	BB+	BB+		AAA	Stable	Stable	Stable
	Local currency - Short term	P2	B	B		BRC1+			
Banco de Occidente	Foreign currency - Long term		BB+					Stable	
	Foreign currency - Short term		B						
	Local currency - Long term		BB+		AAA	AAA		Stable	
	Local currency - Short term		B		F1+	BRC1+			
Banco Popular	Local currency - Long term					AAA			
	Local currency - Short term					BRC1+			
Banco AV Villas	Local currency - Long term					AAA			
	Local currency - Short term					BRC1+			
Corficolombiana	Foreign currency - Long term		BB+					Stable	
	Foreign currency - Short term		B						
	Local currency - Long term		BB+		AAA	AAA		Stable	
	Local currency - Short term		B		F1+	BRC1+			

Any adverse change in credit ratings , whether as a result of our spin-off of 75% equity interest in BHI or otherwise, may increase the cost of our funding. See "Item 3. Key Information—D. Risk factors—Risks relating to our businesses and industry—Risks relating to our banking business—Downgrades in our long-term credit ratings or in the credit ratings of our banking subsidiaries would increase the cost of, or impair access to, funding and may impact our ability to maintain regulatory capital ratios".

The following tables present our consolidated funding from deposits at the dates indicated.

	At December 31, 2021	At December 31, 2020
	(in Ps billions)	
Interest-bearing customer deposits:		
Checking accounts	34,059.8	30,269.7
Time deposits	85,530.2	83,559.2
Savings deposits	89,097.1	76,551.5
Total interest-bearing customer deposits	**208,687.2**	**190,380.4**
Non-interest-bearing customer deposits:		
Checking accounts	25,166.1	20,928.6
Other deposits(1)	617.2	532.7
Total non-interest-bearing customer deposits	**25,783.3**	**21,461.2**
Total customer deposits	**234,470.4**	**211,841.6**

(1) Consists of deposits from correspondent banks, cashier checks and collection services.

Checking accounts. Our consolidated balance of checking accounts was Ps 59,225.8 billion at December 31, 2021 and Ps 51,198.3 billion at December 31, 2020, representing 19.2% and 18.9% of total funding, respectively.

Time deposits. Our consolidated balance of time deposits was Ps 85,530.2 billion at December 31, 2021 and Ps 83,559.2 billion at December 31, 2020, representing 27.8% and 30.9% of total funding, respectively.

The following table presents time deposits held by amount and maturity for deposits at the date indicated.

	At December 31, 2021		
	Peso-denominated	Foreign currency-denominated	Total
		(in Ps billions)	
Domestic			
Up to 3 months	7,992.9	4,909.4	12,902.3
From 3 to 6 months	4,105.2	1,702.1	5,807.3
From 6 to 12 months	6,466.3	754.6	7,220.9
More than 12 months	12,327.2	110.6	12,437.8
Time deposits less than U.S.$100,000(1)	4,351.6	204.1	4,555.6
Total domestic	**35,243.1**	**7,680.9**	**42,924.0**
Foreign	—	42,606.3	42,606.3
Total time deposits	**35,243.1**	**50,287.1**	**85,530.2**

(1) Equivalent to Ps 398.1 million at the representative market rate at December 31, 2021 of Ps 3,981.16 per U.S.$1.00.

Savings deposits. Our consolidated balance of savings deposits was Ps 89,097.1 billion at December 31, 2021 and Ps 76,551.5 billion at December 31, 2020, representing 29.0% and 28.3% of total funding requirements, respectively, in each of those years.

Other deposits. Our consolidated balance of other deposits, which consist mainly of deposits from correspondent banks, cashier checks and collection services, was Ps 617.2 billion at December 31, 2021 and Ps 532.7 billion at December 31, 2020, representing 0.2% and 0.2%, respectively.

Interbank borrowings and overnight funds. Our consolidated balance of interbank borrowings and overnight funds was Ps 10,672.4 billion at December 31, 2021 and Ps 7,179.6 billion at December 31, 2020, representing 3.5% and 2.7% of total funding requirements, respectively.

The following table sets forth our short-term borrowings consisting of interbank borrowings at and for the year ended December 31, 2021.

	At and for the year ended December 31, 2021	
	Amount	Nominal weighted average rate
	(in Ps billions, except percentages)	
Short-term borrowings		
Interbank borrowings and overnight funds		
End of period	10,672.4	—
Average during period	10,401.1	1.8%
Maximum amount of borrowing at any month-end	14,965.7	—
Interest paid during the period	185.8	—

As part of their interbank transactions, our banks maintain a portfolio of Government securities and private sector liquid debt instruments that can be used to obtain overnight funds from other financial institutions or investment funds by selling such securities and simultaneously agreeing to repurchase them. Due to the short-term nature of this source of funding, the balance of these transactions is volatile.

Borrowings from banks and others. Our consolidated balance of borrowings from banks and others was Ps 27,124.7 billion at December 31, 2021 and Ps 19,654.5 billion at December 31, 2020, representing 8.8% and 7.3% of total funding requirements, respectively.

Borrowings from development entities. Borrowings from banks are provided by correspondent banks and by governmental entities to promote lending to specific sectors of the Colombian economy. This funding, which mainly has fully matched maturities and interest rates with related loans, totaled Ps 3,227.3 billion at December 31, 2021 and Ps 4,029.8 billion at December 31, 2020, representing 1.0% and 1.5% of total funding requirements, respectively.

Bonds issued. Grupo Aval and its subsidiaries issue bonds in the Colombian and international markets. Our consolidated balance of bonds issued outstanding was Ps 32,257.9 billion at December 31, 2021 and Ps 27,760.8 billion at December 31, 2020, representing 10.5% and 10.3% of total funding requirements, respectively.

We and our subsidiaries have also issued bonds in pesos and US$ in the local and international markets. The following bond issuances were placed in the market in 2021:

Issuer	Issuance date	Amount (in Ps billion)	Expiration date	Interest rate
Banco Av Villas	2021	500.0	February 2024 and 2026	CPI + 0.71% and 1.36%
Banco Popular	2021	1,000.0	July 2024 and November 2026	Fixed 6.78% to 7.34%; IBR 1.59% to 2.61% and CPI + 2.58% and 3.38%
Corficolombiana	2021	500.0	October 2026 and 2033	CPI + 3.0% and 4.15%
Banco de Bogota	2021	600.0	February 2024 and 2026	CPI + 1.16% and Fixed 3.4%

Issuer	Issuance date	Amount (in Ps billion) (1)	Expiration date	Interest rate
Multibank Inc.	2021	312.4	January 2022 and June 2026	Fixed 2.0% to 3.0%
Banco de America Central Honduras S.A.	2021	54.2	September 2022 and December 2024	Fixed 3.50% and Banker Rate 0.51%
Banco de America Central El Salvador S.A.	2021	19.9	September 2023	Fixed 4.70%

(1) Translated to pesos using the representative market rate as computed and certified by the Superintendency of Finance at the date of each issuance.

Amounts referred to in the table above reflect the gross amounts issued by each issuer. These are subject to eliminations in the consolidation process if an entity consolidated by Grupo Aval is a bondholder of the issuance.

Capital expenditures

Grupo Aval incurred in Ps 530.7 billion of net capital expenditures in tangible assets in 2021, as compared to Ps 491.7 billion in 2020.

Off-balance sheet arrangements

In the ordinary course of business, our banking subsidiaries have entered into various types of off-balance sheet arrangements, including credit lines, letters of credit and financial guarantees. Our banking subsidiaries utilize these instruments to meet their customers' financing needs. The contractual amount of these instruments represents the maximum possible credit risk should the counterparty draw down the entire commitment or our bank fulfill its entire obligation under the guarantees, and the counterparty subsequently fails to perform according to the terms of the contract. Our banking subsidiaries may hold cash or other liquid collateral to support these commitments, and they generally have legal recourse to recover amounts paid but not recovered from customers under these instruments. Most of these commitments and guarantees expire undrawn. As a result, the total contractual amount of these instruments does not represent our banking subsidiaries' future credit exposure or funding requirements under normal circumstances. In addition, some of these commitments, primarily those related to consumer financing, are cancelable by our banks upon notice.

The following table presents the maximum potential amount of future payments under these instruments and other contingencies at the dates presented for Grupo Aval on a consolidated basis.

	At December 31,	
	2021	2020
Grupo Aval	(in Ps billions)	
Unused credit card limits	29,541.9	23,931.9
Issued and confirmed letters of credit	2,198.7	1,236.6
Unused lines of credit	5,894.6	3,825.4
Bank guarantees	3,603.9	3,104.8
Approved credits not disbursed	5,098.8	3,250.3
Civil demands against our banks	16.1	474.9
Other	3,859.4	2,896.3
Total	**50,213.3**	**38,720.1**

Of the amount at December 31, 2021, BHI and its consolidated subsidiaries, which we partially spun-off in March 2022, accounted for 5.3%.

Contractual obligations

The following tables present our contractual obligations at December 31, 2021.

	At December 31, 2021 Payments due by period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
	Grupo Aval (in Ps billions)				
Liabilities:					
Long-term debt obligations	32,257.9	7,243.1	5,782.8	7,110.4	12,121.6
Time deposits	85,530.2	58,119.3	18,514.8	5,526.6	3,369.5
Long-term borrowings from banks and others	27,124.7	16,474.2	990.9	5,535.3	4,124.3
Interbank and overnight funds	10,672.4	10,608.3	64.1	—	—
Borrowings from development entities	3,227.3	519.9	1,495.9	564.1	647.4
Employee benefit plans	1,163.1	637.8	159.2	76.5	289.5
Other liabilities	11,545.8	10,272.7	135.2	1,113.2	24.6
Total	**171,521.4**	**103,875.4**	**27,143.0**	**19,926.1**	**20,576.9**

See Note 21 to our audited consolidated financial statements at December 31, 2021.

C. Research and development, patents and licenses, etc.

N/A.

D. Trend information

During 2021, Grupo Aval's banking operation contributed 71.2% of its attributable net income, its merchant bank business contributed 15.5% and its pension fund business the remaining 13.3%. Results for the banking business in 2021 recovered from those of 2020, positively impacted by the economic performance of the countries in which Grupo Aval operates.

Gross loans grew 13.2% 12-month in 2021. In Colombia, year-on-year gross loan growth was 6.6% in 2021 (5.6% in 2020), 2.9% in commercial loans (3.8% in 2020), 11.5% in consumer loans (8.0% in 2020), 15.0% in mortgage loans (11.5% in 2020), and -14.7% in microcredit loans (-9.3% in 2020).

In Central America, 12-month gross loan growth was 25.5% (8.2% in U.S.$) in 2021 compared to the 6.7% organic growth (1.9% in U.S.$) registered in 2020, or 27.8% (22.0% in U.S.$) including the acquisition of MFG. Organic year-on-year gross loan growth in Central America was 25.5% (8.2% in U.S.$) in 2021 up from 6.7% (1.9% in U.S.$) in 2020. Organic growth in Central American performed as follows in U.S.$ terms: 9.2% in commercial loans (5.8% in 2020), 9.1% in consumer loans (-3.2% in 2020), and 4.4% in mortgage loans (3.0% in 2020).

Net interest margin (NIM) for 2021 decreased by 16 basis points to 4.9% mainly as a result of lower NIMs in Central America and a slight increase in Colombia. In Colombia, where we conduct the majority of our business, Grupo Aval was able to price in the decreases of the average benchmark interest rates into funding, offsetting the respective decreases of interest rates of loans. In addition, the net interest margin of interest-earning investments in debt securities improved compared to a year earlier, where unfavorable market conditions implied lower returns during the first half of the year. In Central America, the main drivers of this performance were as follows: (i) repricing of loans reflecting the downward trend of reference rates, (ii) interest rates caps in Costa Rica adversely affected returns for consumer loans, and (iii) the effect of a full year of the acquisition and incorporation of MFG lowered the NIM of as it increased the share of interest-earning assets in Panama, which has a lower NIM than other countries in the region.

Inflationary pressures around the globe in the last months of 2021 and the start of 2022 have led Central Banks to start a rising reference interest rate cycle. In Colombia, the Central Bank rate has already increased to 5.0% as of April 13, 2022, 200 basis points higher than the 3.00% at December 31, 2021, and economic analysts are expecting the rate to increase up to 7.5% at year-end 2022. We expect this trend to translate into a higher NIM of our Colombian operations. We expect this performance to be driven by an increase of NIM from commercial loans, that could be partially offset by a decrease in NIM from both retail loans (consumer, mortgages and microcredit) and investments. Commercial gross loans represent 57.4% of our Colombian gross loan portfolio, of which 88.7% is variable rate, pegged to the interbank rate (IBR) and the term deposits rate (DTF), and reprice in tandem with the Central Bank rate.

Cost of risk net of recoveries was 1.9% for 2021, 109 basis points lower than in 2020. Grupo Aval’s cost of risk improved driven by the decrease in expected credit losses (ECL) resulting from stronger economic activity. Asset quality, as measured by gross loans classified as Stage 2 and Stage 3 over gross loans, improved to 17.8% in 2021 from 19.3% in 2020.

Net trading income on investments evidenced the volatile performance of international fixed income and equity markets throughout the year, as it reflected losses during the first quarter and gains throughout the remainder of the year. Nonetheless, market conditions between May and December 2021 were less favorable than in the same period during 2020 and was reflected on reduced realization of gains on fixed income held at FVOCI in our financial subsidiaries as compared to a year earlier. Net trading income from derivatives was stronger in 2021 than in 2020, although offset by a decrease of foreign exchange gains (losses), which were favored in 2020 through specific capital optimization initiatives intended to mitigate the negative effects of the pandemic on our banking operations.

Grupo Aval continued to focus part of its efforts on a rigorous control of operating expenses growth in 2021. Other expenses grew 7.0% as compared to 2020, with our Colombian operations posting a 5.6% increase, in line with inflation, and our Central American operations an 8.8% increase (6.9% in U.S.$), still impacted by effect of five months of no expenses of MFG in 2020 due to the timing of its acquisition. Part of these savings were achieved as partial lockdowns and work-from-home policies underpinned expenses such as staffing, utilities, travel and transportation, and supplies and stationery, among others. The continued progress of our digital efforts and cost control initiatives across our subsidiaries also contributed to this improvement. Some initiatives include (i) reformatting and closure of branches, (ii) business process optimizations, (iii) a migration of transactions to digital channels and (iv) an ATM network optimization.

During 2021, Grupo Aval’s merchant banking business reflected a strong contribution from Corficolombiana’s infrastructure projects and its energy and gas business. Results of operations of Grupo Aval’s non-financial entities for 2022 are expected to be lower than in 2021, the construction of Covioriente will continue to progress, and Coviandina and Covipacifico will approach their completion.

The pension fund business reflected a positive evolution in employment metrics and the number of clients, that helped increase income from fees, which was partially offset by a lower average yield on its proprietary portfolio as compared to 2020. Porvenir’s clients for mandatory, voluntary and severance funds at December 31, 2021 were 15.8 million (5.6% more customers than the 14.9 million customers at December 31, 2020). This result was driven by (i) an increase of 651.8 thousand clients to Porvenir’s mandatory pension fund to 10.7 million (a 6.5% increase) and an increase of 168.5 thousand clients to severance funds to 4.9 million (a 3.6% increase). This was partially reflected in a 14.2% increase in Porvenir’s AUMs related to these funds to Ps 168.1 trillion. The aforementioned expected monetary policy during 2022 could pressure Porvenir’s results coming from its investment portfolios. In addition, the increase in rates paid for life and disability insurance coverage on mandatory pensions, could pressure Porvenir’s mandatory pension fund management fee income.

Grupo Aval's future results will be driven by the performance of our banking operations and thus will depend on how credit volumes, net interest margin, cost of risk and overall expenses behave. Results from our investments in the non-financial sector will be highly reliant on how investments in the infrastructure (construction progress) and energy & gas (distribution volumes) sectors perform; and in a lesser magnitude, performance of hospitality, agribusiness and other sectors. Our pension fund business will depend on both the number of new clients and on market conditions, reflected on Porvenir's investment portfolios.

We expect that the spin-off of a 75% equity interest in BHI, which was completed in March 2022, will impact our performance trends in future periods. See "Item 5. Operating and Financial Review and Prospects —Principal factors affecting our financial condition and results of operations —BHI spin-off."

E. Critical accounting estimates

Critical accounting policies are those that require us to exercise judgment or involve a higher degree of complexity in the application of the accounting policies that currently affect our financial condition and results of operations. The accounting estimates we make in these contexts require us to calculate variables and make assumptions about matters that are highly uncertain. In each case, if we had made other estimates, or if changes in the estimates occur from period to period, our financial condition and results of operations could be materially affected.

Significant accounting policies, including those affected by critical accounting estimates and judgements, are described in Note 3 of our audited consolidated financial statements. See Note 3 to our audited consolidated financial statements for a complete list of the critical accounting judgments and estimates. There are many other areas in which we use estimates about uncertain matters, but we believe the reasonably likely effect of changed or different estimates would not be material to our financial statements.

The following are the critical accounting policies that have the most significant effects on the amounts recognized in our audited consolidated financial statements:

- Impairment of amortized cost financial assets and financial assets measured at fair value through other comprehensive income (FVOCI): the most significant judgments relate to establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL. A high degree of uncertainty is involved in making estimations using assumptions that are highly subjective and very sensitive to the risk factors. See Note 4 (4.1.5) of our audited consolidated financial statements.

- Revenue recognition and fair value of concession arrangements: the most significant judgments relate to establishing the criteria for recognizing revenues from concessions in the construction phase and measuring the fair value of concession arrangements. See Note 16 of our audited consolidated financial statements.

- Recognition of deferred tax assets: the most significant judgments relate to availability of future taxable profit against which carry-forward tax losses can be used. See Note 19 of our audited consolidated financial statements.

- Fair value of financial instruments: a variety of valuation techniques are used, some of which are determined using significant unobservable inputs. See Note 5 of our audited consolidated financial statements.

- Impairment testing for CGUs containing goodwill: a high degree of uncertainty is involved in estimating the recoverable amounts resulting from future cash flows of the cash-generating units (CGU) and discount rates. See Note 17 of our audited consolidated financial statements.

- Recognition and measurement of provisions and contingencies: significant judgment may be required due to the high degree of uncertainty associated with the likelihood and magnitude of an outflow of resources that may arise. See Note 23 of our audited consolidated financial statements.

- Defined benefit obligations: the most significant judgments relate to key assumptions involved in the measurement, including discount rate, inflation rate and mortality, among other. See Note 22 of our audited financial statements.

- Classification of financial assets: the most significant judgments relate to the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. See Note 2 (2.5) (ii) of our audited financial statements.

- Determination of control over investees. See Note 2 (2.1) of our audited financial statements.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and senior management

Board of Directors

The Board of Directors of Grupo Aval is composed of seven principal members and seven alternate members, each of whom serves a one-year term and may be reelected indefinitely. The term for the current directors expires on March 31, 2022.

The current members of the Board of Directors were appointed at a shareholders' meeting held on March 30, 2022. The following table presents the names of the current principal and alternate members of the Board of Directors.

Board member	Alternate
Luis Carlos Sarmiento Angulo	Mauricio Cárdenas Müller
Alejandro Figueroa Jaramillo	Carlos Eduardo Upegui Cuartas
María Lorena Gutiérrez Botero	Juan Camilo Ángel Mejía
Álvaro Velásquez Cock (1)(3)	Ana María Cuéllar de Jaramillo
Fabio Castellanos Ordóñez (1)(2)(3)	Luis Fernando López Roca (2)
Miguel Largacha Martínez	César Prado Villegas
Esther América Paz Montoya(1)(2)(3)	Germán Villamil Pardo(2)

(1) Member of the Audit committee.

(2) Independent director under Colombian requirements.

(3) Independent director under SEC Audit Committee rules.

Luis Fernando Pabón Pabón is the secretary of our Board of Directors.

Biographical information of the principal members of our Board of Directors and the secretary of our board is set forth below. Ages of members of our Board of Directors throughout this annual report are as of April 13, 2022.

Luis Carlos Sarmiento Angulo, age 89, has served as the Chairman of the Board of Directors of Grupo Aval since 1999. Mr. Sarmiento Angulo is the founder and controlling shareholder of Grupo Aval and, since 1985, has served as a member of the Board of Directors of Organización Luis Carlos Sarmiento Angulo Ltda., an affiliate of our controlling shareholder. Since 2010 he has served as principal member of the Board of Directors of Casa Editorial El Tiempo and of CEET TV. He also serves as Chairman of the Board of Directors of the following not-for-profit entities: Fundación Grupo Aval, Fundación Luis Carlos Sarmiento Angulo, and Fundación Centro de Tratamiento e Investigación del Cáncer—"CTIC". He is supporting, among other initiatives, Corporación Microcrédito Aval, a microfinance not-for-profit organization, the CTIC, Corporación Excelencia en la Justicia, and Fundación para el Futuro de Colombia—Colfuturo. He holds a degree in Civil Engineering from Universidad Nacional de Colombia. He is the father of the President of Grupo Aval, Mr. Luis Carlos Sarmiento Gutiérrez. Mr. Sarmiento Angulo's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Alejandro Figueroa Jaramillo, age 80, has served as a principal member on the Board of Directors of Grupo Aval since 1999. Mr. Figueroa Jaramillo has been the President of Banco de Bogotá since 1988. He has been employed with Banco de Bogotá since 1973, where he also served as Executive Vice President and Vice President of Finance. He is the Chairman of the Board of Directors of Porvenir and has been a board member of Porvenir since 1991. He has also been a member of the Board of Directors of Corficolombiana since 1998 and of Fundación Grupo Aval since 2011. He previously served as Vice-Minister and Deputy Minister of Economic Development of Colombia. He holds a degree in Civil Engineering from Facultad de Minas de la Universidad Nacional in Antioquia and a Master of Arts degree and PhD candidate in Economics from Harvard University. Mr. Figueroa Jaramillo's business address is Calle 35 No. 7-47, Bogotá, D.C., Colombia.

María Lorena Gutiérrez Botero, age 53, has served as President of Corficolombiana since August, 2018. Ms. Gutiérrez previously served as Minister of Commerce, Industry and Tourism from 2017 to 2018, Ambassador of Colombia in Germany from 2016 to 2017 and Minister to the Presidency from 2010 to 2016. She has also served in the past as Dean of the Business School at Universidad de Los Andes from 2003 to 2010. Ms Gutiérrez served as a member on the Board of Directors of Grupo Aval since 2019 and Promigas since 2020. She holds a degree in Industrial Engineering with a specialization in finance from Universidad de los Andes, a Master of Business Administration (MBA) and a PhD in Finance from the A.B. Freeman School of Business at Tulane University. Her principal business address is Carrera 13 No. 26-35, Bogotá, D.C., Colombia.

Álvaro Velásquez Cock, age 82, has served as a principal member of the Board of Directors of Grupo Aval since 2013 and previously as an alternate member thereof since 2008. Mr. Velásquez Cock has served as advisor to Grupo Ethuss since 1994. He has acted as Dean of the Faculty of Economics of the Universidad de Antioquia, Chief of the Departamento Nacional de Estadística—DANE, President of Pedro Gómez & Cía. S.A. and as a member of the Advisory Committee of the Superintendency of Finance. He has been a member of the Board of Directors of Banco de Bogotá since 2001, of Banco de Bogotá—Panamá since 1984, of Corficolombiana since 1992, of Unipalma since 1996 and of BAC entities since 2011. He holds a degree in Economics from the Universidad de Antioquia. Mr. Velásquez Cock's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Fabio Castellanos Ordóñez, age 65, has served as a principal member of the Board of Directors of Grupo Aval since March 2018 and previously as an alternate member since September 2015. He was, until 2020 the local representative in Colombia of AMF (Ascending Markets Financial Guaranty Corporation) and has previously acted as Chief Country Officer and Executive Director of ABN-AMRO Bank (Colombia) S.A., The Royal Bank of Scotland (Colombia) S.A., Scotiabank Colombia S.A. and Vice President and Corporate Finance Executive of the Representative Office in Colombia, New York and Argentina of The Chase Manhattan Bank, N.A for 22 years. Mr. Castellanos serves as member of the Board of Directors of Ignacio Gómez IHM S.A. He holds a degree in Business Administration from California State Polytechnic University and a Master's Degree in Management in the Network Economy from Universitá Cattolica del Sacro Cuore. Mr. Castellanos Ordóñez' business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Miguel Largacha Martínez, age 58, has served as President of Porvenir since 2008. Mr. Largacha Martínez previously served as President of Horizonte Sociedad Administradora de Fondos de Pensiones y de Cesantías S.A., and held other positions within BBVA Colombia S.A., including Executive Vice President and Vice President of Banco Ganadero (the predecessor to BBVA Colombia S.A.) and has been a member of the Board of Directors of Fundación Grupo Aval since 2011. He holds a law degree from Universidad Javeriana and has further completed graduate studies in Financial Legislation and Executive Management at the Universidad de los Andes. His business address is Carrera 13 No. 27-75, Bogotá, D.C., Colombia.

Esther América Paz Montoya, age 67, has served as a principal member on the Board of Directors of Grupo Aval since 2010, and previously as an alternate member thereof since 2005. Ms. Paz Montoya is a former President of Banco AV Villas, where she also served as Vice President of Finance and Vice President of Operations, and a former President of Ahorramás Corporación de Ahorro y Vivienda. Ms. Paz Montoya has served as a member of the Board of Directors of Agremiación Cívica Centro Internacional San Diego S.A. since 2009. She holds a degree in Business Administration from the Universidad del Valle and graduate studies in finance from Universidad de Los Andes. Ms. Paz Montoya's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Biographical information of the alternate members of our Board of Directors is set forth below.

Mauricio Cárdenas Müller, age 52, has served as an alternate member of the Board of Directors of Grupo Aval since 2015. Previously, he served as a principal member on the Board of Directors of Grupo Aval from 2010 until 2014, and as an alternate member thereof since 2002 until 2010. Mr. Cárdenas Müller has acted as chief advisor to Luis Carlos Sarmiento Angulo since 2004. He is a member of the Board of Directors of Seguros Alfa S.A. and of Seguros de Vida Alfa S.A. since 2014, and previously served from 2002 until 2011. He has also served as a member of the Board of Directors of Fundación para el Futuro de Colombia – Colfuturo since 2007, of Porvenir since 2008, and of Casa Editorial El Tiempo since 2011. Mr. Cárdenas holds a degree in Electronic Engineering from Universidad Javeriana and a MBA from Escuela de Dirección y Negocios de la Universidad de la Sabana – INALDE. Mr. Cárdenas Müller's business address is Carrera 13 No. 26A–47, Bogotá, D.C., Colombia.

Carlos Eduardo Upegui Cuartas, age 60, has served as an alternate member of the Board of Directors of Grupo Aval since March 26, 2021 and principal member of the Board of Directors of Corficolombiana. Mr. Upegui Cuartas has been President of Banco Popular since June 2014 and previously acted as its Executive Vice-president. Previously he was legal representative of Ripley Compañía de Financiamiento S.A. from 2012 to 2014 and President of BCSC S.A. from 2009 to 2012. He has also served in the past as member of the Board of Directors in several financial entities including Metlife Colombia Seguros de Vida S.A., Titularizadora Colombiana S.A., Depósito Centralizado de Valores de Colombia—Deceval S.A. He holds a degree in business administration with graduate studies in markets from Universidad de los Andes. His business address is Calle 17 No. 7-43, Bogotá, D.C., Colombia.

Juan Camilo Ángel Mejía, age 56, has served as an alternate member on the Board of Directors of Grupo Aval since 2008. Mr. Ángel Mejía has been the President of Banco AV Villas since 2007, and previously acted as its Vice President of Credit and Portfolio, Vice President of Asset Regularization and Vice President of Real Estate. Previously he was an advisor in the Offerings Department of Banco Central Hipotecario and Project Manager in the Capital Markets division of Corfinsura. He has also been a member of the Board of Directors of Asociación Bancaria de Colombia since 2007, of Titularizadora Colombiana S.A. since 2008 and of Fundación Grupo Aval since 2011. He holds a degree in Civil Engineering from the Universidad de Medellín with graduate studies in finance from Universidad Eafit. Mr. Ángel Mejía's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Ana María Cuéllar de Jaramillo, age 68, has served as an alternate member of the Board of Directors of Banco de Bogotá since 2007 and also serves as a member of the Board of Directors of Megalínea, Biomax S.A. and of BAC entities since 2011. Ms. Cuéllar de Jaramillo is an independent consultant who specializes in systems and procedures for financial control and has formerly served as Director of the Dirección de Impuestos y Aduanas Nacionales DIAN and in several positions in Citibank. She holds a degree in accounting from Universidad Jorge Tadeo Lozano. Ms. Cuéllar de Jaramillo's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Luis Fernando López Roca, age 65, has served as an alternate member on the Board of Directors of Grupo Aval since March 23, 2018. Dr. López Roca is a partner of López Montealegre Abogados S.A., Director of the Financial Law Department at Universidad Externado de Colombia, Alternate Judge of the Constitutional Court for the 2018-2021 period and arbitrator. Dr. López Roca has acted as Superintendent of Securities, President of the Colombian Association of Commercial Financing Companies, and Advisor to the Inter-American Development Bank. He also held several positions in the Superintendency of Corporations, the Chamber of Commerce of Bogotá and the Superintendency of Banks (Superintendency of Finance). Dr. López Roca holds a Law Degree and PhD from Universidad Externado de Colombia, with an LLM in International Business Law at Universidad Francisco Vitoria and graduate studies in Economic, Commercial and Financial law at Universidad Externado de Colombia and Universidad de los Andes. Dr. López Roca's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

César Prado Villegas, age 50, has served as President of Banco de Occidente since September 2018 and as member of the Board of Directors of Grupo Aval since March 29, 2019 and also as a member of the Board of Directors of Corficolombiana since March 2019 and Fiduciaria de Occidente since March 2020. Mr. Prado previously served as Administrative Vice-president of Banco de Bogotá from April to September 2018, President of Fiduciaria Bogotá from 2010 to 2018 and Superintendent of Finance from 2007 to 2008. He holds a law degree from Universidad del Rosario, a graduate degree in commercial law from Universidad de los Andes and a LLM from The London School of Economics. His business address is Carrera 4 No. 7-61, Cali, Colombia.

Germán Villamil Pardo, age 62, has served as an alternate member on the Board of Directors of Grupo Aval since 2010 and previously as a principal member thereof since 2006. Mr. Villamil Pardo is a partner of Gómez Pinzón Abogados S.A. He has served as a member of the Board of Directors of Gómez Pinzón Abogados S.A. since 1997. Mr. Villamil Pardo formerly served as a member of the board of Inversiones Inmobiliarias Arauco Alameda S.A.S and Inversiones Inmobiliarias Barranquilla Arauco S.A.S. He previously held several positions in the Ministry of Finance of Colombia as well as in Banco de la República. He holds a law degree with graduate studies in tax law from the Universidad de los Andes. Mr. Villamil Pardo's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Luis Fernando Pabón Pabón, age 63, has served as Secretary of the Board of Grupo Aval since 2000. Mr. Pabón Pabón formerly served as Legal Vice President of Banco de Colombia and as Legal Counsel to the President of Banco de Bogotá. He has been a member of the Board of Directors of Banco AV Villas since 1998, of Porvenir since 2003, of Almaviva S.A. since 2007, of Organización Luis Carlos Sarmiento Angulo Ltda. since 2006 and of Casa Editorial El Tiempo and CEET TV since 2011. He also serves as legal counsel to Organización Luis Carlos Sarmiento Angulo Ltda. Mr. Pabón Pabón holds a law degree from Universidad Javeriana and graduate studies in financial law from the Universidad de los Andes. Mr. Pabón Pabón's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Executive officers

The executive officers of Grupo Aval are responsible for the day-to-day management of our company. Although the Presidents of Banco Popular and BAC are not represented in the Board of Directors or in the management of Grupo Aval, they are key individuals in our group's Colombian and Central American banking businesses.

The following table lists the names and positions of our executive officers and the presidents of our banking subsidiaries, Corficolombiana, Porvenir and BAC. Certain of our executive officers are also members of the boards of directors of our subsidiaries.

Name	Position
Luis Carlos Sarmiento Gutiérrez	President
Diego Fernando Solano Saravia	Chief Financial Officer
Rodolfo Vélez Borda	Chief of Information Technology
Rafael Eduardo Neira Torres	Chief of Internal Control
Jorge Adrián Rincón Plata	Chief Legal Officer
Eduardo Duque Suárez	Chief Risk Officer
María Edith González Flórez	Vice President of Accounting
Banco de Bogotá	
Alejandro Figueroa Jaramillo	President
Banco de Occidente	
César Prado Villegas	President
Banco Popular	
Carlos Eduardo Upegui Cuartas	President
Banco AV Villas	
Juan Camilo Ángel Mejía	President
Corficolombiana	
María Lorena Gutiérrez Botero	President
Porvenir	
Miguel Largacha Martínez	President
BAC Credomatic	
Rodolfo Tabash Espinach	President

Biographical information of our executive officers and key employees who are not directors is set forth below. Ages of our executive officers throughout this annual report are as of April 13, 2022.

Luis Carlos Sarmiento Gutiérrez, age 60, has served as President of Grupo Aval since 2000. Mr. Sarmiento Gutiérrez acted as President of Cocelco S.A. from 1997 until 2000. Previously he served as Executive Vice President at First Bank of the Americas in New York and as an analyst and financial manager at Procter & Gamble's corporate headquarters. He has been the Chairman of the Board of Directors of Banco de Bogotá since 2004 and of Corficolombiana since 2006. He holds a Bachelor of Science degree, magna cum laude, in civil engineering from the University of Miami and a MBA with a concentration in Finance from the Johnson Graduate School of Management at Cornell University. Mr. Sarmiento Gutiérrez is the son of the Chairman of the Board of Directors of Grupo Aval, Mr. Sarmiento Angulo. Mr. Sarmiento Gutiérrez's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Diego Fernando Solano Saravia, age 56, has served as Chief Financial Officer since 2010, and formerly as Vice President of Corporate Planning, of Grupo Aval since 2006. He previously served as associate principal at McKinsey & Co. and Corporate Banking Vice President at Banco Santander Colombia. He holds a degree in Systems Engineering from the Universidad de los Andes and a MBA from the Wharton School at the University of Pennsylvania. His business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Rodolfo Vélez Borda, age 57, has served as Chief of Information Technology at Grupo Aval since 2012 and formerly as Vice President of Technology and Operations of Banco AV Villas and Corporación Ahorramás. He has been a member of the Board of Directors of Fondo de Empleados FEVI since 2012, ACH Colombia S.A. since 2006 and A Toda Hora S.A. ("ATH") since 2005. He holds a degree in Systems Engineering from the Universidad de Los Andes, graduate studies in Telecommunications from the Universidad de Los Andes and a Business Management specialty from Aden Business School and MIT. Mr. Vélez Borda's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Rafael Eduardo Neira Torres, age 64, has served as Chief of Internal Control of Grupo Aval since 2009. Mr. Neira Torres acted as Deputy Financial Superintendent, and formerly as Adjunct Financial Superintendent, at the Superintendency of Finance from 2006 to 2008. He previously worked as Operations Vice President at Banco Davivienda. He holds a degree in Accounting from the Universidad Jorge Tadeo Lozano and graduate studies in Banking Management from the Universidad de los Andes. Mr. Neira Torres' business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Jorge Adrián Rincón Plata, age 42, has served as our Chief Legal Officer since May 2012. Mr. Rincón previously served as Legal Counsel to Banco de Bogotá. He holds a degree in law from the Universidad Autónoma de Bucaramanga and a Masters in International Business Law from Queen Mary University & Westfield College, University of London. Mr. Rincón Plata's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Eduardo Duque Suárez, age 56, joined as Chief Risk Officer on March 2022. Previously, he served as Mexico and Latam Global Functions Independent Compliance Risk Management Head in Citi, Regional ICG Risk Manager SCO L2 Colombia, Ecuador and Venezuela, Risk Manager Country Officer Chile, Perú and Bolivia, Deputy Country Credit Risk Manager and Vice-president Emerging Markets Corporate Banking EMCB – Institutional Client Group. He also worked as Director in Waventure S.A. de C.V in Mexico, Director in NM Rothschild & Sons Mexico, Assistant Director in NM Rothschild & Sons Colombia and Assistant Director in Deutsche Morgan Grenfell Group Public Limited Company from 1997 to 2005. He holds a degree in Economics and a MSc in Economics from Universidad de Los Andes. Mr. Duque Suarez' business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

María Edith González Flórez, age 63, has served as Vice President of Accounting since 2010, and formerly as Financial and Administrative Manager, of Grupo Aval since 2004. Ms. González Flórez previously worked as Financial Manager at Cocelco S.A. and Movistar. She holds a degree in Public Accounting from the Universidad de Santiago de Cali and graduate studies in finance from Universidad ICESI. Ms. González Flórez's business address is Carrera 13 No. 26A-47, Bogotá, D.C., Colombia.

Rodolfo Tabash Espinach, age 53, has served as Chief Executive Officer of BAC since July, 2016. He has previous acted in several key management positions in BAC for the past 20 years, including Country Manager for BAC International Bank and its Panamanian subsidiaries, General Manager of BAC International Bank, Regional Chief Operating Officer for BAC Credomatic's Banking Business and Commercial Banking Manager of Banco BAC San José. He is also a member of the Board of Directors of several BAC Credomatic subsidiaries. Mr. Tabash Espinach holds a degree in business administration from Universidad Internacional de las Américas and a MBA from INCAE. His business address is Centro Corporativo Plaza Roble, Edificio Terrazas B, Escazú, San José, Costa Rica.

B. Compensation

Our common shareholders must approve the compensation of our Board of Directors at the shareholders' ordinary meeting held in March of every calendar year.

Each member of our Board of Directors, including alternates, receives a fee based on attendance at each Board of Directors' session. Committee members, including our audit committee, also receive an additional fee for attending audit committee meetings.

For the April 1, 2021 to March 31, 2022 period, the Board of Directors and the audit committee' session fee was Ps 2,600,000 per member and board meeting. For the April 1, 2022 to March 31, 2023 period, the Board of Directors and the audit committee' session fee Ps 3,000,000 per member and board meeting.

We are not required under Colombian law to publish information regarding the compensation of our individual executive officers, and we do not make this information public. Our shareholders, however, can request this information before our general shareholders' meetings. The aggregate amount of compensation, inclusive of bonuses, which we and our subsidiaries paid to directors, alternate directors and senior executive officers was Ps 51.3 billion in 2021. We pay bonuses to our executive officers which vary according to each officer's performance and the achievement of certain goals, and, therefore, the amounts paid may vary for each officer.

We do not have, and have not had in the past, any share option plans.

C. Board practices

Principal differences between Colombian and U.S. corporate governance practices

Grupo Aval, as a listed company that qualifies as a foreign private issuer under the NYSE listing standards in accordance with the NYSE corporate governance rules, is permitted to follow home-country practice in some circumstances in lieu of the provisions of the corporate governance rules contained in Section 303A of the NYSE Listed Company Manual that are applicable to U.S. companies. We follow corporate governance practices applicable to Colombian companies and those described in our Corporate Governance Code, which in turn follow Colombian corporate governance rules. The Corporate Governance Code is available at Grupo Aval's website at www.grupoaval.com. Information on our website is not incorporated into this annual report.

The following is a summary of the significant differences between the corporate governance practices followed by Grupo Aval and those applicable to domestic issuers under the NYSE listing standards.

Independence of directors

Under NYSE corporate governance rules, a majority of a U.S. company's Board of Directors must be composed of independent directors, although as a foreign private issuer and a company that is controlled, directly or indirectly, by Mr. Luis Carlos Sarmiento Angulo, we would not be required to comply with this rule. Law 964 of 2005 requires that our Board of Directors consist of five to ten members and that at least 25% of such members be independent directors, and Decree 3923 of 2006 regulates their election. “Independence” within the meaning of Law 964 of 2005 is primarily concerned with independence from management and the absence of material related-party transactions between the director and the company. See “Item 10. Additional Information—B. Memorandum and articles of association”. In compliance with Colombian law and our by-laws, Grupo Aval’s Board of Directors is composed of seven members, of which two are independent under Colombian rules. In addition, Colombian law mandates that all directors exercise independent judgment under all circumstances.

Non-executive director meetings

Pursuant to the NYSE listing standards, non-executive directors of U.S. listed companies must meet on a regular basis without management being present. Under Colombian regulations, there is no prohibition against officers being members of the Board of Directors, and it is our practice that each president of our banks be a member of our Board of Directors. The non-executive directors of Grupo Aval do not meet formally without management present.

Committees of the Board of Directors

Under NYSE listing standards, all U.S. companies listed on the NYSE must have an audit committee, a compensation committee and a nominating/corporate governance committee, each with a written charter addressing certain minimum specified duties, and all members of such committees must be independent. In each case, the independence of directors must be established pursuant to highly detailed rules promulgated by the NYSE and, in the case of the audit committee, the NYSE and the SEC. We have established an audit committee, a corporate matters committee and a compensation committee as further described below.

Audit committee

Our audit committee is composed of three members, appointed by the Board of Directors: Esther América Paz Montoya, Álvaro Velásquez Cock and Fabio Castellanos Ordóñez. Fabio Castellanos Ordóñez is the financial expert on the audit committee. All members of our audit committee are independent under the NYSE and SEC corporate governance rules applicable to us. Company officers are not members of the audit committee; however, the meetings and work product of the audit committee are supported by reports and presentations by company officers. Pursuant to Colombian Securities regulation (Law 964 of 2005), the audit committee has a charter approved by the Board of Directors, which sets forth the main aspects related to the operation of such committee, including, among others, its composition and duties. The audit committee charter addresses various corporate governance subjects. Our external auditor KPMG, as our independent registered public accounting firm, is invited to attend the meetings of the audit committee. Pursuant to Colombian law, the audit committee must meet at least quarterly.

Our audit committee advises the Board of Directors generally on internal control matters, and it specifically undertakes to:

- review financial statements prior to their submission to the Board of Directors and to the general shareholders’ meeting;
- supervise the internal auditor to verify if its actions address the internal control needs of the company and to identify limitations with respect to its duties;
- review all internal control reports of the company and supervise compliance with such reports by the company’s management;
- issue its opinion on the independence of the external auditor, based on standards set forth by Colombian and U.S. regulations;
- monitor the company’s levels of risk exposure at least every six months and propose mitigation measures as needed;
- propose to the Board of Directors control systems to prevent, detect and adequately respond to the risk of fraud and improper conduct by company employees;
- provide assistance to our Board of Directors in fulfilling its responsibilities with respect to our compliance with legal and regulatory requirements;
- make recommendations to the general shareholders meeting concerning the engagement of the independent accounting firm; and
- issue reports to the Board of Directors on matters deemed relevant.

Corporate matters committee

Our corporate matters committee is composed of the same members as the audit committee. The corporate matters committee is responsible for overseeing the activities executed by the internal control of Grupo Aval and its subsidiaries.

Compensation committee

Our compensation committee is composed of two directors: Mr. Luis Carlos Sarmiento Angulo and Mr. Mauricio Cárdenas Müller. Our Board of Directors may change the members of the committee at any time. The compensation committee advises the board on remuneration matters and specifically undertakes to (i) review the remuneration of our President and (ii) review the criteria upon which our President will determine the remuneration of our senior management and employees. Colombian law does not require the creation of a compensation committee and the Board of Directors is not required by law to adopt a compensation committee charter.

Risk Committee

Our risk committee is composed of three directors: Ms. Maria Lorena Gutierrez, Mr. Fabio Castellanos and Mr. Miguel Largacha. The committee, which charter is approved by the Board of Directors, assists and to advice the board, in aspects related to supervision of Grupo Aval's risk management policies.

D. Employees

At December 31, 2021, on a consolidated basis, we employed 107,076 individuals, with 70,247 direct employees, 10,703 personnel provided by staffing service companies and 26,126 outside contractors.

The following table presents the approximate breakdown of the employees, personnel provided by staffing service companies and outside contractors of our banking subsidiaries, Corficolombiana, Porvenir and Grupo Aval (separate), at December 31, 2021.

	Banco de Bogotá(1)(2)	Banco de Occidente(3)	Banco Popular(4)	Banco AV Villas(5)	Porvenir(6)	Corficolombiana(7)	Central America(8)	Grupo Aval (separate)	Total
Employees	11,761	15,679	4,355	4,858	2,817	10,448	20,208	121	70,247
Personnel provided by staffing service companies	1,494	—	995	453	13	5,434	2,314	—	10,703
Outside contractors	3,012	2,796	2,117	1,521	180	15,087	1,408	5	26,126
Total	**16,267**	**18,475**	**7,467**	**6,832**	**3,010**	**30,969**	**23,930**	**126**	**107,076**

(1) Excludes employees of BHI and MFH, and their respective subsidiaries.

(2) 50.70% (4,971) of Banco de Bogotá's (separate) direct employees (9,804) are represented by unions and 56.00% (5,490) of such employees are covered by collective bargaining agreements that expire in August 2024.

(3) 44.26% (3,010) of Banco de Occidente's (separate) direct employees (6,800) are represented by unions and are covered by collective bargaining agreements that expire in December 2026.

(4) 60.57% (2,195) of Banco Popular's (separate) direct employees (3,624) are represented by unions and 94.62% (3,429) of such employees are covered by collective bargaining agreements that expire in December 2023.

(5) 15.11% (632) of Banco AV Villas' (separate) direct employees (4,183) are represented by unions and 84.29% (3,526) of such employees are covered by collective bargaining agreements that expire in December 2023.

(6) 0.04% (1) of Porvenir's (separate) direct employees (2,574) are represented by unions.

(7) Corficolombiana's total employees reflect 29,851 employees from non-financial entities and 1,118 employees from financial entities.

(8) Includes 22,711 employees of BHI and its consolidated subsidiaries and 1,219 employees of MFH and its consolidated subsidiaries.

E. Share ownership

Mr. Sarmiento Angulo beneficially owns 97.6% of our outstanding common shares and 42.7% of our preferred shares as determined under SEC rules at April 13, 2022. See “Item 7. Major Shareholders and Related Party Transactions—A. Major shareholders”. The following table provides the names of our other directors and key executive officers who owned shares of Grupo Aval at April 13, 2022.

Shareholder	Common shares	Percentage of outstanding common shares	Preferred shares	Percentage of outstanding preferred shares
Esther América Paz Montoya	251,718	*	423,076	*
Diego Fernando Solano Saravia	49,586	*	152,078	*
Luis Fernando Pabón Pabón	78,237	*	115,384	*
Mauricio Cárdenas Müller	40,616	*	76,923	*
Germán Villamil Pardo	33,058	*	—	*
Álvaro Velásquez Cock	8,264	*	11,538	*
Juan Camilo Ángel Mejía	7,319	*	22,666	*
Rodolfo Vélez Borda	7,112	*	11,538	*
Ana María Cuéllar de Jaramillo	—	*	50,846	*
César Prado Villegas	—	*	—	*
Alejandro Figueroa Jaramillo	—	*	—	*
Fabio Castellanos Ordóñez	—	*	—	*
Carlos Eduardo Upegui Cuartas	—	*	—	*
Luis Fernando López Roca	—	*	—	*
Luis Carlos Sarmiento Gutiérrez	—	*	—	*
Rafael Eduardo Neira Torres	—	*	—	*
Jorge Adrián Rincón Plata	—	*	—	*
Eduardo Duque Suárez	—	*	—	*
María Edith González Flórez	—	*	—	*
María Lorena Gutiérrez Botero	—	*	—	*
Miguel Largacha Martínez	—	*	—	*
Rodolfo Tabash Espinach	—	*	—	*

* less than 0.1%.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major shareholders

Mr. Luis Carlos Sarmiento Angulo controls Grupo Aval and was the beneficial owner of 80.0% of our issued and outstanding share capital at December 31, 2021. He retained 97.6% of our voting power by virtue of his beneficial ownership of 97.6% of our outstanding common shares, and beneficially owned 42.7% of our outstanding preferred shares, as determined under SEC rules, at April 13, 2022. Beneficial ownership is defined in Form 20-F and generally includes voting or investment power over securities. Percentage of beneficial ownership is based on 22,281,017,159 of our aggregate equity securities outstanding comprised of 15,122,739,992 common shares outstanding and 7,158,277,167 preferred shares outstanding at April 13, 2022.

The principal shareholder, as a common shareholder and a preferred shareholder, does not have any different or special voting rights in comparison to any other common shareholder or preferred shareholder, respectively.

The following table sets forth information, as of December 31, 2021, regarding the beneficial ownership of our equity securities by:

- Mr. Sarmiento Angulo, who beneficially owns 80.0% of our outstanding share capital;
- all directors and executive officers as a group; and
- other shareholders.

Principal beneficial owners	Common shares	Percentage of outstanding common shares	Preferred shares	Percentage of outstanding preferred shares
	At December 31, 2021			
Luis Carlos Sarmiento Angulo	14,761,004,300	97.6%	3,054,790,570	42.7%
Other directors and officers as a group*	475,910	0.0%	864,049	0.0%
Other shareholders	361,259,782	2.4%	4,102,622,548	57.3%
Total	**15,122,739,992**	**100.0%**	**7,158,277,167**	**100.0%**

* less than 0.1%.

As of December 31, 2021, we had 28,051 holders of preferred shares registered in Colombia in addition to JPMorgan Chase Bank, N.A. as depositary of the American Depositary Receipts, or "ADRs", evidencing ADSs. As of March 30, 2022, there were a total of 5,795 ADR holders of record and as of April 13, 2022 there were 12,764,230 ADRs outstanding, representing 255,284,600 preferred shares or 3.6% of outstanding preferred shares. Since some of these ADRs are held by nominees, the number of record holders may not be representative of the number of beneficial holders.

B. Related party transactions

We currently engage in, and expect from time to time in the future to engage in, financial and commercial transactions with "related parties" (within the meaning of the SEC rules). Unless otherwise indicated below, such transactions are conducted on an arm's-length basis in the ordinary course of business, on terms that would apply to transactions with third parties.

Loans or deposits involving related parties

The following chart presents outstanding amounts of related party transactions involving loans or deposits between Grupo Aval and its consolidated subsidiaries, and each of the following individuals and entities.

	Transactions between Grupo Aval and its subsidiaries, and			
	Grupo Aval's directors and key management and their affiliates(1)	Close family members of Mr. Sarmiento Angulo and their affiliates	Mr. Sarmiento Gutiérrez and his affiliates	Mr. Sarmiento Angulo and his affiliates
	(in Ps billions)			
At December 31, 2021				
Outstanding loans granted by us(2)	262.8	10.8	0.0	2,025.8
Outstanding loans granted to us(3)	—	—	—	—
Deposits(4)	39.7	191.3	5.4	2,017.9
At December 31, 2020				
Outstanding loans granted by us(2)	154.7	5.9	0.1	2,162.7
Outstanding loans granted to us(3)	—	—	—	—
Deposits(4)	33.4	300.1	3.3	1,913.6

(1) Excludes Mr. Sarmiento Angulo and Mr. Sarmiento Gutiérrez and their affiliates. Key management includes executive officers of Grupo Aval as well as each of the presidents of our banks at December 31, 2021, Corficolombiana, Porvenir, BHI and MFH at December 31, 2021.

(2) Figures based on disbursed loans. See "—Loans granted to related parties by our banking subsidiaries".

(3) Figures based on disbursed loans. See "—Loans granted to Grupo Aval and its subsidiaries by shareholders of Grupo Aval and their affiliates".

(4) All deposits, including time deposits and investment portfolios, of all related parties held with us are made in the ordinary course of business, held at market rates and on terms and conditions not materially different from those available to the general public.

For information on related party transactions in accordance with IFRS disclosure rules, see Note 34 to our audited consolidated financial statements. For the purposes of Note 34 to our audited consolidated financial statements, "related parties" includes entities and persons that must be identified as such pursuant to IAS 24. For the purposes of this section, and as required by SEC rules, "related parties" includes enterprises that control, or are under common control with Grupo Aval, associates, individuals owning directly or indirectly an interest in the voting power that gives them significant influence over Grupo Aval, close family members, key management personnel (including directors and senior management) and any enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any of the persons listed above. We determine beneficial ownership under SEC rules. See "—A. Major shareholders".

In the past, affiliates of Mr. Sarmiento Angulo, have obtained authorizations of Grupo Aval's Board of Directors to acquire either common or preferred shares of Grupo Aval. On November 28, 2018, Grupo Aval's Board of Directors authorized companies controlled by Mr. Sarmiento Angulo to acquire up to one hundred million common and/or preferred shares of the company in one or multiple operations, during a term of up to one year. Pursuant to such authorizations, as of December 31, 2019 through affiliate companies, Mr. Sarmiento Angulo acquired 2,724,247 common shares or Ps 3.3 billion (U.S.$1.0 million) and 1,702,800 preferred shares or Ps 1.9 billion (U.S.$0.6 million) in open market transactions. On February 12, 2020, Grupo Aval's Board of Directors authorized companies controlled by Mr. Sarmiento Angulo to acquire up to one hundred million common and/or preferred shares of the company in one or multiple operations, during a term of up to two years. Pursuant to such authorizations, as of December 31, 2021 through affiliate companies, Mr. Sarmiento Angulo acquired 1,724,001 preferred shares or Ps 1.4 billion (U.S.$0.4 million) in open market transactions.

As of April 13, 2022, Mr. Luis Carlos Sarmiento Angulo has not acquired common or preferred shares. Certain members of our Board of Directors and key management own shares of Grupo Aval which, other than in the case of Mr. Sarmiento Angulo, were acquired in the open market or in one of our public offerings and represent less than 0.1% of our total outstanding shares.

Loans granted to Grupo Aval and its subsidiaries by shareholders of Grupo Aval and their affiliates

There are no outstanding loans granted to Grupo Aval by shareholders of Grupo Aval and their respective affiliates since December 20, 2013.

Business and financial reasons for borrowing from entities affiliated with Mr. Sarmiento Angulo

In the past, we have borrowed from entities beneficially owned by Mr. Sarmiento Angulo. These loans have been entered into on an arm's-length basis with us, the holding company, at a rate substantially consistent with rates that would have been available to the holding company from other lenders at the time those borrowings were entered into. In addition to the global and local bond markets, companies affiliated with our controlling shareholder are among our funding alternatives.

Loans granted to related parties by our banking subsidiaries

Key management of Grupo Aval and our banks, and their respective affiliates, who meet our credit eligibility requirements may subscribe to loans in the ordinary course of business, on market terms and conditions available to the general public.

All outstanding loans with our related parties are made in the ordinary course of business and on terms and conditions, including interest rates and collateral, not materially different from those available to the general public and did not involve more than the normal risk of collectability or present other unfavorable features.

In connection with our Preferred Shares Local Offering, certain members of our Board of Directors and key management were granted loans by our banking subsidiaries for the purpose of acquiring Grupo Aval preferred shares. These loans were granted at market rates and on terms and conditions not materially different from those available to other purchasers of Grupo Aval shares.

Other transactions with Mr. Sarmiento Angulo and his affiliates

Beneficial ownership in our banking subsidiaries (outside of Grupo Aval)

In addition to his beneficial ownership in Grupo Aval, Mr. Sarmiento Angulo beneficially owns at April 13, 2022, 8.3% of Banco de Bogotá, 13.3% of Banco de Occidente, 15.6% of Banco AV Villas, 0.8% of Banco Popular, and 11.4% of Corficolombiana. Additionally, following our spin-off of a 75% equity interest of BHI in March 2022, as of April 13, 2022, Mr. Sarmiento Angulo continues to control BHI as the beneficial owner of (i) a 47.5% direct ownership of BHI's issued and outstanding share capital and (ii) of a 15.8% indirect ownership through his indirect control of Banco de Bogotá, which retained a 25% equity interest in BHI.

Except as stated above, Mr. Sarmiento Angulo does not have any other beneficial ownership in our banking subsidiaries. For information on the dividend history of our banking subsidiaries, see "Item 10. Additional Information—F. Dividends and paying agents—Dividend history of our banking subsidiaries".

Insurance services

Seguros de Vida Alfa S.A., or "Vida Alfa", a life insurance affiliate of Mr. Sarmiento Angulo, provides insurance required by law, as well as annuities, relating to the mandatory pension funds managed by Porvenir. The insurance provider is selected by Porvenir through a competitive bidding process once every four years. Premiums under this insurance policy are deducted by Porvenir from the individual customers' account and transferred to Vida Alfa on behalf of the individual customer.

The table below presents the insurance premiums paid for the periods indicated.

Period	**Amount** (in Ps billions)
For the year ended December 31,	
2021	1,395.8
2020	1,246.2
2019	1,254.0

Vida Alfa also provides:

- life insurance, as sole provider and as co-insurer with non-affiliated insurers (pursuant to a competitive bidding process), for individual borrowers of our banking subsidiaries to cover the risk of non-payment upon death. Premiums are paid by the borrowers; and

- labor risks insurance for employees of Grupo Aval and its subsidiaries in Colombia.

Seguros Alfa S.A., or "Alfa", a property and casualty insurance affiliate of Mr. Sarmiento Angulo, provides fire and earthquake insurance for mortgage loans granted by certain of our banks. In addition, Alfa provides surety bonds and property insurance for our subsidiaries. Our banking subsidiaries also provide insurance products affiliated with Vida Alfa and Alfa through their bancassurance lines. These transactions are conducted on an arm's-length basis in the ordinary course of business. Alfa has in the past, but not currently, provided bankers' blanket bond coverage to us and our subsidiaries, reinsured under prevailing market conditions, and surety bonds for Corficolombiana's toll road concessions.

Other

The following companies are beneficially owned by Mr. Sarmiento Angulo at December 31, 2021, and may continue to provide services to us and our subsidiaries for amounts that are immaterial: Construcciones Planificadas S.A. (office renovations), Vigía S.A. (security services), ADL Digital Lab S.A.S. (digital development) and Corporación Publicitaria (advertising). Following the spin-off of a 75% equity interest in BHI in March 2022, BHI is beneficially owned by Mr. Sarmiento Angulo.

In the past, we and some of our subsidiaries have entered into operations with BHI and its subsidiaries in the ordinary course of business. Most recently, in 2020, through Resolution No. 208-20 of May 14, 2020 issued by the Superintendency of the Securities Market of the Republic of Panama, BAC International Bank, Inc. issued perpetual subordinated corporate bonds convertible into common shares for a nominal value of U.S.$700.0 million. The bonds bear an interest rate of 10% payable quarterly unless the issuer exercises its right not to pay interest. The bonds were acquired by Grupo Aval Limited, a wholly-owned subsidiary of Grupo Aval, and as of December 31, 2021, the outstanding balance of the bonds was U.S.$520.0 million.

C. Interests of experts and counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated statements and other financial information

Financial statements

See "Item 18. Financial Statements", which contains our audited consolidated financial statements prepared in accordance with IFRS.

Legal proceedings

We, our banking subsidiaries, Corficolombiana, Porvenir and our other subsidiaries are party to lawsuits and administrative proceedings incidental to the normal course of our business.

We record contingency provisions when the risk of loss is probable, in which case, we would consider settling. In cases where we litigate a claim, we record a provision for our estimate of the probable loss based on historical data for similar claims. As of December 31, 2021 and 2020, we and our banking subsidiaries had recorded consolidated provisions relating to administrative fines, indemnifications and legal proceedings for a total amount of Ps 247.5 billion and Ps 241.8 billion, respectively. These figures are presented before minority interest and thus do not reflect their potential impact on Grupo Aval's net income attributable to owners of the parent.

Other litigation

On December 21, 2016, the United States Department of Justice announced that Odebrecht S.A., a global construction conglomerate based in Brazil, pled guilty and agreed to pay a monetary penalty to resolve charges with authorities in the United States, Brazil and Switzerland arising out of their schemes to pay approximately U.S.$800 million in bribes to Government officials in twelve countries around the world, including U.S.$11.5 million in Colombia, where the company admitted to offering bribes in order to obtain and amend infrastructure contracts, including the toll road concession *Ruta del Sol Sector 2* awarded to the Concessionaire in 2009. Episol, a wholly-owned subsidiary of Corficolombiana, is a minority (33%) non-controlling shareholder in the Concessionaire and Odebrecht is the majority controlling and operating shareholder with a participation of 62%. A third shareholder, CSS Constructores S.A., participates with 5%.

Following the public announcement made by the United States Department of Justice relating to Odebrecht's admission of bribery, the Fiscalía initiated an investigation on December 22, 2016 establishing that Odebrecht effected payments directly from its Brazilian headquarters through its "division of structured operations" to obtain Government contracts in Colombia, including: (i) a payment in the amount of U.S.$6.5 million to Gabriel García Morales, Vice Minister of Transportation and acting manager of the INCO (a Government agency later replaced by the ANI), in order to award toll road concession *Ruta del Sol Sector 2* in December 2009 and, (ii) a payment in the amount of U.S.$4.6 million to former congressman Otto Nicolas Bula Bula for the adjudication of the Ocaña-Gamarra tranche that was added to toll road concession *Ruta del Sol Sector 2* through Amendment N° 6, executed on March 14, 2014 by the director of the National Infrastructure Agency, Luis Fernando Andrade.

Additional investigations and proceedings relating to *Ruta del Sol Sector 2* and relating to admissions made by Odebrecht and public servants were initiated by other judicial, arbitral and administrative authorities such as the *Tribunal Administrativo de Cundinamarca*, arbitral proceedings before the Chamber of Commerce of Bogotá, the Superintendency of Industry and Commerce, the Superintendency of Corporations, the Superintendency of Transportation and the *Procuraduría General de la Nación* (the country's general prosecutor of public servants, or the "PGN"). Grupo Aval, Corficolombiana and Episol and members of its management, were included or have voluntarily intervened in some of these investigations and proceedings and there can be no assurance that Grupo Aval or any of its subsidiaries and employees will not be included in future additional proceedings or voluntarily participate in such or other future additional proceedings to defend its rights and interests. For further information see Note 27 of our audited financial statements.

We, our banking subsidiaries, Corficolombiana, Porvenir, BAC, and our other subsidiaries are, from time to time, subject to claims and parties to legal proceedings incidental to the normal course of our business, including in connection with our lending activities, employees, taxation matters and other general commercial matters. Due to the inherent difficulty of predicting the outcome of legal disputes, we cannot predict the eventual outcome of these pending matters, the timing of the ultimate resolution of these matters or the eventual loss, fines or penalties related to each pending matter may be. We believe that we have recorded adequate provisions for the anticipated costs in connection with these claims and legal proceedings and believe that liabilities related to such claims and proceedings should not, taken together, have a material adverse effect on our business, financial conditions, or results of operations. However, in light of the uncertainties involved in such claims and proceedings, the ultimate resolution of these matters may exceed the provisions that we have currently recorded. As a result, the outcome of a particular matter could be material to our operating results for a particular period.

B. Significant changes

On September 15, 2021, Grupo Aval informed that BHI (formerly LB Panamá) intended to submit a request to the SFC to register its shares with the RNVE in order to list them on the BVC. A request for authorization was also submitted to the SFC to spin-off MFG from BHI to its parent, Banco de Bogotá. The requests were part of a series of transactions by means of which Banco de Bogotá spun-off 75% of its equity interest in BHI to Banco de Bogotá's shareholders, including Grupo Aval, and Grupo Aval spun-off shares of BHI it received from Banco de Bogotá to its own shareholders (the "Transaction"). The SFC granted its authorization to the partial spin-off requested by Banco de Bogotá on December 21, 2021. The General Meeting of Bondholders (of ordinary bonds issued on the Colombian market), held on December 28, 2021, approved the Transaction presented to and approved by the General Meeting of Shareholders on an Extraordinary Shareholders' Meeting on February 4, 2022. On March 16, 2022, the SFC granted all pending approvals needed to execute the transaction.

On the same date, Grupo Aval and Banco de Bogotá requested to the SFC the trading suspension of their respective stocks between March 22 and March 29 to complete the transaction. The transaction was completed on March 28, 2022.

ITEM 9. THE OFFER AND LISTING

A. Offering and listing details

Not applicable.

B. Plan of distribution

Not applicable.

C. Markets

Market price and volume information

Trading history of our ADSs

On September 23, 2014, we completed a SEC-registered initial public offering in the United States. We raised Ps 2.6 trillion (U.S.$1.3 billion) in gross proceeds. Our ADSs began to trade on the New York Stock Exchange, or NYSE, under the symbol "AVAL" on September 23, 2014. Each ADS represents 20 preferred shares.

Trading history of our common and preferred shares

In 1999, we conducted our initial public equity offering in Colombia and listed our common shares on the Colombian Stock Exchange under the ticker symbol "GRUPOAVAL", raising Ps 62.5 billion (U.S.$35.3 million) in gross proceeds. Grupo Aval's initial public offering was the first large-scale equity offering of a Colombian company to the general public, which allowed several thousand investors to become our shareholders. In 2007, we conducted our second public offering of common shares pursuant to a preemptive rights offering in Colombia, raising Ps 372.0 billion (U.S.$210.4 million) in gross proceeds.

Our preferred shares have been listed since February 1, 2011 on the Colombian Stock Exchange under the symbol "PFAVAL". We registered our preferred shares with the SEC and concluded our first offering of our preferred shares pursuant to a preemptive rights offering in Colombia, raising Ps 2.1 trillion (U.S.$1.1 billion) in gross proceeds. On January 17, 2014, we completed our third public offering of common shares pursuant to a preemptive rights offering, or the "Common Share Rights Offering", raising Ps 2.4 trillion (U.S.$1.3 billion).

Trading on the Colombian Stock Exchange

The Colombian Stock Exchange is the sole trading market for our common and preferred shares. There are no official market makers or independent specialists on the Colombian Stock Exchange to assure market liquidity and, therefore, orders to buy or sell in excess of corresponding orders to sell or buy will not be executed. The aggregate equity market capitalization of the 79 companies listed on the Colombian Stock Exchange at April 13, 2022 was Ps 436.6 trillion.

Regulation of Colombian Securities Markets

Colombian securities markets are subject to the supervision and regulation of the Superintendency of Finance, which was created in 2005 following the merger of the Superintendency of Banking and the Superintendency of Securities. The Superintendency of Finance is an independent regulatory entity ascribed to the Ministry of Finance. The Superintendency of Finance has the authority to inspect, supervise and control the financial, insurance and securities exchange sectors and any other activities related to the investment or management of public savings. Accordingly, we are subject to the control of the Superintendency of Finance as an issuer of securities, and our subsidiaries are subject to its control, supervision and regulation as financial institutions and issuers of securities. See "Item 4. Information on the Company—B. Business Overview—Supervision and regulation—Colombian banking regulators—Ministry of Finance" and "—Superintendency of Finance".

Registration of the ADR Program and Investment in Our ADSs by Non-Residents of Colombia

The International Investment Statute of Colombia as provided by Decree 1068 of 2015, as amended, regulates the manner in which foreign investors may participate in the Colombian securities markets and undertake other types of investment, prescribes registration with the

Colombian Central Bank of certain foreign exchange transactions and specifies procedures under which certain types of foreign investments are to be authorized and administered.

The International Investment Statute provides specific procedures for the registration of ADR programs as a form of foreign portfolio investment, which is required for the acquisition of the preferred shares to be offered in the form of ADSs. In addition, a holder of our ADSs or preferred shares may under certain circumstances be required to comply directly with certain registration and other requirements under the foreign investment regulations. Under these regulations, the failure of a non-resident investor to report or register foreign exchange transactions relating to investments in Colombia with the Colombian Central Bank on a timely basis may prevent the investor from obtaining remittance payments, including for the payment of dividends, and constitute an exchange control violation and/or result in a fine.

Each individual investor who deposits preferred shares into the ADR facility in exchange for our ADSs (other than in connection with this offering) will be required, as a condition to acceptance by Fiduciaria Bogotá S.A., or "Fidubogotá", as custodian of such deposit, to provide or cause to be provided certain information to Fidubogotá and/or the Depositary to enable it to comply with the registration requirements under the foreign investment regulations relating to foreign exchange. A holder of ADSs who withdraws preferred shares from the ADS deposit facility under certain circumstances may be required to comply directly with certain registration and other requirements under the foreign investment regulations. Under these regulations, the failure of a non-resident investor to report or register foreign exchange transactions relating to investments in Colombia with the Central Bank on a timely basis may prevent the investor from obtaining remittance payments, including for the payment of dividends, constitute an exchange control violation and/or result in a fine.

Under Colombian law, foreign investors receive the same treatment as Colombian citizens with respect to the ownership and voting of our ADSs and preferred shares. See "Item 3. Key Information—D. Risk factors—Risks relating to our businesses and industry—Risks relating to our preferred shares and ADSs" and "Item 4. Information on the Company—B. Business overview—Supervision and regulation—Restrictions on foreign investment in Colombia".

D. Selling shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share capital

Not applicable.

B. Memorandum and articles of association

The following is a summary of certain significant provisions of our by-laws, Colombian corporate law, the rules and regulations of the Superintendency of Finance and the Listing Rules of the Colombian Stock Exchange that pertain to our capital, management, periodical and occasional disclosures, as well as other corporate issues applicable to us. The description below includes the material provisions of our by-laws and Colombian corporate law. In Colombia, by-laws are the principal governing document of a corporation.

Our by-laws provide for an authorized share capital of 120,000,000,000 shares of par value of Ps 1.00 each, which may be either of two classes: common shares or shares with a preferred dividend, liquidation preference and no voting. At April 13, 2022, we had 15,122,739,992 common shares outstanding, and 7,158,277,167 preferred shares outstanding.

Our by-laws also provide for the conversion of common shares into preferred shares only when such conversion is approved or authorized at a general shareholders' meeting. A shareholders' meeting must define, in each case, the procedure to be followed for such conversion and must determine, among other matters, the maximum number or percentage of shares that may be converted. The shareholders' meeting may also authorize the board of directors or the President of our Company to approve the agreements, forms and other documents to be executed in order to give effect to a conversion.

Our shareholders' meeting held on December 7, 2010, determined that outstanding common shares may be converted into preferred shares on a 1-to-1 basis. Conversion of common shares into preferred shares may only be made once a month, provided that, as required by Colombian law and in accordance with our by-laws, our preferred shares shall not exceed 50% of our subscribed capital.

For a description of offerings of our shares see "Item 4. Information on the Company—A. History and development of the company—Our history".

Voting Rights

Common Shares

The holders of common shares are entitled to vote on the basis of one vote per share on any matter subject to approval at a general shareholders' meeting according to articles 14 through 19 of the by-laws, as amended from time to time. These general meetings may be ordinary meetings or extraordinary meetings. Ordinary general shareholders' meetings occur once a year, no later than the last business day of March, for the following purposes:

- to review the general situation of the Company;
- to determine the general economic policy of the Company;
- to consider the approval of our report for the preceding year ending on December 31, as applicable, including the financial statements for the above-mentioned term;
- to review the report prepared by the external auditor for the preceding year ending on December 31;
- to elect directors and the external auditor (on an annual basis);
- to determine the compensation of the members of the board of directors and the external auditor (on an annual basis); and
- to determine the dividend to be distributed and the allocation of profits, if any, of the preceding year ending on December 31, as well as any retained earnings from twelve months.

Pursuant to Law 964 of 2005, at least 25% of the members of our board of directors must be independent within the meaning of Colombian rules. A person who is an "independent director" is understood to mean a director who is not:

- an employee or executive officer of the issuer or any of its parent or subsidiary companies, including any person acting in such capacity during the year immediately preceding that in which they were appointed to the board, except in the case of an independent member of the board of directors being re-elected;
- a shareholder, who either directly or by virtue of an agreement directs, guides or controls the majority of the entity's voting rights or who determines the majority composition of the administrative, directing or controlling bodies of this same entity;
- a partner or employee of any association or firm that provides advisory or consultancy services to the issuer or to companies belonging to the same economic group to which such issuer belongs, in the event that income obtained from such services represent for said association or firm at least twenty percent (20.0%) of its total operating income;
- an employee or executive officer of a foundation, association, partnership or corporation that receives significant donations from the issuer. The term "significant donations" is quantified as twenty percent (20.0%) or more of the total amount of donations received by the respective institution;
- an administrator of any entity on whose board of directors a legal representative of the issuer participates; or
- a board member who receives from the issuer any kind of remuneration other than fees as a member of the board of directors, member of the audit committee or any other committee established by the board of directors.

Pursuant to Decree 3923 of 2006, the election of independent directors must be in a ballot separate from the ballot to elect the rest of the directors, unless the reaching of the minimum number of independent directors required by law or by the by-laws is assured, or when there is only one list that includes the minimum number of independent directors required by law or by the by-laws.

Both elections are made under a proportional representation voting system named electoral quotient "*cociente electoral*" (except for the elections unanimously approved by the general shareholders' meeting). Under that system:

- each holder of common shares is entitled at the annual general shareholders' meeting to nominate candidates for the election of directors;

- each nomination of one or more directors by a shareholder constitutes a list for the purposes of the election;

- each list of nominees must contain a hierarchy as to the order of preference for nominees in that list to be elected;

- once all lists have been nominated, holders of common shares may cast one vote for each common share held in favor of a particular list of nominees. Votes may not be cast for particular nominees in a list; they may be cast only for the entire list;

- the total number of votes cast in the election is divided by the number of directors to be elected. The resulting quotient is the quota of votes necessary to elect particular directors. For each time that the number of votes cast for a list of nominees is divisible by the quota of votes, one nominee from that list is elected, in the order of the hierarchy of that list; and

- when no list has enough remaining votes to satisfy the quota of votes necessary to elect a director, any remaining board seat or seats are filled by electing the highest remaining nominee from the list with the highest number of remaining votes cast until all available seats have been filled.

There is no maximum age limit requirement for the election or retirement of directors. No minimum number of shares is required for a director's qualification. Directors may be removed by shareholders entitled to vote prior to the expiration of their term.

Extraordinary general shareholders' meetings may take place when duly called for a specified purpose or purposes, or, without prior notice, when holders representing all outstanding shares entitled to vote on the issues presented are present at the meeting. Extraordinary meetings of shareholders may be called by our president, our board of directors or the certified public accountant, directly or by request of a plural number of shareholders representing no less than 25.0% of the company's common voting shares, in which case an announcement must be made by the board of directors, the legal representative or the certified public accountant. In addition, meetings may be called by the Superintendency of Finance, directly or by request of shareholders holding at least 15.0% of the common voting shares. Notice of extraordinary meetings should be given at least five days in advance.

Quorum for ordinary and extraordinary general shareholders' meetings to be convened at first call requires the presence of multiple shareholders who represent at least 50.0% plus one of the outstanding shares entitled to vote at the relevant meeting. If no quorum is present for a general shareholders' meeting, a subsequent meeting may be called within 10 to 30 business days at which the presence of two or more shareholders entitled to vote at the relevant meeting constitutes quorum, regardless of the number of shares represented.

Notice of ordinary general meetings must be published in one newspaper of wide circulation, at least 15 business days prior to the proposed date of a general shareholders' meeting. Notice of extraordinary general meetings, listing the matters to be addressed at such meetings, must be published in one newspaper of wide circulation, at least five calendar days prior to the proposed date of an extraordinary general shareholders' meeting.

Except where Colombian law requires a supermajority, decisions made at a shareholders' meeting must be approved by a majority of the shares present. Pursuant to Colombian law and/or our by-laws, special-majorities are required in the following cases:

- the vote of at least 70.0% of the shares present and entitled to vote at a shareholders' meeting is required to approve the issuance of common shares not subject to preemptive rights;

- the Company must distribute (i) at least 50.0% of the annual's net profits according to Article 155 of the Colombian Code of Commerce, or (ii) at least 70.0% of the annual's net profits if the total amount segregated in the legal, statutory and other reserves exceeds the Company's outstanding capital, according to Article 454 of the Colombian Code of Commerce; however, the vote of at least 78.0% of the shares represented and entitled to vote may approve the distribution of a lower percentage of dividends;

- the vote of at least 80.0% of the shares present and entitled to vote is required to approve the payment of dividends in shares; however, according to Law 222 of 1995, if a "situation of control" exists, whereby the decision-making power is subject to the will of a person or group of persons, a company may only pay dividends by issuing shares, to the shareholders that so accept;

- unanimity is required to replace a vacancy on the board of directors without applying the electoral quotient system described above; and

- the vote of 70.0% of the issued and outstanding common shares and 70.0% of the outstanding and issued preferred shares is required to approve any amendment that may impair the rights of the preferred shares.

The adoption by a shareholders' meeting of certain corporate actions such as mergers, spin-offs, and share conversions are also subject to authorization by the Superintendency of Finance.

Preferred Shares

The holders of preferred shares are not entitled to receive notice of, attend or vote at any general shareholders' meeting of holders of common shares, except as described below.

The holders of preferred shares will be entitled to vote on the basis of one vote per share at any shareholders' meeting, whenever a shareholder vote is required on the following matters:

- in the event that amendments to our by-laws may impair the conditions or rights assigned to such preferred shares and when the conversion of such shares into common shares is to be approved. In both such cases, the vote of 70.0% of the outstanding and issued common shares and preferred shares is required; and

- if at the end of any accounting period, our profits are not sufficient to pay the minimum dividend on the preferred shares and the Superintendency of Finance, by its own decision or upon request of holders of at least 10.0% of preferred shares, determines that benefits were concealed or shareholders were misled with regard to benefits thereby decreasing the profits to be distributed, the Superintendency of Finance may resolve that holders of preferred shares should participate with deliberation and voting rights at the general shareholders' meeting, in the terms established by law.

We must issue a notice of any meeting at which holders of preferred shares are entitled to vote. The notice must be published in a newspaper of wide circulation. Depending on the matters to be subjects of the shareholders meeting, notice to preferred shareholders must be delivered at least 15 business days prior to the ordinary meeting or 5 calendar days before the extraordinary meetings. Each notice must contain the following:

- the date of the meeting;

- a description of any resolution to be proposed for adoption at the meeting on which the holders of preferred shares are entitled to vote; and

- instructions for the delivery of proxies.

Redemption

All shareholders (whether holders of common or preferred shares) have, at their option, a redemption right in the following cases:

- if, as a result of a merger, transformation or spin-off of the Company, (a) the shareholders must assume a higher level of liability (i.e., by transforming a corporation into a partnership), or (b) the economic rights of the shareholders are impaired. In these events, the shareholders that were not present at the meeting in which the decision was taken or voted against it, these may exercise the redemption right.

Pursuant to Colombian Law (Article 12 of Law 222 of 1995), the economic rights of shareholders are deemed to be impaired if:

- their ownership percentage is reduced as a result of the merger, transformation or spin-off of the Company;

- the equity value or the par value of the shares is reduced (in the latter case, only to the extent that the reduction of the par value implies a decrease in the Company's stock capital); and

- the negotiability of the shares is restricted or diminished.

- If the Company decides to withdraw the listing of its shares from a stock exchange or its registration before the National Registry of Shares and Issuers.

The exercise of this right is regulated by Articles 15 and 16 of Law 222 of 1995. According to Article 15, within five days following notice of the exercise of this right by a shareholder, the Company must offer to the other shareholders the shares owned by the exercising shareholder. Within the following 15 days, the other shareholders may acquire the shares on a pro rata basis. If all or a part of the shares are not acquired by the other shareholders, then the Company must reacquire them to the extent there are profits or reserves built up by the Company for those purposes. If neither the shareholders nor the Company acquires all of the shares owned by the exercising shareholder, then pursuant to Article 16 of Law 222 of 1995, such exercising shareholder is entitled to the reimbursement of the capital contributions made to the Company.

In both cases, the redemption price of the shares will be established by the agreement of seller and buyer. In the absence of such agreement, the redemption price will be determined by an expert appraiser. Notwithstanding the above, the by-laws may establish other methods for determining the redemption price to be paid in the foregoing circumstances. Our current by-laws do not contemplate such other methods.

Dividends

Common Shares

Following the approval of the financial statements at a general shareholders' meeting, shareholders may determine the allocation of distributable profits, if any, of the preceding accounting period by a resolution approved by the majority of the holders of common shares present at the ordinary general shareholders' meeting, pursuant to the recommendation of the board of directors and management.

Under the Colombian Code of Commerce, a company must, after payment of income taxes and appropriation of legal reserves, and after off-setting losses from prior periods distribute at least 50.0% of net profits to all shareholders, payable in cash, or as determined by the shareholders, within a period of one year following the date on which the shareholders determine the payment of dividends. If the total amount segregated in the legal, statutory and occasional reserves of a company exceeds its outstanding capital, this percentage is increased to 70.0%. The minimum common shares dividend payment requirement of 50.0% or 70.0%, as the case may be, may be waived by a favorable vote of the holders of 78.0% of a company's common shares present at the meeting, in which case the shareholders may distribute any percentage of the net profits. The dividends may be paid in shares if such proposal is approved by representatives of eighty (80%) of the shares present at the meeting.

Under Colombian law and our by-laws, net profits obtained in each accounting period are to be allocated as follows:

- first, an amount equivalent to 10.0% of net profits is segregated to build a legal reserve, until that reserve is equal to at least 50.0% of our subscribed capital;

- second, payment of the minimum dividend on the preferred shares; and

- third, allocation of the balance of the net profits is determined by the holders of a majority of the common shares entitled to vote on the recommendation of the board of directors and the president and may, subject to further reserves required by the by-laws, be distributed as dividends.

Under Colombian law, the dividends payable to the holders of common shares, for each common share, cannot exceed the dividends per share payable to holders of the preferred shares, for each preferred share. All common shares that are fully paid-in and outstanding at the time a dividend or other distribution is declared are entitled to share equally in that dividend or other distribution. Common shares that are only partially paid-in participate in a dividend or distribution in the same proportion as the shares have been paid in at the time of the dividend or distribution.

The general shareholders' meeting may allocate a portion of the profits to, among others, welfare, education or civic services.

Preferred Shares

Holders of preferred shares are entitled to receive a minimum dividend after deducting losses affecting the capital, and deducting any amounts set aside for legal reserve, but before creating or accruing for any other reserve and before any declared dividends are paid to holders of common shares, so long as dividends have been approved by the shareholders' meeting of Grupo Aval. Dividends to holders of common and preferred shares must be approved by the shareholders. If no dividends are declared, no holder of Grupo Aval's preferred or common shares will be entitled to payment. Pursuant to the offering memorandum of the preferred shares, the minimum dividend will be equal to Ps 1.00 in each calendar semester, so long as this value is higher than the dividend paid to the holders of common shares. If the minimum preferred dividend is not equal or higher than the per share dividend on the common shares, the minimum dividend will be equal to the dividend paid to the holders of common shares, if any. So long as the dividend declared is equal to or in excess of the aforementioned minimum, the same dividend must be paid on both the common and the preferred shares.

Payment of the preferred dividend shall be made at the time and in the manner established in the general shareholders' meeting and with the priority indicated by Colombian law.

Grupo Aval is under a "situation of control" (whereby the decision-making power is subject to the will of a person or group of persons). As a result, the Company may only pay stock dividends to the shareholders that so accepts it. Those shareholders that do not accept to receive a stock dividend, are entitled to receive their dividend in cash.

For additional information regarding dividends, see "—F. Dividends and paying agents—Dividend policy of Grupo Aval".

General Aspects Involving Dividends

The dividend periods may be different from the periods covered by the balance sheet. In the general shareholders' meeting, shareholders will determine such dividend periods, the effective date, and the method and the place for payment of dividends.

Dividends declared on the common shares and the preferred shares will be payable to the record holders of those shares, as they are recorded on our share registry, on the appropriate dates as determined in the general shareholders' meeting. However, in accordance with Decree 4766 of December 14, 2011 (which amended articles 2.23.1.1.4 and 2.23.1.1.5 of Decree 2555 of 2010), issued by the Ministry of Finance:

- companies whose shares are registered with the National Registry of Shares and Issuers must establish a period of at least three trading days between the date that they receive approval to distribute profits from the General Shareholders Assembly and the date of payment; and

- the ex-dividend period (*fecha ex-dividendo*) is the period during which it is understood that a purchase of shares does not include the right to receive dividends. The ex-dividend date shall be set forth by stock exchanges, and it cannot be less than two trading days. According to Colombian Stock Exchange regulations, a transaction is "ex-dividend" if it takes place between the first day of dividend payment and the four trading days preceding that date.

Liquidation Rights

We will be dissolved if certain events take place, including the following:

- Pursuant to our by-laws, unless otherwise extended by the shareholders, our term of existence will expire at May 25, 2044;

- losses cause the decrease of our shareholders' equity below 50% of the amount of outstanding share capital, unless one or more of the corrective measures described in the Colombian Code of Commerce are adopted by the shareholders within six months;

- by decision at the general shareholders' meeting; and

- in certain other events expressly provided by law and in the by-laws.

Upon dissolution, a liquidator must be appointed by a general meeting of the shareholders to wind up the affairs of our company.

Upon liquidation, and out of the surplus assets available for distribution to shareholders, holders of fully paid preferred shares are entitled to a preference in the reimbursement of the portion of their contribution ("*aporte*" as provided by Article 63 of Law 222 of 1995) to Grupo Aval attributable to the nominal value of the outstanding preferred shares (i.e., Ps.1.00 per share). This reimbursement, if any, is payable in pesos before any distribution or payment may be made to holders of common shares. If, upon any liquidation, assets that are available for distribution among the holders of preferred shares are insufficient to pay in full their respective liquidation preferences, such assets will be distributed among those holders pro rata.

Subject to the preferential liquidation rights of holders of preferred shares, and provided there are still sufficient assets remaining, all fully paid common shares will be entitled to participate in any distribution upon liquidation. Partially paid common shares must participate in a distribution upon liquidation in the same proportion that those shares have been paid at the time of the distribution.

To the extent there are surplus assets available for distribution after full payment to the holders of preferred and common shares of their contribution to Grupo Aval, the surplus assets will be distributed among all holders of shares of share capital (common or preferred), pro rata, in accordance with their respective holdings of shares.

Preemptive Rights and Other Anti-Dilution Provisions

Pursuant to the Colombian Code of Commerce, we are allowed to have an outstanding amount of share capital that is less than the authorized share capital set out in our by-laws. Under our by-laws, the holders of common shares determine the amount of authorized share capital, and our board of directors has the power to (1) order the issuance and regulate the terms of subscription of common shares up to the total amount of authorized share capital, and (2) regulate the issuance of preferred shares, when expressly delegated at the general shareholders' meeting. The issuance of preferred shares must be approved by the general shareholders' meeting, which shall determine the nature and extent of any rights, according to our by-laws and Colombian law.

At the time of incorporation of a Colombian company, its outstanding share capital must represent at least 50% of the authorized capital. Any increases in the authorized share capital or decreases in the outstanding share capital must be approved by the majority of shareholders required to approve a general amendment to the by-laws.

Colombian law requires that, whenever we issue new common shares, we must offer to the holders of common shares the right to subscribe a number of common shares sufficient to maintain their existing ownership percentage of the aggregate share capital. These rights are preemptive rights. On the other hand, holders of preferred shares are entitled to preemptive rights only in the specific situations that the shareholders' meeting so decides. See "Item 3. Key Information—D. Risk factors—Risks relating to our businesses and industry—Risks relating to our preferred shares and ADSs."

Common shareholders at a general shareholders' meeting may waive preemptive rights of common shares with respect to a particular capital increase by the favorable vote of at least 70.0% of the shares represented at the meeting. Preemptive rights must be exercised within the period stated in the share placement terms of the increase, which cannot be less than 15 business days following the publication of the notice of the public offer of that capital increase. From the date of the notice of the share placement terms, preemptive rights may be transferred separately from the corresponding shares.

The Superintendency of Finance will authorize a decrease in the outstanding share capital approved by the holders of common shares only if:

- we have no outstanding liabilities;
- our creditors consent in writing; or
- the outstanding share capital remaining after the reduction represents at least twice the amount of our liabilities.

Restrictions on Purchases and Sales of Share Capital by Related Parties

Pursuant to the Colombian Code of Commerce, the members of our board of directors and certain of our principal executive officers may not, directly or indirectly, buy or sell shares of our share capital while they hold their positions, unless they obtain the prior approval of the board of directors passed with the vote of two-thirds of its members (excluding, in the case of transactions by a director, such director's vote). Furthermore, pursuant to Article 262 of the Colombian Code of Commerce, Grupo Aval's subsidiaries are prohibited from owning (directly or indirectly) shares of Grupo Aval.

In addition, as our shares are publicly traded on the Colombian Stock Exchange, the transfer of the shares is subject to the applicable securities regulation and the rules of the Colombian Stock Exchange.

Pursuant to Article 23 of Law 222 of 1995, the members of our board of directors and our legal representatives generally must perform their duties according to the principles of good faith, due diligence and loyalty. In particular, the directors and legal representatives must refrain from entering into any transaction (including any sale and purchase of shares) which may imply competition with the Company or a conflict of interest, unless they obtain the prior approval of the General Shareholders Meeting, which, in any case, shall only be granted if the respective transaction does not harm the Company's interests. The Company, in the ordinary course of its business, may enter into transactions with its directors.

Under the Company's by-laws, directors have no power to vote on compensation to themselves or any members of the board of directors. This task is specifically assigned to the shareholders entitled to vote.

Transfer and Registration of Shares

Grupo Aval's common and preferred shares are listed on the Colombian Stock Exchange. According to Colombian regulations, shares listed on a stock exchange must be sold and transferred only through such exchange, unless such shares were issued outside Colombia and are transferred outside Colombia, or unless the share purchase transaction amounts to a value that is lower than the regulatory threshold of 66,000 UVRs, as required by Article 6.15.1.1.2 of Decree 2555 of 2010. In addition, among others, the following transactions are not required to be undertaken through the relevant stock exchange:

- transfers between shareholders with the same beneficial owner;

- transfers of shares owned by financial institutions that are being liquidated under the control and supervision of the Superintendency of Finance;

- issuer repurchases;

- transfers by the State; and

- any other transactions as may be authorized by the Superintendency of Finance.

Under Colombian law, shares may be traded either in physical form or electronic form. Transfers of shares are subject to a registry system which differs depending on whether the shares are evidenced in electronic form or physical form. Transfers of shares evidenced by electronic certificates must first be registered with a securities central depositary through a stockbroker. The main purpose of the securities central depositary is to receive, safe keep and manage securities certificates issued by corporations in order to keep a record of the transactions undertaken over such securities, including transfers, pledges and withdrawals. Accordingly, they are not allowed to hold, invest or otherwise use the securities held under their custody.

Transfer of shares evidenced by electronic or physical certificates, as the case may be, must be registered on the company's share ledger. Only those holders registered on the share ledger are recognized as shareholders. Registration requires endorsement of the certificates or a written instruction from the holder. In the case of electronic certificates, the securities central depositary notifies us regarding the transfer of shares after registering it in its system.

All of our shares are currently deposited with the securities central depositary (Deceval).

C. Material contracts

On September 26, 2012, we entered into an indenture in connection with our issuance of U.S.$1.0 billion (Ps 1,795.7 billion at the date of the issuance) of 4.75% Senior Notes due 2022. The indenture was among us, as guarantor, Grupo Aval Limited, as Issuer, Deutsche Bank Trust Company Americas, as Trustee, Registrar, Paying Agent and Transfer Agent and Deutsche Bank Luxembourg S.A., as Luxembourg Paying Agent and Transfer Agent.

On February 4, 2020, we entered into an indenture in connection with our issuance of U.S.$1.0 billion (Ps 3,401.6 billion at the date of the issuance) of 4.375% Senior Notes due 2030. The indenture was among us, as guarantor, Grupo Aval Limited, as Issuer, Deutsche Bank Trust Company Americas, as Trustee, Registrar, Paying Agent and Transfer Agent.

D. Exchange controls

Restrictions on Foreign Investment in Colombia

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

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

E. Taxation

The following summary contains a description of certain Colombian and U.S. federal income tax considerations in connection with ownership and disposition of ADSs and preferred shares, but it does not purport to be a comprehensive description of all of the Colombian and United States tax considerations. The summary is based upon the tax laws of Colombia and regulations thereunder and on the tax laws of the United States and regulations thereunder as of date hereof, which are subject to change. A change in such laws and regulations could apply retroactively and could affect the validity of this summary.

Colombian Tax Considerations

For Colombian tax purposes, the residence status is triggered depending on the type of individual as follows:

- *Aliens*: Residence is established by the continuous or discontinuous presence in the country for more than 183 days including entry and exit days, within any period of 365 consecutive calendar days. For this purpose, when the continuous or discontinuous presence in the country takes place in more than one taxable year, the person would be considered as a Colombian resident for the second taxable year.

- *Diplomatic employees of the Colombian State and their companions*: These persons are totally or partially exempted from income tax or capital gains tax in the country in which they are performing their work, according to the Vienna Conventions on Diplomatic and Consular Relations.

- *Colombian Nationals*:

  Individuals:

  An individual can be considered a tax resident under different circumstances, one of them implies the permanence in Colombian territory either continuously or discontinuously - considering entry and leaving days- for 183 days in a given 365-day period. If the 365-day period covers more than one taxable year, the individual will be deemed as a taxpayer for the second year

  However, domestic tax law also deems as a tax residents those individuals who hold the Colombian nationality and fulfill at least one of the following requirements in the corresponding taxable year: (i) the individual’s spouse or permanent companion or dependent children are Colombian tax residents in the corresponding tax year; or, (ii) 50% or more of the income is considered to be Colombian-source income; or, (iii) 50% or more of their assets are managed within Colombia; or, (iv) 50% or more of their assets are deemed to be possessed in Colombia; or, (v) if once required by the Tax Authorities, the Colombian national fails to demonstrate that the tax residence is held abroad or, (vi) the tax residence is held in a tax haven as defined by the Colombian Government.

  Legal entities:

  For Colombian tax purposes, a legal entity is considered a tax resident generally when its place of effective management is located in Colombia during the relevant taxable year. In addition, a Legal Entity incorporated under the laws of Colombia or whose principal place of business is located in Colombia, is also considered a Colombian resident.

Pursuant to the Colombian Tax Code, resident individuals and Colombian entities are subject to tax over their worldwide income, while non-resident individuals and foreign entities are only taxed on their Colombian-source income. Foreign entities with permanent establishments or branches in Colombia are subject to taxation over the worldwide income which is attributable to the branch or permanent establishment.

Colombian Tax Law includes a definition of permanent establishment for foreign entities or individuals that is applicable when the entity or individual trigger the events that are described in Article 20-1 of the Colombian Tax Code. In this case, as stated before, the permanent establishment is considered a Colombian taxpayer in regard to its attributable worldwide income.

Taxation of Dividends

As a general rule, dividends distributed out of profits that were not subject to tax at the level of a Colombian entity (e.g., because there was an application of the tax benefit, book to tax difference, Net Operating Losses –NOLs– amortization, etc.), will be subject to the corresponding Income Tax rate applicable in the year in which the dividends are paid or registered as being payable to the shareholder. In this case, the Colombian entity must apply a withholding income tax that could be credited by the shareholder against its income tax liability. The applicable withholding tax rate for taxable period 2021 is 31% and 30% for taxable period 2020. Furthermore, with the upcoming Tax Reform, it is possible that the withholding tax rate for 2021 is maintained at 31%.

However, Colombian tax legal frameworks provide a special tax to dividends paid as of January 1, 2020. This special tax will be collected by the entity, which oversees the distribution of dividends, therefore, in the case of a distribution to foreign legal entities, non-resident individuals or resident individuals a withholding tax at a rate of 10% regarding the payment or book entry will be applied.

Before applying the previously mentioned tax rate, it will be necessary to consider the following scenarios:

- Dividends which were levied at a corporate level**:** In accordance with current regulations, dividends which have been taxed at a corporate level will be levied at a rate of 7.5% in the case the distribution is between Colombian entities and 10% if the beneficiary is a foreign entity, non-resident individual or resident individuals. This rate should be applied on the total value distributed.

- Dividends which have not been levied at a corporate level: On the other hand, in cases where the dividends subject to distribution have not been taxed at a corporate level, they should first be taxed at the general income tax rate-32% for taxable period 2020; and subsequently a 7.5% or 10% rate for tax on dividends should be applied depending on the scenario under analysis.

In addition, Article 246-1 of the CTC incorporated a transitional regime for the tax on dividends, according to which the tax will only be applicable to dividends distributed from profits generated as of the year 2017. Therefore, the treatment of dividends charged against profits generated in the years 2017, 2018, and 2019 that are declared as enforceable as of the year 2020, will have to comply with the provisions of Law 2010 of 2019 (dividend rate – 10%).

If the profits were generated until December 31, 2016 and declared as due from the year 2020, the provisions of the current regulations will be applicable to the generation of such profits, although, without being subject to the special dividend rate. The aforementioned without prejudice to the applicable income withholding tax in the event that the distribution corresponds to profits non-levied at the corporate level, as previously discussed

Based on the above, the following table summarizes the tax treatment of dividends in the absence of a tax treaty:

Dividend	**Rate**
Dividend distribution made out of **pre-2017** profits that were subject to tax at the Colombian corporate level distributed to Tax Resident Individuals, Colombian entities and Non-Colombian Tax Residents.	Non levied or no applicable withholding tax
Dividend distribution to **Colombian Tax Residents Individuals** made out of **pre-2017** profits that did **NOT** pay tax at the Colombian corporate level	Income tax rate varies from 0 to 33% **WTH** – 20% (1) or 33%
Dividend distribution to **Colombian entities** made out of **pre-2017** profits that did **NOT** pay tax at the Colombian corporate level	CIT and WTH 32% for 2020 31% for 2021 30% for 2022
Dividend distribution to **Non-Colombian Tax Residents** made out of **pre-2017** profits that did **NOT** pay tax at the Colombian corporate level	CIT 33% (2)
Portfolio Investments: Dividend distribution to **Non-Colombian Tax Residents** made out of **pre-2017** profits that did **NOT** pay tax at the Colombian corporate level	25%
WTH on Dividend distributions paid to **Tax Resident Individuals** out of **post-2016** profits that did pay tax at the Colombian corporate level	Marginal rates 0% (3) or10% (4)
WTH on Dividend distributions paid to **Colombian entities** out of **post-2016** profits that did pay tax at the Colombian corporate level	7.5% (5)
WTH on Dividend distributions paid to **Non-Colombian Tax Residents (including dividend distributions made to permanent establishments)** out of post-2016 profits that did pay tax at the Colombian corporate level	10%

Dividend	**Rate**
Dividend distribution paid to **tax residents individuals** out of post-2016 profits that did **NOT** pay tax at the Colombian corporate level	32% for 2020 31% for 2021 30% for 2022 The 0% or 10% WTH dividend tax will apply on the distributed amounts net the 32%, 31% or 30%.
Dividend distribution paid to **Colombian entities** out of post-2016 profits that did **NOT** pay tax at the Colombian corporate level. The rates shown consist of a combined rate (i.e. Income Tax withholding of 32% -taxable period 2020- and dividends withholding tax rate of 7.5% result in 37.10%).	37.10% for 2020 36.18% for 2021 35.25% as of 2022
Dividend distribution paid to **Non-Tax Residents (including dividend distributions made to permanent establishments)** out of post-2016 profits that did **NOT** pay tax at the Colombian corporate level. The rates shown consist of a combined rate (i.e. income tax withholding of 32% -taxable period 2020- and dividends withholding tax rate of 10% result in 38.80%)	38.80% for 2020 37.90% for 2021 37% as of 2022
Portfolio Investments: Dividend distribution paid to **Non-Tax Residents (including dividend distributions made to permanent establishments)** out of post-2016 profits that did **NOT** pay tax at the Colombian corporate level	32.50%

A portion of the dividend payment approved by Grupo Aval's General Meeting of Shareholders held on March 30, 2020 was paid with charge to profits generated by the company before December 31, 2016; the remaining portion was paid with charge to profits generated by the company during year 2017. The payment of dividends with charge to profits generated by the company before December 31, 2016 was not subject to income taxes according to Article 246-1 of the Colombian Tax Code, introduced by Article 9 of Law 1819 of 2016 and amended by article 121 of Law 1943 of 2018. The payment of dividends with charge to profits generated by the company during 2017 was subject to a special dividend tax at a 10% rate.

Dividends paid to non-resident holders of ADSs through the depositary will be subject to income taxes and withholding in Colombia as mentioned in the previous chart.

As a general rule, foreign companies, foreign investment funds, and individuals that are not Colombian residents are not required by law to file an income tax return in Colombia either provided the dividend distribution was subject to the applicable withholding tax, which could either be the combined income tax and the dividend tax, or the dividend tax only. The withholding tax applied is understood as the final tax for the foreign entity or non-resident individual.

"UVT" or "*Unidad de Valor Tributario*" refers to a tax unit established each year by the Colombian Tax Authority ("DIAN") for the calculation of tax returns. UVT for 2021 amounts to Ps 36,308 (U.S.$9.12).

Taxation of Capital Gains Derived from the Sales of ADSs in Colombia

Pursuant to Article 24 of the Colombian Tax Code, gains derived by non-resident entities or non-resident individuals of Colombia from the sale of the ADSs are not subject to income, withholding, remittance or other taxes in Colombia. If the holder is a resident in Colombia, this capital gain will be taxed in Colombia according to the general tax rules.

Taxation of Capital Gains Derived from the Sales of Shares in Colombia

According to Article 36-1 of the Colombian Tax Code, capital gains obtained in a sale of shares listed on the Colombian Stock Exchange are not subject to income tax in Colombia, provided that the shares sold by the same beneficial owner during each fiscal year do not represent more than 10% of the issued and outstanding shares of the listed company. The Colombian Government may implement changes in the tax rules applicable to the sale of the offered securities which may adversely affect our shareholders.

ADSs do not have the same tax benefits as equity investments in Colombia. Although ADSs represent our preferred shares, they are subject to a different tax regulatory regime. Accordingly, the tax benefits applicable in Colombia to equity investments, are not applicable to ADSs.

Tax on Foreign Capital Investment Portfolio Income in Colombia

The 2012 Tax Reform (see "Item 4. Information on the Company—B. Business Overview—Supervision and regulation—Regulation on Payroll Loans") established a new tax regime for foreign capital portfolio investments. Investors will be required to pay income tax for the profits obtained in the development of their activities, regardless of the vehicle used to carry them out, pursuant to Article 18-1 of the Colombian Tax Code. The withholding rate of such tax is generally 14%; however, a 5% rate will apply for investments in fixed income securities or in derivatives whose underlying assets is a fixed income security, and a 25% rate will apply to investors domiciled in a tax haven jurisdiction. Article 260-7 of Colombian Tax Code was modified by Law 1819 of 2016 which establishes a new legal framework and provides criteria pursuant to which certain jurisdictions may be classified as non-cooperative jurisdictions with low or no taxation or as jurisdictions with preferential tax regimes.

Payment of this tax will be accomplished through withholding that is performed on a monthly basis by the administrator of such investment portfolio, based on the profits earned by the investor during the corresponding month. When the income corresponds to dividends, the withholding will be made by the company paying the dividend at the time of payment.

As a general rule, the withholding, performed according to the rules established in the Colombian Tax Code, shall constitute a final tax and investors will not be required to file an income tax return. However, if the investor sells shares of stock that are listed on the Colombian Stock Exchange in an amount that is above the 10% limit as set forth in Article 36-1 of the Colombian Tax Code (as described in the above paragraph under "—Taxation of Capital Gains Derived from the Sales of Shares"), the investor will be required to file the corresponding income tax return, which will be filed by the administrator of the portfolio on his/her behalf.

Other Colombian Taxes

As of the date hereof, there is no income tax treaty and no inheritance or gift tax treaty in effect between Colombia and the United States. Pursuant to Articles 24 and 36-1 of the Colombian Tax Code, transfers of ADSs from non-residents or residents to non-residents of Colombia by gift or inheritance are not subject to Colombian income tax. Transfers of ADSs by gift or inheritance from residents to residents or from non-residents to residents will be subject to Colombian income tax at the income tax rate applicable for capital gains obtained by residents of Colombia. There is no Colombian stamp, issue, registration, transfer or similar taxes or duties payable by holders of preferred shares or ADSs.

United States Federal Income Taxation Considerations for U.S. Holders

The following is a description of the material U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of our ADSs or preferred shares, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to hold the securities. This discussion applies only to a U.S. Holder that holds our ADSs or preferred shares as capital assets for U.S. federal income tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of the U.S. Holder's particular circumstances, including alternative minimum tax consequences, the potential application of certain provisions of the Internal Revenue Code of 1986, as amended (the "Code") known as the Medicare contribution tax, and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers in securities or currencies or traders in securities that use a mark-to-market method of tax accounting;
- persons holding ADSs or preferred shares as part of a hedging transaction, straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the ADSs or preferred shares;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes;
- tax-exempt entities, "individual retirement accounts" or "Roth IRAs";
- persons that own or are deemed to own ten percent or more of the voting power or value of our stock;
- persons who acquired our ADSs or preferred shares pursuant to the exercise of an employee stock option or otherwise as compensation; or

- persons holding our ADSs or preferred shares in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds our ADSs or preferred shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding our ADSs or preferred shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of the ADSs or preferred shares.

This discussion is based on the Code, administrative pronouncements, judicial decisions, and final, temporary and proposed Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect. It is also based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms.

A "U.S. Holder" is a beneficial owner of our ADSs or preferred shares that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;

- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or

- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

In general, a U.S. Holder who owns ADSs will be treated as the owner of the underlying preferred shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs.

U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of owning and disposing of our ADSs or preferred shares in their particular circumstances.

Except as described in "─Passive Foreign Investment Company Rules" below, this discussion assumes that we have not been, and will not become, a passive foreign investment company, or "PFIC", for any taxable year.

Taxation of Dividends

The preferred shares constitute equity of our company for U.S. federal income tax purposes. Distributions paid on our ADSs or preferred shares will be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. Holders as dividends. Subject to applicable limitations (including a minimum holding period requirement), dividends paid to certain non-corporate U.S. Holders that constitute "qualified dividend income" will be taxable at rates applicable to long-term capital gains. Dividends paid on our ADSs will generally constitute qualified dividend income, provided the ADSs are readily tradable on an established securities market in the United States (such as the NYSE, where our ADSs are traded). It is unclear whether these reduced rates will apply to dividends paid with respect to our preferred shares that are not backed by ADSs. U.S. Holders should consult their tax advisers regarding the availability of the reduced tax rate on dividends in their particular circumstances.

The amount of a dividend generally will include any amounts withheld by our company in respect of Colombian taxes. The amount of the dividend will generally be treated as foreign-source dividend income to U.S. Holders and will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Dividends will be included in a U.S. Holder's income on the date of the depositary's receipt of the dividend, in the case of ADSs, or on the date actually or constructively received by the U.S. Holder, in the case of the preferred shares. The amount of any dividend income paid in Colombian pesos will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the applicable date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the applicable date of receipt, a U.S. Holder should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

Subject to applicable limitations (including a minimum holding period requirement), some of which vary depending upon the U.S. Holder's circumstances, Colombian income taxes withheld from dividends on ADSs or preferred shares generally will be creditable against the U.S. Holder's U.S. federal income tax liability. In lieu of claiming a foreign tax credit, U.S. Holders may, at their election, deduct foreign taxes, including the Colombian tax, in computing their taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the taxable year. The rules governing foreign tax credits are complex. U.S. Holders should consult their tax advisers regarding the creditability of Colombian taxes in their particular circumstances and the relevant foreign tax credit basket, particularly in the case of high-taxed distributions of earnings not previously subject to Colombian tax.

Sale, Redemption or Other Taxable Disposition of ADSs or Preferred Shares

Subject to the PFIC rules described below, for U.S. federal income tax purposes, gain or loss realized on the sale, redemption or other taxable disposition of our ADSs or preferred shares will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder held the ADSs or preferred shares for more than one year, provided that in the case of redemption, (i) the U.S. Holder does not actually or constructively own any of our voting stock or (ii) the redemption is not otherwise treated as essentially equivalent to a dividend under the Code. The amount of the gain or loss will equal the difference between the U.S. Holder's tax basis in the ADSs or preferred shares disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. This gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes.

Passive Foreign Investment Company Rules

Based on proposed Treasury regulations, including those which are proposed to be effective for taxable years beginning after December 31, 1994, we believe we were not a PFIC for U.S. federal income tax purposes for the 2020 taxable year. However, because the proposed Treasury regulations may not be finalized in their current form, because the application of the proposed regulations is not entirely clear and because the composition of our income and assets will vary over time, there can be no assurance that we were not or will not be a PFIC for any taxable year. The determination of whether we are a PFIC is made annually and is based upon the composition of our income and assets (including the income and assets of, among others, entities in which we hold at least a 25% interest) and the nature of our activities. In general, we will be a PFIC for any taxable year in which at least 75% of our gross income is passive income, or at least 50% of the value (determined on a quarterly basis) of our assets is attributable to assets that produce or are held for the production of passive income.

If we were a PFIC for any taxable year during which a U.S. Holder held our ADSs or preferred shares, any gain recognized by a U.S. Holder on a sale or other disposition of ADSs or preferred shares (including certain pledges) would be allocated ratably over the U.S. Holder's holding period for the ADSs or preferred shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year within the holding period would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the tax on such amount. Further, any distribution in respect of ADSs or preferred shares in excess of 125% of the average of the annual distributions on ADSs or preferred shares received by the U.S. Holder during the preceding three years or the U.S. Holder's holding period, whichever is shorter, would be subject to taxation in the same manner as described immediately above with respect to gains. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the ADSs or preferred shares. U.S. Holders should consult their tax advisers to determine whether any of these elections would be available and, if so, what the consequences of the alternative treatments would be in their particular circumstances.

If we were a PFIC or, with respect to a particular U.S. Holder, were treated as a PFIC for the taxable year in which we paid a dividend or for the prior taxable year, the favorable dividend rates discussed above with respect to qualified dividend income paid to non-corporate holders would not apply. In addition, if we are a PFIC for any taxable year during which a U.S. Holder owned our ADSs or preferred shares, the U.S. Holder will generally be required to file IRS Form 8621 (or any successor form) with their annual U.S. federal income tax returns, subject to certain exceptions.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.- related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (i) the U.S. Holder is an exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Certain U.S. Holders who are individuals (and certain specified entities) may be required to report information relating to their ownership of shares of a non-U.S. entity or non-U.S. accounts through which such shares are held. U.S. Holders are urged to consult their tax advisers regarding any reporting obligation with respect to our ADSs or preferred shares.

F. Dividends and paying agents

Dividend policy of Grupo Aval

The amount of dividends, if any, that we pay will be dependent, in large part, on the amount of dividends received from our subsidiaries. Our subsidiaries declared Ps 441.3 billion and Ps 1,208.4 billion of dividends payable to us, and we declared an aggregate of Ps 1,203.2 billion and Ps 1,203.2 billion of dividends to our shareholders with respect to net income for the years ended December 31, 2021 and 2020, respectively.

Unless noted otherwise, the following table presents the net profits of, and dividends (cash and stock) declared by us and each of our direct subsidiaries, and the amount of dividends that we would be entitled to receive from each of them during the periods indicated.

	Dividends declared with respect to net income for the year ended December 31,													
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Banco de Bogotá		Banco de Occidente		Banco Popular		Banco AV Villas		Corficolombiana		Porvenir		Total	
	(in Ps billions, except percentages)													
Direct ownership interest held by Grupo Aval	68.7%	68.7%	72.3%	72.3%	93.7%	93.7%	79.9%	79.9%	8.5%	8.4%	20.0%	20.0%	—	—
Separate net profits	4,385.6	2,211.1	492.1	320.6	333.6	209.9	161.6	127.8	1,715.7	1,655.0	579.6	576.2	7,668.1	5,100.6
Dividends declared	—	1,105.2	150.0	192.4	146.5	105.7	87.6	64.1	771.8	661.7	300.1	519.0	1,456.0	2,648.0
Dividends contributed to Grupo Aval	—	759.6	108.4	139.0	137.3	99.1	70.0	51.2	65.6	55.7	60.0	103.8	441.3	1,208.4
Dividends declared by Grupo Aval	—	—	—	—	—	—	—	—	—	—	—	—	1,203.2	1,203.2

The allocation of our distributable profits, if any, is determined by our common shareholders following approval of our annual financial statements. Our general shareholders' meetings generally occur in March, three months after the close of the annual period.

In the past we have paid and received dividends on a monthly basis. We have not, however, adopted a specific dividend policy with respect to future dividends. The amount of any distributions will depend on many factors, such as the results of operations and financial condition of our company and our subsidiaries, their cash requirements, their prospects and other factors deemed relevant by our board of directors and shareholders.

Our company pays dividends based on our net income as reported in our separate audited financial statements prepared under Colombian IFRS. For the years ended December 31, 2021 and 2020, separate net income as reported in our Colombian IFRS financial statements was Ps 3,502.8 billion, 6.2% higher and Ps 2,399.0 billion, 2.1% higher than net income attributable to the owners of the parent as reported in our audited consolidated financial statements, respectively.

We expect that differences between Colombian IFRS and IFRS financial statements will continue to occur in future periods. The amount of dividends expected from our subsidiaries will also depend on the future share ownership in our subsidiaries.

Dividend history of Grupo Aval

The following table presents the annual cash dividends paid by Grupo Aval on each share during the periods indicated.

Dividends declared with respect to net income	Cash dividends per share	Stock dividends per share(1)	Total dividends per share	Total dividends per share
	(Ps)	(Ps)	(Ps)	(U.S.$)
Year ended:				
2019	60.00	—	60.00	0.015
2020	54.00	—	54.00	0.014
2021	—	54.00	54.00	0.014

(1) In accordance with regulation, payment in stock dividends must be explicitly consented by shareholders. If the shareholder does not explicitly express the desire to receive stock dividends, the payment will be done in cash the same day in which the payment of stock dividends is made.

Given that Grupo Aval's dividends have been to some extent dependent on the dividends received from its direct stakes in each of its subsidiaries, we detail below the cash and stock dividends per share paid by each of Grupo Aval's direct subsidiaries for the periods indicated.

Banco de Bogotá

Dividends declared with respect to net income	Cash dividends per share (Ps)	Cash dividends per share (U.S.$)
Year ended:		
2019	4,032.00	1.013
2020	3,336.00	0.838
2021	—	—

Banco de Bogotá's board of directors has summoned an extraordinary shareholder's meeting for April 26, 2022 to determine on the bank's dividend distribution with respect to net income for the year ended December 31, 2021.

Banco de Occidente

Dividends declared with respect to net income	Cash dividends per share (Ps)	Cash dividends per share (U.S.$)
Year ended:		
2019	1,761.72	0.443
2020	1,233.96	0.310
2021	962.16	0.242

Banco Popular

Dividends declared with respect to net income	Cash dividends per share (Ps)	Cash dividends per share (U.S.$)
Year ended:		
2019	19.20	0.005
2020	13.68	0.003
2021	18.96	0.005

Banco AV Villas

Dividends declared with respect to net income	Cash dividends per share (Ps)	Cash dividends per share (U.S.$)
Year ended:		
2019	405.00	0.102
2020	285.36	0.072
2021	390.00	0.098

Porvenir

Dividends declared with respect to net income	Cash dividends per share (Ps)	Cash dividends per share (U.S.$)
Year ended:		
2019	2,616.00	0.657
2020	4,752.00	1.194
2021	2,748.00	0.690

Banco de Bogotá, Fiduciaria Bogotá, Banco de Occidente and Fiduciaria de Occidente received dividend payments from Porvenir in their respective ownership of the company (see Item 4—B. Business overview—Our operations).

Corficolombiana

Dividends declared with respect to net income	Cash dividends per share	Stock dividends per share(1)	Total dividends per share	Total dividends per share
	(Ps)	(Ps)	(Ps)	(U.S.$)
Year ended:				
2019	—	2,640.00	2,640.00	0.663
2020	—	2,042.00	2,042.00	0.513
2021	—	2,260.00	2,260.00	0.568

(1) In accordance with regulation, payment in stock dividends must be explicitly consented by shareholders. If the shareholder does not explicitly express the desire to receive stock dividends, the payment will be done in cash the same day in which the payment of stock dividends is made.

Banco de Bogotá, Banco de Occidente and Banco Popular received dividend payments from Corficolombiana in their respective ownership of the company (see Item 4—B. Business overview—Our operations).

General aspects involving dividends

The dividend periods may be different from the periods covered by the general balance sheet. At the general shareholders' meeting, shareholders will determine such dividend periods, the effective date, the system and the place for payment of dividends.

Dividends declared on the shares of common and preferred shares will be payable to the record holders of those shares, as they are recorded on our stock registry, on the appropriate record dates as determined at the general shareholders' meeting. However, pursuant to External Circular 13 of 1998 issued by the former Superintendency of Securities (currently, the Superintendency of Finance), if a shareholder sells shares during the ten business days immediately preceding the payment date, dividends corresponding to those shares will be paid by us to the seller.

The vote of at least 80.0% of the shares present and entitled to vote is required to approve the payment of dividends in shares; however, according to Law 222 of 1995, if a "situation of control" exists, whereby the decision-making power is subject to the will of another person or group of persons, a company may only pay dividends by issuing shares, to the shareholders that so accept.

G. Statement by experts

Not applicable.

H. Documents on display

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website, where you can inspect those reports and other information filed with the SEC, is www.sec.gov.

I. Subsidiary information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management

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

The board of directors take the lead on establishing a sound risk management culture, that supports and provides appropriate standards for responsible behavior. The Risk Framework dully approved by the board of directors requires risk management practices to be integrated into key processes across Grupo Aval, ensuring risks are appropriately identified, assessed, monitored, and mitigated in a timely manner, depending on a range of factors, including the nature, size, complexity, and risk profile.

Senior Risk management team should ensure the identification and assessment of the inherent risks of material activities, processes and systems pertaining to the holding nature of Aval to make sure those inherent risks are properly controlled and mitigated in alignment with the approved risk appetite.

The following sections outline the key risks that are inherent to the business activities of our subsidiaries, as well as the way in which those are managed:

1. **Financial risks:** Financial risks managed by Grupo Aval's financial subsidiaries include liquidity risk, market risk, credit risk, interest rate risk and operational risk. For further details, see note 4 of our audited consolidated financial statements.

2. **Non-Financial risks:** Main non-financial risks managed by Grupo Aval include anti-money laundering and terrorist financing, anti-bribery and anticorruption and compliance with local regulation, the U.S. Sarbanes-Oxley Act of 2002, among others.

3. **Conglomerate risks:** Law 1870 of 2017 (Financial Conglomerates Law) requires financial conglomerates to manage the risks to which they are exposed. For this purpose, the Superintendency of Finance, through External Circular 013 of June 20, 2019, established the risks that financial conglomerates must manage from June 2021 onwards. These risks are Concentration risk, Contagion risk, and Strategic risk.

Control Environment and Risk Culture

Our risk management system ("Sistema de Gestión de Riesgos" (SGR)) seeks to comply not only with local regulation but also to align with best practices and international standards as many jurisdictions move to adopt Basel principles. Accordingly, the model adopts commonly accepted risk taxonomy and provides oversight and guidance to our subsidiaries who operate under a similarly guided regulatory defined relevant risks, related to the business model and characterization of each subsidiary.

At the holding level, our risk control environment, governed independently, based on 14 principles (see footnote), focusses on concentration, contagion and strategic risk as ruled by applicable local holding regulation, which is being introduced and developed particularly since 2017 under Law 1870 Sept 2017. Based on a general risk appetite framework established and approved by the board of directors and the limits and thresholds thereby approved, we ensure effective risk identification and assessment; monitoring and reporting; and control and mitigation. Furthermore, risk management implements processes and procedures to regularly report at the board, senior management, and business line levels. These allows us to assure a strong risk management based fundamentally on:

- Active board and senior management oversight;
- Adequate policies, procedures, processes and limits;
- Adequate risk measurement, assessment, monitoring, and management information systems;
- Comprehensive internal controls; and
- an independent assessment by internal audit.

Grupo Aval promotes a culture of risk management that reaches all the entities, whether they are financial or non-financial, under a strict, permanent and cohesive "tone from the top".

The risk culture is conveyed to all our entities and units, relying on the following elements:

- independent risk management, monitored at the individual entities level and at consolidated level;
- we use detailed manuals on policies and processes to manage the risks we are subject to;
- we use different technological tools, for the analysis, monitoring and control of risks;
- we have a risk limit system that is updated on a regular basis to address new market conditions and risks to which we are exposed;

- we use information systems to monitor risk exposure on a recurring basis, seeking to ensure that approval limits are systematically met and, if necessary, allowing for appropriate corrective actions;

- our main risks are analyzed on a continuous basis; and

- we provide ongoing training on risk, at every level within the organization.

Risk Governance in Grupo Aval

As part of Grupo Aval's risk management and control architecture, the following corporate structure has been established:

Grupo Aval Board of Directors

The board of directors is responsible for establishing the risk appetite and for the approval of the general scope of the risk management function. It also sets and oversees risk management corporate policies applicable at the Grupo Aval level.

Boards of Directors of the Financial Subsidiaries

The responsibilities of the boards of directors of Grupo Aval's financial subsidiaries regarding risk management include:

- to define and approve the general policies and strategies related to internal control systems for risk management;

- to approve policies in relation to risk management;

- to approve trading and counterparty limits;

- to approve risk appetite and exposure limits;

- to approve procedures and methodologies for risk management;

- to ensure the adequate assignment of resources required for an effective risk management;

- to set forth responsibilities and attributes for risk management roles;

- to set forth and define committees' functions leading to a proper organization, control and monitoring of risk generating operations;

- to require Grupo Aval financial subsidiaries' management to submit periodic reports on risk exposure levels; and

- to periodically review any risk-management reports on control or mitigation of risks, submitted by the Audit Committee.

Audit Committee of Grupo Aval and Audit Committees of our Financial Subsidiaries:

The Audit Committees' principal objective is to evaluate and monitor the Internal Control System.

The Audit Committee is responsible for:

- assessing the structure of the internal control function, to establish: (i) whether the procedures are appropriate to protect our assets, and those of third parties under our administration and custody, and (ii) whether transactions are being properly authorized and registered. For such purpose, the areas in charge of the administration of the risk systems, the External and Internal Auditors present any established periodical or occasional reports to the Committee;

- monitoring risk exposure levels and their potential consequences; and

- overseeing the risk management policy applicable to Grupo Aval.

Corporate Risk Unit

The corporate risk unit is led by Grupo Aval's Chief Risk Officer, which functions include:

- to identify and transfer best practices regarding corporate risk management;
- to support the board of directors and the financial subsidiaries in structuring their risk appetites;
- to establish and ensure compliance with policies and guidelines aimed at maintaining an adequate risk exposure;
- to consolidate and monitor Grupo Aval's risk exposures;
- to lead and align risk management processes across Grupo Aval subsidiaries, through corporate guidelines and processes; and
- to report the outcomes of risk management to Grupo Aval's Presidency and Audit Committee.

Risk Management Committees of the financial subsidiaries

Grupo Aval's financial subsidiaries have risk management committees which periodically identify, measure, control and analyze the credit risk management system (SARC for its initials in Spanish), market risk management systems (SARM), operating risk management system (SARO) and business continuity plan management (PCN). Additionally, our financial subsidiaries have an asset-liability committee (ALCO), which makes decisions regarding asset and liability management and evaluates the effectiveness of the liquidity risk management system (SARL). The ALCO establishes adequate procedures and mechanisms for liquidity management and identifies sources of risk through sensitivity analysis, assessing probabilities of lower returns or additional liquidity needs. Legal risk is monitored by general counsel in each subsidiary of the financial sector.

The main functions of the Risk Management Committees include:

- reviewing and proposing risk appetite and exposure limits to the board of directors;
- designing systems to measure risk appetite and exposure limits;
- assessing inherent risks involved in entering new markets, products, segments and countries, among others; and
- ensuring that risk management and measurement methodologies are appropriate and aligned with the characteristics and activities of the entity.

Risk Management Vice-Presidency or its equivalent in our financial subsidiaries

The Risk Management Vice-Presidencies and their equivalents, have the following functions:

- to oversee the adequate compliance with the policies and procedures established by the board of directors and the risk management committees;
- to design methodologies and procedures for risk management;
- to ensure the timely identification of deviations relating to compliance with the policies established for risk management; and
- to prepare timely reports for the board of directors, the risk committees, and the Government entities in charge of the control and supervision of the financial subsidiaries' risk policies compliance.

Internal Audit and Internal Control Unit

The internal audit units at each financial subsidiary have independent criteria and carry out periodic independent compliance assessments of risk management policies and procedures, regarding risk management and control environment. Reports are submitted directly to the audit committees responsible for monitoring risks and proposing corrective measures, if necessary.

In addition to the internal audit units at the financial subsidiaries, there is a corporate internal control unit that ensures the compliance of our subsidiaries with corporate policies. The Chief of Internal Control participates in the audit committees of significant subsidiaries. The corporate internal control unit performs periodic independent audits of Grupo Aval's subsidiaries to monitor their compliance with corporate risk management policies. Its reports are presented directly to senior management at each of the subsidiaries and to the corresponding audit committees, including the corporate matters committee of Grupo Aval.

Banco de Bogotá's subsidiaries in Central America

Banco de Bogotá's subsidiaries in Central America's risk management is executed directly by its subsidiaries, BAC (which was a subsidiary until its partial spin off in March 2022) and MFG. BAC's risk management unit controls credit risk, market risk and operational risk. These processes were adopted by MFG, with the approval and supervision of Banco de Bogotá. BAC and MFG also implement the corporate risk management guidelines and policies issued by their respective jurisdiction financial regulators and the internal corporate policies of Grupo Aval.

Risk management and periodic risk surveillance are performed through the systems of corporate governance established at a regional corporate level in each of the countries where BHI's and MFH's subsidiaries operate with: (i) Risk Management Committee; (ii) Assets and Liabilities Committee (ALCO); (iii) Compliance Committee; (iv) Credit Committee; (v) Investment Committee; (vi) Operational Risk Committee, and (vii) Audit Committee.

Regarding credit risk management, BAC and MFG have a centralized structure throughout the region, led by a Chief Credit Risk Officer (CCRO), who reports to BAC's CEO. The Regional Credit Committee, whose members includes the CEO and the CCRO of BAC and members of Grupo Aval's Corporate Risk Unit and Banco de Bogotá, is responsible for credit policies and procedures submission at a regional level for approval by the board of directors. This committee is responsible for monitoring the loan portfolio's credit risk. The regional credit committee is also responsible for the final decision on loans exceeding the credit limits delegated to each individual country. While local risk managers report to the local CEO, observance of regional policies and procedures are reported to BAC's CCRO.

BAC´s investment policy and an asset and liability policy at a regional level, establishes guidelines for each country where it operates and assigns counterparty risk limits, foreign currency exposure limits, guidelines for liquidity, interest rate and exchange rate risks. The regional ALCO, which is composed by members of BAC's board of directors, is responsible for establishing of regional risk management policies. In accordance with these policies, BAC documents the entire investment process daily. The regional monitoring of exposures is the responsibility of BAC's Chief Financial Officer through the local ALCOs.

Operational Risk Management at BAC and MFG, is carried out using the conceptual methodology of Basel II guidelines and the elements of The Committee of Sponsoring Organizations of the Treadway Commission (COSO) as main reference. A centralized operational risk management unit ensures that policies are in place to establish a standardized treatment of operational risks including methodologies for the timely recognition of principal exposures, the accountability of operational risks by functional units, and accountability throughout the organization and effective procedures to collect information on operational losses. The Operational Risk Committee is also responsible of monitoring the effectiveness of the business continuity plan.

Unless otherwise indicated, risk management figures for Banco de Bogotá incorporate consolidated financial data from BHI and MFH.

Non-financial Subsidiaries

Corficolombiana consolidates most of our interests in non-financial subsidiaries. As such, its Government, Risk and Compliance (GRC) Vice Presidency provides oversight through these subsidiaries' risk management and internal controls. This monitoring activity covers subsidiaries in the infrastructure and the energy and gas sectors, where most its investment portfolio is concentrated, and is currently being expanded to the remaining sectors. Corficolombiana ensures that its non-financial sector subsidiaries follow guidelines in relation to risk management set forth by Corficolombiana and Grupo Aval's policies and best practices established by law.

For all other non-financial subsidiaries of Grupo Aval, the board of directors of each consolidating financial entity has the faculty to establish guidelines in terms of risk policies and risk monitoring processes, which must be implemented at each of such subsidiaries.

Risk Framework by the Superintendency of Finance (SFC)

On February 6, 2019, the national government, through Colombian Law 1870 of 2017, defined regulatory framework applicable to financial conglomerates in Colombia and the scope of supervision of the Superintendency of Finance, aimed to ensure the stability of the financial system and taking the Supervision to international standards. This law created the category of financial holding and financial conglomerates. Whilst developing this law, the Superintendency of Finance identified Aval as a financial conglomerate and determined the entities belonging to the Aval Financial Conglomerate.

For more information, see "Item 4. Information on the Company — B. Business overview—Supervision and regulation—Regulatory framework for Colombian Financial Conglomerates".

COVID-19 – Global Event

The corporate risk unit and our subsidiaries' risk units have strengthened risk supervision procedures, focusing on those that could affect our operations during the COVID-19 pandemic. During 2021 we continued to periodically monitor the impacts of COVID-19 under our risk management systems.

During the last months of 2021, as vaccination rates and the sanitary conditions improved, business units who had migrated to a remote operating model, began to return to office under hybrid remote-onsite models. Measures have been taken to guarantee that new on-site requirements (example, greater communication capacities) were implemented. Business continuity plans successfully demonstrated their effectiveness to handle the need to ensure protocols, availability and security of VPN services, strengthened security of email services, and remote access to data stored in the internal network, among others. Controls on data encryption of communications, critical files and devices, dual factor authentication, application virtualization, security operations center (SOC) detection reporting, and data loss prevention (DLP) monitoring were successfully maintained during 2021. Additionally, we continued strengthening awareness through campaigns intended to prevent smishing, phishing and vishing attacks on our collaborators and customers.

Liquidity and Market Risks: Our Corporate risk units and subsidiaries monitor the behavior of our clients' deposits on a daily basis, and strategies are also followed up to maintain liquidity at adequate levels, within the process of economic recovery that is expected after the pandemic.

We monitor the price volatility of financial assets and their impact on the investment portfolios of our subsidiaries, ensuring the proper application of market risk management policies. Liquidity and market risk levels compliance, required by the Colombian Superintendency of Finance, are monitored daily.

In 2021, the global economy entered a new recovery phase accompanied with a rise in inflation rate. In Colombia, the inflation rate closed in December 2021 at 5.62%, higher than the target set by the Central Bank. Therefore, the board of directors of the Central Bank has transitioned to a less expansive phase with progressive increases in the intervention interest rate, starting on September 2021, and reaching 3.0% as of year-end 2021.

Due to the consequences of the COVID-19 pandemic, the outlook of Colombia's fiscal accounts deteriorated, leading to a credit rating downgrade from Standard & Poor's Global Ratings as well as Fitch Ratings credit rating (foreign currency rating BBB- to BB+, and local currency rating BBB to BBB-, both with a stable outlook). Additionally, during 2021 Colombia experienced social unrest, as evidenced by blockades and public disturbances, affecting economic growth, along with a new wave of COVID-19 infections. Notwithstanding the later, changes in economic conditions were permanently monitored by Grupo Aval and its subsidiaries, and incorporated into the macroeconomic parameters used to prepare stress scenarios and financial projections.

The portfolios of sovereign and corporate debt securities held by our main financial institutions, were affected by the downgrade and the rise, nonetheless no material adverse effect was evidenced.

Internal Controls Over Financial Reporting (ICOFR): The process of generating financial reports has neither experienced any significant changes nor inconveniences in its filing or reporting process associated with changes in processes during the pandemic.

Credit Risk: Although COVID-19 caused changes in the expected economic conditions implying a higher a degree of uncertainty, those were captured in the macroeconomic scenarios and their impact on our banks. However, a positive trend was evidenced in Colombia and Central American countries by the end of 2021. Accordingly, the progress in vaccination programs and the relief policies undertaken by governments, had an important role in the improvement of ECL assessment. Payment extension to borrowers in certain financial instruments did not automatically result in those instruments being considered to have a significant increase in credit risk (SICR). As evidence of normalization in the portfolio after COVID-19 pandemic in our models, most overlays that operated during 2020 have been phased out during 2021.

ECL's models and forward-looking information continued to be adjusted, recognizing macroeconomic impacts based on available information about past events, current conditions and forecasts of economic conditions, furthermore, to consider the impact of the COVID-19 pandemic and the subsequent economic recovery of some regions. Due to the volume of changes in credit conditions in connection with reliefs and payment extensions granted to customers in 2020 and 2021, dual controls were implemented in our banks over the information system to mitigate this risk.

Given that the current social and economic environment continue subject to rapid change, updated facts and circumstances will continue to be monitored as new information becomes available.

Main government policies in Colombia and Central America

Different policies were adopted by the governments in Colombia and Central America to mitigate the effects of the COVID-19 pandemic.

In Colombia, External Circulars 007, 014 and 022 of 2020 were issued to provide among other policies, assistance to the debtors. Subsequently, the Superintendency of Finance issued External Circular 039 and 012 of 2021 which extended External Circular 022 until June 30, 2021, and August 31, 2021, respectively. In the countries where we operate in Central America, there were grace periods, deferrals and restructuring loans, following the guidelines of the relevant financial authorities, like regulations enacted in Colombia for the same purpose. For more information, see Note 1.1 of our audited consolidated financial statements.

The following table includes information about reliefs granted by our banks in Colombia under the terms of Circulars 007 and 014 and under the terms of Circular 022 of the SFC as of December 31, 2021.

	Outstanding balance of loans that were relieved and under PAD											
	At December 31, 2021						At December 31, 2020					
	Currently paying	Under payment holidays	Past due between 1 and 30 days	Past due between 31 and 90 days	Past due more than 90 days	Outstanding balance	Currently paying	Under payment holidays	Past due between 1 and 30 days	Past due between 31 and 90 days	Past due more than 90 days	Outstanding balance
	(in Ps billions)											
Commercial	11,100.6	49.7	743.2	177.0	600.1	**12,670.4**	14,510.0	2,611.0	676.5	201.7	309.1	**18,308.3**
As a % of commercial loans	13.8%	0.1%	0.9%	0.2%	0.7%	15.8%	18.6%	3.3%	0.9%	0.3%	0.4%	23.5%
Consumer	3,772.8	—	338.2	247.0	620.8	**4,978.9**	7,050.6	930.2	627.7	374.9	408.6	**9,392.0**
As a % of consumer loans	7.9%	0.0%	0.7%	0.5%	1.3%	10.5%	16.5%	2.2%	1.5%	0.9%	1.0%	22.0%
Mortgages	2,705.4	—	367.8	130.8	134.1	**3,338.0**	3,676.1	66.1	343.3	133.8	59.5	**4,278.7**
As a % of mortgages	23.1%	0.0%	3.1%	1.1%	1.1%	28.6%	36.2%	0.7%	3.4%	1.3%	0.6%	42.1%
Microcredit	37.3	—	14.5	7.8	46.7	**106.3**	161.6	2.0	19.2	11.0	10.2	**204.1**
As a % of microcredit loans	11.7%	0.0%	4.6%	2.4%	14.7%	33.4%	43.4%	0.5%	5.2%	3.0%	2.7%	54.8%
Gross loans	**17,616.1**	**49.7**	**1,463.7**	**562.5**	**1,401.7**	**21,093.6**	**25,398.3**	**3,609.3**	**1,666.7**	**721.4**	**787.4**	**32,183.1**
As a % of gross loans	12.6%	0.0%	1.0%	0.4%	1.0%	15.1%	19.4%	2.8%	1.3%	0.5%	0.6%	24.5%

The following table includes information of the reliefs granted by our banks in Central America under the relief plans and their structural payment programs, according to its own regulations as of December 31, 2021.

	Outstanding balance of loans that were relieved and under structural payment programs											
	At December 31, 2021						**At December 31, 2020**					
	Currently paying	**Under payment holidays**	**Past due between 1 and 30 days**	**Past due between 31 and 90 days**	**Past due more than 90 days**	**Outstanding balance**	**Currently paying**	**Under payment holidays**	**Past due between 1 and 30 days**	**Past due between 31 and 90 days**	**Past due more than 90 days**	**Outstanding balance**
						(in Ps billions)						
Commercial	10,557.1	837.5	278.5	75.0	116.1	**11,864.2**	7,875.9	5,175.8	175.4	56.0	47.6	**13,330.6**
As a % of commercial loans	25.3%	2.0%	0.7%	0.2%	0.3%	28.4%	23.9%	15.7%	0.5%	0.2%	0.1%	40.5%
Consumer	8,430.1	572.1	584.9	443.4	377.2	**10,407.9**	7,178.2	2,534.9	540.4	470.0	384.8	**11,108.2**
As a % of consumer loans	28.7%	1.9%	2.0%	1.5%	1.3%	35.4%	30.9%	10.9%	2.3%	2.0%	1.7%	47.8%
Mortgages	7,962.8	355.8	558.4	262.7	302.3	**9,442.0**	5,244.0	3,001.2	349.5	167.1	127.1	**8,889.0**
As a % of mortgages	45.7%	2.0%	3.2%	1.5%	1.7%	54.2%	36.4%	20.8%	2.4%	1.2%	0.9%	61.7%
Gross loans	**26,950.1**	**1,765.4**	**1,421.8**	**781.1**	**795.6**	**31,714.0**	**20,298.2**	**10,711.8**	**1,065.3**	**693.1**	**559.4**	**33,327.8**
As a % of gross loans	30.4%	2.0%	1.6%	0.9%	0.9%	35.8%	28.8%	15.2%	1.5%	1.0%	0.8%	47.2%

The following table includes information of the reliefs granted by Grupo Aval, on a consolidated basis, as of December 31, 2021.

	Outstanding balance of loans that were relieved and under PAD or structural payment programs											
	At December 31, 2021						**At December 31, 2020**					
	Currently paying	**Under payment holidays**	**Past due between 1 and 30 days**	**Past due between 31 and 90 days**	**Past due more than 90 days**	**Outstanding balance**	**Currently paying**	**Under payment holidays**	**Past due between 1 and 30 days**	**Past due between 31 and 90 days**	**Past due more than 90 days**	**Outstanding balance**
						(in Ps billions)						
Commercial	21,657.7	887.1	1,021.7	251.9	716.2	**24,534.6**	22,385.9	7,786.7	851.9	257.7	356.7	**31,638.9**
As a % of commercial loans	17.7%	0.7%	0.8%	0.2%	0.6%	20.1%	20.2%	7.0%	0.8%	0.2%	0.3%	28.5%
Consumer	12,203.0	572.1	923.2	690.5	998.0	**15,386.8**	14,228.8	3,465.1	1,168.1	844.8	793.4	**20,500.3**
As a % of consumer loans	15.9%	0.7%	1.2%	0.9%	1.3%	20.0%	21.6%	5.3%	1.8%	1.3%	1.2%	31.1%
Mortgages	10,668.3	355.8	926.1	393.4	436.3	**12,780.0**	8,920.1	3,067.3	692.8	300.9	186.6	**13,167.6**
As a % of mortgages	36.6%	1.2%	3.2%	1.4%	1.5%	43.9%	36.3%	12.5%	2.8%	1.2%	0.8%	53.6%
Microcredit	37.3	—	14.5	7.8	46.7	**106.3**	161.6	2.0	19.2	11.0	10.2	**204.1**
As a % of microcredit loans	11.7%	0.0%	4.6%	2.4%	14.7%	33.4%	43.4%	0.5%	5.2%	3.0%	2.7%	54.8%
Gross loans	**44,566.2**	**1,815.1**	**2,885.5**	**1,343.6**	**2,197.3**	**52,807.6**	**45,696.4**	**14,321.2**	**2,732.1**	**1,414.4**	**1,346.9**	**65,510.9**
As a % of gross loans	19.5%	0.8%	1.3%	0.6%	1.0%	23.1%	22.6%	7.1%	1.4%	0.7%	0.7%	32.5%

Actions adopted since 2020 by our financial subsidiaries in Colombia and Central America to mitigate the risks associated with the COVID-19 pandemic on credit portfolios included:

- Use of technical methodologies to identify sectors at risk.
- Debtors' monitoring was intensified, especially in sectors at risk.
- Definition and expansion of different channels for servicing debtors according to the different portfolio segments.
- Review and adjustment of origination strategies.
- Review of approved debt limits in accordance with individual risk analysis.

- Use of guarantees offered by the government for affected sectors and customers.

- Adjustments to models through quantitative and qualitative overlays, considering the uncertainty of the information due to the reliefs granted by the banks.

BAC and MFG

Similarly to the actions taken to grant reliefs to debtholders by our banks in Colombia, Central American Governments (Nicaragua to a lesser degree) continued during most of 2021 with policies aimed at mitigating effect of the COVID-19 pandemic on their local economy, including regulation for the extension on tax reporting and payment, temporary deferral of bank loan servicing, reduction and/or freeze of interest rates, without negative consequences on credit scores or payment records. Panamá, Costa Rica, El Salvador, Honduras, and Guatemala continued implementing additional measures such as economic aids to small segment individuals directly affected by the economic crisis.

Since the third quarter of 2020 and until the end of 2021, BAC and MFG maintained their relief strategy for individuals and enterprises with material and proven distress due to the COVID-19 pandemic. During this phase, we implemented a demand-driven approach with individual compulsory review. The focus of the credit and collections teams was to assess each case, determine the debtor's capacity to service debt, and reschedule payments accordingly. Upon expiration of the first relief period negotiated by a corporate or commercial client, a second relief period was granted when strictly necessary. Those reliefs ended during the first half of 2021, except for Panama.

This approach advanced mainly in Guatemala, El Salvador, and Costa Rica, and to a lesser extent in Honduras. Panamá was affected by regulations that extended periods for payment deferrals, driven by Law 156 of 2020 of the Republic of Panamá and Agreement 013–2020 of the Superintendency of Banks of Panamá.

As in Colombia, most overlays that operated during 2020 have been phased out during 2021.

Grupo Aval will continue to monitor changes in internal and external economic conditions in Colombia and Central American as the new information in credit risk becomes available together with the recovery economic expectation in each country.

Risk Management Systems

Financial Risk

Credit Risk Management

The credit risk management processes of our banks take into consideration the requirements of the Superintendency of Finance, local regulators, Grupo Aval's credit-risk management guidelines and the composition of each of our bank's loan portfolio. See Note 4 to our audited consolidated financial statements.

The guiding principles of risk management at Grupo Aval and our banks are the following:

- collective decision making for commercial loans of significant amount at the board level of each of our banks;

- extensive and in-depth market knowledge, result of our market leadership and our experienced, stable and seasoned senior management;

- clear top-down directives in accordance with: (i) know-your-customer policies; and (ii) commercial loan credit structures based on the clear identification of sources of repayment and the cash-flow generating capacity of the borrower;

- use of common credit analysis tools and loan pricing tools across all our banks;

- diversification of the commercial loan portfolio with respect to industries and economic groups;

- specialization in retail banking product niches; and

- extensive use of continuously updated rating and scoring models to ensure the growth of high-credit quality consumer loans;

For more information, see Note 4 of our audited consolidated financial statements.

Commercial Lending

54.08% of our total gross loan portfolio is made up of commercial loans to corporate, small, and medium sized enterprises. However, the share of commercial loans varies in each of our banks. As of December 31, 2021, the percentage of commercial loans was 56.80%, 70.27%, 28.86%, 21.25%, 46.46%, 56.18% and 79.73% at Banco de Bogotá, Banco de Occidente, Banco Popular, Banco AV Villas, BAC, MFG and Corficolombiana, respectively.

The credit approval process for commercial loans at each of our banks in Colombia follows the policies and lending authorities established by each banking subsidiary. The highest lending authority at all banks, other than the board of directors, is the national credit committee (*Comité Nacional de Crédito* at Banco de Bogotá and Banco AV Villas, *Comité de Crédito Dirección General* at Banco de Occidente and *Comité de Presidencia* at Banco Popular). These have lending limits that range between Ps 6.0 billion (U.S.$1.5 million) at Banco AV Villas and Ps 30.0 billion (U.S.$7.53 million) at Banco de Bogotá.

Following the approval of an application by the national credit committee of any of our banks, information regarding the loan is sent to the Grupo Aval risk management unit if the loan would result in aggregate exposure to the borrower exceeding Ps 5.0 billion (U.S.$1.25 million). The credit approval process includes the presentation to Grupo Aval's credit committee of all potential credit exposures per client (or client's economic group) that, across all our banks, represent an exposure in excess of Ps 30.0 billion (U.S.$7.53 million), or if it is considered to be part of a vulnerable sector. Delegation to the national credit committees of the banks can be made depending on the risk parameters defined by Grupo Aval's credit committee. This committee, which is composed by the credit vice presidents of each of our banks and the credit risk management staff of Grupo Aval, meets on a weekly basis to discuss general developments in the industry and economy, risks and opportunities, and the structure of credit transactions, as well as to consult on and evaluate potential business opportunities.

The committee consolidates requests for loans across all banks and evaluates our total exposure to potential borrowers. In each case, the committee evaluates the relevant bank's application of its credit analysis policy and it may make recommendations according to the structure of the loan. The credit committee will then submit to Grupo Aval's advisory board those transactions for its recommendation.

The Grupo Aval advisory board, which is chaired by the president of Grupo Aval and composed by the presidents of our banks and financial subsidiaries, with the attendance of the risk vice presidents of Grupo Aval and of our banks, meets periodically to discuss the adoption of risk management policies and how to meet the needs of major corporate and institutional clients, as well as to advise the Grupo Aval banks with respect to matters related to credit risk. The advisory board also evaluates credit applications submitted to it by Grupo Aval's credit risk management committee and makes recommendations to the banks with respect to such loans. The Boards of Directors of the banks make the final decisions with respect to such applications. To facilitate the analysis of commercial loan applications which meet the threshold and are thus reviewed by Grupo Aval, we have developed certain tools, including a standardized "P*royecto de crédito"*.

We seek to achieve a profitable, high-quality commercial loan portfolio and an efficient procedure for analyzing potential loans across our banks. For that purpose, we have established policies and procedures for the analysis and approval of potential commercial credit transactions that seek to focus lending on the following principles:

- Borrowers whose shareholders and management have, in our opinion, the highest integrity (considering not only an analysis of the borrower's credit profile but also its reputation in the business community, among other factors);
- Clearly identify and quantify primary and secondary sources of repayment, with a bias towards operational cash flow;
- Borrowers that participate in key industries;
- Borrowers that are leaders or strong players in the industries where they participate;
- Transaction structures, including covenants and guarantees, which provide adequate protection; and
- Adequate pricing that compensates for the capital invested and the market and credit risks incurred.

As part of our commercial banking activity, we make loans to public sector entities. For purposes of evaluating the extension of credit to public sector entities, our banks follow three criteria: (i) the loan must be used to finance an investment that has been approved by local authorities; and (ii) a source of repayment, primarily tax revenues, must be clearly identified.

For more information, see Note 4 of our audited consolidated financial statements.

Consumer Lending

Consumer lending represented 33.20% of the total gross loan portfolio as of December 31, 2021; however, the participation and specialization by product varies in each of our banks. As of December 31, 2021, Banco Popular's consumer lending represented 65.87% of its total gross loan portfolio and was concentrated mainly in payroll deduction loans (*libranzas*), a product in which it is the leader in Colombia. At Banco AV Villas, Banco de Bogotá, BAC and MFG consumer lending represented 59.08%, 28.31%, 34.48% and 22.90% of their total gross loan portfolio, respectively. At Banco de Occidente, 23.98% of its total gross loan portfolio consisted of consumer loans, with motor vehicle financing representing 21.48% of its consumer loan portfolio. At Corficolombiana, 19.70% of total gross loans were consumer loans granted primarily by Promigas and its subsidiaries to its residential gas utility users.

The credit approval process for consumer loans at each of our banks follows the policies and lending authorities established by each bank. The highest consumer lending authority at all banks, other than the board of directors, is the Consumer management Committee or National Consumer Credit Committee. These have lending limits that range between Ps 3.0 billion (U.S. $0.753 million) and Ps 6.0 billion (U.S.$1.5 million).

For consumer banking, each bank has developed risk models designed to take into consideration the product offering. Banco Popular, for which payroll deduction loans represent 96.90% of the consumer loan portfolio, has developed a business model which concentrates its analysis on the credit and operational risks of the payee (the employer) supported with statistical origination and behavior models. Banco AV Villas is the bank, within our subsidiaries, with the most diversified consumer loan portfolio. After being exclusively a mortgage lending institution until 2000, it has developed different niches in consumer lending. The fast growth of consumer lending with above average credit quality has been the result of the development of in-house statistical origination and behavior models and the development of a multiple view vintage analysis tools, which have allowed the origination of consumer loan products to the lower income population, which is a more profitable customer segment in which relatively few banks compete. Banco de Bogotá has a full-service consumer loan portfolio of credit cards, personal loans, automobile loans and overdrafts.

Mortgage Lending

Mortgage lending represented 12.57% of our total gross loan portfolio as of December 31, 2021, with Banco de Bogotá, BAC and Banco AV Villas being the largest contributors. Mortgage lending represented 14.69%, 19.06% and 19.67% of Banco de Bogotá's, BAC's and Banco AV Villas' total gross loan portfolios, respectively, as of December 31, 2021.

Microcredit Lending

Microcredit loans represented 0.14% of the total gross loan portfolio as of December 31, 2021.

Credit Classification and Provisioning

Our banks are continually engaged in the determination of risk factors associated with their credit-related assets, through their duration, including restructurings. For such purposes, they have designed and adopted the credit risk administration system (*Sistema de Administración de Riesgo de Crédito*), or "SARC", (for its initials in Spanish) in accordance with Superintendency of Finance guidelines. The SARC has integrated credit policies and procedures for the administration of credit risks, models of reference for the determination and calculation of anticipated losses, allowances for coverage of credit risks and internal control procedures.

Our banks are required to classify the loan portfolio in accordance with the rules of the Superintendency of Finance, which established the following loan classification categories: "AA", "A", "BB", "B", "CC" and "Default", depending on the strength of the credit and its past due status.

Each bank reviews the outstanding loan portfolio components under the above-mentioned criteria and classifies individual loans under the risk-rating categories below, based on minimum objective criteria, such as balance sheet strength, profitability, and cash generation capacity. The classification of new commercial loans is made based on these objective criteria. The criteria are also evaluated on an ongoing basis, together with loan performance, in reviewing the classification of existing commercial loans.

Category	Approval	Commercial loan portfolio	Consumer loan portfolio
"AA"	New loans with risk rating at approval of "AA"	Outstanding loans and financial leases with past due payments not exceeding 29 days (i.e., between 0 and 29 days past due). The debtor's financial statements or its projected cash flows, as well as all other credit information available to the financial subsidiaries, reflect excellent paying capacity.	Loans whose risk rating is "AA" according to the methodology of the Consumer Reference Model (MRCO), as established by the Superintendency of Finance
"A"	New loans with risk rating at approval of "B"	Outstanding loans and financial leases with delayed payments in excess of 30 days but not exceeding 59 days (i.e., between 30 and 59 days past due). The debtor's financial statements or its projected cash flows, as well as all other credit information available to the financial subsidiaries, reflect appropriate paying capacity.	Loans whose risk rating is "A" according to the methodology of the MRCO as established by the Superintendency of Finance
"BB"	New loans with risk rating at approval of "B"	Outstanding loans and financial leases past due more than 60 days but less than 90 days (i.e., between 60 and 89 days past due). Loans in this category are acceptably serviced and collateralized, but there are weaknesses which may potentially affect, on a transitory or permanent basis, the debtor's ability to pay or its projected cash flows, to the extent that, if not timely corrected, would affect the normal collection of credit or contracts.	Loans whose risk rating is "BB" according to the methodology of the MRCO as established by the Superintendency of Finance
"B"	New loans with risk rating at approval of "C"	Outstanding loans and financial leases past due over 90 days but less than 120 days (i.e., between 90 and 119 days past due). The debtor shows insufficient paying capacity of its obligations.	Loans whose risk rating is "B" according to the methodology of the MRCO as established by the Superintendency of Finance
"CC"	New loans with risk rating approval of "C"	Outstanding loans and financial lessees past due more than 120 days but less than 150 days (i.e., between 120 and 149 days past due). Loans in this category represent grave insufficiencies in the debtors' paying capacity or in the project's cash flow, which may compromise the normal collection of the obligations.	Loans whose risk rating is "CC" according to the methodology of the MRCO as established by the Superintendency of Finance
"Default"	–	Outstanding loans and financial leases past due for 150 days or more. This category is deemed uncollectible. These loans are considered in default.	Consumer loan portfolio past due over 90 days

For new consumer loans, our banks use their internal statistical origination models to develop an initial classification category ("AA", "A", "BB", "B" and "CC"). Once the loan is disbursed, the banks use formulas provided by the Superintendency of Finance, which incorporate payment performance of the borrower to calculate a score which in turn is used to determine the loan classification.

For financial leases the risk categories are established in the same manner as commercial or consumer loans.

For separate financial statement reporting purposes under Colombian IFRS, the Superintendency of Finance requires that loans and leases be given a risk category on the scale of "A", "B", "C", "D" and "E". As a result, the risk classifications are aligned to the risk categories as follows.

	Risk classification – Banks	
Risk category – Superintendency of Finance	**Commercial**	**Consumer**
"A"	"AA"	"AA"
		"A" – between 0 and 30 days past due
"B"	"A"	"A" – more than 30 days past due
	"BB"	"BB"
"C"	"B"	"B"
	"CC"	"CC"
"D"	"Default"	"Default" – all past due loans not classified in "E"
"E"	"Default"	"Default" – past due loans with a Loss given default (LGD) of 100%(1)

(1) LGD is defined as a percentage to reflect the credit loss incurred if an obligor defaults. LGD for debtors depends on the type of collateral and as a percentage would gradually increase depending on the number of days elapsed after being classified in each category.

For our mortgage and microcredit loan portfolios the risk categories, based on past due status, are as follows.

Category	Microcredit	Mortgage
"A" Normal Risk	In compliance or up to date and up to 30 days past due	In compliance or up to 60 days past due
"B" Acceptable Risk	Past due between 31 and 60 days	Past due between 61 and 150 days
"C" Appreciable Risk	Past due between 61 and 90 days	Past due between 151 and 360 days
"D" Significant Risk	Past due between 91 and 120 days	Past due between 361 and 540 days
"E" Uncollectable	Past due over 120 days	Past due over 540 days

Loss allowance

Grupo Aval's banks regularly review their loan portfolio to evaluate its impairment; while determining if an impairment should be recorded with charge to results of the year, management performs judgments for determining if there are observable data indicating a decrease in the estimated cash flow of the loan portfolio before the decrease in such flow may be identified for a particular loan of the portfolio.

The loan loss allowance calculation process includes analysis of specific, historical and subjective components. The methodologies used by our banking subsidiaries include the following elements:

- a detailed periodic analysis of the loan portfolio;
- a credit classification system by risk levels;
- a periodic review of the summary of loss allowances;
- identification of individually evaluated loans due to impairment;
- consideration of internal factors such as size, organizational structure, loan portfolio structure, loan administration process, analysis of overdue portfolio and experiences of historical losses;
- consideration of risks inherent to different types of loans; and
- consideration of external factors, including local, regional, and national, as well as economic factors.

For credits individually considered as significant and impaired, the amount of the loan loss allowance is calculated using the discounted cash flow method. Management of each financial entity makes assumptions regarding the amount to be recovered for each client and the time in which such amount will be recovered. During the calculation of allowances for credits considered individually as significant and impaired, based on their guarantee, management performs estimates of the fair value of such guarantees with the support of independent expert appraisers.

For loans not considered individually significant, or for those credits individually significant but not impaired, loan loss allowances are calculated collectively using elements as the historical loss rate, periodically updated data reflecting current economic conditions, performance trends of the industry, geographic concentrations of debtors within each portfolio of the segment and any other relevant information that may affect the payment. Grupo Aval's banking subsidiaries also determine whether the credit risk (i.e., risk of default) of a financial instrument has increased significantly since initial recognition. They consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on their historical experience, expert credit assessment and forward-looking information.

To quantify expected credit losses in portfolios evaluated collectively the banking subsidiaries of Grupo Aval have calculation methodologies that consider three fundamental factors: exposure, probability of default and loss given default.

- Exposure at default – "EAD" is the expected exposure from a counterparty at the time of a possible default.
- Probability of default – "PD" is the probability that the counterpart defaults in its payment obligations of capital and/or interest. The probability of default is associated to the rating/scoring or level of delinquency of the borrower. When a financial instrument's credit risk has increased significantly since initial recognition, a PD for the remaining life of the credit (PD-lifetime) is used, while a PD for the next 12 months is used when the credit risk has not increased significantly.

- Loss given default – “LGD” is the estimated loss in case a payment default occurs taking into consideration the guarantees and the corresponding appraisal.

For more information, see Note 4.1 of our audited consolidated financial statements.

Liquidity Risk Management

Liquidity risk management in Grupo Aval and its financial subsidiaries is aimed at minimizing liquidity risks and ensuring the short-term fulfilment of their main funding requirements, while balancing the tradeoff between coverage of structural exposures and cost. The financing and liquidity models are decentralized and based on the autonomous management of each subsidiary. However, liquidity risk policies at the financial subsidiaries are compliant with guidelines established by the Superintendency of Finance and local regulators. These guidelines require Grupo Aval’s Colombian financial subsidiaries to establish a liquidity risk management system (*Sistema de Administración de Riesgo de Liquidez*), which includes the identification, measurement, control and monitoring functions to ensure the management of day-to-day liquidity needs, adjust minimum liquidity buffers and establish liquidity contingency plans to deal with unexpected situations. Grupo Aval, as a holding company, is not required to maintain minimum liquidity positions.

Grupo Aval’s Colombian banking subsidiaries and Corficolombiana must maintain cash in hand and restricted cash in banks to comply with the requirements of the Colombian Central Bank and the Superintendency of Finance. These funds are part of reserve requirements and are calculated over the daily average of the different customer deposits. This requirement is 8% on demand and saving deposits, and 3.5% for time deposits with a term up to 18 months. For time deposits with tenors exceeding 18 months, the reserve requirement remained at 0%.

Following a strong rebound in 2021, the rise in inflation is becoming the main concern of Central Banks. Therefore, the short-term and long-term funding market have experienced an increase in its costs, anticipating to the increase in Central Banks’s rates, required to asset management areas and risk areas to increase the frequency where the performance of their liquidity risk indicators is monitored through their internal risk committees. This monitoring has allowed decisions to be made in a timely manner, mitigating risk situations that could affect the stability of our entities.

The Corporate risk units and our subsidiaries’ risk units, especially since the start of COVID-19, have been monitoring the behavior of our clients’ deposits daily. Our subsidiaries at the same time monitored and followed up on strategies to maintain liquidity at adequate levels.

Moreover, financial subsidiaries controlled by Grupo Aval are required to maintain adequate liquidity positions based on the Superintendency of Finance’s liquidity parameters using a short-term liquidity index (*Indicador de Riesgo de Liquidez*), or “IRL”, that measures 7 and 30 day liquidity. This index is defined as the difference between adjusted liquid assets and net liquidity requirements:

- Liquid assets include (i) debt securities adjusted by market liquidity and exchange rate excluding investments in securities at amortized cost, different from mandatory investments; (ii) Central Bank deposits; and (iii) available cash.

- Net liquidity requirements result from the difference between expected contractual asset and contractual and non-contractual liability cash flows. Cash flows from loans past due more than 30 days are not included in this calculation.

According to the updated methodology, the IRL for 7 and 30 days decreased for all our Colombian banking subsidiaries and Corficolombiana, as compared to the previous methodology. However, the liquidity units of the financial subsidiaries have worked to measure the future impacts on the index considering the economic and commercial environment. During 2021, Grupo Aval’s financial subsidiaries in Colombia maintained adequate levels of high-quality liquid assets to meet the 30-day liquidity requirements, according to the methodology of the Superintendency of Finance. There is no evidence of any upcoming liquidity risk threat.

Although BAC and MFG are not subject to Colombian regulation on liquidity risk, their internal liquidity risk framework is designed to provide an adequate liquidity management, in compliance with regulation in each of the countries where they operate.

The following tables show the consolidated IRL Ratio as of December 31, 2021 and 2020 for each of our banks in Colombia and Corficolombiana, expressed in Ps billions and as a percentage.

	At December 31,									
	Banco de Bogotá		Banco de Occidente		Banco Popular		Banco AV Villas		Corficolombiana	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	(in Ps billions)									
IRL – 7 days	10,234	12,016	5,923	4,083	3,847	3,839	2,507	3,490	819	1,042
IRL – 30 days	2,928	4,095	2,936	2,493	1,671	1,772	1,139	2,118	613	846

	At December 31,									
	Banco de Bogotá		Banco de Occidente		Banco Popular		Banco AV Villas		Corficolombiana	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	(in percentages)									
IRL – 7 days	673	1,036	348	349	525	1,017	829	1,052	221	340
IRL – 30 days	132	145	180	177	154	171	167	222	169	235

The Superintendency of Finance issued External Circular 019 of 2019, setting the objective, rules, and definition of the metric for the CFEN ratio (*Coeficiente de Financiación Estable Neto*). The CFEN ratio, based on the Basel NSFR (Net Stable Funding Ratio) standard, limits excessive dependence on unstable funding resources for strategic assets that are often illiquid and at the same time, allows entities to maintain a stable funding profile in relation to their assets. CFEN is applicable for banks since March 2020, but a transition period was established until March 31, 2022.

The CFEN ratio is defined as a ratio of the available amount of stable funding (ASF) to a required amount of stable funding (RSF). "Stable funding" is defined as those types and amounts of equity and liability financing, expected to be reliable sources of funds over a one-year time horizon under conditions of long-term stress.

Available stable funding (ASF) is defined as the sum of: (i) capital; (ii) preferred stock with maturity of equal to or greater than one year; (iii) liabilities with effective maturities of one year or greater; and (iv) the portion of "stable" non-maturity deposits and/or term deposits with maturities of less than one year that would be expected to stay with the institution for an extended period in a stress scenario multiplied by an ASF factor.

The required amount of stable funding is calculated as the sum of the value of the assets held and funded by the institution, multiplied by a specific required stable funding (RSF) factor assigned to each particular asset type, multiplied by its associated RSF factor. The total RSF is the sum of the corresponding weighted amounts. RSF factors are intended to approximate the amount of a specific asset that would have to be financed, either because it will be renewed, it could not be liquidated through its sale, or it is engaged in a money market operation, in a year without incurring in significant losses. That amount must be financed with ASF.

The following tables show the consolidated CFEN ratio for each of our banks in Colombia as well as for Corficolombiana, expressed as a percentage as of December 31, 2021 and 2020 as follows:

	At December 31, 2021				
	Banco de Bogotá	Banco de Occidente	Banco Popular	Banco AV Villas	Corficolombiana
			(in Percentage)		
CFEN	107.71	107.74	93.80	111.63	222.21

	At December 31, 2020				
	Banco de Bogotá	Banco de Occidente	Banco Popular	Banco AV Villas	Corficolombiana
			(in Percentage)		
CFEN	93.00	100.14	93.96	112.11	191.47

BAC and MFG, use different indicators in response to the regulatory requirements of each jurisdiction. These regulatory indicators seek to ensure that the banks maintain sufficient liquid assets to meet their needs in different time horizons. For this reason, BAC and MFG establish liquidity risk measurement indicators that are replicated in each jurisdiction to ensure that regulatory requirements are complied with and that their subsidiaries have enough liquidity to fulfill their respective strategic objectives.

See additional information in Note 4 and Note 1 of our audited consolidated financial statements.

Market Risk Management

Market risk management focuses on the probability of changes in the value of the investment's portfolios due to fluctuations in financial instruments' prices. Market risk management systems are composed by a set of policies, procedures, and controls in order to identify, measure, monitor and control the sources of risk.

The pandemic declared by the World Health Organization in the first quarter of 2020, required risk areas to increase the frequency where the performance of their liquidity risk indicators is monitored through their internal risk committees. This monitoring allowed decisions to be made in a timely manner, mitigating risk situations that could affect the stability of our entities.

Grupo Aval, as a financial holding, does not have material market risk but it monitors and oversees market risk at a consolidated level through reports received from its financial subsidiaries in charge of managing their own market risk. The financial subsidiaries present substantial market risk, primarily because of banks' lending, trading and investment businesses. The main sources of market risks to which financial subsidiaries are exposed to: interest rate risk, foreign exchange rate risk, variations in stock price risk and investment fund risk:

- Interest rate risk: because of mismatches between interest-rate-sensitive assets and liabilities, subject to any hedging we are engaged in using interest rate swaps or other off-balance sheet derivative instruments. Interest rate risk arises in connection with trading and non-trading activities.

- Foreign exchange rate risk: because of mismatches between assets and liabilities, and off-balance sheet items denominated in foreign currencies.

- Variations in stock price risk: in connection with investments in equity securities, including our merchant banking investments.

- Investment fund risk: primarily from investments in mutual funds.

Grupo Aval and its financial subsidiaries' respective Boards of Directors, through their risk management committees, are responsible for establishing policies, procedures, and limits regarding market risk. Additionally, these committees monitor overall performance considering the risks assumed. These policies and procedures describe the control framework used by Grupo Aval and its financial subsidiaries to identify, measure, and manage market risk exposures inherent in financials activities. The main purpose of these policies and procedures is to set risk limits.

All risk managers within Grupo Aval must ensure that each business activity is performed in accordance with the financial subsidiaries' established policies. These policies and procedures are followed in market risk decision-making in all business units and activities. Financial subsidiaries have established a Market Risk Management System "*Sistema de Administración de Riesgos de Mercado"*, or SARM (for its initials in Spanish), which meets the requirements of the Superintendency of Finance. Each financial subsidiary is responsible for setting limits and monitoring market risk.

Market risk management employees at Grupo Aval and financial subsidiaries are responsible for:

- identifying, measuring, managing and controlling market risk exposures inherent in their businesses;

- analyzing exposures under stress scenarios;

- confirming compliance with risk management policies, reporting violations of such policies, and proposing new ones;

- designing value securities and financial instruments methodologies; and

- reporting trading instruments' market risk levels to senior management on a daily basis.

Financial subsidiaries hold trading and non-trading instruments which are classified in the treasury or banking book, according with the strategy, nature, and financial instruments risks.

In Central America, governments are the main issuers of debt securities and banks are its main holders. The low participation of other agents in the market means that the securities acquired at the time of issuance generally remain in the banks' investment portfolio until their maturity. Investments in debt securities of Grupo Aval's financial subsidiaries in Central America are, mostly, registered and measured at fair value through other comprehensive income.

Investments measured at fair value through profit or loss (FVTPL) are not very significant considering the size of the securities portfolio. Grupo Aval's financial subsidiaries manage their investment portfolios in a comprehensive and integral manner that is intended to assess the level of market risk exposure for each one of the three categories of the investment securities portfolio. Therefore, test measures such as DVO1 or duration sensitivity are used in the market risk assessment process.

Trading Instruments

Trading instruments include positions in financial instruments acquired to take advantage of current and/or expected differences between purchase and sale prices. As a result of trading fixed rate and floating rate securities, equity securities, investment funds and foreign exchange, Grupo Aval and its financial subsidiaries are exposed to interest rate, variations in stock prices, investment fund and foreign exchange rate risks, as well as volatility risk when derivatives are used. Financial subsidiaries trade foreign exchange, fixed income instruments, including fixed and floating rate securities, and basic derivative instruments (forwards, options, cross currency swaps and interest rate swaps).

Market risk departments use value at risk, or "VaR", to measure their exposure to market risk in trading instruments. VaR is an estimate of the expected maximum loss in market value of a given portfolio over a time horizon at a specific confidence interval, subject to certain assumptions and limitations discussed below.

VaR models have inherent limitations, including the fact that they rely on historical data, which may not be indicative of future market conditions or trading patterns. As a result, VaR models could overestimate or underestimate the value at risk and should not be viewed as predictions of future results. Furthermore, it can be possible to incur in losses materially in excess of the amounts indicated by the VaR models on a specific trading day or over a period. VaR does not calculate the greatest possible loss. In addition, VaR models are subject to the reasonable judgment of market risk management's employees.

As described below, financial subsidiaries measure interest rate risk, foreign exchange risk, variations in stock price risk and investment fund risk in accordance with VaR models. They use two types of approaches to measure VaR: (i) internal VaR models and (ii) regulatory VaR.

Internal VaR

Financial subsidiaries use internal models to manage market risk. Parameters are set to adapt to the evolution of volatility of the risk factors over time using statistical methods to estimate them. Internal VaR models usually give more weight to recent data in the moment of calculations to reflect actual market conditions. The corporate governance bodies of the financial subsidiaries set limits based on this VaR measure to control the market risks. Parametric VaR and historical simulation methodologies are also used.

Each financial subsidiaries' board of directors, assets and liabilities committee and/or risk management committee establishes the maximum VaR for each type of investment and for each type of risk using their own internal VaR models as well as the Superintendency of Finance methodology. Financial subsidiaries use VaR estimates to alert senior management whenever the statistically estimated losses in the banks' portfolios exceed pre-established levels. Limits on VaR are used to control exposure on a portfolio-by-portfolio basis.

To strictly control the trading portfolios, each entity has limits for every risk factor. To determine the limits, the impact of the variation (DV01 change in monetary value caused by a variation of 1 basis point) in each asset class is considered. These risk limits are validated through stress testing based on historical extreme scenarios.

Regulatory VaR

The Regulatory VaR calculation is mainly used for the Superintendency of Finance's capital ratio (solvency ratio) calculations and the methodology is based on the Basel II model.

This model applies only to the banks' investment portfolio and excludes investments at amortized cost and other specific non-trading positions included in the "Available for sale" portfolios. Total market risk is calculated daily by aggregating the VaR for each risk exposure category on a ten-day horizon using risk factors calculated in extreme market stress scenarios. VaR at month-end comprises part of the capital adequacy ratio calculation (as set forth in Decree 2555 of 2010). The Superintendency of Finance's policy issues, require financial subsidiaries to calculate VaR for the following risk factors: interest rate risk, foreign exchange rate risk, variations in stock price risk and fund risk; correlations between risk factors are not considered. The fluctuations in the portfolio's VaR depend on volatilities determined by the Superintendency of Finance, duration, and changes in balances outstanding. The ten-day horizon is defined as the average time in which an entity could sell a trading position in the market. Moreover, the Superintendency of Finance has not made publicly available technical information on how it determines the volatilities used in this model, and only limited information is available. The volatilities used in the Superintendency of Finance's model are of a similar magnitude to those observed in very high volatility or stress periods.

The VaR calculation for each parent company is the aggregate of the parent and its financial subsidiaries' VAR, using, the standard methodology defined by the Superintendency of Finance.

Interest Rate Risk

Financial subsidiaries' exposure to interest rate risk in their trading portfolios primarily arises from investments in securities (floating and fixed rate) and derivative instruments. According to the Superintendency of Finance rules, financial subsidiaries calculate interest rate risk for positions in pesos, foreign currency and UVRs separately. UVR is a Colombian inflation-adjusted monetary index calculated by the Colombian Central Bank's board of directors and generally used as an alternative for home-mortgage loans pricing floating rates. The interest rate risk model is designed to measure the risk of losses arising from changes in market interest rates. It includes the sum of the net short or long position in the whole trading book, a proportion of the matched positions in each time band (vertical disallowance) and a proportion of the matched positions across different time bands (horizontal disallowance).

A significant portion of market risk of the financial subsidiaries is interest rate risk generated by long positions held in peso-denominated Colombian government debt. Financial subsidiaries prefer these securities because the government debt market is the largest and most developed of the local financial markets. Additionally, government debt securities support the liquidity management as they are eligible for Colombian Central Bank overnight repo funding and are classified as high-quality liquid assets. Government debt securities also carry a zero weight for capital adequacy calculations making them attractive in terms of use of capital. These factors provide a strong incentive to invest in government debt securities and diversify less into other debt securities that do not possess these characteristics.

Foreign Exchange Rate Risk

Financial subsidiaries use a sensitivity factor to calculate the probability of losses because of fluctuations in currencies in which they hold positions. Regulatory VaR is computed daily by multiplying the net position by the maximum probable variation in the price of such positions on a ten-day horizon, determined by the Superintendency of Finance as shown in the following table.

U.S. dollar	12.5%
Euro	11.0%
Other currencies	13.0%

Our banks' exposure to foreign exchange rate risk arises mainly from changes in the U.S. dollar/peso exchange rate. Our banks use an approximation to estimate the risk in exchange-rate-related option positions based on delta, gamma and vega sensitivities, which is included in foreign exchange risk.

The foreign exchange rate risk VaR calculation under the standard model of the Superintendency of Finance includes the trading and non-trading book.

Equity Price Risk

In determining regulatory VaR variations in stock price risk, certain investments are excluded: (i) equity securities in financial institutions supervised by the Superintendency of Finance; and (ii) equity securities derived from corporate restructuring processes or received as in-kind payment for non-performing loans. In addition, as part of the solvency ratio calculation, equity securities in entities supervised by the Superintendency of Finance that do not consolidate, are generally deducted from primary capital. Investments in entities that consolidate but are not supervised by Superintendency of Finance (non-financial investment), are included in VaR calculations.

Variations in stock price risk in Grupo Aval, derive mainly from Corficolombiana's non-financial investment portfolio. The Superintendency of Finance's methodology for determining VaR for variations in stock price risk outlined above resulted in the inclusion of Corficolombiana's consolidated and non-consolidated equity securities in non-financial institutions.

In December 2010, the Superintendency of Finance issued a methodology that excludes from the VaR calculation investments that are available for sale, equity securities that are acquired as strategic investments and intended to be held on a long-term horizon.

Variations in stock price risk VaR are computed daily by multiplying the net position by the maximum likely variation in the price of such positions on a ten-day horizon, determined by the Superintendency of Finance to be 14.7%. This coefficient is based on historic volatilities and is seldom adjusted.

Investment Fund Risk

Investment fund risk comes from temporary investment of cash in portfolios managed by trust companies. Investment fund risk VaR is computed daily by multiplying the net position by the maximum probable variation in the price of such positions on a ten-day horizon, determined by the Superintendency of Finance to be 14.7%.

The following tables show the consolidated VaR calculation relating to each of the risk factors described above and based on the Superintendency of Finance's methodology (Regulatory VaR) for the years ended December 31, 2021 and 2020, for a ten-day horizon for each of our Colombian banking subsidiaries and Porvenir. The minimum and maximum levels are determined based on end-of-month calculations, using 12 data points between January and December. Average values are determined based on the 12-month data points between January and December of the year analyzed.

Banco de Bogotá

	Year ended December 31, 2021				At December 31, 2020
	Period end	Average	Maximum	Minimum	Period end
			(in Ps millions)		
Interest rate risk VaR	834,269	881,819	953,656	834,269	784,070
Foreign exchange rate risk VaR	70,029	75,904	122,718	16,782	54,921
Variations in equity price risk VaR	2,820	8,623	15,898	2,714	1,778
Fund risk VaR	106,827	243,525	390,295	103,577	102,117

Banco de Occidente

	Year ended December 31, 2021				At December 31, 2020
	Period end	Average	Maximum	Minimum	Period end
			(in Ps millions)		
Interest rate risk VaR	255,312	252,604	298,420	165,412	170,819
Foreign exchange rate risk VaR	2,749	1,462	2,948	305	968
Variations in equity price risk VaR	—	—	—	—	—
Fund risk VaR	69,551	65,460	76,636	53,521	52,155

Banco Popular

	Year ended December 31, 2021				At December 31, 2020
	Period end	Average	Maximum	Minimum	Period end
			(in Ps millions)		
Interest rate risk VaR	151,504	121,143	153,794	73,313	81,513
Foreign exchange rate risk VaR	5,649	5,261	6,067	4,459	4,562
Variations in equity price risk VaR	144	169	183	143	180
Fund risk VaR	15,964	15,623	15,964	15,379	15,518

Banco AV Villas

	Year ended December 31, 2021				At December 31, 2020
	Period end	Average	Maximum	Minimum	Period end
			(in Ps millions)		
Interest rate risk VaR	125,004	139,437	154,513	122,480	106,016
Foreign exchange rate risk VaR	41	38	75	2	52
Variations in equity price risk VaR	—	—	—	—	—
Fund risk VaR	1,754	1,248	1,942	309	4,017

Porvenir

	Year ended December 31, 2021				At December 31, 2020
	Period end	Average	Maximum	Minimum	Period end
			(in Ps millions)		
Interest rate risk VaR	44,976	26,863	44,976	13,284	17,707
Foreign exchange rate risk VaR	272	350	491	192	448
Variations in equity price risk VaR	2,673	1,741	2,673	996	2,439
Fund risk VaR	1,924	1,930	3,531	1,141	1,532

Corficolombiana

	Year ended December 31, 2021				At December 31, 2020
	Period end	Average	Maximum	Minimum	Period end
			(in Ps millions)		
Interest rate risk VaR	195,119	183,241	216,352	128,648	157,021
Foreign exchange rate risk VaR	1,876	4,848	12,098	1,443	5,463
Variations in equity price risk VaR	13,267	13,586	14,041	12,852	13,507
Fund risk VaR	1,423	2,607	5,523	1,333	2,487

The financial subsidiaries' regulatory VaRs yield different results according to each operation. Between December 31, 2021 and 2020, the regulatory VaR of the financial subsidiaries have been higher for Grupo Aval's entities due to the incentives provided by the central bank, reducing rates and excess liquidity in the market.

Considerations on Equity Price Risk Regulatory VaR

As stated above, variations in equity price risk measured based on the regulatory VaR methodology include equity securities held for trading through profit or losses and non-strategic holdings. In addition, it does not discriminate between listed and unlisted equity investments or between those consolidated and those which are not. It focuses on investments in non-financial institutions.

Holding periods for many of Corficolombiana's equity investments exceed ten years. Its largest investments have been in the portfolio for many years and are intended to remain as permanent investments. At December 31, 2021 and 2020, the investments subject to regulatory VaR were the holdings in Mineros S.A.

The following table breaks down our investments subject to regulatory VaR by time since initial investments at December 31, 2021 and 2020.

	At December 31,					
	2021			2020		
	Investment subject to Regulatory VaR	Regulatory VaR	Percentage of portfolio	Investment subject to Regulatory VaR	Regulatory VaR	Percentage of portfolio
More than 36 months	85,229	12,617	100%	85,832	12,617	100%
Total	**85,229**	**12,617**	**100%**	**85,832**	**12,617**	**100%**

Non-Trading Instruments

Non-trading instruments consist mainly of loans and deposits. Our banks' primary market risk exposure in their non-trading instruments is interest rate risk, which arises from the possibility of changes in market interest rates. Those changes in market interest rates affect our banks' net interest income due to timing differences on their assets and liabilities repricing. Additionally, our banks are affected by gaps in maturity dates and interest rates in different asset and liability accounts.

For more information, see Note 4 of our audited consolidated financial statements—Interest Rate Risk on the balance sheet structure shows mismatches in the repricing of our assets and liabilities by maturity bands. Also, Note 4 of our audited consolidated financial statement—Liquidity Risk, shows an analysis of the remaining contractual maturities of our assets and liabilities.

As part of their management of interest rate risk, financial subsidiaries analyze the interest rate mismatches between their interest-earning assets and their interest-earning liabilities. This sensitivity analysis based on hypothetical changes assumes the composition of Grupo Aval's balance sheet remains constant over the period being measured.

As of December 31, 2021, if market interest rates increased by 100 basis points, assuming no asymmetrical movement in yield curves and a constant financial position, profit for the year would have been Ps. 983,500 (2020: Ps. 871,706) higher, mainly as a result of higher interest income on variable interest assets compensated for higher interest expenses on variable interest liabilities and lower fair values of securities at fair value through profit or loss. Other comprehensive income in equity would have been Ps. 850,710 (2020: Ps. 307,667) lower, mainly as a result of a decrease in the fair values of fixed rate financial assets classified as fair value through OCI.

Additionally, Superintendency of Finance guidelines require financial subsidiaries to measure foreign exchange rate risk VaR not only for treasury book positions but also for all assets and liabilities denominated in foreign currencies. Our non-trading instruments are exposed to foreign exchange rate risk mainly from loans and deposits denominated in dollars. This foreign exchange rate risk is monitored under the VaR methodology described above.

Operational Risk Management

Grupo Aval defines operational risk as "the risk of incurring losses due to deficiencies, failures or inadequate functioning of our processes, technology, infrastructure or human resources, as well as the occurrence of external events associated with these, including legal risk". Operational risk is inherent in all services, products, activities, processes, and systems, and affects all business and support areas, thus, all employees are responsible for managing and controlling the risks that arise in the development of their activities.

The operational risk policies in Grupo Aval and financial subsidiaries follow the guidelines established by Superintendency of Finance. These guidelines require to establish a system of operational risk management (SARO) that includes identification, measurement, control and monitoring of functions required to ensure adequate risk management.

As a part of the processes achieved in the management of operational risk the execution of missionary, strategic and support processes and implements the necessary controls to meet its obligations with clients, shareholders, and other stakeholders. SARO's management is complemented by the definition, implementation, testing and maintenance of the Business Continuity Plan, which is part of strengthening the operational risk control stage.

To comply with the implementation of SARO, each of our financial subsidiaries established within its organizational structure an operational risk unit independent of the operational and control areas of each financial subsidiary. The responsibilities of these units are the establishment and definition of policies, methodologies, and procedures for communicating within each organization all information related to operational risk. In addition to the staff of each operational risk unit, the financial subsidiaries have established the role of operational risk leaders, which are employees in key areas who, in addition to their functional responsibilities, are required to report events or situations which may result in eventual operational losses. Additionally, each financial subsidiary has an operational risk management committee which meets on a periodical basis to review operational risks policies and follow up on the execution of action plans.

The Operational Risk Unit (URO) maintains its monitoring process to the risk profile of the entity, reports to Senior Management, and validated that risks levels have not exceeded the adequate and accepted risk levels.

At Grupo Aval, an operational risk management committee, composed of the heads of the operational risk units of each financial subsidiary and staff of Grupo Aval risk management, was established. The principal activities of this committee, are as follows:

1. coordinate the analysis of regulation and the impact in Grupo Aval's financial subsidiaries;
2. identify and apply operational risk management best practices;
3. monitor the financial subsidiaries' operational risk management performance systems.
4. coordinate the standardization of operational risk methodologies;
5. identify and implement operational risk management tools; and
6. standardization of criteria in the search for business continuity tools.

The maturity of the Business Continuity Management system represents our commitment to a strong and resilient culture, providing all stakeholders with contingency solutions that allow them to enhance their confidence in the management of events that disrupt the normal operation of our business. The execution of Business Continuity Testing has been developed to identify strengths and improvement opportunities into entities operation scheme. As a result, the strategies and preparation of the functional teams and technological processes proved to be effective in facing disruption scenarios.

The guidelines established by Grupo Aval's Corporate Business Continuity Committee aim to support compliance with business continuity requirements based on the knowledge of the policies and activities developed by each entity. Remote work has been an effective contingency strategy for Grupo Aval and its subsidiaries with which it has responded in a timely manner to the needs of all stakeholders.

Grupo Aval and its financial entities adopted the guidelines established in Chapter XXIII of the Accounting and Financial Circular (CBCF), related to operational risk management and what is defined in Decree 1421 issued on August 6, 2019, complying with the capital requirements for operational risk and integrating this component in solvency calculations.

For the determination of capital requirements for Operational Risk, the Value at Operational Risk (VaR OR) calculated in accordance with the instructions set forth in Chapter XXIII of the Basic Accounting and Financial Circular (CBCF) is used, credit institutions base their calculation on the standard method defined in Annex 1 of the referred chapter to determine the exposure to operational risk; in the case of the pension and severance fund managers, the Superintendency of Finance has established a different methodology contained in Annex 2.

As part of the calculation of the VaR OR for credit institutions the parameters of internal business indicator, operational risk coefficient and internal loss indicator are considered, the latter for the year 2021 corresponds to a transition value defined by the Superintendency of Finance. In the case of Porvenir, the calculation of the VaR OR considers the determination of the weighting factor according to the guidelines established by the Superintendency of Finance. Below are the figures by entity as of December 31, 2021:

		At December 31, 2021
Entity	**Value**	**Basis Points of Regulatory Capital**
	(in Ps millions)	
Banco de Bogotá	10,857	96
Banco de Occidente	1,671	60
Banco Popular	801	61
Banco AV Villas	614	78
Corficolombiana	2,112	597
Porvenir	1,510	476

Non-Financial Risk Review

Grupo Aval and its subsidiaries are committed to the preservation of integrity through compliance with applicable laws, regulations, and ethical standards in each of the markets in which they operate. All employees are expected to adhere to these laws, regulations and ethical standards and management of each financial subsidiary is responsible for ensuring such compliance. Compliance is an essential ingredient of good corporate governance.

The compliance function covers all matters relating to regulatory compliance, the prevention of money laundering and terrorist financing, consumer protection, antibribery and anticorruption, as well as compliance with the standards of the U.S. Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley).

The compliance function is independent of the business lines in all our financial subsidiaries and promotes adherence to the rules, oversight requirements, principles, and values of good conduct through all our companies. The corporate governance structure at Grupo Aval establishes standards, policies and best practices that apply to each company to enforce the standard requirements, that business units should follow. The compliance or risk units in each financial subsidiary enforce the application of the corporate and internal policies providing advice and information in the interest of employees, customers, shareholders, and supervisors.

The compliance function is incorporated into the risk areas with access to the board of directors and its committees through the Chief Risk Officer. In addition, the legal departments of each financial subsidiary, have access to these bodies on a regular basis. This structure is aligned with banking regulatory requirements and supervisory expectations.

The compliance unit assists Management at the entity level in identifying and assessing potential compliance issues as well as providing guidance to staff on compliance laws, rules, and standards, and performs a monitoring and reporting role. The legal departments of the financial subsidiaries have the primary responsibility for identifying and interpreting compliance laws, rules, and standards, and for aiding in drafting related policies and procedures. The internal audit units review the adequacy of controls established to ensure compliance with policies, plans, procedures, and business objectives, in accordance with the annual internal audit plan and legal requirements, as well as COSO 2013 as internal control framework.

Anti-money laundering and terrorist financing

Grupo Aval and its financial subsidiaries must comply with the guidelines established by local authorities and the Superintendency of Finance of Colombia (which, in turn, follows international standards). These guidelines require that Colombian financial entities establish a system for the administration of risks related to money laundering and terrorist financing (*Sistema de Administración de Riesgo de Lavado de Activos y Financiación del Terrorismo* - SARLAFT) which includes the identification, measurement, control, and monitoring functions to prevent and mitigate the materialization of risks related to money laundering and terrorist financing.

In compliance with the regulations of the Superintendency of Corporations, the most significant entities in the non-financial sector, have implemented the control system for the prevention of the money laundering and financing of terrorism called SAGRILAFT (*Sistema de Autogestión de Riesgo Integral de Lavado de Activos y Financiación del Terrorismo*). A methodology for measuring the maturity level of the system to prevent money laundering and terrorist financing was defined, consisting of an annual self-evaluation that includes qualitative factors of the compliance program ranging from the control environment to monitoring the effectiveness of the controls.

Monthly Corporate Committees are held with the participation of the Compliance Officers of the principal entities. Through these instances, Grupo Aval ensures that best practices are adopted by the companies, and undertakes a periodic review of the methodology, risk factors and risks materializations. Depending on their importance, a review assessment is made in these committees to determine if there are gaps in the factors considered (ranging from policies, organization, knowledge of the client, identification of unusual operations, status of communications, acquisition, development and maintenance of systems, incident management, business continuity plans, degree of compliance, strategy, government, and control architecture, among others) and opportunities for improvement. At the same time, once the remediation plans are executed, corporate reviews are made to verify that those plans were accomplished. Compliance Officers in each subsidiary are required to report periodically the main findings and assessment of the anti-money laundering risk to the board of directors.

All local financial subsidiaries, and the most significant entities in the non-financial sector required to implement the control system for the prevention of money laundering and financing of terrorism – SAGRILAFT, in compliance with local regulations, must report suspicious transactions to the UIAF (*Unidad de Información y Análisis Financiero*) of the Ministry of Finance.

Annually, each subsidiary must certify to Grupo Aval holding the degree of compliance with corporate policies and procedures for the calendar year that ends, based on program maturity goals. According to this, each of our subsidiaries must comply the minimum standards defined by Grupo Aval, even if the local regulation is less demanding.

Anti-bribery and anti-corruption

Grupo Aval has designed controls to safeguard that its employees act with integrity in all of their dealings and strictly prohibits bribery and corruption in any form. Anti-bribery and anti-corruption principles are stated in the Corporate Anti-Bribery and Corruption Policy and are summarized below, based on the fundamental principle of zero tolerance:

- Employees of Grupo Aval and of all its subsidiaries must conduct their business fairly, honestly, accountably and transparently; therefore, all forms of bribery and corruption, including facilitation payments, are strictly prohibited;

- Ethical lines of Grupo Aval and its subsidiaries are available to employees and third-parties. Any complaints are carefully investigated, ensuring appropriate actions and the whistleblowers anonymity. Other means such as email and web pages can be used to report corruption events;

- Formal process to identify, assess, document and manage corruption risks. Annul updating of the risk – controls matrix, applying the approved methodology and annual evaluation of the perspective of the risk of corruption at the level of each entity;

- Gifts or entertainment must always be proportionate and reasonable, must have a legitimate purpose and must not create a conflict of interest or the perception thereof;

- Donations and sponsorships are controlled, regulated by strict principles, and should be reported to Compliance Officers; and

- Questionable behavior should be challenged, and rumors of improper payments or activities should be reported to management or could be reported via the whistleblower reporting channels.

In accordance with the above, Grupo Aval monitors that the accounting records of transactions with high exposure to anti-corruption and anti-bribery laws accurately reflect such transactions and their proper accountancy.

We have designed a process of self-assessment and annual certification applicable to all the Grupo Aval subordinates which consists of evaluating the environment of control and the way in which each subordinate is mitigating the antibribery and anti-corruption risks identified, with a special emphasis on particular issues such as donations, gifts, invitations, sponsorships, and TPI (third parties intermediaries) administration. The policies also apply to acquisitions and joint ventures.

Legal Risk

Each subsidiary's legal division supports operational risk management in its area of expertise. Specifically, this division defines and institutes the necessary procedures to adequately control the legal risks inherent in financial subsidiaries' operations, making sure legal risks are well mitigated and that the controls meet legal standards. It also analyzes and drafts contracts for operations carried out by the different business units.

With respect to the legal situation of each subsidiary the legal division ensures that the respective contingencies allowances have been appropriately created whenever required. Grupo Aval has assessed the relevant claims filed against it, based on the analysis and criteria of the lawyers in charge.

Regarding copyrights, Grupo Aval and each of its subsidiaries only uses software or licenses that have been legally acquired and only allows officially licensed software to be used on its computers.

Details of the litigation filed against Grupo Aval are disclosed in Note 23 and 27 to our audited consolidated financial statements.

Conglomerate Risk

As of December 31, 2021, Aval Financial Conglomerate includes 68 national and foreign entities that undertake activities under the supervision of the Superintendency of Finance (SFC) and / or act as vehicles through which Grupo Aval exerts control.

In compliance with the regulations established in External Circular 013 of June 2020 issued by the Financial Superintendence of Colombia, Grupo Aval S.A., as holding company defined by the Superintendency of Finance, approved the Risk Management Framework (MGR) in its board of directors, and through the Risk Committee, studied and approved the MGR and the Early Warning System methodology and procedure for the implementation.

To develop the guidelines established in the Risk Management Framework Policy of the Aval Financial Conglomerate, through MGR's methodology, the aspects that the Financial Holding must consider for risks management of Financial Conglomerate's risks are:

1. **Contagion Risk:** (Also sometimes referred as Systemic Risk) Risk that result from the deterioration of the financial conditions of one or more of the entities belonging to a financial conglomerate, the stability of this or any of its entities will be compromised, or that of the financial system.

To assess this risk, Grupo Aval considered the relationships and exposures between entities of the conglomerate and between these and their related entities or affiliates, as well as the possible impacts due to the materialization of reputational risk, "risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect a bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding"-Basel definition; which is understood as the possibility of loss incurred by a financial conglomerate's entity due to dispute, bad image, negative publicity, true or not, with respect to the same institution or its business practices, which causes loss of customers or decrease in income. Also "Step-in" risk, as considered by Basel definitions, can be included within this category of risks.

The materiality of the risk will depend, among other factors, on the amount, type and frequency of interconnections that entities of the financial conglomerate have and those with which they relate.

2. **Strategic risk:** this risk arises from the inadequate consideration of risks in the strategic planning process of the Financial Holding and its implementation, as well as the impossibility of adapting to changes or the development of the economies and markets where the financial conglomerate operates.

This risk can also arise when the Financial Conglomerate ventures into new markets. The identification of risks arising from acquisitions or creation of new entities should be carried out in advance.

Grupo Aval as the Financial Holding of the Aval Financial Conglomerate, if required, will establish additional corporate governance policies that allow to identify circumstances that lead to materialization of this risk and mechanisms that allow its mitigation.

3. **Concentration risk:** Corresponds to the risk that an exposure to a single counterparty can: (i) generate losses that compromise the stability and financial solidity of the financial conglomerate or the normal development of its business; or (ii) generate a material change in the risk profile of the financial conglomerate.

As part of the management of concentration risk in the financial conglomerate, Grupo Aval analyzed risk factors such as lines of business, geographical location, economic sector, and counterparties. Additionally, the concentration of service providers, shared service centers and the eventual occurrence of natural disasters is analyzed.

The Financial Holding has an organizational structure that promotes and facilitates the risk management of the financial conglomerate, without ignoring the organizational structure and the legal and governance autonomy of the entities that belong to the financial conglomerate.

Grupo Aval, with the support of Risk Committee, monitors Risk Management Framework, Risk Appetite Framework of the Financial Holding, and the Financial Conglomerate's Risk Profile to communicate in a timely manner to the board of directors about possible deviations from risk levels established and issue recommendations to take corrective actions and/or to modify policies when it is necessary.

As of December 31, 2021, the management of financial conglomerate's risks was carried out in accordance with the defined policies, procedures, and methodologies and as a result, no issues were identified.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt securities

Not applicable.

B. Warrants and rights

Not applicable.

C. Other securities

Not applicable.

D. American depositary shares

Fees and Expenses

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of preferred shares, issuances in respect of preferred share distributions, rights and other distributions, issuances pursuant to a share dividend or share split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities in any manner permitted by the deposit agreement or whose ADRs are cancelled or reduced for any other reason, up to U.S.$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a preferred share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The following additional charges will be incurred by the ADR holders, by any party depositing or withdrawing preferred shares or by any party surrendering ADSs or to whom ADSs are issued (including, without limitation, issuances pursuant to a share dividend or share split declared by our company or an exchange of securities regarding the ADRs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of U.S.$0.05 or less per ADS for any cash distribution made pursuant to the deposit agreement;
- a fee of U.S.$1.50 per ADR or ADRs for transfers of ADRs;

- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the fee for the execution and delivery of ADSs that would have been charged as a result of the deposit of such securities (treating all such securities as if they were preferred shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;

- an aggregate fee of U.S.$0.05 per ADS per calendar year (or portion thereof) for services performed by the depositary in administering our ADR program (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders as of the record date or record dates set by the depositary during each calendar year and will be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);

- any other charge payable by any of the depositary, any of the depositary's agents, including, without limitation, the custodian, or the agents of the depositary's agents in connection with the servicing of our preferred shares or other deposited securities (which charge will be assessed against registered holders of our ADRs as of the record date or dates set by the depositary and will be payable at the sole discretion of the depositary by billing such registered holders or by deducting such charge from one or more cash dividends or other cash distributions);

- stock transfer or other taxes and other governmental charges;

- cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares;

- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities;

- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars; and

- such fees and expenses as are incurred by the depositary (including without limitation expenses incurred in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable laws, rules or regulations.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time.

Direct and indirect payments

Our depositary has agreed to reimburse us for certain expenses we incur that are related to the establishment and maintenance of the ADR program upon such terms and conditions as we and the depositary may agree from time to time. The depositary may make available to us a set amount or a portion of the depositary fees charged in respect of the ADR program or otherwise upon such terms and conditions as we and the depositary may agree from time to time.

The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary will generally set off the amounts owing from distributions made to holders of ADSs. If, however, no distribution exists and payment owing is not timely received by the depositary, the depositary may refuse to provide any further services to holders that have not paid those fees and expenses owing until such fees and expenses have been paid. At the discretion of the depositary, all fees and charges owing under the deposit agreement are due in advance and/or when declared owing by the depositary. The depositary may generally refuse to provide services to any holder until the fees and expenses owing by such holder for those services or otherwise are paid.

For the year ended December 31, 2021 we received U.S.$0.24 million in payments from J.P. Morgan Chase Bank, N.A. as depositary of the ADR program.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

A. Defaults

No matters to report.

B. Arrears and delinquencies

No matters to report.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A. Material modifications to instruments

Not applicable.

B. Material modifications to rights

Not applicable.

C. Withdrawal or substitution of assets

Not applicable.

D. Change in trustees or paying agents

Not applicable.

E. Use of proceeds

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure controls and procedures

As of December 31, 2021, under the supervision and with the participation of our management, including our President and Chief Financial Officer, we performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). There are inherent limitations to the effectiveness of any disclosure controls and procedures system, including the possibility of human error and circumventing or overriding them. Even if effective, disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives.

Based on such evaluation, our President and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that the information we are required to disclose in the reports we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management to allow timely decisions regarding required disclosures.

B. Management's annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining an adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act.

Our internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes, in accordance with generally accepted accounting principles. These include those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements, in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorization of our management and directors; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, effective control over financial reporting cannot, and does not, provide absolute assurance of achieving our control objectives. Also, projections of, and any evaluation of effectiveness of the internal controls in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We have adapted our internal control over financial reporting based on the guidelines set by the Internal Control – Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

Under the supervision and with the participation of our management, including our President, our Chief Financial Officer, our Chief Risk Officer and our Chief of Internal Control, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2021, based on the guidelines set forth by the COSO 2013.

Based on this assessment, management believes that, as of December 31, 2021, its internal control over financial reporting was effective.

C. Attestation report of the registered public accounting firm

The effectiveness of the internal control over financial reporting, as of December 31, 2021, has been audited by KPMG, an independent registered public accounting firm. KPMG’s Report of Independent Registered Public Accountant Firm appears on page F-2.

D. Changes in internal control over financial reporting

There was no significant change in our internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. Audit committee financial expert

The Board of Directors has determined that Fabio Castellanos Ordóñez is an audit committee financial expert. All members of our audit committee, namely Esther América Paz Montoya, Álvaro Velásquez Cock and Fabio Castellanos Ordóñez, are independent audit committee members under the standards of the New York Stock Exchange, which applies the audit committee independence requirements of the Securities and Exchange Commission.

ITEM 16B. Code of ethics

New York Stock Exchange rules for U.S. companies require that listed companies adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. We have in place a code of ethics that applies to the Company’s officers and employees.

ITEM 16C. Principal accountant fees and services

Amounts billed by KPMG for audit and other services were as follows:

	2021	2020
	(In Ps millions)	
Audit fees	36,324	35,198
Audit-related fees	—	—
Tax fees	17	12
All other fees paid	—	—

The aggregate fees billed under the caption audit fees for professional services rendered to Grupo Aval for the audit of its financial statements and for services that are normally provided to Grupo Aval, in connection with statutory or regulatory filings or engagements totaled Ps 36,324 million and Ps 35,198 million for the years 2021 and 2020, respectively.

Additionally, tax fees paid, which include other consultancy fees different from audit and audit-related fees, totaled Ps 17 million and Ps 12 million for the years ended 2021 and 2020, respectively.

The services commissioned from our auditors meet the independence requirements stipulated by the Board of Accountants (*Junta Central de Contadores*) and by SEC rules and regulations, and they did not involve the performance of any work that is incompatible with the audit function.

If we are required to engage an auditing firm for audit and audit-related services, those services have to be pre-approved by the Audit Committee.

The Audit Committee is regularly informed of all fees paid to the auditing firms by us.

ITEM 16D. Exemptions from the listing standards for audit committees

All of the members of our audit committee satisfy the independence requirements of the NYSE applicable to foreign private issuers.

ITEM 16E. Purchases of equity securities by the issuer and affiliated purchasers

Grupo Aval may repurchase its shares only with retained earnings. On the other hand, Colombian law prohibits the repurchase of shares of entities under the comprehensive supervision of, and subject to inspection and surveillance as financial institutions by, the Superintendency of Finance. As such, Banco de Bogotá, Banco de Occidente, Banco Popular, Banco AV Villas, Corficolombiana and their respective financial subsidiaries including, Porvenir, BAC and MFG are not permitted to repurchase their shares or Grupo Aval's shares.

The following table presents purchases of our preferred shares by "affiliated purchasers" (as that term is defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs
January, 2021	—	—	—	98,275,999
February, 2021	—	—	—	98,275,999
March, 2021	—	—	—	98,275,999
April, 2021	—	—	—	98,275,999
May, 2021	—	—	—	98,275,999
June, 2021	—	—	—	98,275,999
July, 2021	—	—	—	98,275,999
August, 2021	—	—	—	98,275,999
September, 2021	—	—	—	98,275,999
October, 2021	—	—	—	98,275,999
November, 2021	—	—	—	98,275,999
December, 2021	—	—	—	98,275,999

ITEM 16F. Change in registrant's certifying accountant

Not applicable.

ITEM 16G. Corporate governance

Grupo Aval, as a listed company that qualifies as a foreign private issuer under the NYSE listing standards in accordance with the NYSE corporate governance rules, is permitted to follow home-country practice in some circumstances in lieu of the provisions of the corporate governance rules contained in Section 303A of the NYSE Listed Company Manual that are applicable to U.S. companies. We follow corporate governance practices applicable to Colombian companies and those described in our Corporate Governance Code, which in turn follow Colombian corporate governance rules. The Corporate Governance Code is available at Grupo Aval's website at www.grupoaval.com. Information on our website is not incorporated into this annual report.

The following is a summary of the significant differences between the corporate governance practices followed by Grupo Aval and those applicable to domestic issuers under the NYSE listing standards.

Independence of directors

See "Item 6. Directors, Senior Management and Employees—C. Board practices— Principal differences between Colombian and U.S. corporate governance practices—Independence of directors".

Non-executive director meetings

See "Item 6. Directors, senior management and employees—C. Board practices— Principal differences between Colombian and U.S. corporate governance practices—Non-executive director meetings".

Committees of the Board of Directors

See "Item 6. Directors, senior management and employees—C. Board practices— Principal differences between Colombian and U.S. corporate governance practices—Committees of the Board of Directors".

Shareholder approval of equity compensation plans

Under NYSE listing standards, shareholders of U.S. companies must be given the opportunity to vote on all equity compensation plans and to approve material revisions to those plans, with limited exceptions set forth in the NYSE rules. Grupo Aval and its subsidiaries currently have no equity compensation plans. Under Colombian law, shareholder approval is required for the compensation of members of the Board of Directors.

Shareholder approval of dividends

While NYSE corporate governance standards for U.S. companies do not require listed companies to have shareholders approve or declare dividends, in accordance with the Colombian Code of Commerce, all dividends must be approved by Grupo Aval's shareholders.

Corporate governance guidelines

NYSE rules for U.S. companies require that listed companies adopt and disclose corporate governance guidelines. The Superintendency of Finance recommends, but does not require, that listed companies adopt corporate governance guidelines; instead, it requires an annual corporate governance survey that compares a company's corporate governance practices to those recommended by the Superintendency of Finance, and mandates periodic disclosure thereof to the Colombian securities market information system. The annual corporate governance survey is available at Grupo Aval's website at www.grupoaval.com.

Code of business conduct and ethics

NYSE rules for U.S. companies require that listed companies adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. Grupo Aval has in place a code of ethics that applies to the Company's officers and employees.

Compliance with corporate governance rules

NYSE rules require the chief executive officer to certify annually that such officer is not aware of any non-compliance with NYSE corporate governance rules, and executive officers are required to promptly notify the NYSE of any material non-compliance. Companies must also submit a written affirmation annually or promptly upon the occurrence of certain changes in corporate governance. No similar requirements exist under Colombian law.

Internal audit function

NYSE rules for U.S. companies require that listed companies maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management processes and system of internal control. Grupo Aval maintains an internal auditor, and a Chief of Internal Control to coordinate this function at the corporate level.

ITEM 16H. Mine safety disclosure

Not applicable.

PART III

ITEM 17. Financial statements

We have responded to Item 18 in lieu of this item.

ITEM 18. Financial statements

Financial Statements are filed as part of this annual report, see page F-1.

ITEM 19. Exhibits

1.1	English translation of By-laws of Grupo Aval.
2.1	Indenture among Grupo Aval Limited, as Issuer, Grupo Aval Acciones y Valores S.A., as Guarantor, Deutsche Bank Trust Company Americas, as Trustee, Registrar, Paying Agent and Transfer Agent and Deutsche Bank Luxembourg S.A., as Luxembourg Paying Agent and Transfer Agent, dated as of September 26, 2012 (incorporated by reference Exhibit 2.2 to our Registration Statement on Form 20-F (File No. 000-54290) filed with the SEC on April 26, 2013).
2.2	Form of Deposit Agreement among Grupo Aval, JPMorgan Chase Bank, N.A., as depositary, and the holders from time to time of American depositary shares issued thereunder, including the form of American depositary receipts (incorporated by reference to Exhibit 99(a) to our Registration Statement on Form F-6 (File No. 333-198614) filed with the SEC on September 8, 2014).
2.3	Indenture among Grupo Aval Limited, as Issuer, Grupo Aval Acciones y Valores S.A., as Guarantor, Deustche Bank Trust Company Americas, as Trustee, Registrar, Paying Agent and Transfer Agent, dated as of February 4, 2020. (incorporated by reference Exhibit 2.3 to our Annual Report on Form 20 – F for the year ended December 31, 2020, filed with the SEC on April 12, 2021)
2.4	Description of the Registrant’s Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
2.5	Supplemental Indenture to the Indenture dated as of September 26, 2012 among Grupo Aval Limited, as Issuer, Grupo Aval Acciones y Valores S.A., as guarantor, Deutsche Bank Trust Company Americas, as Trustee, Registrar, Paying Agent and Transfer Agent and Deutsche Bank Luxembourg S.A., as Luxembourg Paying Agent and Transfer Agent, dated as of February 23, 2022.
2.6	Supplemental Indenture to the Indenture dated as of February 4, 2020 among Grupo Aval Limited, as Issuer, Grupo Aval Acciones y Valores S.A., as guarantor and Deutsche Bank Trust Company Americas, as Trustee, Registrar, Paying Agent and Transfer Agent, dated as of February 23, 2022.
8.1	Subsidiaries of the registrant.
12.1	Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
12.2	Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
13.1	Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
13.2	Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104.	Inline XBRL Cover Page Interactive Data File (embedded within the Inline XBRL document).

We will furnish to the SEC, upon request, copies of any unfiled instruments that define the rights of holders of long-term debt of Grupo Aval.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Grupo Aval Acciones y Valores S.A.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated statements of financial position of Grupo Aval Acciones y Valores S.A. and subsidiaries (Grupo Aval) as of December 31, 2021 and 2020, the related consolidated statements of income, other comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). We also have audited Grupo Aval's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Grupo Aval as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board. Also in our opinion, Grupo Aval maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

Grupo Aval's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's annual report on internal control over financial reporting". Our responsibility is to express an opinion on Grupo Aval's consolidated financial statements and an opinion on Grupo Aval's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Grupo Aval in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

(i) Assessment of the loss allowance on the loan portfolio

As discussed in Notes 4.1.5 and 11 to the consolidated financial statements, Grupo Aval's loss allowance for its loan portfolio was Ps. 11,275,612 million as of December 31, 2021. The Group measures the loss allowance for its loan portfolio at an amount equal to lifetime Expected Credit Losses (ECL), except for those loans that have not experienced a Significant Increase in Credit Risk (SICR) since their initial recognition for which Grupo Aval calculates a twelve month ECL. The loss allowance for the loan portfolio reflects a probability weighted outcome that considers multiple economic scenarios based on forecasts of future economic conditions and is determined as a function of Grupo Aval's estimate of the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) of each loan. Grupo Aval uses complex models which incorporate inputs and assumptions that require knowledge of the market and experience in the industry.
We identified the assessment of the loss allowance on the loan portfolio as a critical audit matter. Significant auditor judgment was required because there is a high degree of measurement uncertainty due to significant judgments inherent to the methodology, including judgments on forward-looking information and the impact of the COVID-19 pandemic. Assessment of the loss allowance on the loan portfolio required significant auditor attention and complex auditor judgment as well as specialized skills and industry knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to Grupo Aval's process for calculating the loss allowance for loans. This included controls related to: (i) the models and assumptions used; (ii) the economic forecasting; (iii) the completeness and accuracy of data; and (iv) the review of the overall allowance for impairment losses, including the application of judgment applied by Grupo Aval's credit expert. We involved credit risk professionals with specialized skills and knowledge who assisted in: (i) evaluating the models and key inputs used in determining PD, LGD and EAD parameters; (ii) evaluating the forecasts of macroeconomic variables and the probability weighting of scenarios; (iii) assessing the qualitative adjustments applied to the loss allowance for loans; (iv) for a sample of individually significant loans, checking the accuracy of the impairment calculation and analyzing the values of the guarantees; and (v) for a sample of individually significant loans, assessing the credit risk rating assigned by Grupo Aval.

(ii) Assessment of the revenue recognized from concession agreements in the construction phase and the fair value of financial assets related to concession agreements.

As discussed in Notes 2.20, 5 and 16 to the consolidated financial statements Grupo Aval has Ps. 3.228.480 million of financial assets arising from concession contracts which are measured at fair value and classified as level 3 and Ps. 6,936,495 million of intangible assets derived from concession contracts in the construction phase as of December 31, 2021. Grupo Aval is party to concession agreements with the government for the construction and subsequent maintenance of infrastructure, for a given period of time. In exchange Grupo Aval is entitled to receive direct payments from the government and / or fees charged to the end users of the infrastructure. During the construction phase Grupo Aval recognizes revenue and a financial asset for payments that are unconditionally guaranteed, and / or an intangible asset for payments which are linked to the use of the infrastructure. Performance obligations related to the construction services are satisfied over time and the amount of revenue recognized is dependent on the stage of completion of the construction services and the fair value of the asset being recognized. Grupo Aval has designated some of the financial assets related to concession agreements to be measured at fair value through profit or loss subsequent to initial recognition.

We identified the assessment of the revenue recognized from concession agreements in the construction phase and the fair value of financial assets related to concession agreements as a critical audit matter. It involved significant auditor judgment and audit effort, including the involvement of valuation professionals with specialized skills and knowledge. For contracts in the construction phase, auditor judgment was required to assess the estimated costs to completion and to evaluate the models developed by Grupo Aval to estimate the fair value at recognition of the financial and intangible assets as well as the significant unobservable inputs and assumptions to these models. For financial assets related to concession agreements subsequently measured at fair value through profit or loss, auditor judgment was required to evaluate the models developed by Grupo Aval to estimate their fair value as well as the significant unobservable inputs and assumptions to these models. The significant unobservable inputs and assumptions to the models include the weighted average cost of capital (WACC), the future inflation rates and the projected income from the use of the infrastructure.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to Grupo Aval's process to determine the fair value of financial assets arising from concession contracts and the revenue to be recognized from contracts in the construction phase. This included controls related to: (i) the review of the inputs and assumptions used; (ii) the review of the estimation of costs to completion; and (iii) the review and approval of the fair value of the assets and the amount of revenue to be recognized. We involved valuation professionals with specialized skills and knowledge who assisted in: (i) assessing whether the internally developed models are consistent with valuation practices generally used for that purpose and IFRS; (ii) comparing the WACC to a range determined using market-verified macroeconomic assumptions; (iii) evaluating the future inflation rates by comparing to available market data; (iv) assessing estimated costs to completion including the assumptions used; (v) evaluating the projected income from the use of the infrastructure by comparing to internal and external data, where available; and (vi) evaluating Grupo Aval´s ability to accurately forecast inflation and construction costs, by comparing a selection of previously estimated values to the actual values realized.

/s/ KPMG S.A.S.

KPMG S.A.S
We have served as Grupo Aval's auditor since 1985

Bogotá Colombia
April 21, 2022

Grupo Aval Acciones y Valores S.A.
Consolidated Statement of Financial Position
At December 31, 2021 and 2020
(Amounts expressed in millions of Colombian pesos)

	Notes		December 31, 2021		December 31, 2020
Assets					
Cash and cash equivalents	**6, 7**	**Ps.**	**36,642,829**	**Ps.**	**34,025,535**
Trading assets	**6, 8**		**10,986,770**		**11,038,856**
Investment securities	**6, 9**		**44,664,373**		**36,061,764**
Hedging derivative assets	**6, 10**		**44,248**		**156,220**
Loans:	**4.1, 6, 11**				
Commercial			125,246,237		115,680,616
Consumer			76,889,145		65,835,457
Mortgages			29,120,316		24,558,771
Microcredit			317,739		372,321
			231,573,437		**206,447,165**
Loss allowance	4.1.5		(11,275,612)		(10,905,171)
Total loans, net			**220,297,825**		**195,541,994**
Other accounts receivable, net	**6, 12**		**19,027,205**		**14,996,337**
Non-current assets held for sale	**13**		**208,426**		**240,412**
Investments in associates and joint ventures	**14**		**1,172,829**		**1,029,322**
Tangible assets:	**15**				
Property, plant and equipment for own-use and given in operating lease, net			6,192,236		6,007,202
Right-of-use assets			1,900,396		2,035,519
Investment properties			852,935		808,556
Biological assets			154,986		122,675
			9,100,553		**8,973,952**
Intangibles					
Concession arrangement rights	16		11,098,116		9,187,564
Goodwill	17		8,486,560		7,713,817
Other intangible assets	18		1,886,042		1,623,670
			21,470,718		**18,525,051**
Income tax assets:	**19**				
Current			842,408		936,186
Deferred			1,765,265		861,702
			2,607,673		**1,797,888**
Other assets			**680,476**		**508,539**
Total assets		**Ps.**	**366,903,925**	**Ps.**	**322,895,870**

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

Grupo Aval Acciones y Valores S.A.
Consolidated Statement of Financial Position
At December 31, 2021 and 2020
(Amounts expressed in millions of Colombian pesos)

	Notes		December 31, 2021		December 31, 2020
Liabilities and equity					
Liabilities					
Trading liabilities	**6, 8**	**Ps.**	**1,049,910**	**Ps.**	**1,452,574**
Hedging derivative liabilities	**10**		**55,813**		**56,627**
Customer deposits:	**20**				
Checking accounts			59,225,849		51,198,284
Savings accounts			89,097,128		76,551,465
Time deposits			85,530,244		83,559,188
Other			617,201		532,660
			234,470,422		**211,841,597**
Financial obligations:	**21**				
Interbank borrowings and overnight funds			10,672,415		7,179,644
Borrowings from banks and others			27,124,710		19,654,517
Bonds issued			32,257,932		27,760,797
Borrowings from development entities			3,227,269		4,029,808
			73,282,326		**58,624,766**
Provisions:	**23**				
Legal related			247,529		241,774
Non legal related			902,732		671,076
			1,150,261		**912,850**
Income tax liabilities:	**19**				
Current			382,348		406,207
Deferred			4,332,366		3,181,974
			4,714,714		**3,588,181**
Employee benefits	**22**		**1,163,076**		**1,201,855**
Other liabilities	**24**		**11,545,756**		**9,777,863**
Total liabilities			**327,432,278**		**287,456,313**
Equity					
Owners of the parent:	**25**				
Subscribed and paid-in capital			22,281		22,281
Additional paid-in capital			8,490,799		8,470,870
Retained earnings			13,383,391		11,302,134
Other comprehensive income			1,117,182		862,013
Equity attributable to owners of the parent			**23,013,653**		**20,657,298**
Non-controlling interests	**26**		**16,457,994**		**14,782,259**
Total equity			**39,471,647**		**35,439,557**
Total liabilities and equity		**Ps.**	**366,903,925**	**Ps.**	**322,895,870**

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

Grupo Aval Acciones y Valores S.A.
Consolidated Statement of Income
For the years ended December 31, 2021, 2020 and 2019
(Amounts expressed in millions of Colombian pesos)

	Notes		For the years ended December 31, 2021		December 31, 2020		December 31, 2019
Interest income calculated using the effective interest method							
Loan portfolio	11	Ps.	18,115,730	Ps.	18,947,029	Ps.	18,491,167
Investments in debt securities			1,531,788		1,275,761		1,061,568
Total interest income			**19,647,518**		**20,222,790**		**19,552,735**
Interest expense							
Deposits							
Checking accounts			(261,256)		(328,134)		(413,939)
Savings accounts			(1,066,825)		(1,467,635)		(1,503,277)
Time deposits			(3,068,742)		(3,663,358)		(3,595,611)
			(4,396,823)		**(5,459,127)**		**(5,512,827)**
Financial obligations							
Interbank borrowings and overnight funds			(185,779)		(283,966)		(380,858)
Borrowings from banks and others			(631,349)		(860,468)		(1,014,304)
Bonds issued			(1,614,678)		(1,531,565)		(1,220,437)
Borrowing from development entities			(90,028)		(127,138)		(138,791)
			(2,521,834)		**(2,803,137)**		**(2,754,390)**
Net interest income			**12,728,861**		**11,960,526**		**11,285,518**
Impairment (losses) recoveries on financial assets							
Loans and other accounts receivable			(4,500,096)		(6,267,224)		(4,193,980)
Other financial assets			(16,219)		(74,765)		60,015
Recovery of charged-off financial assets			481,226		328,096		378,862
Net impairment loss on financial assets			**(4,035,089)**		**(6,013,893)**		**(3,755,103)**
Net interest income, after impairment losses			**8,693,772**		**5,946,633**		**7,530,415**
Income from commissions and fees			6,453,202		5,835,899		6,083,343
Expenses from commissions and fees			(841,774)		(742,476)		(627,999)
Net income from commissions and fees	**28**		**5,611,428**		**5,093,423**		**5,455,344**
Income from sales of goods and services			10,450,914		9,144,789		9,156,588
Costs and expenses of sales goods and services			(7,351,979)		(6,321,488)		(6,781,777)
Gross profit from sales of goods and services	**28**		**3,098,935**		**2,823,301**		**2,374,811**
Net trading income	**29**		**948,716**		**1,295,424**		**761,911**
Net income from other financial instruments mandatorily at fair value through profit or loss	**16**		**270,095**		**252,355**		**217,616**
Other income	**30**		**1,294,047**		**1,716,899**		**1,282,963**
Other expenses	**30**		**(11,396,696)**		**(10,652,751)**		**(10,171,349)**
Net income before tax expense			**8,520,297**		**6,475,284**		**7,451,711**
Income tax expense	19		(2,851,795)		(1,843,668)		(2,086,257)
Net income for the year		**Ps.**	**5,668,502**	**Ps.**	**4,631,616**	**Ps.**	**5,365,454**
Net income for the year attributable to:							
Owners of the parent	**25**		**3,297,736**		**2,349,521**		**3,034,409**
Non-controlling interests	**26**		**2,370,766**		**2,282,095**		**2,331,045**
		Ps.	**5,668,502**	**Ps.**	**4,631,616**	**Ps.**	**5,365,454**
Net income per share basic and diluted (in Colombian pesos, see note 25)			**148.01**		**105.45**		**136.19**

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

Grupo Aval Acciones y Valores S.A.
Consolidated Statement of Other Comprehensive Income
For the years ended December 31, 2021, 2020 and 2019
(Amounts expressed in millions of Colombian pesos)

	Notes		December 31, 2021		December 31, 2020		December 31, 2019
Net income for the year		**Ps.**	**5,668,502**	**Ps.**	**4,631,616**	**Ps.**	**5,365,454**
Other comprehensive income							
Items that will be reclassified to profit or loss							
Net gain (loss) on hedges of net investments in foreign operations:	10, 25.5						
Foreign currency translation differences from hedged foreign operations			2,565,637		883,022		95,329
Hedging derivative instrument			(403,983)		(1,034,816)		(50,318)
Hedging non-derivative instrument			(1,198,919)		(366,195)		(47,942)
Cash flow hedges	10, 25.5		7,980		832		13,469
Foreign currency translation differences from unhedged foreign operations	25.5		(180,798)		(548,706)		128,135
Unrealized gains (losses) on securities at FVOCI							
Debt financial instruments	9, 25.5		(1,346,315)		172,906		426,300
Investments in associates and joint ventures	14, 25.5		(846)		13,059		(9,061)
Income tax expense	19, 25.5		1,089,263		452,005		(40,038)
			532,019		**(427,893)**		**515,874**
Items that will not be reclassified to profit or loss							
Transfer from owner-occupied property to investment property	25.5		4,718		9,014		5,288
Unrealized gains (losses) on equity securities at FVOCI	9.4, 25.5		(110,397)		193,880		237,781
Actuarial (losses) gains from defined benefit pension plans	22, 25.5		61,665		(9,488)		(61,222)
Income tax expense	19, 25.5		(35,246)		5,176		4,009
			(79,260)		**198,582**		**185,856**
Total other comprehensive income		**Ps.**	**452,759**	**Ps.**	**(229,311)**	**Ps.**	**701,730**
Total comprehensive income, net of taxes		**Ps.**	**6,121,261**	**Ps.**	**4,402,305**	**Ps.**	**6,067,184**
Total comprehensive income for the year attributable to:							
Owners of the parent			3,552,905		2,118,087		3,431,083
Non-controlling interests			2,568,356		2,284,218		2,636,101
		Ps.	**6,121,261**	**Ps.**	**4,402,305**	**Ps.**	**6,067,184**

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

Grupo Aval Acciones y Valores S.A.
Consolidated Statement of Changes in Equity
For the years ended December 31, 2021, 2020 and 2019
(Amounts expressed in millions of Colombian pesos)

	Subscribed and paid-in capital	Additional paid – in capital	Appropriated retained earnings	Other comprehensive income (OCI)	Equity attributable to owners of the parent	Non-controlling interest (NCI)	Total equity
Balance at January 1, 2019	**Ps. 22,281**	**Ps. 8,472,336**	**Ps. 8,593,218**	**Ps. 696,773**	**Ps. 17,784,608**	**Ps. 11,742,758**	**Ps. 29,527,366**
Dividends declared [2]	—	—	(1,336,861)	—	**(1,336,861)**	(830,160)	**(2,167,021)**
Equity transactions	—	(26,570)	—	—	**(26,570)**	(40,527)	**(67,097)**
Effect of realization of equity instruments	—	—	12,651	—	**12,651**	11,222	**23,873**
Withholding Tax over dividends	—	—	(14,344)	—	**(14,344)**	(21,692)	**(36,036)**
Other comprehensive income	—	—	—	396,674	**396,674**	305,056	**701,730**
Net income	—	—	3,034,409	—	**3,034,409**	2,331,045	**5,365,454**
Balance at December 31, 2019	**Ps. 22,281**	**Ps. 8,445,766**	**Ps. 10,289,073**	**Ps. 1,093,447**	**Ps. 19,850,567**	**Ps. 13,497,702**	**Ps. 33,348,269**
Issuance of shares	—	—	—	—	**—**	21	**21**
Business combination [1]	—	—	—	—	**—**	465,902	**465,902**
Dividends declared [2]	—	—	(1,336,861)	—	**(1,336,861)**	(963,721)	**(2,300,582)**
Equity transactions	—	25,104	—	—	**25,104**	(126,503)	**(101,399)**
Preferred shares	—	—	(8,628)	—	**(8,628)**	(383,244)	**(391,872)**
Effect of realization of equity instruments	—	—	14,728	—	**14,728**	22,516	**37,244**
Other comprehensive income	—	—	—	(231,434)	**(231,434)**	2,123	**(229,311)**
Withholding Tax over dividends	—	—	(5,699)	—	**(5,699)**	(14,632)	**(20,331)**
Net income	—	—	2,349,521	—	**2,349,521**	2,282,095	**4,631,616**
Balance at December 31, 2020	**Ps. 22,281**	**Ps. 8,470,870**	**Ps. 11,302,134**	**Ps. 862,013**	**Ps. 20,657,298**	**Ps. 14,782,259**	**Ps. 35,439,557**
Issuance of shares	—	—	—	—	**—**	120	**120**
Dividends declared [2]	—	—	(1,203,175)	—	**(1,203,175)**	(870,500)	**(2,073,675)**
Equity transactions [3]	—	19,929	—	—	**19,929**	(19,929)	**—**
Preferred shares [3]	—	—	(14,302)	—	**(14,302)**	(310)	**(14,612)**
Effect of realization of equity instruments	—	—	6,738	—	**6,738**	3,567	**10,305**
Other comprehensive income	—	—	—	255,169	**255,169**	197,590	**452,759**
Withholding Tax over dividends [4]	—	—	(5,740)	—	**(5,740)**	(5,569)	**(11,309)**
Net income	—	—	3,297,736	—	**3,297,736**	2,370,766	**5,668,502**
Balance at December 31, 2021	**Ps. 22,281**	**Ps. 8,490,799**	**Ps. 13,383,391**	**Ps. 1,117,182**	**Ps. 23,013,653**	**Ps. 16,457,994**	**Ps. 39,471,647**

(1) See note 35 “Business combination”.
(2) See note 25.2 Declared Dividends.
(3) See note 25.4. Equity transactions.
(4) See note 19.8 “Withholdings tax on dividends paid between entities”.

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

Grupo Aval Acciones y Valores S.A.
Consolidated Statement of Cash Flows
For the years ended December 31, 2021, 2020 and 2019
(Amounts expressed in millions of Colombian pesos)

	Notes	December 31, 2021	December 31, 2020	December 31, 2019
Cash flows from operating activities:				
Net income before tax expense		Ps. 8,520,297	Ps. 6,475,284	Ps. 7,451,711
Reconciliation of net income before taxes and net cash provided by operating activities:				
Depreciation of tangible assets and right-of-use assets	15, 28, 30	886,949	921,705	839,105
Amortization of intangible assets		559,403	479,877	459,576
Impairment losses on loans and other accounts receivable	1.1, 28	4,551,160	6,313,302	4,237,381
Net interest income		(12,728,861)	(11,960,526)	(11,285,518)
Accrued dividends	30	(159,122)	(91,565)	(84,686)
Impairment of investments in associates and joint ventures	14	—	—	225
Net gains on sales of non-current assets held for sale	30	(33,046)	(108,623)	(18,989)
Gains on sale of property plant and equipment for own-use		(23,436)	(25,449)	(24,249)
Losses on sale of investment property		9,964	16,919	11,962
Gains on biological assets		(34,635)	(29,717)	(22,292)
Valuations and interest from concession agreements		(4,158,048)	(3,737,836)	(3,960,250)
Foreign exchange losses (gains)		(87,235)	(68,097)	109,533
Profit of equity accounted on investments in associates and joint ventures	14, 30	(300,217)	(220,162)	(229,626)
Net (Gains) or losses on fair value adjustments of:				
Derivative financial instruments	29	(798,187)	(669,306)	(142,075)
Non-current assets held for sale	13	3,874	1,347	(2,296)
Investment properties	15	(22,775)	46,924	(19,597)
Biological assets	15	(28,546)	(15,021)	(18,914)
Changes in operating assets and liabilities:				
Trading assets		696,846	(1,109,076)	(584,599)
Other accounts receivable		(621,178)	(95,679)	(374,435)
Derivative financial instruments		43,979	(163,588)	(154,614)
Other assets		(313,453)	(610,889)	(283,186)
Other liabilities and provisions		1,912,622	246,967	143,127
Employee benefits		(8,388)	(49,519)	(93,993)
Loans		(16,024,938)	(11,151,777)	(8,740,036)
Customer deposits		6,916,177	24,613,595	10,409,443
Interbank borrowings and overnight funds		3,218,258	(2,670,489)	2,358,074
Borrowings from development entities		(1,898)	(1,675)	9,115
Borrowings from banks and others		3,509,251	(3,830,694)	(3,197,960)
Interest received		**19,423,325**	**18,153,484**	**18,507,769**
Interest paid		**(7,091,527)**	**(8,699,311)**	**(7,860,077)**
Interest paid on leases		**(168,966)**	**(191,924)**	**(194,589)**
Income tax paid		**(1,746,019)**	**(1,747,763)**	**(1,610,046)**
Net cash provided by operating activities		**Ps. 5,901,630**	**Ps. 10,020,718**	**Ps. 5,634,994**

The accompanying notes and appendices are an integral part of the Consolidated Financial Statements

Grupo Aval Acciones y Valores S.A.
Consolidated Statement of Cash Flows
For the years ended December 31, 2021, 2020 and 2019
(Amounts expressed in millions of Colombian pesos)

	Notes		December 31, 2021		December 31, 2020		December 31, 2019
Cash flows from investing activities:							
Acquisition property, plant and equipment for own use and operating lease	15	Ps.	(664,506)	Ps.	(638,263)	Ps.	(679,016)
Acquisition of investment property	15		(876)		(1,659)		(2,371)
Additions of cost of biological assets	15		(27,213)		(21,285)		(20,559)
Additions of concession arrangement rights			(994,639)		(815,349)		(651,355)
Additions of other intangibles assets			(569,920)		(558,978)		(377,471)
Acquisition of investments at FVOCI			(41,292,437)		(34,282,037)		(25,378,675)
Proceeds from sales of investments at FVOCI			35,457,164		31,447,496		23,439,811
Proceeds from sales of own property and equipment			76,726		41,912		77,070
Proceeds from sales of investment properties			67,463		110,782		57,027
Proceeds from sales of biological assets			58,083		48,205		41,114
Proceeds from sales of non-current assets held for sale			76,846		267,303		154,569
Purchases of financial assets at amortized cost			(5,743,019)		(6,508,594)		(3,678,335)
Redemptions of financial assets at amortized cost			6,589,962		4,281,023		3,642,470
Dividends received from investments			368,964		389,649		307,566
Acquisition of investments in associates and joint ventures			(4,539)		(5,333)		(2,789)
Proceeds from sales of investments in associates and joint ventures			—		—		6,060
Capitalized leasing cost			—		(137)		1,357
Business combination, net of cash			—		(1,340,145)		—
Net cash used in by investing activities		**Ps.**	**(6,601,941)**	**Ps.**	**(7,585,410)**	**Ps.**	**(3,063,527)**
Cash flows from financing activities:							
Dividends paid to shareholders	21.3		(1,230,841)		(1,330,241)		(1,266,920)
Dividends paid to non-controlling interest	21.3, 26		(913,356)		(946,034)		(804,302)
Issuance of debt securities	21.3		2,931,280		5,726,320		3,148,887
Payment of outstanding debt securities	21.3		(1,631,318)		(2,185,636)		(1,544,225)
Leases	21.3		(472,084)		(429,636)		(362,334)
Redemption of preferred shares	21.3		(29,751)		(379,320)		—
Issuance of common shares	21.3		120		—		—
Equity transaction	21.3, 25.4		—		(51,004)		(67,097)
Net cash (used in) provided by financing activities			**(1,345,950)**		**404,449**		**(895,991)**
Effect of foreign currency changes on cash and cash equivalents			**4,663,555**		**1,068,542**		**40,477**
Increase in cash and cash equivalents			**2,617,294**		**3,908,299**		**1,715,953**
Cash and cash equivalents at beginning of year	**7**	**Ps.**	**34,025,535**	**Ps.**	**30,117,236**	**Ps.**	**28,401,283**
Cash and cash equivalents at end of year	**7**	**Ps.**	**36,642,829**	**Ps.**	**34,025,535**	**Ps.**	**30,117,236**

The accompanying notes and appendices are an integral part of the Consolidated Financial Statements

(Amounts expressed in millions of Colombian pesos)

NOTE 1 – REPORTING ENTITY

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

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

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

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

Banco de Bogotá S.A.

Banco de Bogotá S.A., in which Grupo Aval holds 68.74% of the voting rights and 68.74% of the ownership interest as of December 31, 2021, was established as a bank on November 15, 1870. It was authorized to operate under the terms of the renewal resolution No. 3140 dated September 24, 1993 issued by the Superintendency of Finance. The commercial purpose of Banco de Bogotá is to participate and perform all operations and contracts legally authorized to commercial banking, subject to the limitations and requirements set forth under Colombian laws and regulations.

The following table presents details of Banco de Bogotá's most significant subsidiaries which are indirectly consolidated by Grupo Aval as of December 31, 2021:

Subsidiary	Core business	Location	Total voting rights held by Grupo Aval	Total ownership interest held by Grupo Aval
Main local direct subsidiaries (2)				
Fiduciaria Bogotá S.A.	Management of trust funds.	Bogotá, Colombia	94.99 %	65.29 %
Almaviva S.A.	Logistics services.	Bogotá, Colombia	95.81 %	65.85 %
Megalínea S.A.	Technical and administrative services	Bogotá, Colombia	94.90 %	65.23 %
Main international direct subsidiaries				
Banco de Bogotá Panamá S.A.	Commercial banking services.	Panamá, Republic of Panamá	100 %	68.74 %
BAC Holding International Corp. (BAC Holding) (1) (Before Leasing Bogotá S.A. Panamá (LB Panamá))	Holding company of BAC Credomatic Inc.	Panamá, Republic of Panamá	100 %	68.74 %

(Amounts expressed in millions of Colombian pesos)

Subsidiary	Core business	Location	Total voting rights held by Grupo Aval	Total ownership interest held by Grupo Aval
Multi Financial Holding (1)	Holding company of Multi Financial Group Inc. (MFG)	Panamá, Republic of Panamá	100 %	68.74 %
Main indirect subsidiaries				
BAC Credomatic Inc.	Holding company in charge of managing the banking and related subsidiaries in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panamá, among others. (Subsidiary of BAC Holding International Corp).	Panamá, Republic of Panamá	100 %	68.74 %
Multi Financial Group Inc. (MFG) (3)	It provides financial services mainly for corporate, investment, mortgage and consumer banking, as well as insurance, securities brokerage, factoring, leasing and real estate services.	Panamá, Republic of Panamá	99.57 %	68.44 %

Relevant events

7. During September 2021, as part of the strategic reorganization that Banco de Bogotá and its subsidiaries have been carrying out, under the leadership of Grupo Aval, its subsidiary Leasing Bogotá S.A. Panamá (LB Panamá) changed its name to BAC Holding International Corp. (BAC Holding), and its 99.57% stake in Multi Financial Group, Inc. (MFG) was spun-off by transferring the control of MFG to Banco de Bogotá, through a new holding company established in Panama named Multi Financial Holding (MFH), whose only shareholder is Banco de Bogotá with a 100% stake. MFH received a 99.57% interest in MFG, becoming its direct parent. This transaction had no effect on the consolidated financial statements.

8. On July 28, 2021 Grupo Aval, subscribed a shareholders' agreement between Grupo Aval, Banco de Bogotá, Banco de Occidente, Fiduciaria Bogotá and Fiduciaria de Occidente, as a result of which, Grupo Aval has acquired the direct control of the Sociedad Administradora de Fondos de Pensiones y Cesantias Porvenir S.A. (Porvenir). The execution of the agreement does not modify Grupo Aval's ownership percentage or derives in any financial impact.

9. On May 22, 2020, Banco de Bogotá S.A., through its subsidiary BAC Holding International Corp. (BAC Holding), acquired 96.6% of the common shares of the Panamanian company Multi Financial Group Inc. (MFG), parent of the bank Multibank (Panama), for an amount of US$432 million. The acquisition was funded with BAC Holding International Corp's own resources. (See note 35).

Banco de Occidente S.A.

Banco de Occidente S.A., in which Grupo Aval holds 72.27% of the voting rights and 72.27% of the ownership interest as of December 31, 2021, was established as a banking entity on April 30, 1965. It was authorized to operate under the terms of the renewal resolution No. 3140 dated September 24, 1993 issued by the Superintendency of Finance. The commercial purpose of Banco de Occidente is to participate and perform all operations and contracts legally authorized to commercial banks, subject to the limitations and requirements set forth under Colombian laws and regulations.

The following table presents the details of Banco de Occidente's most significant subsidiaries, which are indirectly consolidated by Grupo Aval, as of December 31, 2021:

Subsidiary	Core business	Location	Total voting rights held by Grupo Aval	Total ownership interest held by Grupo Aval
Banco de Occidente (Panamá). S.A.	Commercial banking services.	Panamá, Republic of Panamá	95.00 %	68.66 %
Fiduciaria de Occidente S.A.	Management of trust funds.	Bogotá, Colombia	99.99 %	70.84 %
Occidental Bank Barbados Ltd.	Commercial banking services.	Barbados	100 %	72.27 %

(Amounts expressed in millions of Colombian pesos)

Banco Popular S. A.

Banco Popular S. A., in which Grupo Aval holds 93.74% of the voting rights and 93.74% of the ownership interest as of December 31, 2021, was established as a banking entity on July 5, 1950. It was authorized to operate under the terms of the renewal resolution No. 3140 dated September 24, 1993 issued by the Superintendency of Finance. Its commercial purpose is to participate in and perform all operations and contracts legally authorized to commercial banks, subject to the limitations and requirements set forth under Colombian laws and regulations.

The following table presents the details of Banco Popular's most significant subsidiaries which are indirectly consolidated by Grupo Aval, as of December 31, 2021:

Subsidiary	Core business	Location	Total voting rights held by Grupo Aval	Total ownership interest held by Grupo Aval
Alpopular S.A.	Conservation and custody of documents; transportation of products at national and international levels.	Bogotá, Colombia	71.10 %	66.65 %
Fiduciaria Popular S.A.	Management of trust funds.	Bogotá, Colombia	94.85 %	88.91 %

Banco Comercial AV Villas S. A.

Banco Comercial AV Villas S. A., in which Grupo Aval holds 80.39% of the voting rights and 79.87% of the ownership interest as of December 31, 2021, was incorporated as a banking entity on October 24, 1972. It was authorized to operate under the terms of the renewal resolution No. 3352 dated August 21, 1992 issued by the Superintendency of Finance. The commercial purpose of Banco AV Villas is to participate and perform all operations and contracts legally authorized to commercial banks, subject to the limitations and requirements imposed by Colombian laws and regulations.

The following table presents the details of Banco AV Villas' subsidiary which is indirectly consolidated by Grupo Aval, as of December 31, 2021:

Subsidiary	Core business	Location	Total voting rights held by Grupo Aval	Total ownership interest held by Grupo Aval
A Toda Hora S.A. ATH	ATM network services and maintenance and software development	Bogotá, Colombia	100 %	78.90 %

Corporación Financiera Colombiana S.A. – Corficolombiana S.A.

Corficolombiana S.A., in which Grupo Aval and its subsidiaries own 55.12% of the aggregate voting rights and Grupo Aval has 39.98% of the ownership interest as of December 31, 2021 is a merchant bank authorized to operate by the Superintendency of Finance by the resolution of October 18, 1961. Corficolombiana´s core business is the active management of an equity portfolio through controlling and non-controlling investments in key strategic sectors that including infrastructure, energy and gas, agribusiness and hotels.

The following table presents the details of Corficolombiana´s most significant subsidiaries which are indirectly consolidated by Grupo Aval, at December 31, 2021:

Main Indirect Subsidiaries Subsidiary	Core business	Location	Total voting rights held by Grupo Aval	Total ownership interest held by Grupo Aval
Promigas S.A. E.S.P.	Transportation and distribution of natural gas.	Barranquilla, Colombia	50.88 %	20.34 %
Estudios y Proyectos del Sol S.A.S.	Infrastructure projects.	Bogotá, Colombia	100 %	39.98 %
Colombiana de Licitaciones y Concesiones S.A.S.	Infrastructure projects.	Bogotá, Colombia	100 %	39.98 %
Proyectos y Desarrollos Viales del Pacífico S.A.S.	Infrastructure projects.	Bogotá, Colombia	100 %	39.98 %

(Amounts expressed in millions of Colombian pesos)

Main Indirect Subsidiaries **Subsidiary**	**Core business**	**Location**	**Total voting rights held by Grupo Aval**	**Total ownership interest held by Grupo Aval**
CFC Gas Holding S.A.S.	Investment Company	Bogotá, Colombia	100 %	39.98 %
Concesionaria Vial Del Pacifico S.A.S.	Infrastructure projects.	Sabaneta Antioquia	100 %	39.98 %

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

Porvenir S.A., in which Grupo Aval and its subsidiaries own 100% of the aggregate voting rights and Grupo Aval has an economic interest of 75.67%, was established by Public Deed No. 5307 of Notary 23 of Bogotá on October 23 of 1991, it has an operating permit granted by the Financial Superintendence of Colombia through Resolution number 3970 of October 30, 1991; Porvenir is an administrator of pension and severance funds authorized by law.

The following table presents the details of Porvenir' subsidiary which is indirectly consolidated by Grupo Aval, as of December 31, 2021:

Subsidiary	**Core business**	**Location**	**Total voting rights held by Grupo Aval**	**Total ownership interest held by Grupo Aval**
Aportes en Línea S.A.	Technical and administrative services.	Bogotá, Colombia	100%	75.08%

Grupo Aval Limited

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

Legal and regulatory restrictions

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

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

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

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

1.1 OTHER EVENTS

COVID-19

Around the globe, 2021 was considered as a year for economic transition, in which countries around the world experienced a marked pick-up in their commercial activity, domestic demand and the subsequent inflationary pressures. According to the International Monetary Fund, or "IMF", following the 3.1% contraction experienced in 2020, the World Output (GDP) increased 5.9% in 2021. When compared to 2019, the World GDP increased 2.6%. Colombia and Central America, the main markets where Grupo Aval operates were not the exception to this trend and benefited from a sharp recovery in their respective economies.

As a result of the abovementioned, monetary policy around the globe shifted towards a less expansionary stance. As such, monetary policy for the second half of 2021 was led by central banks discussing the possibility of tapering stimulus programs and starting hiking cycles of their reference rates. In connection with the banking activity, from which the Group derives the majority of income, this trend poses challenges for the coming year in terms of possible declines in intermediation spreads, slower growth of loans in the context of a less favorable credit cycle and decreases in the value of investment portfolios in fixed income and equity instruments. However, credit asset quality is expected to continue improving as compared to that seen in 2020, amidst the most critical part of the COVID-19 pandemic, which could favor an improvement of impairment loss needs. During 2021, Grupo Aval's management continuously monitored the development of these trends as in 2020, evaluating any the adverse effects that may arise and affect the results of operations, the financial condition and the Group's liquidity, and following up on measures that enabled reduced unfavorable impacts derived from the situation.

As of December 31, 2021 and up to the date of this report, the matters mentioned below have been assessed, and the impact has been recorded in the Group's financial statements. During the period after the date of these financial statements and until the date of their issue, Grupo Aval's management continued to monitor and address the effects on the Group's operations and those of its customers.

Impairment of financial instruments - Loan portfolio, other accounts receivable and others

Financial instruments that are in the scope of IFRS 9 Expected Credit Loss model (loans, trade accounts other accounts receivable, debt instruments not measured at fair value through profit or loss, contract assets including concession agreements under financial asset model, lease receivables, financial guarantees and loan commitments) have been evaluated considering the impacts that COVID-19 continue to have on the ECL (Expected Credit Loss), due to measures adopted by the Governments in each of the countries and territories where the Group operates.

The impacts in relation to impairment of financial instruments in the Group entities are based on the following aspects:

- ECL measurement, due to changes in the credit risk allocation of financial instruments, incorporating analysis of COVID's effects and having an impact on the provision and due to the termination of the relief granted to a segment of debtors, going from a 12-month measurement (stage 1) to a measurement for the remaining life of the instrument (stages 2 and 3), for those assets in which it was determined that there was a significant increase in credit risk since their initial measurement.

- Credit risk (risk of default), where the behavior observed has varied in accordance to the economic segments that comprise their loan portfolios, increasing in the case of clients whose businesses were negatively affected by COVID-19 pandemic and did not achieve a partial or full recovery of their activity during 2021.

- The amount at risk (exposure at default), as some of the affected debtors have stopped making payments or are taking longer than usual to pay.

- The estimated credit loss for those loans assessed individually, as a result of a reduction in the amount expected to be recovered in consideration of the COVID-19 impact.

- Accordingly, to the effects of the coronavirus itself and the relief measures undertaken by the governments, including instructions to credit institutions to provide relief measures to customers in the countries where we operate, have an important role in ECL assessment. As a result, extension of payment terms to specific borrowers in particular classes of financial instruments do not automatically resulted in those instruments being considered to have suffered a significant increase in credit risk (SICR). To reflect COVID-19 effects in our models, the following overlays were made conducting a more detailed analysis of the risk and characteristics of certain clients: i) no stage improvement in obligations that requested relief and; ii) migration to Stage 2 of obligations identified as "high risk" as a result of COVID-19 specific impacts.

(Amounts expressed in millions of Colombian pesos)

- Macroeconomic factors considered in the development of scenarios and models for calculating the ECL, where most of the variables have shown a recovery while some others have deteriorated according to the effects that COVID-19 has had on the economy.

ECL calculation continues to incorporate updated projections of forward-looking information, in line with the effects of decisions that Governments continue taking in relation to COVID-19 and the prospects for economic recovery in some countries. The projections have been based on the best available information, considering the geographical areas where the Group operates, and the effects on the entities' segments and portfolios which are exposed to different risks and situations.

When considering the forward-looking information based on macroeconomic variables, the Group updated the scenarios used (one-year projection) weighted by the probabilities assigned to them according on the expectations economics resulting from the information available as of December 31, 2021 (see note 4.1.5 Forward looking information).

The following table presents one-year projections for Colombia made in December 2020, compared to the official data for December 2021:

	2021	**2020**		
	Real Scenario	Scenario A	Scenario B	Scenario C
Inflation	5.62%	2.26%	2.69%	3.08%
Interest rate	3.00%	1.75%	2.25%	2.75%
GDP Growth	10.60%	3.89%	4.86%	5.85%
Unemployment rate	11.00%	16.31%	14.43%	12.90%

The following table presents one-year projections for Guatemala made in December 2020, compared to the official data for December 2021:

	2021	**2020**		
	Real Scenario	Scenario A	Scenario B	Scenario C
Inflation	3.07%	5.31%	3.28%	2.52%
Nominal interest rate variation	(0.41%)	0.04%	(0.27%)	(0.50%)
GDP Growth	7.50%	1.67%	4.20%	5.84%
Devaluation	(0.96%)	1.16%	(0.25%)	(1.79%)

The following table presents one-year projections for Honduras made in December 2020, compared to the official data for December 2021:

	2021	**2020**		
	Real Scenario	Scenario A	Scenario B	Scenario C
Inflation	5.32%	3.34%	3.57%	2.54%
Nominal interest rate variation	(1.60%)	0.20%	(0.21%)	(0.50%)
GDP Growth	12.50%	2.03%	3.94%	4.71%
Devaluation	1.49%	1.91%	0.92%	(0.55%)

The following table presents one-year projections for El Salvador made in December 2020, compared to the official data for December 2021:

	2021	**2020**		
	Real Scenario	Scenario A	Scenario B	Scenario C
Inflation	6.11%	1.22%	0.23%	(0.23%)
Nominal interest rate variation	(0.14%)	1.10%	0.40%	(0.08%)
GDP Growth	10.30%	1.96%	3.60%	4.69%

(Amounts expressed in millions of Colombian pesos)

The following table presents one-year projections for Nicaragua made in December 2020, compared to the official data for December 2021:

	2021	2020		
	Real Scenario	Scenario A	Scenario B	Scenario C
Inflation	7.21%	3.67%	2.78%	2.49%
Nominal interest rate variation	(0.86%)	1.05%	0.11%	(1.38%)
GDP Growth	10.30%	(2.28%)	0.14%	2.12%

The following table presents one-year projections for Costa Rica made in December 2020, compared to the official data for December 2021:

	2021	2020		
	Real Scenario	Scenario A	Scenario B	Scenario C
Inflation	3.30%	2.22%	0.98%	0.75%
Nominal interest rate variation	(1.01%)	2.28%	1.82%	(0.01%)
GDP Growth	7.60%	0.93%	2.98%	4.27%
Devaluation	4.53%	5.22%	3.67%	2.19%

The following table presents one-year projections for Panamá made in December 2020, compared to the official data for December 2021:

	2021	2020		
	Real Scenario	Scenario A	Scenario B	Scenario C
Inflation	2.62%	1.89%	0.23%	(0.29%)
Nominal interest rate variation	(0.09%)	0.21%	0.02%	(0.13%)
GDP Growth	15.30%	2.37%	4.04%	6.34%

The table below presents the total loss allowance balances for each portfolio as of December 31,2021 and 2020. The loss allowance reconciliation, transfers between stages, impacts of measurement due to model changes, among others, are presented in note 4.1.5.

		As of December 31, 2021		**As of December 31, 2020**		**Change year-on-year Variation Increase (decrease)**
Commercial	Ps.	5,854,745	Ps.	5,280,406	Ps.	574,339
Consumer		4,581,004		4,938,971		(357,967)
Mortgage		732,407		560,904		171,503
Microcredit		105,070		124,039		(18,969)
Interbank and overnight funds		2,386		851		1,535
Total	**Ps.**	**11,275,612**	**Ps.**	**10,905,171**	**Ps.**	**370,441**

		As of December 31, 2021		**As of December 31, 2020**		**Change year-on-year Variation Increase (decrease)**
Other receivables	Ps.	**382,802**	Ps.	**343,057**	Ps.	**39,745**

(Amounts expressed in millions of Colombian pesos)

Impairment losses per portfolio as of December 31, 2021, and 2020:

		As of December 31, 2021		As of December 31, 2020		Change year-on-year Variation Increase (decrease)
Commercial	Ps.	1,468,180	Ps.	2,213,075	Ps.	(744,895)
Consumer		2,813,446		3,657,823		(844,377)
Mortgage		170,176		290,140		(119,964)
Microcredit		17,525		76,042		(58,517)
Interbank and overnight funds		1,535		(135)		1,670
Total	**Ps.**	**4,470,862**	**Ps.**	**6,236,945**	**Ps.**	**(1,766,083)**

		As of December 31, 2021		As of December 31, 2020		Change year-on-year Variation Increase (decrease)
Other receivables	Ps.	**80,298**	Ps.	**76,357**	Ps.	**3,941**

Impairment losses per portfolio as of December 31, 2020, and 2019:

		As of December 31, 2020		As of December 31, 2019		Change year-on-year Variation Increase (decrease)
Commercial	Ps.	2,213,075	Ps.	1,341,570	Ps.	871,505
Consumer		3,657,823		2,659,750		998,073
Mortgage		290,140		126,197		163,943
Microcredit		76,042		44,940		31,102
Interbank and overnight funds		(135)		284		(419)
Total	**Ps.**	**6,236,945**	**Ps.**	**4,172,741**	**Ps.**	**2,064,204**

		As of December 31, 2020		As of December 31, 2019		Change year-on-year Variation Increase (decrease)
Other receivables	Ps.	**76,357**	Ps.	**64,640**	Ps.	**11,717**

Loan portfolio and other receivables as of December 31, 2021, and 2020:

		As of December 31, 2021		As of December 31, 2020		Change year-on-year Variation Increase (decrease)
Commercial	Ps.	122,027,804	Ps.	110,986,938	Ps.	11,040,866
Consumer		76,889,145		65,835,457		11,053,688
Mortgage		29,120,316		24,558,771		4,561,545
Microcredit		317,739		372,321		(54,582)
Interbank and overnight funds		3,218,433		4,693,678		(1,475,245)
Total	**Ps.**	**231,573,437**	**Ps.**	**206,447,165**	**Ps.**	**25,126,272**

		As of December 31, 2021		As of December 31, 2020		Change year-on-year Variation Increase (decrease)
Other receivables	Ps.	**19,410,007**	Ps.	**15,339,394**	Ps.	**4,070,613**

Clients credit reliefs

Among the different measures adopted by governments to mitigate the effects of the COVID-19 pandemic, in Colombia the Superintendency of Finance issued several instructions for entities to establish relief measures for bank clients.

Through the issuance of External Circular 007 of March 17, 2020, the Superintendency of Finance adopted transitory prudential instructions to mitigate the economic effects of the COVID-19 pandemic and declared the State of Emergency. These instructions included, among others: (i) establishment of policies to identify clients subject to relief measures, (ii) payment extensions taking into consideration each client's situation, affecting loans that were not past due for more than 30 days as of February 29, 2020 (without an increase in credit risk) and, (iii) client classification under relevant risk categories as of February 29, 2020 (credit scores reported to credit bureaus will remain unaltered for the duration of the extension period).

Moreover, according to External Circular 014 of March 30, 2020, the Superintendency of Finance established additional measures in order to protect clients under reliefs, including, among others, (i) a restriction to increase interest rates; (ii) the prohibiting capitalization of interest; and (iii) the prohibition to collect interests on other related fees, commissions or insurances. Furthermore, payment extensions were adjusted to include loans that were past due between 30 days and 60 days as of February 29, 2020 (without an increase in credit risk).

The measures established in External Circulars 007 and 014 were effective until July 31, 2020.

In Central America, at the regional level there were grace periods and payment deferrals in all the countries where we operate, following the guidelines of the relevant financial authorities, which were, to some extent, similar to the regulations enacted in Colombia.

Furthermore, the Superintendency of Finance issued External Circular 022 on June 30, 2020 creating the "Debtor Support Program" (in Spanish, Programa de Acompañamiento a Deudores PAD), which gives instructions on the treatment of debtors in the context created by the COVID-19 pandemic and allows the establishment of structural payment solutions by redefining the credit conditions of those debtors that have suffered a negative impact on their income or their ability to pay as a result of the COVID-19 pandemic. External Circular 022 was effective from August 1, 2020 until December 31, 2020. However, the Superintendency of Finance extended the application of the PAD until August 31, 2021, under the same terms of External Circular 022, due to the persistence of the COVID-19 situation.

The Superintendency instructed credit institutions to: adopt the PAD in order to apply structural measures for debtors affected by the COVID-19 pandemic, according to the analysis carried out by each entity, to recognize the new economic reality of debtors and to allow them to continue attending their payment obligations during the life of the loan.

Institutions had the authority to determine which segments of debtors they offered the measures provided for in that Circular, taking into consideration, among other aspects, the adverse cash flow impact as a result of the COVID-19 pandemic. In order to adopt differential measures for each of the segments of debtors defined in the program, at least three groups of debtors were established:

- those debtors for which the financial entity had reasonable grounds to infer that they could continue to attend their payment obligations in the terms and as originally scheduled at the time of the beginning of the program.
- those debtors that had seen their income or payment capacity partially impacted and for which the entity had reasonable grounds to infer that, through a redefinition of the credit conditions, such debtor could continue to fulfil its payment obligations in the new agreed terms; and
- those debtors who temporarily faced a substantial or total impact on their income or ability to pay and for whom the entity had reasonable grounds to infer that the debtor would be able to overcome this impact.

The Superintendency also instructed credit institutions to:

- adopt special measures for origination and qualification by risk level for micro, small, medium and other companies that are or will be in reorganization processes under the Colombian laws;
- grant new grace periods without capitalizing interest and without charging interest on other concepts which's payment was deferred, such as handling fees and insurance;
- apply the redefinition of credit conditions, credit institutions may establish a self-management strategy for the debtor and / or contact him directly to present, in a simple way, the new conditions of his debt for acceptance.

In Central America, after granting the initial round of reliefs, the strategy of the subsidiaries consisted of restructuring certain loans to help its clients mainly through an extension of their term. Cases were analyzed to ensure the new conditions responded to the impact caused by the COVID-19 pandemic on the debtor's income.

The actions taken by most of governments of the countries where we operate to provide relief to customers (companies or individuals) in 2020 and most of 2021, have ended. These strategies included, grace periods, the deferral of installments and the extension of terms.

(Amounts expressed in millions of Colombian pesos)

The following table summarizes for all loan portfolio that received reliefs during 2021 and 2020, the balance at amortized cost before the application of relief per portfolio and the effects on the interest income of Grupo Aval of these reliefs, considering the recalculation of present values of the modified contractual cash flows discounted at the financial asset's original effective interest rate:

Year ended on December 31, 2021

		Commercial		Consumer		Mortgage		Microcredit		Total
Amortized cost before modification	Ps.	29,961,397	Ps.	16,834,900	Ps.	13,763,005	Ps.	8,670	Ps.	**60,567,972**
Net modification loss		(18,895)		(8,819)		(6,213)		(12)		**(33,939)**

Year ended on December 31, 2020

		Commercial		Consumer		Mortgage		Microcredit		Total
Amortized cost before modification	Ps.	43,637,334	Ps.	24,776,794	Ps.	14,411,716	Ps.	357,892	Ps.	**83,183,736**
Net modification loss		(13,230)		(82,971)		(36,873)		(2,034)		**(135,108)**

The governments of the countries in which the Group operates have not granted direct reliefs for banks to date.

Impairment of assets - Goodwill, Property, Plant and Equipment and Intangibles (including concession agreements under the intangible asset model)

In updating the impairment tests carried out as of December 31, 2021, and 2020 in relation to capital gains, property, plant and equipment and intangibles, budgets, forecasts and other assumptions were adjusted to incorporate the economic conditions observed, addressing where necessary, cases of increased risk and uncertainty. The assumptions used to perform the impairment test have been updated to reflect lower budgeted earnings in subsequent years and a lag in returning to pre-crisis levels of turnover and profitability.

Going concern

Based on the Group's solvency and liquidity position as of the authorization date of these consolidated financial statements, management continues to have a reasonable expectation that the Group has adequate resources to continue operating in the foreseeable future and that the going concern basis of accounting remains adequate.

These consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of reported assets, liabilities and expenses that may otherwise be required if the going concern basis is not appropriate

Investment properties

Management engages external and independent property appraisers to assist in determining the fair values of investment properties, who hold the appropriate recognized professional qualifications and recent experience in the location and category of the investment property being valued.

As of December 31, 2021, and 2020 the appraisers updated previous year's valuation assumptions to consider the effect of COVID-19 on the fair value of investment properties. Appraisers did not report any material valuation uncertainty due to market disruption caused by the COVID-19 pandemic, which could result in a reduction in transactional evidence and market returns.

Other matters

As of December 31, 2021, and 2020 no impairment was identified in other non-financial assets such as investments that are accounted for by the equity method or inventories. Similarly, there were no provisions to be recognized from the effects of COVID- 19 pandemic since no situations were identified that implied present obligation at year end for which an outflow of resource was probable.

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

The consolidated financial statements of Grupo Aval have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on the basis of historical cost, except for financial assets at Fair Value Through Profit or Loss ("FVTPL"), at Fair Value Through Other Comprehensive Income ("FVOCI"), derivative financial instruments, investment properties, non-current assets held for sale and biological assets which are measured at fair value. Additionally, non-current assets held for sale are measured at the lower value of their carrying value at the time of transfer and fair value, minus estimated costs of disposal and employee benefits which are measured at the present value of the defined benefit obligation (see note 2.22).

The consolidated financial statements were authorized for issuance by the Audit Committee on April 19, 2022.

The following are the main accounting policies applied in preparing the Consolidated Financial Statements of Grupo Aval as of December 31, 2021, 2020 and 2019.

2.1 Basis of preparation

a) Presentation of Consolidated Financial Statements

The Consolidated Financial Statements are prepared as follows:

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

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

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

b) Consolidated Financial Statements

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

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

Grupo Aval carries out of all its contractual relationships, for the year 2021, no new entities were identified to be consolidated and with the year 2020 in the evaluation carried out a business combination was identified (see note 35).

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

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

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

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

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

c) Investments in associates

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

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

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

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

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

The carrying amount of associates are tested for impairment.

d) Joint arrangements

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

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

2.2 Functional and presentation currency

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

2.3 Transactions in foreign currencies

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

As of December 31, 2021 and 2020, the representative market rates as computed and certified by the Superintendency of Finance (for the U.S. dollar which is the most representative foreign currency for Grupo Aval´s transactions) were Ps. 3,981.16 and Ps. 3,432.50 per U.S. $1, respectively.

2.4 Operating segments

An operating segment is a component of an entity which:

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

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

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

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

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

2.5 Financial assets and financial liabilities

i. Recognition and initial measurement

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

A financial asset or financial liability is initially measured at fair value. Additionally, for instruments measured at amortized cost or Fair Value Through Other Comprehensive Income ("FVOCI"), transaction costs are added if directly attributable to its acquisition or issuance.

ii. Classification

Financial assets

On initial recognition, a financial asset is classified as: amortized cost, Fair Value Through Other Comprehensive Income ("FVOCI") or Fair Value Through Profit or Loss ("FVTPL").

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

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

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

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

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

All other financial assets are classified and measured at FVTPL.

Business model assessment

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

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

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

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

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

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

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

Interest rates on certain commercial and consumer loans originated by Grupo Aval are pegged to standard variable rates generally used in each country where Grupo Aval operates and includes a spread. In Colombia, the standard variable rates are based on the DTF (rate interest calculated as the average for time deposits)s or the interbank rate (in Spanish Interés Bancario de Referencia), or "IBR" rates, both of which are calculated weekly by the Central Bank based on information collected from the Colombian financial system, plus a spread, and in the case of loans in foreign currency issued in Colombian entities and in other countries Grupo Aval uses LIBOR interest rates plus a spread. See Note 4 – "Interest rate benchmark reform".

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

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

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

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

Financial liabilities

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

iii. Reclassifications

Financial assets

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

iv. Derecognition

Financial assets

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

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

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

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

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

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

Financial liabilities

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

v. Modifications of financial assets and financial liabilities

Financial assets

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

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

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

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

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

Financial liabilities

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

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

vi. Offsetting of financial assets and liabilities

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

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

vii. Fair value measurement

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

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

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

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

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

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

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

viii. Repurchase agreements and reverse repurchase agreements

Purchases of financial instruments under a non-optional resale agreement are measured at fair value and recognized as financial assets in the consolidated statement of financial position under interbank and overnight funds.

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

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

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

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

ix. Impairment of financial assets

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

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

No credit impairment loss is recognized on equity investments.

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

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

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

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

See the detail of the requirement actions as result of Covid-19 in note 1.1 "Other events"

Measurement of ECL

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

Modified Financial Assets

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

- If the restructuring is not expected to result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 4(4.1.1)).

- If the restructuring is expected to result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

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

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

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

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

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

See the detail of the requirement actions as result of Covid-19 in note 1.1 "Other events"

x. Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position and the impact is showed in the statement of income line "Impairment (losses) recoveries on financial assets" as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally presented as provisions;
- Where a financial instrument includes both a drawn and an undrawn component, and Grupo Aval cannot identify the ECL on the loan commitment component separately from those on the drawn component: Grupo Aval presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the ECL is disclosed and is recognized as part of the net change recognized in the fair value reserve under other comprehensive income.

xi. Write-offs

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

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

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

2.6 Cash and cash equivalents

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

2.7 Trading assets and liabilities

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

2.8 Derivatives

a) Derivatives and hedge accounting

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

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

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

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

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

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

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

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

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

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

b) Embedded derivatives

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

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

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

2.9 Loans

The 'Loans' line item in the statement of financial position include:

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

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

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

2.10 Investment securities

The 'investment securities' line in the statement of financial position includes:

- Debt investment securities measured at amortized cost (see 2.6(ii)); These are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method;
- Debt and equity investment securities mandatorily measured at FVTPL (see 2.6(ii)); These are at fair value with changes recognized immediately in profit or loss;
- Debt securities measured at FVOCI; and
- Equity investment securities designated as at FVOCI.

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

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

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

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

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

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

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

See detail of effective interest rate method in note 2.9 Loans

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

2.11 Financial liabilities

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

Financial liabilities are only derecognized from the consolidated statement of financial position when the obligations are extinguished, that is, when the obligations are discharged, cancelled, or expire.

2.12 Financial guarantees

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

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured as at the highest value between the amount initially recognized net of the loss allowance determined in accordance with IFRS 9 (see 2.5 (vii)) and the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15. As of the reporting date Grupo Aval has no loan commitments that are measured at FVTPL.

(Amounts expressed in millions of Colombian pesos)

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

2.13 Non-current assets held for sale

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

2.14 Property, plant and equipment for own use

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

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

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

Depreciation is estimated on a straight-line basis during the estimated useful life of the asset less their residual value. The annual depreciation rates for each type of assets are:

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

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

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

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

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

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

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

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

2.15 Investment properties

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

2.16 Leases

Lessee accounting

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

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

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

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

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

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

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

Grupo Aval presents right-of-use assets in 'Tangible assets' and lease liabilities in 'Borrowings from banks and others' in the statement of financial position.

Short-term leases and leases of low-value assets

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

Lessor accounting

When Grupo Aval acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for a major part of the economic life of the asset. Lease contracts classified as financial leases are included in the consolidated statement of financial position as "Loans" and are recognized in the same way as other loans, as explained in note 2.11.

2.17 Biological assets

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

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

2.18 Business combinations and goodwill

Business combinations are accounted for using the "acquisition method" when control is transferred to the controlling entity. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. If non-controlling interests arise during the acquisition of control of the entity, such non-controlling interests are recognized at either fair value.

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

2.19 Other intangible assets

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

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

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

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

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

Subsequent to their initial recognition, these assets are measured at cost less amortization, which is carried out during their estimated useful lives as follows: amortization is recognized on a straight-line basis, according to the estimated useful lives. The annual amortization rates for each type of assets are:

(Amounts expressed in millions of Colombian pesos)

Intangible Asset	Useful Life
Software and information technology applications	From 1 to 20 years
Licenses	From 1 to 15 years
Trademarks	Indefinite
Customer-related assets	From 1 to 10 years
Intellectual property rights	From 1 to 38 years
Models, formulas, designs and prototypes	10 years
Easements	From 20 to 50 years

At the end of each period, Grupo Aval analyzes if there is evidence based on each CGU (Cash Generating Unit), both external and internal, indicating that the intangible asset is impaired. Any loss due to subsequent impairment or reversal is recognized in the Consolidated Statement of Income; such impairment is determined by the excess of the carrying amount over the recoverable value.

2.20 Concession arrangements rights

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

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

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

Concession arrangements are recognized as follows:

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

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

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

2.21 Impairment of non-financial assets

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

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

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

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

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

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

2.22 Employee Benefits

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

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

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

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

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

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

c) Other long-term employee benefits

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

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

d) Termination benefits
These benefits are payments which must be made by Grupo Aval´s entities derived from their taking the unilateral decision of terminating and employee´s labor contract or from and employee´s decision to accept benefits offered by an entity in exchange for terminating the employment contract, such payments correspond to severances for dismissal or redundancy and other benefits that entities unilaterally decide to grant to their employees under such circumstances.
Termination benefits are recognized as a liability and in profit or loss at the earlier of the following dates:

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

2.23 Income taxes

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

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

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

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

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

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

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

2.24 Capitalization of borrowing costs

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

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

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

2.25 Provisions

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

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

2.26 Non-voting rights of preferred shares

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

2.27 Revenues

- **Net interest income**

(i) Effective interest rate

Interest income and expense are recognized in the Consolidated Statement of Income using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

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

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(ii) Amortized cost and gross carrying amount

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

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

(iii) Calculation of interest income and expense

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

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

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

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

(iv) Presentation

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

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

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

Interest income and expense on other financial assets and financial liabilities mandatory at FVTPL are presented in "Net trading income" and financial assets in concessions arrangements rights at FVTPL under "Net income from financial instruments at fair value other that negotiable".

- **Net trading income**

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

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

Contract assets

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

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

Contract liabilities

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

Steps for revenue recognition

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

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

- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, Grupo Aval allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which Grupo Aval expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) Grupo Aval satisfies a performance obligation.

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

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

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

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

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

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

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

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

(i) Banking (Financial Services)

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

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

- *Commissions*:

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

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

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

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

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

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

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

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

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

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

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

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

- *Investment banking: Underwriting fees and Advisory fees*

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

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

(ii) Asset management

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

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

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

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

(iii) Construction and operation services (Concessions)

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

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

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

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

(iv) Power and utilities

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

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

(v) Logistic activities

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

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

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

(vi) Customer loyalty program

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

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

(vii) Hotel services

Revenue is derived from the following sources:

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

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

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

(viii) Agriculture products

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

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

(ix) Financing components.

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

2.28 Earnings per share

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

(Amounts expressed in millions of Colombian pesos)

2.29 New and amended IFRS

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

• Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
• Covid-19-Related Rent Concessions beyond 30 June 2021.

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

New standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, Grupo Aval has not early adopted them in preparing these consolidated financial statements.

New or Amended Standard	Title of the Standard	Effective for Annual Periods Beginning on or After
Forthcoming requirements.		
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	IAS 37 Provisions, Contingent Liabilities and Contingent Assets	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	To IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases	January 1, 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	IAS 16 Property, Plant and Equipment	January 1, 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	IFRS 3 Business Combinations	January 1, 2022
IFRS 17 Insurance Contracts and amendments	IFRS 17 Insurance Contracts	January 1, 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	IAS 1 Presentation of Financial Statements	January 1,2023 (deferred from January 1, 2022
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	IAS 1 Presentation of Financial Statements	January 1, 2023
Definition of Accounting Estimate (Amendments to IAS 8)	IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes)	IAS 12 Income Taxes	January 1, 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	IAS 28 Investor and its associate or joint venture and IFRS 10 Consolidated Financial Statements	Date to be determined by the IASB

Grupo Aval has preliminarily assessed the impacts of the adoption of the new or amended standards detailed above, concluding that these are not expected to have a significant impact on Grupo Aval's consolidated financial statements.

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

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

A. Judgments

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

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

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

– Note 4 (4.1.5) and Note 1.1 "Other events – COVID19" – establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.

B. Assumptions and estimation uncertainties

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

– Note 4 (4.1.5) and Note 1.1 "Other events – COVID19"– impairment of financial instruments: assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

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

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

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

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

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

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

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

NOTE 4 – RISK MANAGEMENT

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

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

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

- Business Units: Include the business lines as well as the Technology and Operations areas which are responsible for appropriately assessing and effectively managing all the risks associated with their processes.

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

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

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

Financial risks

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

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

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

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

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

Objective and general guidelines of financial risk management

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

a) Make risk management a part of every institutional process.
b) Collective decision making for commercial lending of significant amounts.
c) Extensive and in-depth industry and market knowledge, as a result of the leadership and experienced, stable and seasoned senior management.
d) Clear risk management policies based on a top-down approach with respect to:
   - Compliance with know-your-customer policies.
   - Commercial loans credit structure based on a clear identification of sources of repayment and of cash flow generation capacity of the borrower.
e) Use of similar credit analysis tools for analysis across Grupo Aval's subsidiaries of financial sector.
f) Diversification of the commercial loan portfolio with respect to industries and economic groups.
g) Specialization in consumer product niches.
h) Extensive use of continuously updated scoring models and credit ratings updated permanently to ensure quality growth of consumer loans with high credit quality.
i) Conservative policies in terms of:
   - trading portfolio composition with bias towards lower volatility instruments,
   - proprietary trading position, and
   - the variable compensation for the trading staff.
j) Control the position-level based on market risk sensitivities (such as VaR, DV01, Delta, Rho and Vega) and credit risk exposures by counterparties.
k) Concentration and diversification limits which are based on market liquidity and volatility, operational capacity, valuation and credit quality of counterparties.

l) Control and follow up the funding and liquidity risk with independent oversight. This includes setting limits related with high quality liquid assets and maturity concentration of financial liabilities among others.
m) Ensuring compliance with regulatory limits and reviewing how the current and projected strategy can affect those limits.
n) Use of our market presence in the identification and implementation of best practices for operational risk management.

Main premises for risk management

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

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

Interest rate benchmark reform

According to the Financial Conduct Authority (FCA) announcement which informed the future termination or loss of representativeness of the LIBOR reference rates starting on December 31, 2021 with some references until completing the total of 35 references in June 2023, the entities that use these rates worldwide are forced to transfer the current positions that were indexed to these references, towards new reference interest rates that maintain the representativeness and depth that the LIBOR rates used to have.

Grupo Aval and its subsidiaries have not been immune to this phenomenon and even though the exposure is insignificant concerning other rates, there remains in its Entities a portfolio of credits, loans, deposits, and derivative contracts indexed at LIBOR rates, for which said Entities have been required to design and execute transition plans that allow them to identify the operational, commercial, legal and technological aspects to be taken into account to maintain their commercial relations and representativeness in the markets where they operate.

Grupo Aval have stablished several guidelines in search of adoption best practices to ensure an adequate transition to new reference rates regarding to shape a governance structure, to stablish a project roadmap with defined timelines and milestones, to line up risk management function of the entity with all the impacted front-line processes, to define a specific group to coordinate the transition plan with appropriate high-level oversight and identify and manage possible financial impacts and operational gaps.

The LIBOR Working Group periodically reports to the Assets and Liabilities Committee (ALCO) about the progress of the transition plan, as well as the policies, guidelines, and procedures related to the follow-up and adoption of the ARRC[1] recommendations, adherence to the ISDA protocol, customer support, and internal and external training. , measurement of the impact of the process through calculation of sensitivity, follow-up of subsidiary transition processes, analysis of internal processes, development of tests and pilots, the inclusion of the fallback clause for new operations, among others.

For IBOR indexed contracts that expire after the LIBOR rate expected cessation, the LIBOR Working Group has established policies to modify the contractual terms. These amendments include the addition of fallback clauses or the replacement of the LIBOR rate with an alternative benchmark rate. The LIBOR Working Group implemented adherence to the ISDA Amendment and Protocols with this signing, the legal (contractual) risk of the transition for derivative contracts was eliminated, defining the replacement of the LIBOR rate by SOFR plus a fixed spread.

Each entities LIBOR Working Group has established policies regarding not closing new operations, or operations extensions at the Libor rate and initiating disbursements tied to the alternative rates and as an alternative to the transition, those in the short term and that will not have operations of repricing may be worked at a fixed rate, PRIME rate and in some cases for a smaller amount at other local rates in US dollars. As well, policies have been created so that portfolio operations are disbursed at a fixed rate, and in the event of a repricing, these may be tied to the Libor rate as long as their maturity date does not exceed June 2023. Once the technological developments, disbursements tied to the new reference rate will begin.

No operations tied to LIBOR are carried out in other currencies. To date, no additional provisions have been estimated regarding the transition to new reference rates in any of the jurisdictions.

The LIBOR Working Group monitors the LIBOR's progress transition to the new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that exclude a fallback clause appropriate. A contract is considered to have not yet transitioned to an alternative reference rate when the interest under the contract is indexed to a reference rate that is still subject to LIBOR reform, even if it includes a fallback clause that addresses the LIBOR's rates cessation.

On March 2021, the Financial Conduct Authority (FCA), as the ICE regulator (Intercontinental Exchange London Interbank Offered Rate, or the administering authority of LIBOR), announced that after December 31, 2021, the LIBOR references for the Pound Sterling, the Euro and the references for dollars one-week and two-month Americans will no longer be provided or will no longer be representatives. US dollar references will remain unprovided or no longer proxies after June 30, 2023.

As follows, the amount of the contracts that Grupo Aval and its subsidiaries have indexed to LIBOR rates that will expire in June 2023 and the amount of the contracts that have included fallback clauses for the December 31, 2021 and 2020 cut-off are shown below:

[1] The Alternative Reference Rates Committee (ARRC) is a group of private-market participants convened by the Federal Reserve Board and the New York Fed to help ensure a successful transition from U.S. dollar (USD) LIBOR to a more robust reference rate.

Non-derivative financial assets and liabilities.

During 2021 and 2020, the Group had the following LIBOR exposures concerning non-derivative financial assets and loan portfolio subject to IBOR benchmarks. The following table shows the value of non-derivative financial assets and liabilities indexed at LIBOR rates in millions of dollars and millions of Colombian pesos:

	December 31, 2021			December 31, 2020		
	Total Amount of Contracts	Total amount of contracts expiring after June, 2023	Amount with appropriate fallback clause	Total Amount of Contracts	Total amount of contracts expiring after June, 2023	Amount with appropriate fallback clause
Assets						
Debt securities FVOCI	348	347	228	157	156	42
Debt securities at amortized cost	80	79	—	96	80	—
Loans Commercial	5,397	3,553	1,107	6,110	3,172	693
Loans Consumer	752	732	306	863	794	195
Loans Mortgage	2,730	2,724	746	2,810	2,800	244
Total financial assets indexed to Libor references	**US$. 9,307**	**US$. 7,436**	**US$. 2,388**	**US$. 10,036**	**US$. 7,003**	**US$. 1,173**
Liabilities						
Time deposits	60	—	—	60	—	—
Borrowing from banks and others	4,922	2,459	1,761	2,260	478	247
Borrowing from development entities	2	—	—	5	2	—
Total Liabilities	**US$. 4,984**	**US$. 2,459**	**US$. 1,761**	**US$. 2,325**	**US$. 480**	**US$. 247**

	December 31, 2021			December 31, 2020		
	Total Amount of Contracts	Total amount of contracts expiring after June, 2023	Amount with appropriate fallback clause	Total Amount of Contracts	Total amount of contracts expiring after June, 2023	Amount with appropriate fallback clause
Assets						
Debt securities FVOCI	1,383,736	1,382,029	907,806	624,925	622,993	167,918
Debt securities at amortized cost	319,053	314,747	—	382,249	319,387	—
Loans Commercial	21,486,230	14,146,949	4,408,031	24,325,232	12,627,600	2,757,269
Loans Consumer	2,995,026	2,912,621	1,220,083	3,436,992	3,161,789	776,025
Loans Mortgage	10,867,996	10,845,927	2,971,691	11,186,539	11,149,027	970,668
Total financial assets indexed to Libor references	**Ps. 37,052,042**	**Ps. 29,602,273**	**Ps. 9,507,611**	**Ps. 39,955,938**	**Ps. 27,880,796**	**Ps. 4,671,880**
Liabilities						
Time deposits	238,870	—	—	238,870	—	—
Borrowing from banks and others	19,593,436	9,788,732	7,008,903	8,998,015	1,901,374	983,887
Borrowing from development entities	7,962	—	—	19,906	8,601	—
Total Liabilities	**Ps. 19,840,268**	**Ps. 9,788,732**	**Ps. 7,008,903**	**Ps. 9,256,791**	**Ps. 1,909,975**	**Ps. 983,887**

Derivatives and hedge accounting

Grupo Aval´s subsidiaries maintain trading derivatives and risk management hedges indexed at LIBOR rates. Certain derivatives held for risk management purposes are designated in hedging relationships. Interest rate swap and cross-currency swap contracts have floating legs that are indexed to LIBOR benchmarks. The following table shows the value of derivative and hedge accounting indexed at LIBOR rates in millions of dollars and millions of Colombian pesos:

	December 31, 2021			December 31, 2020		
	Total Amount of Contracts	**Total amount of contracts expiring after June, 2023**	**Amount with appropriate fallback clause**	**Total Amount of Contracts**	**Total amount of contracts expiring after June, 2023**	**Amount with appropriate fallback clause**
Derivatives and hedge accounting						
Trading derivative assets						
Interest rate swaps	1	—	—	15	11	—
Cross-currency swaps	7	2	—	7	—	—
Total	**US$. 8**	**US$. 2**	**US$. —**	**US$. 22**	**US$. 11**	**US$. —**
Trading derivative liabilities						
Interest rate swaps	2	2	—	16	12	—
Cross-currency swaps	18	7	—	9	3	—
Total	**US$. 20**	**US$. 9**	**US$. —**	**US$. 25**	**US$. 15**	**US$. —**
Derivatives held for risk management						
Interest rate swaps	42	41	41	44	42	42
Total	**US$. 42**	**US$. 41**	**US$. 41**	**US$. 44**	**US$. 42**	**US$. 42**

	December 31, 2021			December 31, 2020		
	Total Amount of Contracts	**Total amount of contracts expiring after June, 2023**	**Amount with appropriate fallback clause**	**Total Amount of Contracts**	**Total amount of contracts expiring after June, 2023**	**Amount with appropriate fallback clause**
Derivatives and hedge accounting						
Trading derivative assets						
Interest rate swaps	3,981	—	—	59,717	43,793	—
Cross-currency swaps	27,868	7,962	—	27,868	—	—
Total	**Ps. 31,849**	**Ps. 7,962**	**Ps. —**	**Ps. 87,586**	**Ps. 43,793**	**Ps. —**
Trading derivative liabilities						
Interest rate swaps	7,962	7,962	—	63,699	47,774	—
Cross-currency swaps	71,940	27,868	—	36,666	11,943	—
Total	**Ps. 79,902**	**Ps. 35,830**	**Ps. —**	**Ps. 100,365**	**Ps. 59,717**	**Ps. —**
Derivatives held for risk management						
Interest rate swaps	166,908	163,228	163,228	173,626	165,218	165,218
Total	**Ps. 166,908**	**Ps. 163,228**	**Ps. 163,228**	**Ps. 173,626**	**Ps. 165,218**	**Ps. 165,218**

Grupo Aval and its subsidiaries have insignificant positions in the LIBOR references that expired on 31, December, 2021, even so all the contracts included fallback clauses that allowed their transition to new references rates without affecting their compliances.

(Amounts expressed in millions of Colombian pesos)

Financial Risk Review

4.1 Credit Risk

4.1.1 Consolidated Credit Risk Exposure

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

The maximum exposure to credit risk of Grupo Aval, at a consolidated level is reflected in the carrying value of financial assets in the statement of financial position of Grupo Aval as of December 31, 2021, and 2020 as follows:

Assets		**December 31, 2021**		**December 31, 2020**
Cash and cash equivalents (**)	Ps.	30,245,268	Ps.	27,687,525
Trading investments in debt securities		4,741,287		4,780,993
Investments in debt securities mandatorily at FVTPL		—		7,385
Investments in debt securities at FVOCI		37,493,866		28,966,356
Investments in debt securities at amortized cost		5,775,070		5,580,128
Derivatives instruments		1,162,909		1,133,924
Hedging derivatives		44,248		156,220
Loans				
Commercial		122,027,804		110,986,938
Consumer		76,889,145		65,835,457
Mortgage		29,120,316		24,558,771
Microcredit		317,739		372,321
Interbank and overnight funds		3,218,433		4,693,678
Other accounts receivable FVTPL		3,228,480		2,958,385
Other accounts receivable at amortized cost		16,181,527		12,381,009
Total financial assets with credit risk	**Ps.**	**330,446,092**	**Ps.**	**290,099,090**
Financial instruments with credit risk outside of the statement of financial position at its nominal value				
Financial guarantees and letters of credit		4,886,575		4,185,261
Credit commitments		43,049,746		32,967,149
Total exposure to credit risk outside of the statement of financial position	**Ps.**	**47,936,321**	**Ps.**	**37,152,410**
Total maximum exposure to credit risk	**Ps.**	**378,382,413**	**Ps.**	**327,251,500**

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

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

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

4.1.1.A. Loan portfolio disclosure

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

(Amounts expressed in millions of Colombian pesos)

December 31, 2021

Portfolio segment	Loan Portfolio	Loss allowance	Total loan Portfolio, net
Commercial	**Ps. 125,246,237**	**Ps. 5,857,131**	**Ps. 119,389,106**
Interbank and overnight funds	3,218,433	2,386	3,216,047
Client portfolio	122,027,804	5,854,745	116,173,059
Consumer	76,889,145	4,581,004	72,308,141
Residential mortgage	29,120,316	732,407	28,387,909
Microcredit	317,739	105,070	212,669
Total portfolio	**Ps. 231,573,437**	**Ps. 11,275,612**	**Ps. 220,297,825**

December 31, 2020

Portfolio segment	Loan Portfolio	Loss allowance	Total loan Portfolio, net
Commercial	**Ps. 115,680,616**	**Ps. 5,281,257**	**Ps. 110,399,359**
Interbank and overnight funds	4,693,678	851	4,692,827
Client portfolio	110,986,938	5,280,406	105,706,532
Consumer	65,835,457	4,938,971	60,896,486
Residential mortgage	24,558,771	560,904	23,997,867
Microcredit	372,321	124,039	248,282
Total portfolio	**Ps. 206,447,165**	**Ps. 10,905,171**	**Ps. 195,541,994**

4.1.1.B Loan portfolio given as collateral

For 2021, there were no portfolio operations delivered as collateral in resource auction operations with Banco República, compared to 2020, when operations were registered for Ps. 280,519.

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

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

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

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

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

Although each financial subsidiary is responsible for its credit decisions and risk management, Grupo Aval as a holding, through the Corporate Risk Unit oversees the implementation of appropriate risk management controls at the financial subsidiaries and has established upward loan reporting processes. The holding’s risk management staff meets on a periodically basis to discuss Grupo Aval subsidiaries’ loan portfolio, developments in industry, risks and opportunities. Grupo Aval also coordinates loan syndication among its banks to effectively leverage the combined equity of its banks and manage any risk issues.

Each subsidiary of the financial sector has a Credit Risk Management System, which is managed by the credit vice-presidency or its equivalent, and includes, among others, the design, implementation and evaluation of policies and risk mechanisms defined by the

(Amounts expressed in millions of Colombian pesos)

Credit and Treasury Risk Committee and the Board of Directors of each entity. The operation of the Credit Risk Management System has resulted in the integration of risk measurement tools into the credit approval process in each of the financial subsidiaries.

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

In Central America, each subsidiary has a model for evaluating credit risk for the approval of commercial loans. It is a financial ratings model, which evaluates the financial information (ratios and growth rates, among others) of each debtor, which are used in the approval process and for the management and review of the corporate and medium sized companies. This model is complemented with information on payment behavior with the bank to set a minimum rating.

For retail loans (including mortgage loans and auto loans) in Colombia and Central America, models are based on sociodemographic variables and the historical payment behavior of the clients with the bank and the financial sector.

As a result of the COVID-19 pandemic, since the beginning of 2020 it was necessary to review and adjust origination strategies, along with approved debt limits in accordance with individual risk analysis, especially for customers identified in high-risk sectors. As economic recovery has taken place in the different regions where Grupo Aval has presence, many of the strategies implemented by the entities to mitigate the risk due to the pandemic have been reversed. For more information, see Note 1.1 Other events COVID-19 impact.

4.1.3 Credit quality analysis

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

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

Periodically the financial subsidiaries classify each client in one of these categories: Category A-Normal, B-Subnormal, C-Deficient, D-Doubtful recovery and E- Unrecoverable, based on the statistical models that each subsidiary has.

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

At least once in a year, each financial subsidiary carries out an individual analysis of the credit risk based on updated financial information of the client, payment record, collateral security/guarantees received, credit bureau reports and other qualitative information available; based on the information, clients are classified by risk level as mentioned above. During 2021, the analysis carried out by our financial subsidiaries required a detailed review and classification of clients by risk levels, considering the impacts of the COVID-19 pandemic effects in the Grupo Aval businesses.

As of December 2021, the analysis performed by the financial subsidiaries required a detailed review and classification of customers by risk levels, considering the impact of the COVID-19 pandemic.

Each risk category is explained as follows:

Category	PD*	Risk	Description
1	0%- 7.5%	Normal	Appropriately serviced. The debtor's financial statements or its projected cash flows, as well as all other credit information available to us, reflect adequate paying capacity
2	7.5% - 15%	Acceptable above normal	Adequately serviced and protected, but there are weaknesses which may potentially affect, on a transitory or permanent basis, the debtor's paying capacity or its projected cash flows, to the extent that, if not timely corrected, would affect the collection of the credits as contracted
3	15% - 22.5%		
4	22.5% - 30%	Appreciable	Have debtors with insufficient paying capacity or relate to projects with insufficient cash flow, which may compromise the normal collection of the obligations
5	30% - 45%		

(Amounts expressed in millions of Colombian pesos)

Category	PD*	Risk	Description
6 7	45% - 60% 60% - 90%	Significant	Have the same deficiencies as loans in category 4-5, but to a larger extent; consequently, the probability of collection is highly doubtful
8	> 90%	Non-recoverability	Deemed uncollectible.

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

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

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

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

As of December 31, 2021, and 2020, the following is a summary of the credit portfolio by probability of default. Explanation of the terms: Stage 1, Stage 2 and Stage 3 are included in Note 2 (2.5) (ix) and explained in detail in Note 4.1.5 (Measurement of Expected Credit Loss).

Total Portfolio

	December 31, 2021							
	Total Exposure							
PD Range	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
0%- 7.5%	Ps.	180,615,328	Ps.	6,434,636	Ps.	384	Ps.	187,050,348
7.5% - 15%		9,118,305		3,280,770		189		12,399,264
15% - 22.5%		789,446		3,489,521		25		4,278,992
22.5% - 30%		140,222		2,465,098		37		2,605,357
30% - 45%		127,038		3,506,321		99		3,633,458
45% - 60%		18,134		5,499,764		279		5,518,177
60% - 90%		5,510		2,120,466		1,066		2,127,042
> 90%		5,138		101,997		13,853,664		13,960,799
TOTAL	**Ps.**	**190,819,121**	**Ps.**	**26,898,573**	**Ps.**	**13,855,743**	**Ps.**	**231,573,437**

	December 31, 2020							
	Total Exposure							
PD Range	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
0%- 7.5%	Ps.	160,410,317	Ps.	6,205,666	Ps.	7	Ps.	166,615,990
7.5% - 15%		6,054,623		3,204,615		198		9,259,436
15% - 22.5%		612,299		2,731,542		9		3,343,850
22.5% - 30%		197,377		2,111,235		25		2,308,637
30% - 45%		157,726		5,802,907		77,935		6,038,568
45% - 60%		48,428		3,305,930		84,507		3,438,865
60% - 90%		3,400		3,133,570		242,787		3,379,757
> 90%		5,478		92,734		11,963,850		12,062,062
TOTAL	**Ps.**	**167,489,648**	**Ps.**	**26,588,199**	**Ps.**	**12,369,318**	**Ps.**	**206,447,165**

(Amounts expressed in millions of Colombian pesos)

Commercial

	December 31, 2021			
	Total Exposure			
PD Range	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
0%- 7.5%	Ps. 97,948,422	Ps. 3,979,842	Ps. 28	Ps. 101,928,292
7.5% - 15%	2,351,842	469,870	188	2,821,900
15% - 22.5%	441,936	1,650,110	—	2,092,046
22.5% - 30%	44,434	1,019,403	—	1,063,837
30% - 45%	48,970	965,305	—	1,014,275
45% - 60%	15,318	3,600,621	164	3,616,103
60% - 90%	5,195	57,424	—	62,619
> 90%	2,263	5,400	9,421,069	9,428,732
TOTAL	**Ps. 100,858,380**	**Ps. 11,747,975**	**Ps. 9,421,449**	**Ps. 122,027,804**

	December 31, 2020			
	Total Exposure			
PD Range	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
0%- 7.5%	Ps. 91,482,201	Ps. 3,063,730	Ps. 3	Ps. 94,545,934
7.5% - 15%	706,295	963,330	7	1,669,632
15% - 22.5%	195,341	933,973	—	1,129,314
22.5% - 30%	87,872	429,489	2	517,363
30% - 45%	104,057	3,299,369	205	3,403,631
45% - 60%	43,273	1,084,590	23	1,127,886
60% - 90%	2,645	60,967	10	63,622
> 90%	4,452	8,252	8,516,852	8,529,556
TOTAL	**Ps. 92,626,136**	**Ps. 9,843,700**	**Ps. 8,517,102**	**Ps. 110,986,938**

Consumer

	December 31, 2021			
	Total Exposure			
PD Range	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
0%- 7.5%	Ps. 57,159,315	Ps. 2,084,770	Ps. 356	Ps. 59,244,441
7.5% - 15%	6,187,490	1,508,771	1	7,696,262
15% - 22.5%	319,342	772,795	24	1,092,161
22.5% - 30%	70,402	1,143,141	35	1,213,578
30% - 45%	70,804	1,547,538	83	1,618,425
45% - 60%	1,297	1,129,306	115	1,130,718
60% - 90%	215	1,550,628	1,063	1,551,906
> 90%	2,875	91,777	3,247,002	3,341,654
TOTAL	**Ps. 63,811,740**	**Ps. 9,828,726**	**Ps. 3,248,679**	**Ps. 76,889,145**

	December 31, 2020			
	Total Exposure			
PD Range	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
0%- 7.5%	Ps. 45,952,378	Ps. 2,145,102	Ps. —	Ps. 48,097,480
7.5% - 15%	4,949,864	1,092,553	189	6,042,606
15% - 22.5%	400,447	956,769	8	1,357,224
22.5% - 30%	98,380	1,114,336	7	1,212,723
30% - 45%	46,334	1,771,603	77,728	1,895,665
45% - 60%	4,745	1,732,311	84,479	1,821,535
60% - 90%	347	2,488,943	242,773	2,732,063
> 90%	1,026	81,109	2,594,026	2,676,161
TOTAL	**Ps. 51,453,521**	**Ps. 11,382,726**	**Ps. 2,999,210**	**Ps. 65,835,457**

(Amounts expressed in millions of Colombian pesos)

Mortgage

	December 31, 2021			
	Total Exposure			
PD Range	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
0%- 7.5%	Ps. 22,224,572	Ps. 369,997	Ps. —	Ps. 22,594,569
7.5% - 15%	476,755	1,302,129	—	1,778,884
15% - 22.5%	22,014	1,066,616	1	1,088,631
22.5% - 30%	12,899	301,834	2	314,735
30% - 45%	6,909	991,992	16	998,917
45% - 60%	—	769,729	—	769,729
60% - 90%	—	471,393	3	471,396
> 90%	—	4,820	1,098,635	1,103,455
TOTAL	**Ps. 22,743,149**	**Ps. 5,278,510**	**Ps. 1,098,657**	**Ps. 29,120,316**

	December 31, 2020			
	Total Exposure			
PD Range	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
0%- 7.5%	Ps. 18,223,127	Ps. 996,792	Ps. 4	Ps. 19,219,923
7.5% - 15%	298,817	1,148,718	2	1,447,537
15% - 22.5%	12,876	840,653	1	853,530
22.5% - 30%	845	567,375	16	568,236
30% - 45%	2,217	731,359	2	733,578
45% - 60%	—	456,779	5	456,784
60% - 90%	—	472,887	4	472,891
> 90%	—	3,309	802,983	806,292
TOTAL	**Ps. 18,537,882**	**Ps. 5,217,872**	**Ps. 803,017**	**Ps. 24,558,771**

Microcredit

	December 31, 2021			
	Total Exposure			
PD Range	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
0%- 7.5%	Ps. 66,191	Ps. 27	Ps. —	Ps. 66,218
7.5% - 15%	100,613	—	—	100,613
15% - 22.5%	6,154	—	—	6,154
22.5% - 30%	12,487	720	—	13,207
30% - 45%	355	1,486	—	1,841
45% - 60%	1,519	108	—	1,627
60% - 90%	100	41,021	—	41,121
> 90%	—	—	86,958	86,958
TOTAL	**Ps. 187,419**	**Ps. 43,362**	**Ps. 86,958**	**Ps. 317,739**

	December 31, 2020			
	Total Exposure			
PD Range	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
0%- 7.5%	Ps. 59,072	Ps. 42	Ps. —	Ps. 59,114
7.5% - 15%	99,647	14	—	99,661
15% - 22.5%	3,635	147	—	3,782
22.5% - 30%	10,280	35	—	10,315
30% - 45%	5,118	576	—	5,694
45% - 60%	410	32,250	—	32,660
60% - 90%	408	110,773	—	111,181
> 90%	—	64	49,850	49,914
TOTAL	**Ps. 178,570**	**Ps. 143,901**	**Ps. 49,850**	**Ps. 372,321**

(Amounts expressed in millions of Colombian pesos)

Interbank and overnight funds

	December 31, 2021							
	Total Exposure							
PD Range	Stage 1		Stage 2		Stage 3		Total	
0%- 7.5%	Ps.	3,216,828	Ps.	—	Ps.	—	Ps.	3,216,828
7.5% - 15%		1,605		—		—		1,605
15% - 22.5%		—		—		—		—
22.5% - 30%		—		—		—		—
30% - 45%		—		—		—		—
45% - 60%		—		—		—		—
60% - 90%		—		—		—		—
> 90%		—		—		—		—
TOTAL	**Ps.**	**3,218,433**	**Ps.**	**—**	**Ps.**	**—**	**Ps.**	**3,218,433**

	December 31, 2020							
	Total Exposure							
PD Range	Stage 1		Stage 2		Stage 3		Total	
0%- 7.5%	Ps.	4,693,539	Ps.	—	Ps.	—	Ps.	4,693,539
7.5% - 15%		—		—		—		—
15% - 22.5%		—		—		—		—
22.5% - 30%		—		—		—		—
30% - 45%		—		—		—		—
45% - 60%		—		—		—		—
60% - 90%		—		—		—		—
> 90%		—		—		139		139
TOTAL	**Ps.**	**4,693,539**	**Ps.**	**—**	**Ps.**	**139**	**Ps.**	**4,693,678**

Loan commitments and financial guarantee contracts

	December 31, 2021							
	Total Exposure							
PD Range	Stage 1		Stage 2		Stage 3		Total	
0%- 7.5%	Ps.	43,415,038	Ps.	263,329	Ps.	667	Ps.	43,679,034
7.5% - 15%		1,495,285		117,201		75		1,612,561
15% - 22.5%		38,875		2,034,625		153		2,073,653
22.5% - 30%		16,802		80,460		404		97,666
30% - 45%		5,874		114,349		1,478		121,701
45% - 60%		442		175,708		1,408		177,558
60% - 90%		199		69,091		1,274		70,564
> 90%		30		1,023		102,531		103,584
TOTAL	**Ps.**	**44,972,545**	**Ps.**	**2,855,786**	**Ps.**	**107,990**	**Ps.**	**47,936,321**

	December 31, 2020							
	Total Exposure							
PD Range	Stage 1		Stage 2		Stage 3		Total	
0%- 7.5%	Ps.	34,214,046	Ps.	104,370	Ps.	257	Ps.	34,318,673
7.5% - 15%		1,066,050		117,141		433		1,183,624
15% - 22.5%		35,947		881,508		10		917,465
22.5% - 30%		17,481		83,533		22		101,036
30% - 45%		7,962		219,634		451		228,047
45% - 60%		1,448		277,620		1,966		281,034
60% - 90%		40		114,813		2,398		117,251
> 90%		6		1,451		3,823		5,280
TOTAL	**Ps.**	**35,342,980**	**Ps.**	**1,800,070**	**Ps.**	**9,360**	**Ps.**	**37,152,410**

(Amounts expressed in millions of Colombian pesos)

Credit quality of financial assets (excluding loan portfolio)

The following is the breakdown of the different financial assets excluding loan portfolio, by credit risk level and type of issuer based on the rating issued by the independent credit rating agency. A financial asset is considered investment grade if its credit rating is BBB- or higher by Standard & Poor's or Fitch Ratings scale, Baa3 or higher by Moody's scale, F3 or higher by Fitch Ratings Colombia S.A or BRC3 or higher by BRC of Colombia. Otherwise, the financial asset is considered speculative.

a) Trading investment in debt securities

	December 31, 2021		December 31, 2020	
Investment grade				
Sovereign (*)	Ps.	2,809,142	Ps.	2,904,210
Other public entities (**)		11,219		187,295
Corporate		114		46,168
Financial entities		544,748		1,301,917
Total investment grade	Ps.	**3,365,223**	**Ps.**	**4,439,590**
Speculative grade				
Sovereign (*)	Ps.	162,673	Ps.	129,081
Other public entities (**)		238,291		—
Corporate		41,385		9,359
Financial entities		931,728		200,901
Multilaterals		1,923		2,007
Total Speculative grade	**Ps.**	**1,376,000**	**Ps.**	**341,348**
Without grade or not available				
Corporate	Ps.	64	Ps.	55
Total without grade or not available	**Ps.**	**64**	**Ps.**	**55**
	Ps.	**4,741,287**	**Ps.**	**4,780,993**

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

b) Investments in debt securities at FVOCI

	December 31, 2021							
	Stage 1		Stage 2		Stage 3		Total	
Investment grade								
Sovereign (*)	Ps.	17,412,750	Ps.	—	Ps.	—	Ps.	17,412,750
Other public entities (**)		132,804		—		—		132,804
Central banks		251,370		—		—		251,370
Corporate		382,041		—		—		382,041
Financial entities		2,076,597		—		—		2,076,597
Multilaterals		437,262		—		—		437,262
Total investment grade	**Ps.**	**20,692,824**	**Ps.**	**—**	**Ps.**	**—**	**Ps.**	**20,692,824**
Speculative grade								
Sovereign (*)	Ps.	11,391,676	Ps.	—	Ps.	—	Ps.	11,391,676
Other public entities (**)		690,109		—		—		690,109
Central banks		1,606,349		—		—		1,606,349
Corporate		545,247		—		—		545,247
Financial entities		2,124,321		—		—		2,124,321
Multilaterals		25,085		—		—		25,085
Total speculative grade	**Ps.**	**16,382,787**	**Ps.**	**—**	**Ps.**	**—**	**Ps.**	**16,382,787**
Without Grade or Not available								
Corporate	Ps.	414,249	Ps.	—	Ps.	—	Ps.	414,249
Financial Entities		4,006		—		—		4,006
Total Without Grade or Not available	**Ps.**	**418,255**	**Ps.**	**—**	**Ps.**	**—**	**Ps.**	**418,255**
	Ps.	**37,493,866**	**Ps.**	**—**	**Ps.**	**—**	**Ps.**	**37,493,866**

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

(Amounts expressed in millions of Colombian pesos)

	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Investment grade				
Sovereign (*)	Ps. 16,266,158	Ps. —	Ps. —	Ps. 16,266,158
Other public entities (**)	461,072	—	—	461,072
Central banks	196,524			196,524
Corporate	529,443	—	—	529,443
Financial entities	1,618,569	—	—	1,618,569
Multilaterals	192,699	—	—	192,699
Total investment grade	**Ps. 19,264,465**	**Ps. —**	**Ps. —**	**Ps. 19,264,465**
Speculative grade				
Sovereign (*)	Ps. 6,227,407	Ps. 16,956	Ps. —	Ps. 6,244,363
Central banks	1,666,050	348	—	1,666,398
Corporate	478,079	—	—	478,079
Financial entities	1,293,864	—		1,293,864
Multilaterals	19,187	—	—	19,187
Total speculative grade	**Ps. 9,684,587**	**Ps. 17,304**	**Ps. —**	**Ps. 9,701,891**
	Ps. 28,949,052	**Ps. 17,304**	**Ps. —**	**Ps. 28,966,356**

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

c) Investments in debt securities at amortized cost

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Investment grade				
Sovereign (*)	Ps. 1,596,941	Ps. —	Ps. —	Ps. 1,596,941
Financial entities	12,096	—	—	12,096
Total investment grade	**Ps. 1,609,037**	**Ps. —**	**Ps. —**	**Ps. 1,609,037**
Speculative grade				
Other public entities (**)	Ps. 3,696,298	Ps. —	Ps. —	Ps. 3,696,298
Corporate	67,332	—	—	67,332
Financial Entities	55,657	—	—	55,657
Total speculative grade	**Ps. 3,819,287**	**Ps. —**	**Ps. —**	**Ps. 3,819,287**
Without Grade or Not available				
Corporate	Ps. 133,149	Ps. 133,262	Ps. —	Ps. 266,411
Financial Entities	60,488	19,847	—	80,335
Total Without Grade or Not available	**Ps. 193,637**	**Ps. 153,109**	**Ps. —**	**Ps. 346,746**
	Ps. 5,621,961	**Ps. 153,109**	**Ps. —**	**Ps. 5,775,070**

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

	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Investment grade				
Sovereign (*)	Ps. 1,708,927	Ps. —	Ps. —	Ps. 1,708,927
Other public entities (**)	3,378,438	—	—	3,378,438
Financial entities	169,232	—	—	169,232
Total investment grade	**Ps. 5,256,597**	**Ps. —**	**Ps. —**	**Ps. 5,256,597**
Speculative grade				
Corporate	Ps. 204,625	Ps. —	Ps. —	Ps. 204,625
Financial entities	113,757	5,149	—	118,906
Total speculative grade	**Ps. 318,382**	**Ps. 5,149**	**Ps. —**	**Ps. 323,531**
	Ps. 5,574,979	**Ps. 5,149**	**Ps. —**	**Ps. 5,580,128**

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

(Amounts expressed in millions of Colombian pesos)

d) Other accounts receivable at FVTPL

	December 31, 2021	December 31, 2020
Investment grade		
Sovereign (*)	Ps. 3,228,480	Ps. 2,958,385
Total investment grade	**Ps. 3,228,480**	**Ps. 2,958,385**

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

e) Other accounts receivable at amortized cost

	December 31, 2021				
	Stage 1	Stage 2	Stage 3	Simplified Approach	Total
Other receivables using general approach					
Other accounts receivable and contract assets for corporate customers	Ps. 10,384,254	Ps. —	Ps. —	Ps. —	Ps. **10,384,254**
Other accounts receivable related to gas, energy services, contributions and others	1,051,546	83,952	159,333	—	**1,294,831**
Other receivables using simplified approach					
Other accounts receivable from individual customers	—	—	—	4,502,442	**4,502,442**
Total other receivables	**Ps. 11,435,800**	**Ps. 83,952**	**Ps. 159,333**	**Ps. 4,502,442**	**Ps. 16,181,527**

	December 31, 2020				
	Stage 1	Stage 2	Stage 3	Simplified Approach	Total
Other receivables using general approach					
Other accounts receivable and contract assets for corporate customers	Ps. 7,238,645	Ps. —	Ps. —	Ps. —	Ps. **7,238,645**
Other accounts receivable related to gas, energy services, contributions and others	965,745	151,179	176,500	—	**1,293,424**
Other receivables using simplified approach					
Other accounts receivable from individual customers	—	—	—	3,848,940	**3,848,940**
Total other receivables	**Ps. 8,204,390**	**Ps. 151,179**	**Ps. 176,500**	**Ps. 3,848,940**	**Ps. 12,381,009**

Evaluated using general approach

The following table provides information about the exposure to credit risk for other accounts receivable and contract assets for corporate customers as of December 31, 2021, and 2020. The credit quality of these financial assets follows the methodology of the probability of default of Debt securities and other liquid financial assets (See note 4.1.5).

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Investment grade				
Sovereign (*)	Ps. 9,860,003	Ps. —	Ps. —	Ps. 9,860,003
Financial entities	524,251	—	—	524,251
Total investment grade	**Ps. 10,384,254**	**Ps. —**	**Ps. —**	**Ps. 10,384,254**

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

	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Investment grade				
Sovereign (*)	Ps. 6,773,024	Ps. —	Ps. —	Ps. 6,773,024
Financial entities	465,621	—	—	465,621
Total investment grade	**Ps. 7,238,645**	**Ps. —**	**Ps. —**	**Ps. 7,238,645**

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

(Amounts expressed in millions of Colombian pesos)

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

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Segmentation				
Contributions	Ps. 153,917	Ps. —	Ps. —	Ps. 153,917
Gas	656,962	80,326	72,759	810,047
Energy	73,084	3,626	86,574	163,284
Other accounts receivable	167,583	—	—	167,583
Total segmentation	**Ps. 1,051,546**	**Ps. 83,952**	**Ps. 159,333**	**Ps. 1,294,831**

	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Segmentation				
Contributions	Ps. 150,972	Ps. —	Ps. —	Ps. 150,972
Gas	527,230	144,339	91,907	763,476
Energy	75,350	6,840	84,593	166,783
Other accounts receivable	212,193	—	—	212,193
Total segmentation	**Ps. 965,745**	**Ps. 151,179**	**Ps. 176,500**	**Ps. 1,293,424**

Evaluated using simplified approach

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

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as of December 31, 2021 and 2020.

December 31, 2021	Weighted-average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
0–30 days past due	1.24 %	3,189,052	39,473	—
31–60 days past due	2.22 %	678,002	15,081	—
61–90 days past due	13.42 %	56,125	7,534	—
More than 90 days past due	42.49 %	579,263	246,102	579,263
		Ps. 4,502,442	**Ps. 308,190**	

December 31, 2020	Weighted-average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
0–30 days past due	0.60 %	2,773,642	16,570	—
31–60 days past due	0.56 %	637,251	3,587	—
61–90 days past due	24.19 %	43,874	10,611	—
More than 90 days past due	63.35 %	394,173	249,700	394,173
		Ps. 3,848,940	**Ps. 280,468**	

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

(Amounts expressed in millions of Colombian pesos)

f) Derivative instruments

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

Credit worthiness	**December 31, 2021**		**December 31, 2020**	
Investment grade	Ps.	986,231	Ps.	972,729
Speculative		1,504		9,274
Without grade or not available		219,422		308,141
Total	**Ps.**	**1,207,157**	**Ps.**	**1,290,144**

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

Trading derivatives

	Total		**Central counterparties**	
	Notional amount	**Fair value**	**Notional amount**	**Fair value**
2021				
Derivative assets	Ps. 63,868,342	Ps. 1,162,909	Ps. 18,568,369	Ps. 5,441
Derivative liabilities	57,021,642	1,049,910	11,681,893	8,648
2020				
Derivative assets	Ps. 33,810,221	Ps. 1,133,924	Ps. 2,919,623	Ps. —
Derivative liabilities	36,465,423	1,452,574	5,225,408	1,165

Hedging derivatives

	Total		**Central counterparties**	
	Notional amount	**Fair value**	**Notional amount**	**Fair value**
2021				
Derivative assets	Ps. 2,077,334	Ps. 44,248	Ps. 1,469,048	Ps. —
Derivative liabilities	5,001,665	55,813	2,857,279	—
2020				
Derivative assets	Ps. 3,732,435	Ps. 156,220	Ps. 1,577,234	Ps. —
Derivative liabilities	1,326,995	56,627	387,873	—

Derivative transactions of Grupo Aval are collateralized by cash of Ps (1,012,678) as of December 31, 2021, and of Ps. 429,544 as of December 31, 2020, see note 4.1.10 “Offset of financial assets and financial liabilities”.

(Amounts expressed in millions of Colombian pesos)

g) Cash and cash equivalents

Grupo Aval held cash and cash equivalents of Ps. 36,642,829 as of December 31, 2021 (2020: Ps. 34,025,535). The cash and cash equivalents are held in central banks and financial institution counterparties. The following table shows an analysis of counterparty credit exposures:

		December 31, 2021		December 31, 2020
Investment grade	**Ps.**	**16,351,608**	**Ps.**	**16,273,954**
Central bank		5,113,247		3,943,832
Financial entities		11,238,361		12,328,559
Others		—		1,563
Speculative grade		**13,820,904**		**11,319,651**
Central bank		11,200,970		9,900,155
Financial entities		2,619,934		1,419,496
Without grade or not available		**72,756**		**93,920**
Financial entities		72,756		93,920
Cash and cash equivalent with third parties	**Ps.**	**30,245,268**	**Ps.**	**27,687,525**
Cash held by entity (**)		6,397,561		6,338,010
Total	**Ps.**	**36,642,829**	**Ps.**	**34,025,535**

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

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

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

Credit risk management includes the following activities:

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

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

Residential mortgage lending

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

(Amounts expressed in millions of Colombian pesos)

	December 31, 2021	December 31, 2020
LTV ratio		
Less than 50%	Ps. 9,023,386	Ps. 7,995,750
51 – 70%	9,821,038	8,341,911
71 – 90%	8,588,798	6,675,478
91 – 100%	1,347,872	1,251,401
More than 100%	339,222	294,231
Total	**Ps. 29,120,316**	**Ps. 24,558,771**

Credit-impaired mortgage loans

	December 31, 2021	December 31, 2020
LTV ratio		
Less than 50%	Ps. 230,561	Ps. 192,426
51 – 70%	346,707	254,087
More than 70%	521,389	356,504
Total	**Ps. 1,098,657**	**Ps. 803,017**

As of December 31, 2021, and 2020, the following chart shows the detail of the credit portfolio per type of guarantees received.

December 31, 2021	Commercial	Consumer	Mortgages	Microcredit	Interbank and overnight funds	Total
Unsecured credits	Ps. 59,158,224	Ps. 66,439,942	Ps. 8,615	Ps. 199,049	Ps. 920,517	Ps. 126,726,347
Loans secured by other banks	130,507	2,873	—	—	—	133,380
Collateralized credits:						
Mortgages	722,048	100,014	27,072,481	944	—	27,895,487
Other real estate	26,764,073	1,691,761	5,019	211	—	28,461,064
Investments in equity instruments	446,066	—	—	—	—	446,066
Deposits in cash or cash equivalents	1,970,279	222,014	—	—	—	2,192,293
Leased machineries and vehicles	8,726,191	361,770	1,969,170	—	—	11,057,131
Fiduciary agreements, standby letters and guarantee funds	10,071,120	32,225	64,975	114,188	—	10,282,508
Pledged income	3,814,831	—	—	—	—	3,814,831
Pledges	5,443,246	7,953,877	56	124	—	13,397,303
Other assets	4,781,219	84,669	—	3,223	2,297,916	7,167,027
Total gross loan portfolio	**Ps. 122,027,804**	**Ps. 76,889,145**	**Ps. 29,120,316**	**Ps. 317,739**	**Ps. 3,218,433**	**Ps. 231,573,437**

(Amounts expressed in millions of Colombian pesos)

December 31, 2020	Commercial	Consumer	Mortgages	Microcredit	Interbank and overnight funds	Total
Unsecured credits	Ps. 50,133,716	Ps. 56,603,996	Ps. 5,906	Ps. 242,727	Ps. 571,851	Ps. 107,558,196
Loans secured by other banks	237,028	2,640	—	—	—	239,668
Collateralized credits:						
Mortgages	535,414	90,342	22,719,588	1,701	—	23,347,045
Other real estate	25,261,669	1,541,786	5,486	357	—	26,809,298
Investments in equity instruments	309,014	—	—	—	—	309,014
Deposits in cash or cash equivalents	1,357,417	213,473	—	—	33,276	1,604,166
Leased machineries and vehicles	8,475,723	338,388	1,755,468	—	—	10,569,579
Fiduciary agreements, standby letters and guarantee funds	12,103,331	32,609	72,217	118,032	—	12,326,189
Pledged income	4,212,031	—	—	—	—	4,212,031
Pledges	4,937,867	6,942,093	55	369	—	11,880,384
Other assets	3,423,728	70,130	51	9,135	4,088,551	7,591,595
Total gross loan portfolio	**Ps. 110,986,938**	**Ps. 65,835,457**	**Ps. 24,558,771**	**Ps. 372,321**	**Ps. 4,693,678**	**Ps. 206,447,165**

As of December 31, 2021, and 2020, the following chart sets out the carrying amount and the value of identifiable collateral (mainly commercial property) for commercial loans held by Grupo Aval at a consolidated level:

	December 31, 2021		December 31, 2020	
	Carrying Amount	Collateral	Carrying Amount	Collateral
Stages 1 and 2	Ps. 29,813,813	Ps. 27,396,891	Ps. 26,518,457	Ps. 24,473,502
Stage 3	2,989,892	2,691,236	2,516,373	2,397,219
	Ps. 32,803,705	**Ps. 30,088,127**	**Ps. 29,034,830**	**Ps. 26,870,721**

4.1.5 Amounts arising from Expected Credit Loss (ECL)

Definition of Default

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

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

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

- Qualitative: e.g. breaches of non-financial covenants;
- Quantitative: e.g. breaches of financial covenants, overdue status and non-payment of another obligation of the same issuer to Grupo Aval; and

- Based on internally historical or developed data and obtained from external sources.

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

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

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

Measurement of ECL

The measurement of expected credit losses is a calculation that involves an important number of interrelated inputs and assumptions, such as the financial asset's probability of default, loss given default and exposure at default, which are modelled based on macroeconomic variables. Furthermore, the economic impact caused by COVID-19 on the determination of the ECL required the application of expert credit judgment that involved the current situation. See Note 1.1 Other events.

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit Risk Model: Loans and receivables

I. Transitions between stages

Significant Increase in Credit Risk

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

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

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

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

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

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

II. PD – Probability of Default

Term structure of PD

Credit risk grades are the primary input in the determination of the term structure of PD for exposures. Grupo Aval collects performance and default information about its credit risk exposures 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.

(Amounts expressed in millions of Colombian pesos)

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

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

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

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

Forward-Looking Information

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

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

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

Changes in economic conditions will be monitored by Grupo Aval´s Entities and subsidiaries to be incorporated into the macroeconomic parameters used to prepare stress scenarios and financial projections. Forward looking information was adjusted, recognizing macroeconomic impacts based on the available information about past events, current conditions and forecasts of economic conditions, considering the impact generated by COVID-19 and the subsequent economic recovery of some regions.

For more information, see Note 1.1 Other events COVID-19 impact.

The economic scenarios used as of December 31, 2021, and 2020 (one-year projections) include the following expected scenarios of key indicators (among others) for Colombia.

	2021			2020		
	Scenario A	Scenario B	Scenario C	Scenario A	Scenario B	Scenario C
Inflation	3.39%	4.19%	5.63%	2.26%	2.69%	3.08%
Interest rate	4.50%	5.25%	6.50%	1.75%	2.25%	2.75%
GDP Growth	3.63%	4.57%	6.19%	3.89%	4.86%	5.85%
Used home prices	(2.20%)	1.18%	4.06%	(2.10%)	0.96%	3.27%
Unemployment rate	12.81%	11.38%	9.74%	16.31%	14.43%	12.90%

(Amounts expressed in millions of Colombian pesos)

The economic scenarios used as of December 31, 2021, and 2020 (one-year projections) include the following expected scenarios of key indicators (among others) for Guatemala.

	2021			2020		
	Scenario A	Scenario B	Scenario C	Scenario A	Scenario B	Scenario C
Inflation	4.46%	3.95%	3.74%	5.31%	3.28%	2.52%
Nominal interest rate variation	0.09%	(0.12%)	(0.30%)	0.04%	(0.27%)	(0.50%)
GDP Growth	3.83%	4.53%	6.49%	1.67%	4.20%	5.84%
Exchange rate	0.29%	(0.25%)	(1.64%)	1.16%	(0.25%)	(1.79%)

The economic scenarios used as of December 31, 2021, and 2020 (one-year projections) include the following expected scenarios of key indicators (among others) for Honduras.

	2021			2020		
	Scenario A	Scenario B	Scenario C	Scenario A	Scenario B	Scenario C
Inflation	4.59%	4.38%	3.32%	3.34%	3.57%	2.54%
Nominal interest rate variation	0.61%	0.07%	(1.15%)	0.20%	(0.21%)	(0.50%)
GDP Growth	2.81%	4.53%	4.92%	2.03%	3.94%	4.71%
Exchange rate	0.91%	0.15%	(2.47%)	1.91%	0.92%	(0.55%)

The economic scenarios used as of December 31, 2021, and 2020 (one-year projections) include the following expected scenarios of key indicators (among others) for El Salvador. It is important to mention that it is a dollarized economy, so devaluation does not apply to it.

	2021			2020		
	Scenario A	Scenario B	Scenario C	Scenario A	Scenario B	Scenario C
Inflation	1.13%	2.18%	3.34%	1.22%	0.23%	(0.23%)
Nominal interest rate variation	(0.03%)	0.69%	1.45%	1.10%	0.40%	(0.08%)
GDP Growth	4.43%	3.42%	1.53%	1.96%	3.60%	4.69%

The economic scenarios used as of December 31, 2021, and 2020 (one-year projections) include the following expected scenarios of key indicators (among others) for Nicaragua. It is important to mention that it is a dollarized economy, so devaluation does not apply to it.

	2021			2020		
	Scenario A	Scenario B	Scenario C	Scenario A	Scenario B	Scenario C
Inflation	5.68%	4.14%	2.30%	3.67%	2.78%	2.49%
Nominal interest rate variation	3.73%	0.75%	(0.98%)	1.05%	0.11%	(1.38%)
GDP Growth	0.28%	3.31%	4.54%	(2.28%)	0.14%	2.12%

The economic scenarios used as of December 31, 2021, and 2020 (one-year projections) include the following expected scenarios of key indicators (among others) for Costa Rica.

	2021			2020		
	Scenario A	Scenario B	Scenario C	Scenario A	Scenario B	Scenario C
Inflation	4.13%	3.33%	1.53%	2.22%	0.98%	0.75%
Nominal interest rate variation	1.59%	0.03%	(1.11%)	2.28%	1.82%	(0.01%)
GDP Growth	2.86%	3.32%	4.86%	0.93%	2.98%	4.27%
Exchange rate	6.84%	1.39%	0.00%	5.22%	3.67%	2.19%

(Amounts expressed in millions of Colombian pesos)

The economic scenarios used as of December 31, 2021, and 2020 (one-year projections) include the following expected scenarios of key indicators (among others) for Panamá. It is important to mention that it is a dollarized economy, so devaluation does not apply to it.

	2021			2020		
	Scenario A	Scenario B	Scenario C	Scenario A	Scenario B	Scenario C
Inflation	3.78%	2.86%	2.17%	1.89%	0.23%	(0.29%)
Nominal interest rate variation	0.89%	0.84%	0.37%	0.21%	0.02%	(0.13%)
GDP Growth	3.35%	5.12%	8.03%	2.37%	4.04%	6.34%

The scenario probability weightings applied as of December 31, 2021, and 2020 in measuring ECL are as follows.

Colombia

	2021			2020		
	Scenario A	Scenario B	Scenario C	Scenario A	Scenario B	Scenario C
Scenario probability weighting	23%	57%	20%	23%	55%	22%

Guatemala

	2021			2020		
	Scenario A	Scenario B	Scenario C	Scenario A	Scenario B	Scenario C
Scenario probability weighting	10%	55%	35%	10%	65%	25%

Honduras

	2021			2020		
	Scenario A	Scenario B	Scenario C	Scenario A	Scenario B	Scenario C
Scenario probability weighting	15%	60%	25%	15%	65%	20%

El Salvador

	2021			2020		
	Scenario A	Scenario B	Scenario C	Scenario A	Scenario B	Scenario C
Scenario probability weighting	30%	60%	10%	20%	65%	15%

Nicaragua

	2021			2020		
	Scenario A	Scenario B	Scenario C	Scenario A	Scenario B	Scenario C
Scenario probability weighting	25%	55%	20%	20%	65%	15%

Costa Rica

	2021			2020		
	Scenario A	Scenario B	Scenario C	Scenario A	Scenario B	Scenario C
Scenario probability weighting	15%	65%	20%	35%	60%	5%

(Amounts expressed in millions of Colombian pesos)

Panamá

	2021			2020		
	Scenario A	**Scenario B**	**Scenario C**	**Scenario A**	**Scenario B**	**Scenario C**
Scenario probability weighting	15%	60%	25%	30%	60%	10%

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

	December 31, 2021			December 31, 2020		
	Scenario A	**Scenario B**	**Scenario C**	**Scenario A**	**Scenario B**	**Scenario C**
Gross Exposure						
Commercial	Ps. 122,027,804	Ps. 122,027,804	Ps. 122,027,804	Ps. 110,986,938	Ps. 110,986,938	Ps. 110,986,938
Consumer	76,889,145	76,889,145	76,889,145	65,835,457	65,835,457	65,835,457
Mortgages	29,120,316	29,120,316	29,120,316	24,558,771	24,558,771	24,558,771
Microcredit	317,739	317,739	317,739	372,321	372,321	372,321
Interbank and overnight founds	3,218,433	3,218,433	3,218,433	4,693,678	4,693,678	4,693,678
Total gross exposure	**Ps. 231,573,437**	**Ps. 231,573,437**	**Ps. 231,573,437**	**Ps. 206,447,165**	**Ps. 206,447,165**	**Ps. 206,447,165**
Loss Allowance						
Commercial	Ps. 5,720,145	Ps. 5,830,791	Ps. 5,940,469	Ps. 5,247,205	Ps. 5,270,163	Ps. 5,321,111
Consumer	4,410,869	4,599,286	4,766,627	4,884,759	4,958,046	5,072,691
Mortgages	670,926	732,072	785,675	519,443	552,532	584,010
Microcredit	102,434	105,148	107,139	126,561	123,609	122,413
Interbank and overnight founds	7,198	7,279	7,335	3,251	3,345	3,460
Total Loss Allowance	**Ps. 10,911,572**	**Ps. 11,274,576**	**Ps. 11,607,245**	**Ps. 10,781,219**	**Ps. 10,907,695**	**Ps. 11,103,685**
Proportion of Assets in Stage 2						
Commercial	9.8 %	10.1 %	10.5 %	8.6 %	8.8 %	9.0 %
Consumer	11.3 %	12.7 %	14.0 %	17.9 %	18.1 %	18.7 %
Mortgages	16.9 %	17.5 %	18.2 %	20.2 %	20.6 %	21.2 %
Microcredit	13.7 %	13.7 %	13.7 %	8.2 %	8.2 %	8.2 %
Interbank and overnight founds	— %	— %	— %	— %	— %	— %

Credit Risk Rating

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

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

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

III. LGD – Loss Given Default

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

IV. EAD – Exposure at Default

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

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

Credit Risk Model: Debt securities

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

I. Transition between stages

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

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

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

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

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

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

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

II. PD – Probability of default

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

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

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

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

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

PD value tables are available in S&P Global Ratings: *"2020 Annual Sovereign Default Study and Rating Transitions" and "2020 Annual Global Corporate Default Study and Rating Transitions Study".*

Forward-Looking Information

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

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

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

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

III. LGD – Loss given default

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

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

Grupo Aval´s methodology assigns weights for recovery rates for Sovereigns Debt and Corporates Debt. The recovery rates for Sovereigns Debt rose slightly from 52% in 2020 to 53% in 2021, also the recovery rates for Corporates Debt fell moderately from 47% in 2020 to 46.9% in 2021.

Further information is available and published annually by Moody's in the "Sovereign default and recovery rates 1983-2020" and "Annual Default Study" reports.

IV. EAD – Exposure at default

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

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

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

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

Credit Risk Model: Other accounts receivable

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

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

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

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

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

For more information, see Note 1.1 Other events COVID-19 impact.

(Amounts expressed in millions of Colombian pesos)

Loss allowance

The table below shows the loss allowance balances as of December 31, 2021 and 2020.

	December 31, 2021				
	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Simplified approach	Total
Loan portfolio					
Loan commercial portfolio	Ps. 655,655	Ps. 1,006,822	Ps. 4,192,268	Ps. —	Ps. 5,854,745
Loan consumer portfolio	1,066,543	1,396,101	2,118,360	—	4,581,004
Loan mortgage portfolio	93,122	286,903	352,382	—	732,407
Loan microcredit portfolio	6,740	13,291	85,039	—	105,070
Loan interbank and overnight founds portfolio	2,386	—	—	—	2,386
Total loan portfolio	**Ps. 1,824,446**	**Ps. 2,703,117**	**Ps. 6,748,049**	**Ps. —**	**Ps. 11,275,612**
Investments in debt securities at amortized cost	3,297	7,401	—	—	10,698
Other accounts receivable	18,939	16,771	129,449	217,643	382,802
Total loss allowance financial assets at amortized cost	**Ps. 1,846,682**	**Ps. 2,727,289**	**Ps. 6,877,498**	**Ps. 217,643**	**Ps. 11,669,112**
Investments in debt securities at FVOCI	123,978	—	—	—	123,978
Loan commitments and financial guarantee contracts	45,916	10,097	6,028	—	62,041
Total loss allowance	**Ps. 2,016,576**	**Ps. 2,737,386**	**Ps. 6,883,526**	**Ps. 217,643**	**Ps. 11,855,131**

	December 31, 2020				
	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Simplified approach	Total
Loan portfolio					
Loan commercial portfolio	Ps. 656,830	Ps. 805,097	Ps. 3,818,479	Ps. —	Ps. 5,280,406
Loan consumer portfolio	1,013,071	1,948,030	1,977,870	—	4,938,971
Loan mortgage portfolio	72,294	225,889	262,721	—	560,904
Loan microcredit portfolio	17,089	60,040	46,910	—	124,039
Loan interbank and overnight founds portfolio	792	—	59	—	851
Total loan portfolio	**Ps. 1,760,076**	**Ps. 3,039,056**	**Ps. 6,106,039**	**Ps. —**	**Ps. 10,905,171**
Investments in debt securities at amortized cost	7,188	7	—	—	7,195
Other accounts receivable	18,136	13,548	107,471	203,902	343,057
Total loss allowance financial assets at amortized cost	**Ps. 1,785,400**	**Ps. 3,052,611**	**Ps. 6,213,510**	**Ps. 203,902**	**Ps. 11,255,423**
Investments in debt securities at FVOCI	96,307	179	—	—	96,486
Loan commitments and financial guarantee contracts	57,226	8,679	1,488	—	67,393
Total loss allowance	**Ps. 1,938,933**	**Ps. 3,061,469**	**Ps. 6,214,998**	**Ps. 203,902**	**Ps. 11,419,302**

(Amounts expressed in millions of Colombian pesos)

The table below shows for loans stage 3 individually assessed for ECL the gross amount and loss allowance balances as of December 31, 2021 and 2020.

	December 31, 2021		
	Gross Amount Registered	**Collateral Guarantees**	**Allowance Recognized**
Without recognized provision			
Commercial	Ps. 234,321	Ps. 226,767	Ps. —
Repos, interbank loans portfolio	—	—	—
Subtotal	**Ps. 234,321**	**Ps. 226,767**	**Ps. —**
With recognized provision			
Commercial	Ps. 7,451,781	Ps. 1,611,433	Ps. 3,063,079
Consumer	1,825	—	1,103
Repos, interbank loans portfolio	—	—	—
Subtotal	**Ps. 7,453,606**	**Ps. 1,611,433**	**Ps. 3,064,182**
Totals			
Commercial	7,686,102	1,838,200	3,063,079
Consumer	1,825	—	1,103
Repos, interbank loans portfolio	—	—	—
Total	**Ps. 7,687,927**	**Ps. 1,838,200**	**Ps. 3,064,182**

	December 31, 2020		
	Gross Amount Registered	**Collateral Guarantees**	**Allowance Recognized**
Without recognized provision			
Commercial	Ps. 193,605	Ps. 170,588	Ps. —
Repos, interbank loans portfolio	—	—	—
Subtotal	**Ps. 193,605**	**Ps. 170,588**	**Ps. —**
With recognized provision			
Commercial	Ps. 6,771,799	Ps. 1,202,068	Ps. 2,810,985
Consumer	14,840	4,433	5,697
Repos, interbank loans portfolio	—	—	—
Subtotal	**Ps. 6,786,639**	**Ps. 1,206,501**	**Ps. 2,816,682**
Totals			
Commercial	6,965,404	1,372,656	2,810,985
Consumer	14,840	4,433	5,697
Repos, interbank loans portfolio	—	—	—
Total	**Ps. 6,980,244**	**Ps. 1,377,089**	**Ps. 2,816,682**

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

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

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

For more information, see Note 1.1 Other events COVID-19 impact.

(Amounts expressed in millions of Colombian pesos)

The following tables show the reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. See note 1.1 “Other events COVID-19”.

Total Loan portfolio

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2019	**Ps. 1,824,874**	**Ps. 1,197,046**	**Ps. 5,174,267**	**Ps. 8,196,187**
Transfers:				
Transfer from stage 1 to stage 2	(231,472)	231,472	—	—
Transfer from stage 1 to stage 3	(132,800)	—	132,800	—
Transfer from stage 2 to stage 3	—	(567,849)	567,849	—
Transfer from stage 3 to stage 2	—	104,502	(104,502)	—
Transfer from stage 2 to stage 1	323,445	(323,445)	—	—
Transfer from stage 3 to stage 1	114,968	—	(114,968)	—
Net remeasurement of loss allowance [4]	(352,578)	632,102	3,696,083	3,975,607
New financial assets originated or purchased	659,037	119,690	203,482	982,209
Financial assets that have been derecognized	(366,590)	(241,128)	(177,357)	(785,075)
Unwind of discount [1]	280	2,155	502,002	504,437
FX and other movements	52,724	49,148	(72,493)	29,379
Write-offs	(38,750)	(44,961)	(4,633,236)	(4,716,947)
Loss allowance as of December 31, 2019	**Ps. 1,853,138**	**Ps. 1,158,732**	**Ps. 5,173,927**	**Ps. 8,185,797**
Transfers:				
Transfer from stage 1 to stage 2	(747,230)	747,230	—	—
Transfer from stage 1 to stage 3	(86,240)	—	86,240	—
Transfer from stage 2 to stage 3	—	(1,121,369)	1,121,369	—
Transfer from stage 3 to stage 2	—	282,952	(282,952)	—
Transfer from stage 2 to stage 1	760,572	(760,572)	—	—
Transfer from stage 3 to stage 1	101,001	—	(101,001)	—
Net remeasurement of loss allowance [3]	163,470	2,134,128	3,330,703	5,628,301
New financial assets originated or purchased	997,855	1,338,601	597,193	2,933,649
Financial assets that have been derecognized	(1,332,641)	(658,999)	(333,365)	(2,325,005)
Unwind of discount [1]	—	—	488,862	488,862
FX and other movements	56,520	(69,694)	3,723	(9,451)
Write-offs	(6,369)	(11,953)	(3,978,660)	(3,996,982)
Loss allowance as of December 31, 2020	**Ps. 1,760,076**	**Ps. 3,039,056**	**Ps. 6,106,039**	**Ps. 10,905,171**
Transfers:				
Transfer from stage 1 to stage 2	(375,884)	375,884	—	—
Transfer from stage 1 to stage 3	(62,711)	—	62,711	—
Transfer from stage 2 to stage 3	—	(1,573,080)	1,573,080	—
Transfer from stage 3 to stage 2	—	493,121	(493,121)	—
Transfer from stage 2 to stage 1	722,124	(722,124)	—	—
Transfer from stage 3 to stage 1	119,424	—	(119,424)	—
Net remeasurement of loss allowance [2]	(512,733)	895,936	3,457,483	3,840,686
New financial assets originated or purchased	1,536,668	1,139,491	1,196,713	3,872,872
Financial assets that have been derecognized	(1,342,958)	(952,975)	(946,763)	(3,242,696)
Unwind of discount [1]	—	—	440,452	440,452
FX and other movements	52,304	206,490	135,859	394,653
Write-offs	(71,864)	(198,682)	(4,664,980)	(4,935,526)
Loss allowance as of December 31, 2021	**Ps. 1,824,446**	**Ps. 2,703,117**	**Ps. 6,748,049**	**Ps. 11,275,612**

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

(2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2021 versus parameters as of December 31,2020 and the loan portfolio as of December 31, 2021.

(Amounts expressed in millions of Colombian pesos)

December 31, 2021			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. (73,359)	Ps. 588,507	Ps. 139,586	Ps. 654,734

(3) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2020 versus parameters as of December 31,2019 and the loan portfolio as of December 31, 2020.

December 31, 2020			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. (203,257)	Ps. 951,565	Ps. 94,477	Ps. 842,785

(4) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2019 versus parameters as of December 31,2018 and the loan portfolio as of December 31, 2019.

December 31, 2019			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. 71,209	Ps. 23,388	Ps. 53,684	Ps. 148,281

The following table further explains changes in the gross carrying amount of the loan portfolio to help explain their significance to the changes in the allowance for the same portfolio as discussed above. See note 1.1 "Other events COVID-19".

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Total portfolio as of January 1, 2019	**Ps. 158,886,792**	**Ps. 7,721,137**	**Ps. 10,273,912**	**Ps. 176,881,841**
Transfers:				
Transfer from stage 1 to stage 2	(11,790,121)	11,790,121	—	—
Transfer from stage 1 to stage 3	(1,632,972)	—	1,632,972	—
Transfer from stage 2 to stage 3	—	(4,150,773)	4,150,773	—
Transfer from stage 2 to stage 1	6,281,477	(6,281,477)	—	—
Transfer from stage 3 to stage 2	—	743,373	(743,373)	—
Transfer from stage 3 to stage 1	582,523	—	(582,523)	—
New financial assets originated or purchased	122,422,192	1,039,653	3,104,714	126,566,559
Financial assets that have been paid	(111,126,183)	(2,838,645)	(3,549,580)	(117,514,408)
Net remeasurement of amortized cost and other receivables	7,920	(534)	9,783	17,169
Write-offs	(38,750)	(44,961)	(4,633,236)	(4,716,947)
FX and other movements	613,810	78,913	201,177	893,900
Total portfolio as of December 31, 2019	**Ps. 164,206,688**	**Ps. 8,056,807**	**Ps. 9,864,619**	**Ps. 182,128,114**
Transfers:				
Transfer from stage 1 to stage 2	(23,112,703)	23,112,703	—	—
Transfer from stage 1 to stage 3	(1,574,736)	—	1,574,736	—
Transfer from stage 2 to stage 3	—	(4,284,347)	4,284,347	—
Transfer from stage 2 to stage 1	5,844,035	(5,844,035)	—	—
Transfer from stage 3 to stage 2	—	686,395	(686,395)	—
Transfer from stage 3 to stage 1	296,597	—	(296,597)	—
New financial assets originated or purchased	118,071,909	8,580,252	5,293,832	131,945,993
Financial assets that have been paid	(110,680,835)	(4,172,476)	(4,327,100)	(119,180,411)
Net remeasurement of amortized cost and other receivables	63,866	27,377	27,407	118,650
Write-offs	(6,369)	(11,953)	(3,978,660)	(3,996,982)

(Amounts expressed in millions of Colombian pesos)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
On business combination[1]	12,198,534	390,932	519,752	13,109,218
FX and other movements	2,182,662	46,544	93,377	2,322,583
Total portfolio as of December 31, 2020	**Ps. 167,489,648**	**Ps. 26,588,199**	**Ps. 12,369,318**	**Ps. 206,447,165**
Transfers:				
Transfer from stage 1 to stage 2	(17,334,957)	17,334,957	—	—
Transfer from stage 1 to stage 3	(1,543,825)	—	1,543,825	—
Transfer from stage 2 to stage 3	—	(7,053,993)	7,053,993	—
Transfer from stage 2 to stage 1	10,061,944	(10,061,944)	—	—
Transfer from stage 3 to stage 2	—	1,610,080	(1,610,080)	—
Transfer from stage 3 to stage 1	530,336	—	(530,336)	—
New financial assets originated or purchased	155,677,465	5,277,942	2,038,453	162,993,860
Financial assets that have been paid	(133,804,657)	(8,410,092)	(4,993,051)	(147,207,800)
Net remeasurement of amortized cost and other receivables	(2,239,801)	2,113	2,269,894	32,206
Write-offs	(71,864)	(198,682)	(4,664,980)	(4,935,526)
FX and other movements	12,054,832	1,809,993	378,707	14,243,532
Total portfolio as of December 31, 2021	**Ps. 190,819,121**	**Ps. 26,898,573**	**Ps. 13,855,743**	**Ps. 231,573,437**

[1] See note 35 Business combination

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

(Amounts expressed in millions of Colombian pesos)

Commercial loan portfolio

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2019	**Ps. 751,966**	**Ps. 211,926**	**Ps. 3,393,120**	**Ps. 4,357,012**
Transfers:				
Transfer from stage 1 to stage 2	(39,555)	39,555	—	—
Transfer from stage 1 to stage 3	(32,545)	—	32,545	—
Transfer from stage 2 to stage 3	—	(95,381)	95,381	—
Transfer from stage 3 to stage 2	—	20,636	(20,636)	—
Transfer from stage 2 to stage 1	43,460	(43,460)	—	—
Transfer from stage 3 to stage 1	21,431	—	(21,431)	—
Net remeasurement of loss allowance (4)	(178,010)	85,522	1,360,537	1,268,049
New financial assets originated or purchased	332,007	25,185	134,973	492,165
Financial assets that have been derecognized	(220,837)	(40,743)	(157,064)	(418,644)
Unwind of discount (1)	280	2,136	394,476	396,892
FX and other movements	16,214	8,664	(27,709)	(2,831)
Write-offs	(2,374)	(937)	(1,900,944)	(1,904,255)
Loss allowance as of December 31, 2019	**Ps. 692,037**	**Ps. 213,103**	**Ps. 3,283,248**	**Ps. 4,188,388**
Transfers:				
Transfer from stage 1 to stage 2	(106,236)	106,236	—	—
Transfer from stage 1 to stage 3	(14,417)	—	14,417	—
Transfer from stage 2 to stage 3	—	(141,882)	141,882	—
Transfer from stage 3 to stage 2	—	40,930	(40,930)	—
Transfer from stage 2 to stage 1	125,920	(125,920)	—	—
Transfer from stage 3 to stage 1	21,407	—	(21,407)	—
Net remeasurement of loss allowance (3)	(53,544)	641,800	1,682,572	2,270,828
New financial assets originated or purchased	370,537	220,038	133,197	723,772
Financial assets that have been derecognized	(386,384)	(140,133)	(255,008)	(781,525)
Unwind of discount (1)	—	—	360,126	360,126
FX and other movements	9,196	(6,329)	(6,368)	(3,501)
Write-offs	(1,686)	(2,746)	(1,473,250)	(1,477,682)
Loss allowance as of December 31, 2020	**Ps. 656,830**	**Ps. 805,097**	**Ps. 3,818,479**	**Ps. 5,280,406**
Transfers:				
Transfer from stage 1 to stage 2	(67,374)	67,374	—	—
Transfer from stage 1 to stage 3	(8,994)	—	8,994	—
Transfer from stage 2 to stage 3	—	(258,162)	258,162	—
Transfer from stage 3 to stage 2	—	66,035	(66,035)	—
Transfer from stage 2 to stage 1	112,967	(112,967)	—	—
Transfer from stage 3 to stage 1	39,360	—	(39,360)	—
Net remeasurement of loss allowance (2)	(253,424)	401,013	1,322,175	1,469,764
New financial assets originated or purchased	560,490	249,297	330,491	1,140,278
Financial assets that have been derecognized	(396,804)	(242,621)	(502,435)	(1,141,860)
Unwind of discount (1)	—	—	291,393	291,393
FX and other movements	17,031	36,669	45,117	98,817
Write-offs	(4,427)	(4,913)	(1,274,713)	(1,284,053)
Loss allowance as of December 31, 2021	**Ps. 655,655**	**Ps. 1,006,822**	**Ps. 4,192,268**	**Ps. 5,854,745**

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

(2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2021 versus parameters as of December 31,2020 and the loan portfolio as of December 31, 2021.

(Amounts expressed in millions of Colombian pesos)

December 31, 2021			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. 26,567	Ps. 539,703	Ps. 85,264	Ps. 651,534

(3) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2020 versus parameters as of December 31,2019 and the loan portfolio as of December 31, 2020.

December 31, 2020			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. (68,131)	Ps. 349,266	Ps. 99,022	Ps. 380,157

(4) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2019 versus parameters as of December 31,2018 and the loan portfolio as of December 31, 2019.

December 31, 2019			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. 57,078	Ps. 12,301	Ps. 36,166	Ps. 105,545

The following table further explains changes in the gross carrying amount of the commercial portfolio to help explain their significance to the changes in the allowance for the same portfolio as discussed above. See note 1.1 "Other events COVID-19".

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Total portfolio as of January 1, 2019	**Ps. 85,335,262**	**Ps. 1,931,245**	**Ps. 7,507,282**	**Ps. 94,773,789**
Transfers:				
Transfer from stage 1 to stage 2	(3,399,434)	3,399,434	—	—
Transfer from stage 1 to stage 3	(1,215,930)	—	1,215,930	—
Transfer from stage 2 to stage 3	—	(976,090)	976,090	—
Transfer from stage 2 to stage 1	1,094,712	(1,094,712)	—	—
Transfer from stage 3 to stage 2	—	165,806	(165,806)	—
Transfer from stage 3 to stage 1	251,317	—	(251,317)	—
New financial assets originated or purchased	71,920,832	568,237	1,500,142	73,989,211
Financial assets that have been paid	(65,044,533)	(1,244,422)	(2,224,011)	(68,512,966)
Net remeasurement of amortized cost and other receivables	7,603	(23)	4,696	12,276
Write-offs	(2,374)	(937)	(1,821,926)	(1,825,237)
FX and other movements	389,944	18,609	91,073	499,626
Total portfolio as of December 31, 2019	**Ps. 89,337,399**	**Ps. 2,767,147**	**Ps. 6,832,153**	**Ps. 98,936,699**
Transfers:				
Transfer from stage 1 to stage 2	(6,731,542)	6,731,542	—	—
Transfer from stage 1 to stage 3	(916,057)	—	916,057	—
Transfer from stage 2 to stage 3	—	(1,498,250)	1,498,250	—
Transfer from stage 2 to stage 1	1,322,740	(1,322,740)	—	—
Transfer from stage 3 to stage 2	—	144,864	(144,864)	—
Transfer from stage 3 to stage 1	87,300	—	(87,300)	—
New financial assets originated or purchased	71,146,401	4,795,773	2,779,550	78,721,724
Financial assets that have been paid	(69,056,875)	(1,841,383)	(2,278,856)	(73,177,114)
Net remeasurement of amortized cost and other receivables	25,034	13,721	12,332	51,087
Write-offs	(1,686)	(2,746)	(1,473,250)	(1,477,682)
On business combination[(1)]	6,451,352	92,410	421,270	6,965,032
FX and other movements	962,070	(36,638)	41,760	967,192

(Amounts expressed in millions of Colombian pesos)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Total portfolio as of December 31, 2020	**Ps. 92,626,136**	**Ps. 9,843,700**	**Ps. 8,517,102**	**Ps. 110,986,938**
Transfers:				
Transfer from stage 1 to stage 2	(8,066,876)	8,066,876	—	—
Transfer from stage 1 to stage 3	(1,110,290)	—	1,110,290	—
Transfer from stage 2 to stage 3	—	(2,298,275)	2,298,275	—
Transfer from stage 2 to stage 1	3,656,278	(3,656,278)	—	—
Transfer from stage 3 to stage 2	—	558,021	(558,021)	—
Transfer from stage 3 to stage 1	252,465	—	(252,465)	—
New financial assets originated or purchased	85,350,477	2,945,805	910,240	89,206,522
Financial assets that have been paid	(78,035,899)	(4,095,600)	(2,794,731)	(84,926,230)
Net remeasurement of amortized cost and other receivables	(925,586)	(55,189)	1,228,575	247,800
Write-offs	(4,427)	(4,913)	(1,274,713)	(1,284,053)
FX and other movements	7,116,102	443,828	236,897	7,796,827
Total portfolio as of December 31, 2021	**Ps. 100,858,380**	**Ps. 11,747,975**	**Ps. 9,421,449**	**Ps. 122,027,804**

(1)See note 35 Business combination

(Amounts expressed in millions of Colombian pesos)

Consumer loan portfolio

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2019	**Ps. 1,000,009**	**Ps. 891,884**	**Ps. 1,556,991**	**Ps. 3,448,884**
Transfers:				
Transfer from stage 1 to stage 2	(177,418)	177,418	—	—
Transfer from stage 1 to stage 3	(96,243)	—	96,243	—
Transfer from stage 2 to stage 3	—	(423,627)	423,627	—
Transfer from stage 3 to stage 2	—	73,266	(73,266)	—
Transfer from stage 2 to stage 1	248,656	(248,656)	—	—
Transfer from stage 3 to stage 1	86,614	—	(86,614)	—
Net remeasurement of loss allowance (4)	(142,986)	491,902	2,198,819	2,547,735
New financial assets originated or purchased	300,445	93,015	68,472	461,932
Financial assets that have been derecognized	(141,199)	(192,984)	(15,734)	(349,917)
Unwind of discount (1)	—	19	89,657	89,676
FX and other movements	35,705	34,982	(32,964)	37,723
Write-offs	(35,743)	(43,805)	(2,601,445)	(2,680,993)
Loss allowance as of December 31, 2019	**Ps. 1,077,840**	**Ps. 853,414**	**Ps. 1,623,786**	**Ps. 3,555,040**
Transfers:				
Transfer from stage 1 to stage 2	(589,705)	589,705	—	—
Transfer from stage 1 to stage 3	(67,290)	—	67,290	—
Transfer from stage 2 to stage 3	—	(918,066)	918,066	—
Transfer from stage 3 to stage 2	—	218,402	(218,402)	—
Transfer from stage 2 to stage 1	580,707	(580,707)	—	—
Transfer from stage 3 to stage 1	54,682	—	(54,682)	—
Net remeasurement of loss allowance (3)	191,249	1,215,153	1,480,858	2,887,260
New financial assets originated or purchased	604,215	1,105,837	450,434	2,160,486
Financial assets that have been derecognized	(877,441)	(472,211)	(40,271)	(1,389,923)
Unwind of discount (1)	—	—	107,099	107,099
FX and other movements	42,967	(54,704)	12,913	1,176
Write-offs	(4,153)	(8,793)	(2,369,221)	(2,382,167)
Loss allowance as of December 31, 2020	**Ps. 1,013,071**	**Ps. 1,948,030**	**Ps. 1,977,870**	**Ps. 4,938,971**
Transfers:				
Transfer from stage 1 to stage 2	(290,074)	290,074	—	—
Transfer from stage 1 to stage 3	(52,284)	—	52,284	—
Transfer from stage 2 to stage 3	—	(1,223,251)	1,223,251	—
Transfer from stage 3 to stage 2	—	383,703	(383,703)	—
Transfer from stage 2 to stage 1	549,534	(549,534)	—	—
Transfer from stage 3 to stage 1	53,979	—	(53,979)	—
Net remeasurement of loss allowance (2)	(256,398)	392,840	1,996,796	2,133,238
New financial assets originated or purchased	941,873	836,627	788,765	2,567,265
Financial assets that have been derecognized	(861,113)	(637,177)	(388,768)	(1,887,058)
Unwind of discount (1)	—	—	121,699	121,699
FX and other movements	32,986	138,664	76,474	248,124
Write-offs	(65,031)	(183,875)	(3,292,329)	(3,541,235)
Loss allowance as of December 31, 2021	**Ps. 1,066,543**	**Ps. 1,396,101**	**Ps. 2,118,360**	**Ps. 4,581,004**

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

(2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2021 versus parameters as of December 31,2020 and the loan portfolio as of December 31, 2021.

December 31, 2021			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. (97,455)	Ps. 56,801	Ps. 15,669	Ps. (24,985)

(Amounts expressed in millions of Colombian pesos)

(3) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2020 versus parameters as of December 31,2019 and the loan portfolio as of December 31, 2020.

December 31, 2020			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. (135,158)	Ps. 500,012	Ps. (8,650)	Ps. 356,204

(4) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2019 versus parameters as of December 31,2018 and the loan portfolio as of December 31, 2019.

December 31, 2019			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. 9,044	Ps. 4,268	Ps. (2,890)	Ps. 10,422

The following table further explains changes in the gross carrying amount of the consumer portfolio to help explain their significance to the changes in the allowance for the same portfolio as discussed above. See note 1.1 “Other events COVID-19”.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Total portfolio as of January 1, 2019	**Ps. 48,863,858**	**Ps. 4,377,133**	**Ps. 2,214,073**	**Ps. 55,455,064**
Transfers:				
Transfer from stage 1 to stage 2	(6,703,975)	6,703,975	—	—
Transfer from stage 1 to stage 3	(379,049)	—	379,049	—
Transfer from stage 2 to stage 3	—	(2,673,304)	2,673,304	—
Transfer from stage 2 to stage 1	3,978,012	(3,978,012)	—	—
Transfer from stage 3 to stage 2	—	473,269	(473,269)	—
Transfer from stage 3 to stage 1	223,248	—	(223,248)	—
New financial assets originated or purchased	44,760,635	1,068,595	1,515,569	47,344,799
Financial assets that have been paid	(37,229,958)	(2,063,400)	(1,209,835)	(40,503,193)
Net remeasurement of amortized cost and other receivables	2,873	(144)	3,810	6,539
Write-offs	(35,743)	(43,805)	(2,601,445)	(2,680,993)
FX and other movements	75,586	43,141	99,508	218,235
Total portfolio as of December 31, 2019	**Ps. 53,555,487**	**Ps. 3,907,448**	**Ps. 2,377,516**	**Ps. 59,840,451**
Transfers:				
Transfer from stage 1 to stage 2	(11,366,208)	11,366,208	—	—
Transfer from stage 1 to stage 3	(566,670)	—	566,670	—
Transfer from stage 2 to stage 3	—	(2,317,098)	2,317,098	—
Transfer from stage 2 to stage 1	3,314,200	(3,314,200)	—	—
Transfer from stage 3 to stage 2	—	433,559	(433,559)	—
Transfer from stage 3 to stage 1	125,565	—	(125,565)	—
New financial assets originated or purchased	40,576,605	3,160,656	2,382,100	46,119,361
Financial assets that have been paid	(37,552,539)	(2,109,543)	(1,818,794)	(41,480,876)
Net remeasurement of amortized cost and other receivables	21,838	10,389	12,511	44,738
Write-offs	(4,153)	(8,793)	(2,369,906)	(2,382,852)
On business combination(1)	2,861,841	154,993	48,033	3,064,867
FX and other movements	487,555	99,107	43,106	629,768
Total portfolio as of December 31, 2020	**Ps. 51,453,521**	**Ps. 11,382,726**	**Ps. 2,999,210**	**Ps. 65,835,457**
Transfers:				
Transfer from stage 1 to stage 2	(7,393,087)	7,393,087	—	—

(Amounts expressed in millions of Colombian pesos)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Transfer from stage 1 to stage 3	(369,425)	—	369,425	—
Transfer from stage 2 to stage 3	—	(4,014,618)	4,014,618	—
Transfer from stage 2 to stage 1	4,655,119	(4,655,119)	—	—
Transfer from stage 3 to stage 2	—	855,852	(855,852)	—
Transfer from stage 3 to stage 1	178,614	—	(178,614)	—
New financial assets originated or purchased	61,470,863	2,073,804	1,100,860	64,645,527
Financial assets that have been paid	(47,804,215)	(3,777,472)	(1,913,485)	(53,495,172)
Net remeasurement of amortized cost and other receivables	(1,219,014)	8,654	930,405	(279,955)
Write-offs	(65,031)	(183,875)	(3,292,329)	(3,541,235)
FX and other movements	2,904,395	745,687	74,441	3,724,523
Total portfolio as of December 31, 2021	**Ps. 63,811,740**	**Ps. 9,828,726**	**Ps. 3,248,679**	**Ps. 76,889,145**

(1)See note 35 Business combination

(Amounts expressed in millions of Colombian pesos)

Mortgage loan portfolio

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2019	**Ps. 49,134**	**Ps. 81,265**	**Ps. 170,864**	**Ps. 301,263**
Transfers:				
Transfer from stage 1 to stage 2	(5,351)	5,351	—	—
Transfer from stage 1 to stage 3	(867)	—	867	—
Transfer from stage 2 to stage 3	—	(25,163)	25,163	—
Transfer from stage 3 to stage 2	—	8,061	(8,061)	—
Transfer from stage 2 to stage 1	25,475	(25,475)	—	—
Transfer from stage 3 to stage 1	5,971	—	(5,971)	—
Net remeasurement of loss allowance (4)	(27,965)	37,178	116,037	125,250
New financial assets originated or purchased	13,514	839	(25)	14,328
Financial assets that have been derecognized	(1,821)	(7,126)	(4,434)	(13,381)
Unwind of discount (1)	—	—	7,413	7,413
FX and other movements	805	5,502	(11,820)	(5,513)
Write-offs	(509)	(136)	(77,157)	(77,802)
Loss allowance balance as of December 31, 2019	**Ps. 58,386**	**Ps. 80,296**	**Ps. 212,876**	**Ps. 351,558**
Transfers:				
Transfer from stage 1 to stage 2	(23,251)	23,251	—	—
Transfer from stage 1 to stage 3	(1,081)	—	1,081	—
Transfer from stage 2 to stage 3	—	(42,052)	42,052	—
Transfer from stage 3 to stage 2	—	21,817	(21,817)	—
Transfer from stage 2 to stage 1	47,117	(47,117)	—	—
Transfer from stage 3 to stage 1	24,517	—	(24,517)	—
Net remeasurement of loss allowance (3)	13,360	232,709	153,075	399,144
New financial assets originated or purchased	14,288	11,638	13,495	39,421
Financial assets that have been derecognized	(64,919)	(45,758)	(37,748)	(148,425)
Unwind of discount (1)	—	—	11,772	11,772
FX and other movements	4,357	(8,661)	(2,822)	(7,126)
Write-offs	(480)	(234)	(84,726)	(85,440)
Loss allowance balance as of December 31, 2020	**Ps. 72,294**	**Ps. 225,889**	**Ps. 262,721**	**Ps. 560,904**
Transfers:				
Transfer from stage 1 to stage 2	(13,038)	13,038	—	—
Transfer from stage 1 to stage 3	(407)	—	407	—
Transfer from stage 2 to stage 3	—	(63,357)	63,357	—
Transfer from stage 3 to stage 2	—	39,998	(39,998)	—
Transfer from stage 2 to stage 1	57,319	(57,319)	—	—
Transfer from stage 3 to stage 1	25,633	—	(25,633)	—
Net remeasurement of loss allowance (2)	11,100	120,809	91,964	223,873
New financial assets originated or purchased	18,987	52,937	77,436	149,360
Financial assets that have been derecognized	(79,057)	(69,155)	(54,845)	(203,057)
Unwind of discount (1)	—	—	13,945	13,945
FX and other movements	2,287	31,157	14,268	47,712
Write-offs	(1,996)	(7,094)	(51,240)	(60,330)
Loss allowance as of December 31, 2021	**Ps. 93,122**	**Ps. 286,903**	**Ps. 352,382**	**Ps. 732,407**

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

(2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2021 versus parameters as of December 31,2020 and the loan portfolio as of December 31, 2021.

December 31, 2021			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. 7,918	Ps. (1,149)	Ps. 38,678	Ps. 45,447

(Amounts expressed in millions of Colombian pesos)

(3) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2020 versus parameters as of December 31,2019 and the loan portfolio as of December 31, 2020.

December 31, 2020			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. 19,653	Ps. 57,870	Ps. 4,093	Ps. 81,616

(4) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2019 versus parameters as of December 31,2018 and the loan portfolio as of December 31, 2019.

December 31, 2019			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. 2,064	Ps. 5,674	Ps. 21,527	Ps. 29,265

The following table further explains changes in the gross carrying amount of the mortgage portfolio to help explain their significance to the changes in the allowance for the same portfolio as discussed above. See note 1.1 “Other events COVID-19”.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Total portfolio as of January 1, 2019	**Ps. 16,788,022**	**Ps. 1,386,657**	**Ps. 417,424**	**Ps. 18,592,103**
Transfers:				
Transfer from stage 1 to stage 2	(1,626,383)	1,626,383	—	—
Transfer from stage 1 to stage 3	(22,295)	—	22,295	—
Transfer from stage 2 to stage 3	—	(454,152)	454,152	—
Transfer from stage 2 to stage 1	1,195,200	(1,195,200)	—	—
Transfer from stage 3 to stage 2	—	99,768	(99,768)	—
Transfer from stage 3 to stage 1	106,163	—	(106,163)	—
New financial assets originated or purchased	4,402,822	77,453	45,414	4,525,689
Financial assets that have been paid	(2,681,584)	(200,886)	(69,083)	(2,951,553)
Net remeasurement of amortized cost and other receivables	227	359	667	1,253
Write-offs	(509)	(136)	(77,157)	(77,802)
FX and other movements	104,234	17,163	10,596	131,993
Total portfolio as of December 31, 2019	**Ps. 18,265,897**	**Ps. 1,357,409**	**Ps. 598,377**	**Ps. 20,221,683**
Transfers:				
Transfer from stage 1 to stage 2	(4,873,758)	4,873,758	—	—
Transfer from stage 1 to stage 3	(78,406)	—	78,406	—
Transfer from stage 2 to stage 3	—	(452,576)	452,576	—
Transfer from stage 2 to stage 1	1,192,732	(1,192,732)	—	—
Transfer from stage 3 to stage 2	—	105,422	(105,422)	—
Transfer from stage 3 to stage 1	82,870	—	(82,870)	—
New financial assets originated or purchased	3,613,740	600,116	71,195	4,285,051
Financial assets that have been paid	(2,300,117)	(204,162)	(186,591)	(2,690,870)
Net remeasurement of amortized cost and other receivables	18,054	3,267	2,427	23,748
Write-offs	(480)	(234)	(84,041)	(84,755)
On business combination(1)	2,412,556	143,529	50,449	2,606,534
FX and other movements	204,794	(15,925)	8,511	197,380
Total portfolio as of December 31, 2020	**Ps. 18,537,882**	**Ps. 5,217,872**	**Ps. 803,017**	**Ps. 24,558,771**
Transfers:				
Transfer from stage 1 to stage 2	(1,825,942)	1,825,942	—	—
Transfer from stage 1 to stage 3	(57,038)	—	57,038	—

(Amounts expressed in millions of Colombian pesos)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Transfer from stage 2 to stage 3	—	(653,342)	653,342	—
Transfer from stage 2 to stage 1	1,712,458	(1,712,458)	—	—
Transfer from stage 3 to stage 2	—	186,783	(186,783)	—
Transfer from stage 3 to stage 1	97,148	—	(97,148)	—
New financial assets originated or purchased	6,241,199	258,285	22,852	6,522,336
Financial assets that have been paid	(3,450,677)	(501,378)	(259,967)	(4,212,022)
Net remeasurement of amortized cost and other receivables	(112,195)	43,422	90,177	21,404
Write-offs	(1,996)	(7,094)	(51,240)	(60,330)
FX and other movements	1,602,310	620,478	67,369	2,290,157
Total portfolio as of December 31, 2021	**Ps. 22,743,149**	**Ps. 5,278,510**	**Ps. 1,098,657**	**Ps. 29,120,316**

(1)See note 35 Business combination

(Amounts expressed in millions of Colombian pesos)

Microcredit loan portfolio

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2019	**Ps. 23,348**	**Ps. 11,962**	**Ps. 52,867**	**Ps. 88,177**
Transfers:				
Transfer from stage 1 to stage 2	(9,148)	9,148	—	—
Transfer from stage 1 to stage 3	(3,145)	—	3,145	—
Transfer from stage 2 to stage 3	—	(23,678)	23,678	—
Transfer from stage 3 to stage 2	—	2,539	(2,539)	—
Transfer from stage 2 to stage 1	5,854	(5,854)	—	—
Transfer from stage 3 to stage 1	945	—	(945)	—
Net remeasurement of loss allowance (4)	(3,610)	17,500	20,107	33,997
New financial assets originated or purchased	13,021	651	7	13,679
Financial assets that have been derecognized	(2,348)	(266)	(122)	(2,736)
Unwind of discount (1)	—	—	10,456	10,456
Write-offs	(123)	(83)	(53,542)	(53,748)
Loss allowance balance as of December 31, 2019	**Ps. 24,794**	**Ps. 11,919**	**Ps. 53,112**	**Ps. 89,825**
Transfers:				
Transfer from stage 1 to stage 2	(28,038)	28,038	—	—
Transfer from stage 1 to stage 3	(3,452)	—	3,452	—
Transfer from stage 2 to stage 3	—	(19,369)	19,369	—
Transfer from stage 3 to stage 2	—	1,803	(1,803)	—
Transfer from stage 2 to stage 1	6,825	(6,825)	—	—
Transfer from stage 3 to stage 1	395	—	(395)	—
Net remeasurement of loss allowance (3)	12,346	44,439	15,103	71,888
New financial assets originated or purchased	8,099	1,088	8	9,195
Financial assets that have been derecognized	(3,830)	(873)	(338)	(5,041)
Unwind of discount (1)	—	—	9,865	9,865
Write-offs	(50)	(180)	(51,463)	(51,693)
Loss allowance balance as of December 31, 2020	**Ps. 17,089**	**Ps. 60,040**	**Ps. 46,910**	**Ps. 124,039**
Transfers:				
Transfer from stage 1 to stage 2	(5,398)	5,398	—	—
Transfer from stage 1 to stage 3	(1,026)	—	1,026	—
Transfer from stage 2 to stage 3	—	(28,310)	28,310	—
Transfer from stage 3 to stage 2	—	3,385	(3,385)	—
Transfer from stage 2 to stage 1	2,304	(2,304)	—	—
Transfer from stage 3 to stage 1	452	—	(452)	—
Net remeasurement of loss allowance (2)	(11,869)	(18,726)	46,548	15,953
New financial assets originated or purchased	9,648	630	21	10,299
Financial assets that have been derecognized	(4,050)	(4,022)	(656)	(8,728)
Unwind of discount (1)	—	—	13,415	13,415
Write-offs	(410)	(2,800)	(46,698)	(49,908)
Loss allowance as of December 31, 2021	**Ps. 6,740**	**Ps. 13,291**	**Ps. 85,039**	**Ps. 105,070**

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

(2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2021 versus parameters as of December 31,2020 and the loan portfolio as of December 31, 2021.

December 31, 2021			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. (10,466)	Ps. (6,848)	Ps. (25)	Ps. (17,339)

(3) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2020 versus parameters as of December 31,2019 and the loan portfolio as of December 31, 2020.

(Amounts expressed in millions of Colombian pesos)

December 31, 2020			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. (21,060)	Ps. 44,417	Ps. 12	Ps. 23,369

(4) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2019 versus parameters as of December 31,2018 and the loan portfolio as of December 31, 2019.

December 31, 2019			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. 1,207	Ps. (188)	Ps. (531)	Ps. 488

The following table further explains changes in the gross carrying amount of the microcredit portfolio to help explain their significance to the changes in the allowance for the same portfolio as discussed above. See note 1.1 “Other events COVID-19”.

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Total portfolio as of January 1, 2019	**Ps. 344,722**	**Ps. 25,374**	**Ps. 55,601**	**Ps. 425,697**
Transfers:				
Transfer from stage 1 to stage 2	(60,329)	60,329	—	—
Transfer from stage 1 to stage 3	(15,698)	—	15,698	—
Transfer from stage 2 to stage 3	—	(47,227)	47,227	—
Transfer from stage 2 to stage 1	13,553	(13,553)	—	—
Transfer from stage 3 to stage 2	—	4,530	(4,530)	—
Transfer from stage 3 to stage 1	1,795	—	(1,795)	—
New financial assets originated or purchased	304,306	2,968	43,589	350,863
Financial assets that have been paid	(258,304)	(7,537)	(46,651)	(312,492)
Write-offs	(123)	(83)	(53,542)	(53,748)
Total portfolio as of December 31, 2019	**Ps. 329,922**	**Ps. 24,801**	**Ps. 55,597**	**Ps. 410,320**
Transfers:				
Transfer from stage 1 to stage 2	(141,195)	141,195	—	—
Transfer from stage 1 to stage 3	(13,603)	—	13,603	—
Transfer from stage 2 to stage 3	—	(16,423)	16,423	—
Transfer from stage 2 to stage 1	14,363	(14,363)	—	—
Transfer from stage 3 to stage 2	—	2,550	(2,550)	—
Transfer from stage 3 to stage 1	862	—	(862)	—
New financial assets originated or purchased	145,350	23,707	60,987	230,044
Financial assets that have been paid	(157,075)	(17,386)	(41,884)	(216,345)
Net remeasurement of amortized cost and other receivables	(4)	—	(1)	(5)
Write-offs	(50)	(180)	(51,463)	(51,693)
Total portfolio as of December 31, 2020	**Ps. 178,570**	**Ps. 143,901**	**Ps. 49,850**	**Ps. 372,321**
Transfers:				
Transfer from stage 1 to stage 2	(49,052)	49,052	—	—
Transfer from stage 1 to stage 3	(7,072)	—	7,072	—
Transfer from stage 2 to stage 3	—	(87,758)	87,758	—
Transfer from stage 2 to stage 1	38,089	(38,089)	—	—
Transfer from stage 3 to stage 2	—	9,424	(9,424)	—
Transfer from stage 3 to stage 1	2,109	—	(2,109)	—
New financial assets originated or purchased	183,192	48	4,501	187,741
Financial assets that have been paid	(158,470)	(35,642)	(24,868)	(218,980)
Net remeasurement of amortized cost and other receivables	463	5,226	20,876	26,565
Write-offs	(410)	(2,800)	(46,698)	(49,908)
Total portfolio as of December 31, 2021	**Ps. 187,419**	**Ps. 43,362**	**Ps. 86,958**	**Ps. 317,739**

(Amounts expressed in millions of Colombian pesos)

Interbank and overnight funds

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2019	**Ps. 417**	**Ps. 9**	**Ps. 425**	**Ps. 851**
Transfers:				
Transfer from stage 3 to stage 1	7	—	(7)	—
Net remeasurement of loss allowance [3]	(7)	—	583	576
New financial assets originated or purchased	50	—	55	105
Financial assets that have been derecognized	(385)	(9)	(3)	(397)
Write-offs	(1)	—	(148)	(149)
Loss allowance balance as of December 31, 2019	**Ps. 81**	**Ps. —**	**Ps. 905**	**Ps. 986**
Transfers:				
Transfer from stage 2 to stage 1	3	(3)	—	—
Net remeasurement of loss allowance [2]	59	27	(905)	(819)
New financial assets originated or purchased	716	—	59	775
Financial assets that have been derecognized	(67)	(24)	—	(91)
Loss allowance balance as of December 31, 2020	**Ps. 792**	**Ps. —**	**Ps. 59**	**Ps. 851**
Transfers:				
Net remeasurement of loss allowance [1]	(2,142)	—	—	(2,142)
New financial assets originated or purchased	5,670	—	—	5,670
Financial assets that have been derecognized	(1,934)	—	(59)	(1,993)
Loss allowance as of December 31, 2021	**Ps. 2,386**	**Ps. —**	**Ps. —**	**Ps. 2,386**

(1) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2021 versus parameters as of December 31,2020 and the loan portfolio as of December 31, 2021.

December 31, 2021			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. 77	Ps. —	Ps. —	Ps. 77

(2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2020 versus parameters as of December 31,2019 and the loan portfolio as of December 31, 2020.

December 31, 2020			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. 1,439	Ps. —	Ps. —	Ps. 1,439

(3) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2019 versus parameters as of December 31,2018 and the loan portfolio as of December 31, 2019.

December 31, 2019			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. 48	Ps. —	Ps. —	Ps. 48

(Amounts expressed in millions of Colombian pesos)

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Total portfolio as of January 1, 2019	**Ps. 7,554,928**	**Ps. 728**	**Ps. 79,532**	**Ps. 7,635,188**
Transfers:				
New financial assets originated or purchased	1,033,597	(677,600)	—	355,997
Financial assets that have been paid	(5,911,804)	677,600	—	(5,234,204)
Net remeasurement of amortized cost and other receivables	(2,783)	(726)	610	(2,899)
Write-offs	(1)	—	(79,166)	(79,167)
FX and other movements	44,046	—	—	44,046
Total portfolio as of December 31, 2019	**Ps. 2,717,983**	**Ps. 2**	**Ps. 976**	**Ps. 2,718,961**
Transfers:				
New financial assets originated or purchased	2,589,813	—	—	2,589,813
Financial assets that have been paid	(1,614,229)	(2)	(975)	(1,615,206)
Net remeasurement of amortized cost and other receivables	(1,056)	—	138	(918)
On business combination(1)	472,785	—	—	472,785
FX and other movements	528,243	—	—	528,243
Total portfolio as of December 31, 2020	**Ps. 4,693,539**	**Ps. —**	**Ps. 139**	**Ps. 4,693,678**
Transfers:				
New financial assets originated or purchased	2,431,734	—	—	2,431,734
Financial assets that have been paid	(4,355,396)	—	—	(4,355,396)
Net remeasurement of amortized cost and other receivables	16,531	—	(139)	16,392
FX and other movements	432,025	—	—	432,025
Total portfolio as of December 31, 2021	**Ps. 3,218,433**	**Ps. —**	**Ps. —**	**Ps. 3,218,433**

(1)See note 35 Business combination

(Amounts expressed in millions of Colombian pesos)

The following table further explains changes in the gross carrying amount of investments in debt securities at FVOCI portfolio to help explain their significance to the changes in the allowance for the same portfolio as discussed above:

Investments in debt securities at FVOCI

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance balance as of January 31, 2019	**Ps. 20,757**	**Ps. 31,980**	**Ps. 46,280**	**Ps. 99,017**
Net remeasurement of loss allowance [4]	(7,696)	(3,564)	(55)	(11,315)
New financial assets originated or purchased	34,575	—	—	34,575
Financial assets that have been derecognized	(3,729)	(27,440)	(45,602)	(76,771)
FX and other movements	(9,827)	(976)	(623)	(11,426)
Loss allowance balance as of December 31, 2019	**Ps. 34,080**	**Ps. —**	**Ps. —**	**Ps. 34,080**
Transfer from stage 1 to stage 2	(298)	298	—	—
Net remeasurement of loss allowance [3]	16,391	50	—	16,441
New financial assets originated or purchased	64,764	—	—	64,764
Financial assets that have been derecognized	(12,954)	(179)	—	(13,133)
FX and other movements	(5,676)	10	—	(5,666)
Loss allowance as of December 31, 2020	**Ps. 96,307**	**Ps. 179**	**Ps. —**	**Ps. 96,486**
Transfer from stage 1 to stage 2	(45)	45	—	—
Transfer from stage 2 to stage 1	45	(45)	—	—
Net remeasurement of loss allowance [2]	(13,853)	—	—	(13,853)
New financial assets originated or purchased	78,371	—	—	78,371
Financial assets that have been derecognized	(50,665)	(178)	—	(50,843)
FX and other movements	13,818	(1)	—	13,817
Loss allowance as of December 31, 2021	**Ps. 123,978**	**Ps. —**	**Ps. —**	**Ps. 123,978**

(2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2021 versus parameters as of December 31, 2020 and the loan portfolio as of December 31, 2021.

December 31, 2021			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. (12,852)	Ps. —	Ps. —	Ps. (12,852)

(3) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2020 versus parameters as of December 31, 2019 and the loan portfolio as of December 31, 2020.

December 31, 2020			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. 4,781	Ps. 35	Ps. —	Ps. 4,816

(4) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2019 versus parameters as of December 31, 2018 and the loan portfolio as of December 31, 2019.

December 31, 2019			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. (1,709)	Ps. —	Ps. —	Ps. (1,709)

(Amounts expressed in millions of Colombian pesos)

The following table further explains changes in the gross carrying amount of investments in debt securities at amortized cost portfolio to help explain their significance to the changes in the allowance for the same portfolio as discussed above:

Investments in debt securities at amortized cost

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance balance as of January 31, 2019	**Ps. 71**	**Ps. —**	**Ps. —**	**Ps. 71**
Net remeasurement of loss allowance [4]	(615)	—	—	(615)
New financial assets originated or purchased	1,353	—	—	1,353
Financial assets that have been derecognized	(64)	—	—	(64)
FX and other movements	(8)	—	—	(8)
Loss allowance as of December 31, 2019	**Ps. 737**	**Ps. —**	**Ps. —**	**Ps. 737**
Net remeasurement of loss allowance [3]	(755)	—	—	(755)
New financial assets originated or purchased	9,023	8	—	9,031
Financial assets that have been derecognized	(1,583)	—	—	(1,583)
FX and other movements	(234)	(1)	—	(235)
Loss allowance as of December 31, 2020	**Ps. 7,188**	**Ps. 7**	**Ps. —**	**Ps. 7,195**
Transfer from stage 1 to stage 2	(1,805)	1,805	—	—
Net remeasurement of loss allowance [2]	(2,133)	4,066	—	1,933
New financial assets originated or purchased	2,999	1,443	—	4,442
Financial assets that have been derecognized	(3,831)	—	—	(3,831)
FX and other movements	879	80	—	959
Loss allowance as of December 31, 2021	**Ps. 3,297**	**Ps. 7,401**	**Ps. —**	**Ps. 10,698**

(2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2021 versus parameters as of December 31, 2020 and the loan portfolio as of December 31, 2021.

December 31, 2021			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. (225)	Ps. —	Ps. —	Ps. (225)

(3) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2020 versus parameters as of December 31, 2019 and the loan portfolio as of December 31, 2020.

December 31, 2020			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. 215	Ps. —	Ps. —	Ps. 215

(4) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2019 versus parameters as of December 31, 2018 and the loan portfolio as of December 31, 2019.

December 31, 2019			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. 211	Ps. —	Ps. —	Ps. 211

(Amounts expressed in millions of Colombian pesos)

Other accounts receivable

General approach

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2019	**Ps. 19,700**	**Ps. 11,561**	**Ps. 66,327**	**Ps. 97,588**
Transfers stages				
Transfer from Stage 1 to Stage 3	(19,176)	—	19,176	—
Transfer from Stage 2 to Stage 3	—	(754)	754	—
Net remeasurement of loss allowance	8,062	4,160	28,041	40,263
FX and other movements	(21)	(6)	(23)	(50)
Transfer from general approach to simplified approach	8,996	(1,421)	(10,170)	(2,595)
Write-offs	(4,208)	(534)	(17,308)	(22,050)
Loss allowance as of December 31, 2019	**Ps. 13,353**	**Ps. 13,006**	**Ps. 86,797**	**Ps. 113,156**
Transfers stages				
Net remeasurement of loss allowance	4,901	1,010	33,833	39,744
FX and other movements	107	(468)	60	(301)
Write-offs	(225)	—	(13,219)	(13,444)
Loss allowance as of December 31, 2020	**Ps. 18,136**	**Ps. 13,548**	**Ps. 107,471**	**Ps. 139,155**
Transfers stages				
Net remeasurement of loss allowance	2,378	2,865	41,515	46,758
FX and other movements	(49)	358	1,223	1,532
Write-offs	(1,526)	—	(20,760)	(22,286)
Loss allowance as of December 31, 2021	**Ps. 18,939**	**Ps. 16,771**	**Ps. 129,449**	**Ps. 165,159**

Simplified approach

	Loss allowance
Loss allowance as of January 1, 2019	**Ps. 159,303**
Entity deconsolidation	(56)
Provision charged to profit or loss	35,506
Recovery of partial payments from the clients	(11,129)
Write-offs	(13,097)
Exchange gains (losses) in foreign currency	185
Transfer from general approach to simplified approach	2,595
Loss allowance as of December 31, 2019	**Ps. 173,307**
On business combination	217
Provision charged to profit or loss	45,757
Recovery for partial payments from the clients	(9,144)
Write-offs	(6,256)
Exchange gains (losses) in foreign currency	21
Loss allowance as of December 31, 2020	**Ps. 203,902**
On business combination	—
Provision charged to profit or loss	44,210
Recovery for partial payments from the clients	(10,670)
Write-offs	(32,850)
Exchange gains (losses) in foreign currency	13,051
Loss allowance as of December 31, 2021	**Ps. 217,643**

(Amounts expressed in millions of Colombian pesos)

Loan commitments and financial guarantee contracts

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2019	**Ps. 40,715**	**Ps. 14,358**	**Ps. 4,355**	**Ps. 59,428**
Transfers:				
Transfer from stage 1 to stage 2	(529)	529	—	—
Transfer from stage 1 to stage 3	(172)	—	172	—
Transfer from stage 2 to stage 3	—	(173)	173	—
Transfer from stage 2 to stage 1	8,116	(8,116)	—	—
Transfer from stage 3 to stage 1	3,582	—	(3,582)	—
Net remeasurement of loss allowance	(29,069)	(4,528)	(238)	(33,835)
New loan commitments and financial guarantees issued	22,613	875	627	24,115
FX and other movements	253	—	1	254
Loss allowance as of December 31, 2019	**Ps. 45,509**	**Ps. 2,945**	**Ps. 1,508**	**Ps. 49,962**
Transfers:				
Transfer from stage 1 to stage 2	(1,879)	1,879	—	—
Transfer from stage 1 to stage 3	(417)	—	417	—
Transfer from stage 2 to stage 3	—	(178)	178	—
Transfer from stage 2 to stage 1	1,784	(1,784)	—	—
Transfer from stage 3 to stage 1	1	—	(1)	—
Net remeasurement of loss allowance	(1,230)	3,025	(587)	1,208
New loan commitments and financial guarantees issued	12,582	2,737	(8)	15,311
FX and other movements	876	—	36	912
Loss allowance as of December 31, 2020	**Ps. 57,226**	**Ps. 8,679**	**Ps. 1,488**	**Ps. 67,393**
Transfers:				
Transfer from stage 1 to stage 2	(1,260)	1,260	—	—
Transfer from stage 1 to stage 3	(132)	—	132	—
Transfer from stage 2 to stage 3	—	(169)	169	—
Transfer from stage 3 to stage 2	—	36	(36)	—
Transfer from stage 2 to stage 1	4,585	(4,585)	—	—
Transfer from stage 3 to stage 1	84	—	(84)	—
Net remeasurement of loss allowance	(27,833)	822	(617)	(27,628)
New loan commitments and financial guarantees issued	13,222	4,025	4,924	22,171
FX and other movements	24	29	52	105
Loss allowance as of December 31, 2021	**Ps. 45,916**	**Ps. 10,097**	**Ps. 6,028**	**Ps. 62,041**

4.1.6 Concentrations of credit risk

Loan portfolio

Policies to prevent excessive credit-risk concentration

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

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

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

(Amounts expressed in millions of Colombian pesos)

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

In BAC, within its regional credit risk policy, were established a series of indicators focused on monitoring the structure, concentration and quality of the portfolio. These indicators are monitored monthly at the regional level, depending on how close they are to the limits established internally and those established by the regulators. This monitoring is carried out by means of a limit range measurement.

Some of the most relevant indicators that are established in the policy, with their respective upper limits are:

- Concentration indicator that measures the concentration of the economic groups with the highest balance (top20), should not exceed 60% of the portfolio.
- Concentration indicator that establishes that the concentration of the portfolio with the highest balance in the subsector should not exceed 80% of the subsidiary's equity.
- Quality of the portfolio that establishes that impaired loans should not exceed 5% of the portfolio.
- Quality of the portfolio in relation to the past due 30 days should not exceed 3.95%.
- Indicator that measures the proximity to the regulatory limit of each subsidiary. The indicator cannot reach 90% of the regulatory limit.

At the Central American level, the limits established by regulators vary from one country to another; in Guatemala 30% for greater exposure per group and 15% for greater exposure by related parties; in Honduras 20% for greater exposure per group and 30% for greater exposure per related parties; in El Salvador, 15% for greater exposure per group and 5% for greater exposure by related parties; in Nicaragua, Costa Rica and Panamá for any type of exposure the limits are 30%, 20% and 25%, respectively. At the regional level, the group established as prudential limits of exposure per Economic Interest Group at a consolidated level at 7.5% without guarantee and 15% with mortgage guarantee.

Concentration by sector

Below is the credit portfolio distribution of Grupo Aval by economic sector as of December 31, 2021, and 2020:

Sector	December 31, 2021	%	December 31, 2020	%
Consumer services	Ps. 112,664,061	49 %	Ps. 96,436,401	47 %
Commercial services	47,289,524	20 %	45,363,824	22 %
Construction	16,207,343	7 %	13,723,891	7 %
Food, beverage and tobacco	10,734,796	5 %	9,765,741	5 %
Transportation and communications	7,762,906	3 %	7,300,885	4 %
Public services	6,526,252	3 %	5,628,741	3 %
Chemical production	4,905,552	2 %	5,867,117	3 %
Other industrial and manufacturing products	9,011,548	4 %	5,936,370	3 %
Agricultural	5,831,197	3 %	5,375,932	3 %
Government	4,496,895	2 %	4,972,124	1 %
Trade and tourism	2,697,992	1 %	2,893,042	1 %
Mining products and oil	1,003,516	— %	941,577	— %
Other	2,441,855	1 %	2,241,520	1 %
Total of each economic sector	**Ps. 231,573,437**	**100 %**	**Ps. 206,447,165**	**100 %**

(Amounts expressed in millions of Colombian pesos)

Concentration by location

The detail of credit risk at the level of Grupo Aval in the different geographic areas determined according to the domicile of the debtor, without taking into consideration loan loss provisions as of December 31, 2021, and 2020 is as follows:

December 31, 2021	Commercial	Consumer	Mortgages	Microcredit	Interbank and overnight funds	Total
Colombia	Ps. 73,778,600	Ps. 47,488,265	Ps. 11,687,157	Ps. 317,739	Ps. 1,645,364	Ps. 134,917,125
Costa Rica	8,175,904	6,662,962	5,737,863	—	38,379	20,615,108
Panamá	14,955,358	10,905,167	6,197,405	—	211,493	32,269,423
Guatemala	8,609,322	4,072,181	2,458,318	—	16,712	15,156,533
Honduras	5,224,346	3,144,701	1,350,711	—	385,660	10,105,418
El Salvador	3,707,305	3,482,727	1,277,469	—	65,090	8,532,591
United States	4,119,960	11	—	—	796,009	4,915,980
Nicaragua	2,027,088	1,133,029	411,393	—	9	3,571,519
Other countries	1,429,921	102	—	—	59,717	1,489,740
Total gross loan portfolio	**Ps. 122,027,804**	**Ps. 76,889,145**	**Ps. 29,120,316**	**Ps. 317,739**	**Ps. 3,218,433**	**Ps. 231,573,437**

December 31, 2020	Commercial	Consumer	Mortgages	Microcredit	Interbank and overnight funds	Total
Colombia	Ps. 71,979,346	Ps. 42,601,861	Ps. 10,160,351	Ps. 372,321	Ps. 2,394,473	Ps. 127,508,352
Costa Rica	6,210,008	5,288,997	4,871,091	—	694,011	17,064,107
Panamá [(1)]	11,977,381	8,769,794	5,044,917	—	969,690	26,761,782
Guatemala	6,737,861	2,980,836	1,980,096	—	331,361	12,030,154
Honduras	4,198,906	2,520,708	1,082,213	—	62,244	7,864,071
El Salvador	2,825,146	2,875,819	1,045,839	—	131,648	6,878,452
United States	4,345,185	—	—	—	—	4,345,185
Nicaragua	1,764,773	797,128	374,264	—	22,022	2,958,187
Other countries	948,332	314	—	—	88,229	1,036,875
Total gross loan portfolio	**Ps. 110,986,938**	**Ps. 65,835,457**	**Ps. 24,558,771**	**Ps. 372,321**	**Ps. 4,693,678**	**Ps. 206,447,165**

[(1)]See note 35 Business combination

Concentration by currency

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

December 31, 2021	Colombian Pesos	Foreign currency	Total
Commercial	Ps. 67,590,199	Ps. 54,437,605	Ps. 122,027,804
Consumer	47,424,440	29,464,705	76,889,145
Residential mortgage	11,687,028	17,433,288	29,120,316
Microcredit	317,739	—	317,739
Interbank and overnight funds	1,078,774	2,139,659	3,218,433
Total gross loan portfolio	**Ps. 128,098,180**	**Ps. 103,475,257**	**Ps. 231,573,437**

December 31, 2020	Colombian Pesos	Foreign currency	Total
Commercial	Ps. 67,436,479	Ps. 43,550,459	Ps. 110,986,938
Consumer	42,561,676	23,273,781	65,835,457
Residential mortgage	10,160,198	14,398,573	24,558,771
Microcredit	372,321	—	372,321
Interbank and overnight funds	2,052,909	2,640,769	4,693,678
Total gross loan portfolio	**Ps. 122,583,583**	**Ps. 83,863,582**	**Ps. 206,447,165**

As a December 31, 2021 the loan portfolio in foreign currency represents 44.7% of the total portfolio, equivalent to US$ 25,991. As a December 31, 2020 the loan portfolio in foreign currency represents 40.6%, equivalent to US$ 24,432.

(Amounts expressed in millions of Colombian pesos)

Investment debt securities

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

Concentration by sector

Trading debt securities (see note 8.1)

The balance of financial assets in investments in trading debt securities includes the following as of December 31, 2021, and 2020:

	December 31, 2021	December 31, 2020
In Colombian Pesos		
Securities issued or secured by Colombian Government	Ps. 2,746,240	Ps. 2,778,391
Securities issued or secured by other Colombian Government entities	249,510	187,295
Securities issued or secured by other financial entities	1,208,661	1,339,848
Securities issued or secured by non-financial sector entities	9,388	24,975
Others	34,034	32,559
	Ps. 4,247,833	**Ps. 4,363,068**
In foreign currency		
Securities issued or secured by Colombian Government	Ps. 11,712	Ps. 53,588
Securities issued or secured by foreign Governments	213,863	201,312
Securities issued or secured by other financial entities	267,815	162,970
Others	64	55
	Ps. 493,454	**Ps. 417,925**
Total trading debt securities	**Ps. 4,741,287**	**Ps. 4,780,993**

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

The balance of financial assets in investments in debt securities mandatorily at FVTPL includes the following as of December 31, 2021, and 2020:

	December 31, 2021	December 31, 2020
In Colombian Pesos		
Others	Ps. —	Ps. 7,385
Total debt securities mandatorily at FVTPL	**Ps. —**	**Ps. 7,385**

(Amounts expressed in millions of Colombian pesos)

Investments in debt securities at FVOCI

The balance of financial assets in investments in debt securities at FVOCI includes the following as of December 31, 2021, and 2020:

		December 31, 2021		December 31, 2020
In Colombian Pesos				
Securities issued or secured by Colombian Government	Ps.	13,897,802	Ps.	11,130,893
Securities issued or secured by other Colombian Government entities		289,582		285,699
Securities issued or secured by other financial entities		877,265		476,499
Securities issued or secured by non-financial sector entities		16,040		25,752
Others		350,386		49,850
	Ps.	**15,431,075**	**Ps.**	**11,968,693**
In foreign currency				
Securities issued or secured by Colombian Government	Ps.	2,173,960	Ps.	1,716,306
Securities issued or secured by other Colombian Government entities		533,332		175,374
Securities issued or secured by foreign Governments		12,732,664		9,663,324
Securities issued or secured by central banks		1,857,718		1,862,922
Securities issued or secured by other financial entities		3,327,659		2,435,933
Securities issued or secured by non-financial sector entities		721,670		23,818
Others		715,788		1,119,986
	Ps.	**22,062,791**	**Ps.**	**16,997,663**
Total debt securities at FVOCI	**Ps.**	**37,493,866**	**Ps.**	**28,966,356**

Investments in debt securities at amortized cost

The balance of financial assets in investments in debt securities at amortized cost includes the following as of December 31, 2021, and 2020:

		December 31, 2021		December 31, 2020
In Colombian Pesos				
Securities issued or secured by Colombian Government	Ps.	1,569,076	Ps.	1,674,180
Securities issued or secured by other Colombian Government entities		3,696,298		3,378,438
Others		39,973		—
	Ps.	**5,305,347**	**Ps.**	**5,052,618**
In foreign currency				
Securities issued or secured by foreign Governments	Ps.	27,866	Ps.	34,747
Securities issued or secured by other financial entities		148,087		288,138
Securities issued or secured by non-financial sector entities		266,411		165,663
Others		27,359		38,962
	Ps.	**469,723**	**Ps.**	**527,510**
Total investments in debt securities at amortized cost	**Ps.**	**5,775,070**	**Ps.**	**5,580,128**

(Amounts expressed in millions of Colombian pesos)

Concentration by location

	As of December 31,	
	2021	**2020**
Colombia	Ps. 28,234,132	Ps. 23,771,178
Costa Rica	4,953,097	3,411,413
Panama	3,925,627	2,762,019
USA	2,649,544	2,851,200
Guatemala	2,275,076	1,899,509
Honduras	2,088,894	1,159,345
Nicaragua	1,139,903	917,257
El Salvador	816,076	919,211
Brazil	735,442	555,091
Mexico	344,855	280,492
Chile	257,825	239,432
Multilateral – Bladex (Foreign Trade Bank of Latin America)	222,023	118,902
Multilateral – Andean Development Corporation (Corporación Andina de Fomento)	114,936	66,860
Peru	97,145	320,468
Multilateral – International Bank for Reconstruction and Development	92,249	—
Multilateral – Inter-American Corporation for the Financing of Infrastructure	27,008	21,194
Dominican Republic	20,547	—
Multilateral – Central American Bank for Economic Integration	8,055	6,937
Paraguay	7,789	—
Germany	—	34,329
Barbados	—	25
Total investments	**Ps. 48,010,223**	**Ps. 39,334,862**

Concentration by Sovereign Risk

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

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

As of December 31, 2021, and 2020, the investment portfolio of financial assets in debt instruments is comprised mainly of securities issued or secured by entities of the Republic of Colombia and issued or secured by other Colombian Government entities, which represent 52.42% and 54.35%, respectively of the total portfolio.

(Amounts expressed in millions of Colombian pesos)

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

	December 31, 2021		December 31, 2020	
		%		%
Investment grade (1)				
Colombia	Ps. 18,186,643	54.50 %	Ps. 17,353,357	63.68 %
Panama	1,861,644	5.58 %	994,002	3.65 %
Peru	4,436	0.01 %	—	—
Mexico	55,063	0.16 %	38,381	0.14 %
United States of America	1,711,046	5.13 %	2,465,185	9.05 %
Chile	—	— %	28,371	0.10 %
	Ps. 21,818,832	**65.38 %**	**Ps. 20,879,296**	**76.61 %**
Speculative (2)				
Barbados	Ps. —	— %	Ps. 25	0.00 %
Brazil	30,507	0.09 %	—	— %
Colombia	2,212,146	6.63 %	—	— %
Chile	3,838	0.01 %	—	— %
Costa Rica	4,830,529	14.47 %	3,329,871	12.22 %
Honduras	1,986,864	5.96 %	1,098,432	4.03 %
Guatemala	1,555,159	4.66 %	1,010,075	3.71 %
El Salvador	761,743	2.28 %	849,082	3.12 %
Nicaragua	173,563	0.52 %	85,958	0.32 %
	Ps. 11,554,349	**34.62 %**	**Ps. 6,373,443**	**23.39 %**
	Ps. 33,373,181	**100.00 %**	**Ps. 27,252,739**	**100.00 %**

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

	December 31, 2021		December 31, 2020	
		%		%
Investment Grade (1)				
Panama (*)	Ps. 251,370	13.53 %	Ps. 196,524	10.55 %
	Ps. 251,370	**13.53 %**	**Ps. 196,524**	**10.55 %**
Speculative (2)				
Guatemala	Ps. 605,864	32.61 %	Ps. 810,158	43.49 %
Costa Rica	43,007	2.32 %	30,906	1.66 %
Nicaragua	957,478	51.54 %	825,334	44.30 %
	Ps. 1,606,349	**86.47 %**	**Ps. 1,666,398**	**89.45 %**
Total sovereign risk	**Ps. 34,979,530**	**100.00 %**	**Ps. 28,919,137**	**100.00 %**

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

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

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

4.1.7 Modified Financial Assets - troubled debt restructuring business process.

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

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

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

(Amounts expressed in millions of Colombian pesos)

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

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

The following is the balance of restructured loans as of December 31, 2021, and 2020:

Restructured loans		**December 31, 2021**		**December 31, 2020**
Local currency	Ps.	2,301,239	Ps.	2,345,417
Foreign currency		6,942,286		4,807,728
Total restructured	**Ps.**	**9,243,525**	**Ps.**	**7,153,145**

The balance of restructured loans includes loans that received COVID 19 related reliefs, which according to their features were considered restructurings. See more detail in note 1.1. Other business "Clients credit reliefs".

4.1.8 Foreclosed assets business process

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

During the years ended December 31, 2021, and 2020, the following is the total of foreclosed assets received and sold during such periods:

		December 31, 2021		**December 31, 2020**
Foreclosed assets received	Ps.	212,191	Ps.	84,535
Foreclosed assets sold		95,042		224,310

4.1.9 Loan commitments and financial guarantee contracts

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

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

Grupo Aval monitors maturity terms of commitments regarding credit facilities, because long-term commitments have a higher credit risk than short-term commitments.

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

Following is the detail of the guarantees, letters of credit and credit commitments on non-used credit lines as of December 31, 2021, and 2020.

(Amounts expressed in millions of Colombian pesos)

Loan commitments and financial guarantee contracts

	December 31, 2021		December 31, 2020	
	Notional amount		Notional amount	
Guarantees	Ps.	4,886,575	Ps.	4,185,261
Unused letters of credit		1,366,444		1,488,505
Unused limits of overdrafts		2,064,096		923,257
Unused credit card limits		29,541,882		23,931,872
Other		10,077,324		6,623,515
Total	**Ps.**	**47,936,321**	**Ps.**	**37,152,410**

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

	December 31, 2021		December 31, 2020	
Colombian Pesos	Ps.	22,073,167	Ps.	18,870,877
U.S. dollars		25,465,480		17,823,788
Euro		15,650		246,520
Other		382,024		211,225
Total	**Ps.**	**47,936,321**	**Ps.**	**37,152,410**

4.1.10 Offset of financial assets and financial liabilities

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

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

The 'similar agreements' include derivative clearing agreements; global master repurchase agreements and global master securities lending agreements. Similar financial instruments include derivatives, sale-and-repurchase agreements, reverse sale-and-repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the following tables unless they are offset in the statement of financial position.

The ISDA (International Swaps and Derivatives Association) and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of Grupo Aval or of the counterparties or following other predetermined events. In addition, Grupo Aval and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Grupo Aval receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:

- Derivatives; and
- Sale-and-repurchase, and reverse sale-and-repurchase agreements.

This collateral is subject to standard industry terms including, when appropriate, an ISDA credit support annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured in the statement of financial position on the following bases:

- Derivative assets and liabilities – fair value;
- Assets and liabilities resulting from sale-and-repurchase agreements, reverse sale-and repurchase agreements and securities lending and borrowing – amortized cost;

(Amounts expressed in millions of Colombian pesos)

The following is the detail of the financial instruments subject to offset contractually required as of December 31, 2021, and 2020:

December 31, 2021

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Exposure
				Financial Instruments	Cash collateral Received	
Offsetting assets						
Derivatives	Ps. 1,207,157	Ps. —	Ps. 1,207,157	Ps. (581,595)	Ps. (30,314)	Ps. 595,248
Repurchase agreements	952,548	—	952,548	(915,461)	(24,941)	12,146
Total	**Ps. 2,159,705**	**Ps. —**	**Ps. 2,159,705**	**Ps. (1,497,056)**	**Ps. (55,255)**	**Ps. 607,394**

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Exposure
				Financial Instruments	Cash collateral Received	
Offsetting liabilities						
Derivatives	Ps. 1,105,723	Ps. —	Ps. 1,105,723	Ps. (179,437)	Ps. (202,140)	Ps. 724,146
Repurchase agreements	9,449,943	—	9,449,943	(11,044,441)	(865,793)	(2,460,291)
Total	**Ps. 10,555,666**	**Ps. —**	**Ps. 10,555,666**	**Ps. (11,223,878)**	**Ps. (1,067,933)**	**Ps. (1,736,145)**

December 31, 2020

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Exposure
				Financial Instruments	Cash collateral Received	
Offsetting assets						
Derivatives	Ps. 1,290,144	Ps. —	Ps. 1,290,144	Ps. (232,569)	Ps. (109,388)	Ps. 948,187
Repurchase agreements	1,892,136	—	1,892,136	(1,642,412)	(439,722)	(189,998)
Total	**Ps. 3,182,280**	**Ps. —**	**Ps. 3,182,280**	**Ps. (1,874,981)**	**Ps. (549,110)**	**Ps. 758,189**

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Exposure
				Financial Instruments	Cash collateral Received	
Offsetting liabilities						
Derivatives	Ps. 1,509,201	Ps. —	Ps. 1,509,201	Ps. (103,784)	Ps. (119,566)	Ps. 1,285,851
Repurchase agreements	6,191,191	—	6,191,191	(8,004,888)	—	(1,813,697)
Total	**Ps. 7,700,392**	**Ps. —**	**Ps. 7,700,392**	**Ps. (8,108,672)**	**Ps. (119,566)**	**Ps. (527,846)**

(Amounts expressed in millions of Colombian pesos)

4.2 Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other market factors, such as liquidity, will result in losses in a position or in the portfolio.

Grupo Aval´s financial subsidiaries (namely Banco de Bogotá, Banco de Occidente, Banco Popular, Banco AV Villas, BAC Holding, Corficolombiana, Porvenir and the trust companies of the financial subsidiaries) actively participate in money markets, foreign exchange markets and capital markets, for both of their books (for balance sheet risk management and trading book) and to provide financial services to their customers. This is done subject to established policies and risk limits. In that regard, they hold financial asset portfolios within the allowed limits and risk levels.

Market risk arises from the positions of Grupo Aval´s financial subsidiaries in debt securities investment portfolios, derivatives and equity instruments. These risks are created by changes in factors such as interest rates, inflation, foreign currency exchange rates, share prices, credit margins of instruments and their volatility, as well as the liquidity in the markets where Grupo Aval operates.

Our business units and trading desks are responsible for ensuring that market risk exposures are well-managed and prudent. The risk management groups and our business unit management ensure that these risks are measured and closely monitored. A variety of limits and controls are designed to manage price and liquidity risk. Market risk is monitored through various mechanisms such as: statistically analysis (using Value-at-Risk models and related analytical measures), risk factor sensitivity analysis, and routine stress testing, conducted in collaboration with the business units by the Market Risk Unit. The material risks identified by these processes are summarized in reports produced by the Market Risk Unit that are circulated to, and discussed with, senior management.

4.2.1 Trading Book Risk

Grupo Aval´s financial subsidiaries trade financial instruments for various reasons, mainly:

- To offer products tailored to specific customer needs. Some of these products are designed to hedge the financial risks of customers.
- To take advantage of arbitrage opportunities among different yield curves, assets and markets, obtaining returns with an adequate use of capital.
- To hedge asset and liability risk positions on proprietary positions, to act on behalf of customers or to take advantage of arbitrage opportunities mainly in foreign exchange and interest rates in both local and foreign markets.

In carrying out these operations, Grupo Aval´s financial subsidiaries take risks, within predetermined limits. These risks are mitigated with the use of derivative products and other financial instruments within limits that are permanently monitored by risk.

The following is a breakdown of Grupo Aval's financial assets and liabilities exposed to trading risk held at December 31, 2021 and 2020.

Account		December 31, 2021		December 31, 2020
Financial assets				
Debt financial assets				
Trading investments in debt securities	Ps.	4,741,287	Ps.	4,780,993
Investments in debt securities mandatorily at FVTPL		—		7,385
Investments in debt securities at FVOCI		37,493,866		28,966,356
Total debt securities	Ps.	**42,235,153**	Ps.	**33,754,734**
Derivative assets instruments	Ps.	1,162,909	Ps.	1,133,924
Hedging derivatives assets		44,248		156,220
		1,207,157		**1,290,144**
Total financial assets	**Ps.**	**43,442,310**	**Ps.**	**35,044,878**
Liabilities				
Derivative liabilities instruments		1,049,910		1,452,574
Hedging derivatives liabilities		55,813		56,627
Total financial liabilities		**1,105,723**		**1,509,201**
Net position	**Ps.**	**42,336,587**	**Ps.**	**33,535,677**

4.2.2 Description of Objectives, Policies and Processes to Manage Trading Risk

Our financial subsidiaries participate in money markets, foreign exchange markets and capital markets to meet their needs and those of their customers, subject to established policies and risk levels. In this respect, they manage different portfolios of financial assets within the limits and risk levels allowed.

The risks assumed by Grupo Aval´s financial subsidiaries in transactions related to the trading or treasury book are consistent with the overall trading strategy, considering the market depth for each instrument, its impact on risk-weighted assets and regulatory capital, the profit budget established for each business unit, and the balance sheet structure.

Trading strategies are established on the basis of approved limits, in an effort to balance the risk / return relationship. Moreover, there is a structure of limits consistent with Grupo Aval's general philosophy and is based on capital levels, earnings performance and risk appetite.

The Market Risk Management System (SARM in Spanish) allows Grupo Aval´s financial subsidiaries to identify, measure, control and monitor the market risk they are exposed to in carrying out their operations.

There are several scenarios in which Grupo Aval´s financial subsidiaries are exposed to trading risks.

- Interest Rate Risk

  Grupo Aval's financial subsidiaries are exposed to interest rate risk as a result of its market-making activities and proprietary trading in interest rate sensitive financial instruments (e.g., risk arising from changes in the level or implied volatility of interest rates, the timing of mortgage prepayments, the shape of the yield curve and credit spreads for credit sensitive instruments). This risk includes the risk of repricing of floating rates. Additionally, as part of the interest rate risk management, asset and liability management committees have been established to monitor the execution of these strategies.

- Foreign Exchange Risk

  Grupo Aval's financial subsidiary's portfolios are exposed to foreign exchange rate and implied volatility risk as a result of market making negotiation in foreign currencies and from maintaining foreign exchange positions.

- Equity Price Risk and Mutual Fund Risk

  Grupo Aval´s financial subsidiaries are exposed to equity price risk in specific investments and are exposed to mutual fund risk in short term investments in money market or mutual funds.

4.2.2.1 Risk Management

Grupo Aval financial subsidiaries manage their trading positions by employing a variety of risk mitigation strategies. These strategies include diversification of risk exposures and hedging through the purchase or sale of positions in related securities and financial instruments, including a variety of derivative products (e.g., futures, forwards, swaps and options). The financial subsidiaries manage their market risk associated with its trading activities on a decentralized basis. Our corporate risk unit supervises the level of risk taken in order to ensure that its global exposure limits are observed.

Senior management and the boards of directors of our banks and their financial subsidiaries play an active role in managing and controlling market risk. They do so by analyzing established reports and through committees that comprehensively monitor - both technically and fundamentally - the different variables that influence domestic and foreign markets. This process is intended to support strategic trading and portfolio decisions.

Analyzing and monitoring the market risks that Grupo Aval´s financial subsidiaries take in their operations is essential for decision making and to assess potential effects on their financial position. An ongoing analysis of macroeconomic conditions is necessary in order to achieve an ideal combination of market risk, return and liquidity.

The risks assumed in financial operations are reflected in a limit structure that includes different types of instruments, specific trading strategies, the market depth in which Grupo Aval´s financial subsidiaries operate, the impact on risk-weighted assets and regulatory capital, as well as the balance sheet structure. These limits are monitored daily and reported regularly to the Board of Directors of Grupo Aval´s financial subsidiaries.

In order to minimize interest rate and exchange rate risks in specific positions and transactions, Grupo Aval´s financial subsidiaries manage hedging strategies by taking positions in derivative instruments such as non-deliverable forwards (NDF) related to securities, money market transactions and foreign exchange forwards.

4.2.2.2 Methods Used to Measure Trading Risk

The Market Risk areas independently reviews the Company's trading portfolios on a regular basis from a market risk perspective utilizing VaR (internal and regulatory models) and other quantitative and qualitative risk measures and analyses. Each trading business and the market risk areas also use, as appropriate, measures such as sensitivity to changes in interest rates, prices, implied volatilities and time decay to monitor and report market risk exposures. Stress testing, which measures the impact on the value of existing portfolios of specified changes in market factors for certain products, is performed periodically and is reviewed by our risk and trading areas. Reports summarizing material risk exposures are produced by the market risk areas and are provided to senior management.

The Boards of Directors and the Risk Committees of Grupo Aval´s financial subsidiaries approve a framework of limits based on the value-at-risk related to the annual budget.

Regulatory VaR (regulatory calculation)

The Regulatory VaR calculation is primarily used for the Superintendency of Finance's solvency ratio calculations. Each bank has standard models for capital purposes; however, they also maintain internal models in order to manage their day-to- day risk and profit decisions.

The Superintendency of Finance methodology is based on the Basel II model. This model applies only to the financial subsidiaries' investment portfolio and excludes investments not classified as trading. Total market risk is calculated on a daily basis by aggregating the VaR for each risk exposure category on a ten-day horizon, based on risk factors calculated under extreme market stress scenarios. VaR at month-end is part of the capital adequacy ratio calculation (as set forth in Decree 2555 of 2010). The Superintendency of Finance's rules require the financial subsidiaries to calculate VaR for the following risk factors: interest rate risk, foreign exchange rate risk, equity price risk and fund risk. Correlations between risk factors are not considered. The fluctuations in the portfolio's VaR depend on sensitivity factors determined by the Superintendency of Finance, modified duration and changes in balances outstanding. The ten-day horizon is defined as the average time in which an entity could sell a trading position in the market.

The VaR calculation includes all the portfolios of the entities and their financial subsidiaries and is estimated under the methodology defined by the Superintendency of Finance of Colombia.

These methods are used to determine the occurrence of potential losses among the different business units. The methods also allow comparisons of activities in different markets and identification of the riskiest positions in treasury activities. These tools are also used to determine limits on traders' positions and to promptly review positions and trading strategies in response to changes in market conditions. VaR models have inherent limitations, partially because they rely on historical data, which may not be an indicative of future market conditions. VaR models could overestimate or underestimate the value at risk if market conditions vary significantly and they do not calculate the greatest possible loss. That's why each company uses additional measurement tools in order to compensate for the VaR limitations. Expected Shortfall analysis, stress test and back tests are part of the risk measurement tools in the financial subsidiaries. The methods used to measure VaR are assessed regularly and backtested to check their efficiency.

Grupo Aval´s financial subsidiaries have tools to carry out portfolio stress and/or sensitivity tests, using extreme scenario simulations. Additionally, there are limits according to the "risk type" associated with each of the instruments comprising the different portfolios. These limits are related to sensitivity or impact on the value of the portfolio as a result of fluctuations of specific risk factors such as: interest rate (Rho), exchange rate (Delta) and volatility (Vega).

Grupo Aval´s financial subsidiaries have counterparty and trading limits for each trader in the trading platforms for the markets where they operate. trading limits are controlled daily by the back and middle offices of each entity. Trading limits for individual traders are assigned based upon the individual´s level in the organization, market and trading experience and product and portfolio management knowledge.

(Amounts expressed in millions of Colombian pesos)

There is also a process to monitor the prices of fixed-income securities traded in foreign markets published by investment price providers for those jurisdictions.

In addition, fixed income securities are subject to a qualitative liquidity analysis to determine the market depth for those instruments.

Finally, the daily transaction monitoring process includes controlling different aspects of trading, such as terms of negotiation, non-conventional or off-market transactions, and related party transactions.

BAC Holding and MFH´s Value at Risk are consolidated through Banco de Bogotá using the standard methodology established by the Colombian Superintendency of Finance.

According to the standard model, the market value-at-risk (VaR) for Grupo Aval´s financial subsidiaries consolidated at their level of December 31, 2021 and 2020 was as follows:

	December 31, 2021		December 31, 2020	
Entity	**Value**	**Basis points of regulatory capital**	**Value**	**Basis points of regulatory capital**
Banco Bogotá	1,013,946	100	942,885	84
Banco de Occidente	327,612	135	223,942	65
Banco Popular	173,261	169	101,773	52
Banco AV Villas	126,799	2	110,085	1
Corficolombiana	211,684	7	178,478	5
Porvenir	23,700	168	13,897	183

The following tables show the VaR calculation relating to each of the risk factors described above and based on the Superintendency of Finance Methodology (Regulatory VaR) for the years ended December 31, 2021 and 2020, for a ten-day horizon for each of our Colombian banking subsidiaries. The minimum, maximum and average levels are determined based on end-of-month calculations, using 12 data points between January and December.

Banco de Bogotá S.A

Maximum, Minimum and Average VaR Values
December 31, 2021

	Minimum	Average	Maximum	Period end
Interest rate	834,269	881,819	953,656	834,269
Exchange rate	16,782	75,904	122,718	70,029
Shares	2,714	8,623	15,898	2,820
Mutual funds	103,577	243,525	390,295	106,827

Maximum, Minimum and Average VaR Values
December 31, 2020

	Minimum	Average	Maximum	Period end
Interest rate	562,477	678,937	784,070	784,070
Exchange rate	54,921	227,179	425,137	54,921
Shares	1,269	1,683	1,946	1,778
Mutual funds	64,884	71,340	102,117	102,117

Banco de Bogota´s market risk weighted assets remained on average 6.8% of the total risk-weighted assets during the year ended December 31, 2021 and 8.6% on the year ended December 31, 2020.

Banco de Occidente S.A

Maximum, Minimum and Average VaR Values
December 31, 2021

	Minimum	Average	Maximum	Period end
Interest rate	165,412	252,604	298,420	255,312
Exchange rate	305	1,462	2,948	2,749
Shares	—	—	—	—
Mutual funds	53,521	65,460	76,636	69,551

(Amounts expressed in millions of Colombian pesos)

Maximum, Minimum and Average VaR Values
December 31, 2020

	Minimum	Average	Maximum	Period end
Interest rate	112,623	148,239	170,819	170,819
Exchange rate	762	4,529	21,198	968
Shares	—	—	—	—
Mutual funds	7,756	41,097	52,216	52,155

Banco de Occidente´s market risk weighted assets remained on average 10.1% of the total risk-weighted assets during the year ended December 31, 2021 and 5.8% for the year ended December 31, 2020.

Banco Popular S.A

Maximum, Minimum and Average VaR Values
December 31, 2021

	Minimum	Average	Maximum	Period end
Interest rate	73,313	121,143	153,794	151,504
Exchange rate	4,459	5,261	6,067	5,649
Shares	143	169	183	144
Mutual funds	15,379	15,623	15,964	15,964

Maximum, Minimum and Average VaR Values
December 31, 2020

	Minimum	Average	Maximum	Period end
Interest rate	81,513	98,609	117,115	81,513
Exchange rate	2,648	4,693	5,280	4,562
Shares	176	247	348	180
Mutual funds	14,577	15,025	15,518	15,518

Banco Popular´s market risk weighted assets remained on average 9.7% of the total risk-weighted assets during the year ended December 31, 2021 and 4.8% on the year ended December 31, 2020.

Banco Comercial AV Villas S.A

Maximum, Minimum and Average VaR Values
December 31, 2021

	Minimum	Average	Maximum	Period end
Interest rate	122,480	139,437	154,513	125,004
Exchange rate	2	38	75	41
Shares	—	—	—	—
Mutual funds	309	1,248	1,942	1,754

Maximum, Minimum and Average VaR Values
December 31, 2020

	Minimum	Average	Maximum	Period end
Interest rate	24,002	71,458	108,019	106,016
Exchange rate	1	39	174	52
Shares	—	—	—	—
Mutual funds	81	1,468	4,017	4,017

Banco AV Villas' market risk weighted assets remained on average 13.0% of the total risk-weighted assets during the year ended December 31, 2021 and 9.7% on the year ended December 31, 2020.

(Amounts expressed in millions of Colombian pesos)

Corficolombiana S.A

Maximum, Minimum and Average VaR Values
December 31, 2021

	Minimum	Average	Maximum	Period end
Interest rate	128,648	183,241	216,352	195,119
Exchange rate	1,443	4,848	12,098	1,876
Shares	12,852	13,586	14,041	13,267
Mutual funds	1,333	2,607	5,523	1,423

Maximum, Minimum and Average VaR Values
December 31, 2020

	Minimum	Average	Maximum	Period end
Interest rate	124,737	151,817	174,718	157,021
Exchange rate	441	3,265	6,449	5,463
Shares	10,807	12,339	13,507	13,507
Mutual funds	2,097	2,667	3,241	2,487

Corficolombiana's market risk weighted assets remained on average 11.7% of the total risk-weighted assets during the year ended December 31, 2021 and 13.2% on the year ended December 31, 2020. As Corficolombiana does not have a relevant number of loans or other significant risk weighted assets, the ratio of the market risk weighted assets to total risk weighted assets is higher than in the banks.

As a pension fund, Porvenir has a value-at-risk measurement methodology that differs from credit establishments and is established by the Superintendency of Finance. The following tables show the VaR calculation relating to each of the risk factors described above and based on that Methodology (Regulatory VaR) for the years ended December 31, 2021, and 2020, for a ten-day horizon.

Porvenir S.A

Maximum, Minimum and Average VaR Values
December 31, 2021

	Minimum	Average	Maximum	Period end
Interest rate	13,284	26,863	44,976	44,976
Exchange rate	192	350	491	272
Shares	996	1,741	2,673	2,673
Mutual funds	1,141	1,930	3,531	1,924

Maximum, Minimum and Average VaR Values
December 31, 2020

	Minimum	Average	Maximum	Period end
Interest rate	15,597	24,404	48,969	17,707
Exchange rate	310	461	840	448
Shares	817	2,664	7,029	2,439
Mutual funds	823	3,971	8,905	1,532

Porvenir' market risk weighted assets remained on average 24.0% of the total risk-weighted assets during the year ended December 31, 2021 and 16.2% on the year ended December 31, 2020.

Investment Price Risk in Equity Instruments

Equity Investments

As stated above, variations in equity price risk measured based on the regulatory VaR methodology include both equity securities held for trading through profit or losses and non-strategic holdings. In addition, it does not discriminate between listed and unlisted equity investments or between those which consolidate and those which do not. It includes investments in non-financial institutions.

(Amounts expressed in millions of Colombian pesos)

Holding periods for many of Corficolombiana's equity investments exceed ten years. Its largest investments have remained in the portfolio for several years and are intended to remain as permanent investments. Therefore, no value at risk is estimated. At December 31, 2021 and 2020, the only investments subject to regulatory VaR were holdings in Mineros S.A.

The following table breaks down our investments subject to regulatory VaR by time since initial investments at December 31, 2021 and 2020.

	At December 31,					
	2021			2020		
	Investment subject to Regulatory VaR	Regulatory VaR	Percentage of portfolio	Investment subject to Regulatory VaR	Regulatory VaR	Percentage of portfolio
More than 36 months	85,229	12,529	100 %	85,832	12,617	100 %
Total	**85,229**	**12,529**	**100 %**	**85,832**	**12,617**	**100 %**

4.2.3 Structural foreign exchange risk

Grupo Aval´s financial subsidiaries have agencies and subsidiaries offshore and have assets and liabilities in foreign currencies and are thus exposed to changes in the exchange rates, primarily the United States Dollar. Foreign exchange risk is present when there are assets and liabilities denominated in foreign currency, when investments are made in foreign subsidiaries and branches and when we extend loans or take funds in foreign currency. There is also foreign exchange risk in foreign currency off balance sheet transactions.

Subsidiaries of the financial sector in Colombia are authorized by the country's central bank (Banco de la República) to trade currencies and to maintain balances in foreign currency in accounts abroad. Colombian law allows for banks to maintain a net daily asset or liability position in foreign currency, determined as the difference in foreign currency denominated rights and foreign currency denominated obligations including both on and off-balance sheet positions. On a separate basis, the average of this difference over three business days cannot exceed twenty percent (20%) of the entity's regulatory capital. On a consolidated basis, the average of this difference over three business days (positive or negative) cannot exceed forty percent (40%) of the consolidated entity´s regulatory capital.

The maximum and minimum total foreign currency position and the spot foreign currency position are determined according to each entity´s regulatory capital. The regulatory capital that is used in the calculations, corresponds to the regulatory capital of the last business day of the previous two-months. The exchange rate used in the calculation is the average of the exchange rate of the previous month set by the Superintendency of Finance.

A substantial amount of Grupo Aval's foreign currency assets and liabilities are in U.S. dollars. Details on the assets and liabilities in foreign currency held by Grupo Aval at December 31, 2021 and 2020 are shown below:

(Amounts expressed in millions of Colombian pesos)

December 31,2021 **Account**	**U.S. dollars (Millions)**	**Other currencies converted to U.S. dollars (Millions)**	**Total in Colombian pesos (Millions)**
Financial assets			
Cash and cash equivalents	4,711	2,021	26,800,791
Trading investments in debt securities	111	13	493,454
Investments in debt securities at FVOCI	4,459	1,083	22,062,791
Investments in debt securities at amortized cost	118	-	469,723
Loan portfolio financial assets at amortized cost	20,187	5,804	103,475,257
Derivative financial assets held for trading	239	-	952,889
Derivative financial assets held for hedging	4	-	16,669
Trade receivable	383	229	2,435,666
Total financial assets	**30,212**	**9,150**	**156,707,240**

Account	**U.S. dollars (Millions)**	**Other currencies converted to U.S. dollars (Millions)**	**Total in Colombian pesos (Millions)**
Financial liabilities			
Derivative financial liabilities held for trading	204	-	811,062
Derivative financial liabilities held for hedging	8	-	33,160
Customer deposits	20,630	7,394	111,566,151
Financial obligations	10,562	833	45,363,639
Accounts payable	536	-	2,134,728
Total financial liabilities	**31,940**	**8,227**	**159,908,740**
Net financial asset (liability) position	**(1,728)**	**923**	**(3,201,500)**

December 31,2020 **Account**	**U.S. dollars (Millions)**	**Other currencies converted to U.S. dollars (Millions)**	**Total in Colombian pesos (Millions)**
Financial assets			
Cash and cash equivalents	5,521	2,043	25,963,067
Trading investments in debt securities	122	—	417,925
Investments in debt securities at FVOCI	4,092	860	16,997,663
Investments in debt securities at amortized cost	150	4	527,510
Loan portfolio financial assets at amortized cost	19,678	4,754	83,863,582
Derivative financial assets held for trading	258	1	887,957
Derivative financial assets held for hedging	36	10	156,220
Trade receivable	367	201	1,949,445
Total financial assets	**30,224**	**7,873**	**130,763,369**

Account	**U.S. dollars (Millions)**	**Other currencies converted to U.S. dollars (Millions)**	**Total in Colombian pesos (Millions)**
Financial liabilities			
Derivative financial liabilities held for trading	349	—	1,197,924
Derivative financial liabilities held for hedging	8	—	26,924
Customer deposits	21,144	6,916	96,314,534
Financial obligations	9,717	712	35,797,463
Accounts payable	475	—	1,630,860
Total financial liabilities	**31,693**	**7,628**	**134,967,705**
Net financial asset (liability) position	**(1,469)**	**245**	**(4,204,336)**

Grupo Aval's financial subsidiaries hedge their foreign exchange exposure using derivatives instruments, especially forwards. The net foreign currency position of each subsidiary is monitored on a daily basis.

Grupo Aval has a number of investments in foreign subsidiaries and branches whose net assets are exposed to foreign exchange risk because of the translation of gains or losses for the purpose of consolidating their financial statements. The exposure arising from net assets in foreign operations is hedged primarily with financial obligations, bonds and foreign exchange derivative instruments.

(Amounts expressed in millions of Colombian pesos)

The following table presents sensitivities of profit or loss before taxes and equity (OCI) to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables held constant:

December 31,2021	**Increase Ps.100 per U.S. dollar**	**Decrease Ps.100 per U.S. dollar**
Equity	Ps. 175,470	Ps. (175,470)
Foreign exchange effect on profit before taxes	15,853	(15,853)

December 31,2020	**Increase Ps.100 per U.S. dollar**	**Decrease Ps.100 per U.S. dollar**
Equity	Ps. (21,158)	Ps. 21,158
Foreign exchange effect on profit before taxes	(31,578)	31,578

The sensitivity in equity considers mainly assets and liabilities of entities with functional currencies different from the Group's presentation currency compensated with derivatives and financial labilities designated to hedge net investments in foreign operations. The sensitivity in profit or loss was calculated for monetary assets and liabilities denominated in currencies other than the functional currency of the respective entities of the Group, including intercompany balances which are not hedged. The Group's exposure to currency risk at the end of the reporting period is not representative of the typical exposure during the year.

4.2.4 Structural Interest Rate Risk

Non-trading instruments consist primarily of loans and deposits. The net interest margin of our financial subsidiaries may be affected by changes in interest rates. Losses can result from unexpected movements in interest rates. For this reason, our financial subsidiaries monitor the interest rate risk daily and set limits on asset and liability mismatches.

Grupo Aval´s financial subsidiaries monitor their interest rate risk daily and set limits to repricing mismatches between assets and liabilities. They analyze their interest rate exposure in a dynamic way. Scenario modelling considers renewal of existing positions, financing alternatives, and hedges. Considering these scenarios, the financial subsidiaries calculate the profit and loss impact of changes in interest rates.

The following table shows interest rates exposure for assets and liabilities at December 31, 2021 and 2020. In this table, fixed rate instruments are classified according to their maturity date and floating rate instruments are classified according to their repricing date. The following analysis includes the interest rate exposure of non-interest-bearing and interest-bearing assets and liabilities by maturity bucket for our financial subsidiaries:

(Amounts expressed in millions of Colombian pesos)

December 31, 2021

Assets	Less than one month	From one to six months	From six to twelve months	More than a year	Non-interest	Total
Cash and cash equivalents	Ps. 5,283,158	Ps. —	Ps. —	Ps. —	Ps. 31,359,671	Ps. 36,642,829
Trading investments in debt securities	32,533	795,986	716,615	3,196,153	—	4,741,287
Investments in debt securities mandatorily at FVTPL	—	—	—	—	—	—
Investments in debt securities at FVOCI	691,305	4,549,642	1,960,040	30,292,879	—	37,493,866
Investments in debt securities at amortized cost	1,503,177	3,710,000	385,985	175,908	—	5,775,070
Service concession arrangements	—	—	—	3,228,480	—	3,228,480
Commercial loans	38,417,251	31,409,143	10,996,375	41,205,035	—	122,027,804
Consumer loans	17,866,168	11,445,530	2,254,215	45,323,232	—	76,889,145
Mortgages loans	14,247,634	833,794	416,847	13,622,041	—	29,120,316
Microcredit loans	42,175	13,241	36,456	225,867	—	317,739
Interbank and overnight funds	3,121,735	96,698	—	—	—	3,218,433
Trade receivable	—	163	—	455,859	15,725,505	16,181,527
Total Assets	**Ps. 81,205,136**	**Ps. 52,854,197**	**Ps. 16,766,533**	**Ps. 137,725,454**	**Ps. 47,085,176**	**Ps. 335,636,496**

Liabilities	Less than one month	From one to six months	From six to twelve months	More than a year	Non-interest	Total
Checking accounts	Ps. 34,024,691	Ps. —	Ps. —	Ps. —	Ps. 25,201,158	Ps. 59,225,849
Time deposits	6,947,437	36,252,017	18,492,124	23,838,666	—	85,530,244
Saving deposits	89,097,128	—	—	—	—	89,097,128
Other deposits	9,727	92,610	—	—	514,864	617,201
Interbank and overnight funds	8,935,468	1,169,368	501,221	66,358	—	10,672,415
Leases contracts	50,860	244,198	173,335	2,413,764	—	2,882,157
Borrowing from banks and similar	3,323,809	11,132,293	3,823,854	5,962,597	—	24,242,553
Long-term debt	296,675	3,923,750	5,940,106	22,097,401	—	32,257,932
Borrowing from development entities	1,188,693	955,697	37,388	1,045,491	—	3,227,269
Total Liabilities	**Ps. 143,874,488**	**Ps. 53,769,933**	**Ps. 28,968,028**	**Ps. 55,424,277**	**Ps. 25,716,022**	**Ps. 307,752,748**

December 31, 2020

Assets	Less than one month	From one to six months	From six to twelve months	More than a year	Non-interest	Total
Cash and cash equivalents	Ps. 5,103,991	Ps. —	Ps. —	Ps. —	Ps. 28,921,544	Ps. 34,025,535
Trading investments in debt securities	63,016	1,315,010	351,964	3,051,003	—	4,780,993
Investments in debt securities mandatorily at FVTPL	—	—	—	7,385	—	7,385
Investments in debt securities at FVOCI	947,691	3,558,616	2,367,715	22,092,334	—	28,966,356
Investments in debt securities at amortized cost	2,206,728	2,856,442	302,641	214,317	—	5,580,128
Service concession arrangements	—	—	—	2,958,385	—	2,958,385
Commercial loans	28,249,224	44,158,080	8,350,536	30,229,098	—	110,986,938
Consumer loans	13,451,176	10,002,297	1,947,260	40,434,724	—	65,835,457
Mortgages loans	12,541,450	640,162	49,522	11,327,637	—	24,558,771
Microcredit loans	42,825	16,327	38,698	274,471	—	372,321
Interbank and overnight funds	4,500,014	193,664	—	—	—	4,693,678
Trade receivable	483	1,971	104	429,395	11,949,056	12,381,009
Total Assets	**Ps. 67,106,598**	**Ps. 62,742,569**	**Ps. 13,408,440**	**Ps. 111,018,749**	**Ps. 40,870,600**	**Ps. 295,146,956**

Liabilities	Less than one month	From one to six months	From six to twelve months	More than a year	Non-interest	Total
Checking accounts	Ps. 30,243,920	Ps. —	Ps. —	Ps. —	Ps. 20,954,364	Ps. 51,198,284
Time deposits	12,240,632	32,810,863	16,138,426	22,369,267	—	83,559,188
Saving deposits	76,551,465	—	—	—	—	76,551,465
Other deposits	—	—	—	—	532,660	532,660
Interbank and overnight funds	5,109,198	2,066,552	3,894	—	—	7,179,644
Leases contracts	26,413	121,753	128,407	2,749,160	—	3,025,733
Borrowing from banks and similar	2,282,920	5,574,251	890,090	7,881,523	—	16,628,784
Long-term debt	851,368	2,858,141	468,618	23,582,670	—	27,760,797
Borrowing from development entities	1,502,692	1,040,936	177,983	1,308,197	—	4,029,808
Total Liabilities	**Ps. 128,808,608**	**Ps. 44,472,496**	**Ps. 17,807,418**	**Ps. 57,890,817**	**Ps. 21,487,024**	**Ps. 270,466,363**

(Amounts expressed in millions of Colombian pesos)

As part of their interest rate risk management process, our financial subsidiaries analyze the interest rate mismatches between their interest-earning assets and their interest-earning liabilities. This sensitivity analysis, based on hypothetical changes, assumes that the composition of Grupo Aval´s statement of financial position remains constant over the period being measured.

At December 31, 2021, if market interest rates increase 100 basis points, assuming no asymmetrical movement in yield curves and a constant financial position, profit for the year would have been Ps. 983,500 (2020: Ps. 871,706) higher, mainly as a result of higher interest income on variable interest assets compensated for higher interest expenses on variable interest liabilities and lower fair values of securities at fair value through profit or loss. Other comprehensive income in equity would have been Ps. 850,710 (2020: Ps. 307,667) lower, mainly as a result of a decrease in the fair values of fixed rate financial assets classified as fair value through OCI.

The following is a breakdown of non-interest-bearing and interest-bearing assets and liabilities by interest rate type and by maturity, at December 31, 2021 and 2020.

December 31, 2021

	Under one year		Over one year		Non-	
Assets	**Variable**	**Fixed**	**Variable**	**Fixed**	**interest**	**Total**
Cash due from banks and Central Bank	Ps. 3,274,798	Ps. 2,008,360	Ps. —	Ps. —	Ps. 31,359,671	Ps. 36,642,829
Trading investments in debt securities	291,112	1,083,931	170,091	3,196,153	—	4,741,287
Investments in debt securities mandatorily at FVTPL	—	—	—	—	—	—
Investments in debt securities at FVOCI	76,076	6,256,332	2,252,022	28,909,436	—	37,493,866
Investments in debt securities at amortized cost	3,698,780	1,703,837	237,316	135,137	—	5,775,070
Service concession arrangements	—	—	3,228,480	—	—	3,228,480
Commercial loans	46,056,475	5,334,618	66,555,715	4,080,996	—	122,027,804
Consumer loans	1,155,463	19,598,761	16,209,829	39,925,092	—	76,889,145
Mortgages loans	51,719	564,377	17,623,160	10,881,060	—	29,120,316
Microcredit loans	1,508	187,218	1,717	127,296	—	317,739
Interbank and overnight funds	1,535,822	1,682,611	—	—	—	3,218,433
Trade receivable	163	—	272,552	183,307	15,725,505	16,181,527
Total Assets	**Ps. 56,141,916**	**Ps. 38,420,045**	**Ps. 106,550,882**	**Ps. 87,438,477**	**Ps. 47,085,176**	**Ps. 335,636,496**

	Under one year		Over one year		Non-	
Liabilities	**Variable**	**Fixed**	**Variable**	**Fixed**	**interest**	**Total**
Checking accounts	Ps. 741,009	Ps. 33,283,682	Ps. —	Ps. —	Ps. 25,201,158	Ps. 59,225,849
Time deposits	8,304,838	50,693,337	5,342,572	21,189,497	—	85,530,244
Saving deposits	9,696,432	79,400,696	—	—	—	89,097,128
Other deposits	9,728	92,609	—	—	514,864	617,201
Interbank and overnight funds	1,992,364	8,613,693	—	66,358	—	10,672,415
Leases contracts	7,974	463,366	274,678	2,136,139	—	2,882,157
Borrowing from banks and other	10,007,688	7,868,540	2,982,781	3,383,544	—	24,242,553
Long-term debt	837,673	6,501,344	8,401,450	16,517,465	—	32,257,932
Borrowing from development entities	433,553	78,807	1,791,860	923,049	—	3,227,269
Total Liabilities	**Ps. 32,031,259**	**Ps. 186,996,074**	**Ps. 18,793,341**	**Ps. 44,216,052**	**Ps. 25,716,022**	**Ps. 307,752,748**

December 31, 2020

	Under one year		Over one year		Non-	
Assets	**Variable**	**Fixed**	**Variable**	**Fixed**	**interest**	**Total**
Cash due from banks and Central Bank	Ps. 4,329,679	Ps. 774,312	Ps. —	Ps. —	Ps. 28,921,544	Ps. 34,025,535
Trading investments in debt securities	155,967	1,216,804	510,017	2,898,205	—	4,780,993
Investments in debt securities mandatorily at FVTPL	—	—	—	7,385	—	7,385
Investments in debt securities at FVOCI	485,303	6,082,615	1,402,110	20,996,328	—	28,966,356
Investments in debt securities at amortized cost	4,628,090	654,021	122,739	175,278	—	5,580,128
Service concession arrangements	—	—	2,958,385	—	—	2,958,385
Commercial loans	41,440,988	4,248,149	62,230,307	3,067,494	—	110,986,938
Consumer loans	1,033,249	16,027,878	13,521,144	35,253,186	—	65,835,457
Mortgages loans	48,351	500,574	14,592,224	9,417,622	—	24,558,771
Microcredit loans	2,009	196,877	2,968	170,467	—	372,321
Interbank and overnight funds	2,580,209	2,113,469	—	—	—	4,693,678
Trade receivable	2,557	—	266,552	162,844	11,949,056	12,381,009
Total Assets	**Ps. 54,706,402**	**Ps. 31,814,699**	**Ps. 95,606,446**	**Ps. 72,148,809**	**Ps. 40,870,600**	**Ps. 295,146,956**

(Amounts expressed in millions of Colombian pesos)

	Under one year		Over one year		Non-	
Liabilities	**Variable**	**Fixed**	**Variable**	**Fixed**	**interest**	**Total**
Checking accounts	Ps. 9,353,906	Ps. 20,890,014	Ps. —	Ps. —	Ps. 20,954,364	Ps. 51,198,284
Time deposits	4,811,779	52,155,859	6,705,712	19,885,838	—	83,559,188
Saving deposits	23,982,154	52,569,311	—	—	—	76,551,465
Other deposits	—	—	—	—	532,660	532,660
Interbank and overnight funds	57,455	7,122,189	—	—	—	7,179,644
Leases contracts	2,757	273,280	124,306	2,625,390	—	3,025,733
Borrowing from banks and other	2,620,479	5,456,796	2,617,529	5,933,980	—	16,628,784
Long-term debt	284,227	1,540,152	6,746,212	19,190,206	—	27,760,797
Borrowing from development entities	747,892	7,509	3,244,241	30,166	—	4,029,808
Total Liabilities	**Ps. 41,860,649**	**Ps. 140,015,110**	**Ps. 19,438,000**	**Ps. 47,665,580**	**Ps. 21,487,024**	**Ps. 270,466,363**

4.3 Liquidity Risk

Liquidity risk management has always been a basic element of Grupo Aval's business strategy and a fundamental cornerstone, together with capital, on which the strength of its balance sheet rests. Liquidity risk is related to the inability of Grupo Aval´s subsidiaries to fulfill their obligations with customers, financial market counterparties, lenders, suppliers, authorities or other stakeholders at any given moment, in any currency and in any location.

Structural liquidity management aims to finance the recurring nature of a company's activities under optimal terms of time and cost, avoiding taking unwanted liquidity risks. At Grupo Aval, the financing and liquidity model is decentralized and based on autonomous subsidiaries that are responsible for covering their own liquidity needs. Therefore, each entity reviews its available resources on a daily basis in order to control its liquidity risk.

The financial subsidiaries of Grupo Aval are responsible for complying with the regulatory liquidity requirements, as well as meeting the obligations arising from their current and future activity. In consequence, they will either take deposits from their customers, or by resorting to the wholesale markets where they operate. Grupo Aval's financial subsidiaries have a strong capacity as well as to raise funds in the wholesale markets.

Financial subsidiaries comply with the requirements for liquidity risk management of the jurisdictions in which they operate. They define policies that govern the functions of identification, measurement, control and monitoring required to manage daily liquidity requirements, comply with minimum liquidity buffers and establish liquidity contingency plans to deal with any unexpected situation.

The methodology for the assessment and measurement of liquidity risk at BAC Holding and subsidiaries include:

a) Generation of liquidity GAP analysis by currency for the short and long term, including normal and stressed scenarios;
b) Coverage ratios, by currency, on 1 day and 30 days horizons, under normal and stressed scenarios;
c) Prudential regulation of maturity ratios, by currency, for 1 and 3 months horizons;
d) Indicator of liquidity coverage by currency according to regulation;
e) Internal measurements to assess liquidity risk, by currency (global liquidity indicator).

Financial subsidiaries controlled by Grupo Aval, in Colombia, are required to maintain adequate liquidity positions based on the Superintendency of Finance's liquidity parameters, using a short-term liquidity index (Indicador de Riesgo de Liquidez), or "IRL," that measures liquidity for different time horizons from 1 to 90 days. This index is defined as the difference between adjusted liquid assets and net liquidity requirements.

- Liquid assets include total debt securities adjusted by market liquidity and exchange rate, excluding investment securities at amortized cost different from mandatory investments, Central Bank deposits and available cash.

- Net liquidity requirements are the difference between expected contractual asset and contractual and non-contractual liability cash flows. Cash flows from past due loans are not included in this calculation.

During 2020, as part of its convergence towards Basel III standards, the Superintendency of Finance incorporates the segmentation by type of deposits in the calculation of non-contractual liability cash flows. The methodology segments saving deposits in eight categories, according with their balance and the type of customer, then calculates the run-off rate for each category and finally multiplies both to determine the non-contractual reserve.

(Amounts expressed in millions of Colombian pesos)

Grupo Aval´s financial subsidiaries assess the volatility of deposits, debt levels, the asset and liability structure, the liquidity of different asset types, the availability of lines of credit and the effectiveness of asset and liability management. The objective is to have adequate liquidity to manage possible stress scenarios.

The quantification of appropriate money market funding levels is an integral part of the liquidity measurement carried out by each entity. Based on statistical analysis, primary and secondary sources of liquidity are identified in order to ensure funding stability and diversification, and to minimize concentration.

Financial subsidiaries in Colombia and other countries must maintain cash on hand and in Central Banks deposits in order to comply with reserve requirements. The reserve requirement calculations are based on the daily average of the different types of deposits on a biweekly basis. As of December 31, 2021, and 2020, all of Grupo Aval´s financial subsidiaries comply with reserve requirements. Details on the required percentage in each country are shown below:

	Requested Percentage	
Country	**Details**	**%**
Colombia	Checking account and Savings accounts	8%
	Time deposits > 18 months	3.5%
Guatemala	Deposits and Capital raising	14.6%
El Salvador	Demand deposits	17.4%
	Saving Deposits	15.4%
	Debt securities	5%
	Debt overseas Banks	3%
	Time Deposits	12%
Honduras	Demand deposits in local currency	12%
	Demand deposits in foreign currency	24%
Nicaragua	Daily, Liabilities in local and foreign currency	10%
	Biweekly, Liabilities in local and foreign currency	15%
Costa Rica	Demand deposits in local currency	12%
	Demand deposits in foreign currency	15%

There are no reserve requirements for our subsidiaries located in Panamá because there is no Central Bank to regulate such requirements.

The following is a breakdown of the liquid assets by maturity from 1 to 90 days, based on separate figures of our financial subsidiaries in Colombia at December 31, 2021 and 2020:

December 31, 2021

Bank	**Liquid assets available at the end of the year (1)**	**From 1 to 7 days (2)**	**From 1 to 30 days (2)**	**From 31 to 90 days (2)**
Banco de Bogota	12,019,528	10,233,924	2,928,010	(12,974,116)
Banco Occidente	6,598,351	5,923,470	2,935,981	(4,254,187)
Banco Popular	4,752,893	3,847,320	1,670,839	(4,180,180)
Banco AV Villas	2,850,272	2,506,591	1,138,719	(2,391,818)
Corficolombiana	1,498,050	818,874	612,503	155,747

(Amounts expressed in millions of Colombian pesos)

December 31, 2020

Bank	Liquid assets available at the end of the year (1)	From 1 to 7 days (2)	From 1 to 30 days (2)	From 31 to 90 days (2)
Banco de Bogota	13,288,366	12,028,201	4,061,462	(15,436,650)
Banco Occidente	5,721,647	5,059,970	2,493,311	(3,876,649)
Banco Popular	4,257,296	3,838,863	1,771,506	(3,288,224)
Banco AV Villas	3,856,825	3,490,247	2,118,081	(1,631,993)
Corficolombiana	1,475,013	1,041,529	846,155	265,176

(1) Liquid assets are the sum of assets that are easily convertible into cash. Fixed income investments at amortized cost and financial investments pledged as collateral or subject to any other type of encumbrance, preventive measure or of any nature, that prevent their free assignment or transfer, as well as those that have been transferred under repurchase agreements, simultaneous or temporary transfer of securities are excluded. The value of the liquid assets mentioned above is calculated at the market price of the fair value on the date of the evaluation.

(2) This amount is the remaining value of the liquid assets in the specified time period, or the IRL, that is calculated as the difference between liquid assets and liquid assets requirement, according to the IRL methodology, the liquidity requirement is the difference of contractual cash inflows and contractual and non-contractual cash outflows during a given period.

The liquidity calculations described above assume normal liquidity conditions, according to the contractual flows and historical experience of each of the financial subsidiaries. for extreme liquidity events caused by unusual deposit withdrawals, the financial subsidiaries have contingency plans that include available credit lines with other financial institutions and access to special lines of credit with Colombia´s Central Bank, in accordance with current regulations. These lines of credit are granted when required, and are collateralized by Colombian government securities or by a portfolio of high-quality loans, as specified in the Central Bank regulations. Grupo Aval´s financial subsidiaries did not access the Central Bank special lines of credit during the years ended at December 31, 2021 and 2020.

The banks in each country are responsible for their liquidity position on a stand-alone basis. They have access to funding mechanisms with their central banks, and to funding through credit lines. Short-term credits are offered by correspondent banks and financing is granted by multilateral organizations, among others.

(Amounts expressed in millions of Colombian pesos)

The following is a breakdown shows the contractual undiscounted cash flows of the financial assets and liabilities including contractual interest receivable and payable at December 31, 2021 and 2020.

December 31, 2021

Assets	Less than one month	From one to six months	From six to twelve months	More than a year	Total
Cash and cash equivalents	Ps. 36,643,590	Ps. —	Ps. —	Ps. —	Ps. 36,643,590
Trading investments in debt securities	1,011,503	370,930	492,410	3,282,434	5,157,277
Investments in debt securities at FVOCI	1,604,848	3,044,414	2,862,119	34,745,868	42,257,249
Investments in debt securities at amortized cost	1,081,415	1,823,390	2,371,911	633,147	5,909,863
Commercial loans	9,809,098	30,451,593	18,772,628	76,758,332	135,791,651
Consumer loans	8,375,893	15,808,085	7,887,969	67,044,374	99,116,321
Mortgages loans	454,701	1,292,203	1,460,754	47,489,267	50,696,925
Microcredit loans	55,623	90,193	88,626	171,360	405,802
Interbank and overnight funds	3,122,471	96,699	—	—	3,219,170
Trading derivatives	507,825	425,590	101,956	148,323	1,183,694
Hedging derivatives	5,543	10,370	374	27,960	44,247
Trade receivable	3,271,964	13,153	—	16,124,995	19,410,112
Other assets	444,119	24,950	—	327,809	796,878
Total Assets	**Ps. 66,388,593**	**Ps. 53,451,570**	**Ps. 34,038,747**	**Ps. 246,753,869**	**Ps. 400,632,779**

Liabilities	Less than one month	From one to six months	From six to twelve months	More than a year	Total
Checking accounts	Ps. 59,225,849	Ps. —	Ps. —	Ps. —	Ps. 59,225,849
Time Deposits	7,779,290	35,442,629	19,562,990	27,843,989	90,628,898
Saving deposits	89,097,129	—	—	—	89,097,129
Other deposits	513,538	102,703	—	960	617,201
Interbank and overnight funds	8,969,747	1,171,437	504,694	65,939	10,711,817
Leases contracts	57,865	283,853	217,949	2,429,190	2,988,857
Borrowing from banks and other	2,889,421	10,765,842	5,362,568	5,435,913	24,453,744
Long-term debt	200,635	3,817,290	6,333,080	28,286,920	38,637,925
Borrowing from development entities	82,034	1,026,949	294,017	2,409,550	3,812,550
Trading derivatives	434,100	277,799	109,758	168,757	990,414
Hedging derivatives	33,156	4	—	22,653	55,813
Other liabilities	5,538,451	358,081	—	1,856,437	7,752,969
Total Liabilities	**Ps. 174,821,215**	**Ps. 53,246,587**	**Ps. 32,385,056**	**Ps. 68,520,308**	**Ps. 328,973,166**

Commitments Loans	Less than one month	From one to six months	From six to twelve months	More than a year	Total
Guarantees	Ps. 3,775,771	Ps. 398,955	Ps. 420,525	Ps. 210,600	Ps. 4,805,851
Standby letters of credit	1,203,078	163,087	279	—	1,366,444
Overdraft facility	2,064,096	—	—	—	2,064,096
Standby credit card facility	28,906,520	986,366	100,320	401,281	30,394,487
Undrawn approved loans	3,332,443	134,755	—	—	3,467,198
Others	—	—	—	759,226	759,226
Total Commitments Loans	**Ps. 39,281,908**	**Ps. 1,683,163**	**Ps. 521,124**	**Ps. 1,371,107**	**Ps. 42,857,302**

(Amounts expressed in millions of Colombian pesos)

December 31, 2020

Assets	Less than one month	From one to six months	From six to twelve months	More than a year	Total
Cash and cash equivalents	Ps. 34,026,753	Ps. —	Ps. —	Ps. —	Ps. 34,026,753
Trading investments in debt securities	1,265,889	260,383	344,326	3,014,493	4,885,091
Investments in debt securities at FVOCI	736,508	3,055,021	3,101,278	26,052,069	32,944,876
Investments in debt securities at amortized cost	915,856	2,409,027	2,043,473	406,820	5,775,176
Commercial loans	9,379,468	26,383,248	15,939,046	70,385,496	122,087,258
Consumer loans	7,429,129	11,888,567	7,258,707	58,423,353	84,999,756
Mortgages loans	374,972	1,076,649	1,208,561	38,053,720	40,713,902
Microcredit loans	46,056	105,314	107,837	238,739	497,946
Interbank and overnight funds	4,506,807	187,157	—	—	4,693,964
Trading derivatives	628,282	347,114	103,115	79,826	1,158,337
Hedging derivatives	117,543	5,152	630	32,895	156,220
Trade receivable	2,727,684	11,139	104	12,608,086	15,347,013
Other assets	309,348	5	—	199,124	508,477
Total Assets	**Ps. 62,464,295**	**Ps. 45,728,776**	**Ps. 30,107,077**	**Ps. 209,494,621**	**Ps. 347,794,769**

Liabilities	Less than one month	From one to six months	From six to twelve months	More than a year	Total
Checking accounts	Ps. 51,198,289	Ps. —	Ps. —	Ps. —	Ps. 51,198,289
Time Deposits	8,925,182	31,192,770	18,811,378	29,021,634	87,950,964
Saving deposits	76,549,976	—	—	—	76,549,976
Other deposits	527,048	—	—	5,667	532,715
Interbank and overnight funds	5,106,274	2,066,582	3,894	—	7,176,750
Leases contracts	26,558	122,739	129,311	2,751,006	3,029,614
Borrowing from banks and other	1,445,835	5,054,121	2,368,809	8,701,112	17,569,877
Long-term debt	417,119	809,098	1,118,483	30,816,558	33,161,258
Borrowing from development entities	52,095	305,186	448,503	3,894,139	4,699,923
Trading derivatives	784,201	428,227	118,340	109,268	1,440,036
Hedging derivatives	24,653	22,428	254	9,291	56,626
Other liabilities	5,070,859	256,287	55,711	1,310,468	6,693,325
Total Liabilities	**Ps. 150,128,089**	**Ps. 40,257,438**	**Ps. 23,054,683**	**Ps. 76,619,143**	**Ps. 290,059,353**

Commitments Loans	Less than one month	From one to six months	From six to twelve months	More than a year	Total
Guarantees	Ps. 3,370,344	Ps. 480,872	Ps. 150,640	Ps. 183,404	Ps. 4,185,260
Standby letters of credit	1,431,833	56,145	527	—	1,488,505
Overdraft facility	923,257	—	—	—	923,257
Standby credit card facility	23,319,980	128,819	96,615	386,458	23,931,872
Undrawn approved loans	2,032,277	174,647	—	—	2,206,924
Others	232,331	—	—	—	232,331
Total Commitments Loans	**Ps. 31,310,022**	**Ps. 840,483**	**Ps. 247,782**	**Ps. 569,862**	**Ps. 32,968,149**

4.4 Regulatory capital management

Grupo Aval, Financial Holding

As a result of Colombian Law 1870 of 2017 (also known as Financial Conglomerates Law), that came in effect on February 6, 2019, Grupo Aval is now also subject to the inspection and supervision of the Superintendency of Finance (SFC, for its acronym in Spanish). This law created the legal category of financial holding companies and of financial conglomerates and gives the Colombian Finance minister the power, to impose capital adequacy requirements on the financial conglomerates on an aggregate/consolidated basis, among others.

In compliance with Decree 774 issued on May 8th, 2018 by the Colombian Government that came in effect on 8th of November 2019 after an 18-month transition period and the External Circular 012 of June 5, 2018 (in Spanish *Circular Externa 012 del 5 de junio de 2018*) issued by the Superintendency of Finance (SFC), Grupo Aval is subject to minimum capital requirements. As of December 31, 2021, and 2020, Grupo Aval, Financial Conglomerate, complied with regulatory capital requirements.

Grupo Aval's financial subsidiaries

Decree 2555 of 2010 (as modified by Decree 1771 of 2012, Decree 1648 of 2014, Decree 2392 of 2015, Decrees 1477 of 2018 and 1421 of 2019) sets forth capital adequacy requirements for Colombian credit institutions. Between August 1, 2013 and January 1, 2021, technical capital for Colombian credit institutions consisted of the sum of total basic capital (patrimonio básico) or total primary capital (Tier I), and secondary capital (patrimonio adicional) or secondary capital (Tier II). Primary capital (Tier I) consist of the sum of ordinary basic capital or primary capital (patrimonio básico ordinario) and additional basic capital or additional primary capital (patrimonio básico adicional). Tier I and Tier II, as defined herein, may differ to the manner in which those terms are used in other jurisdictions.

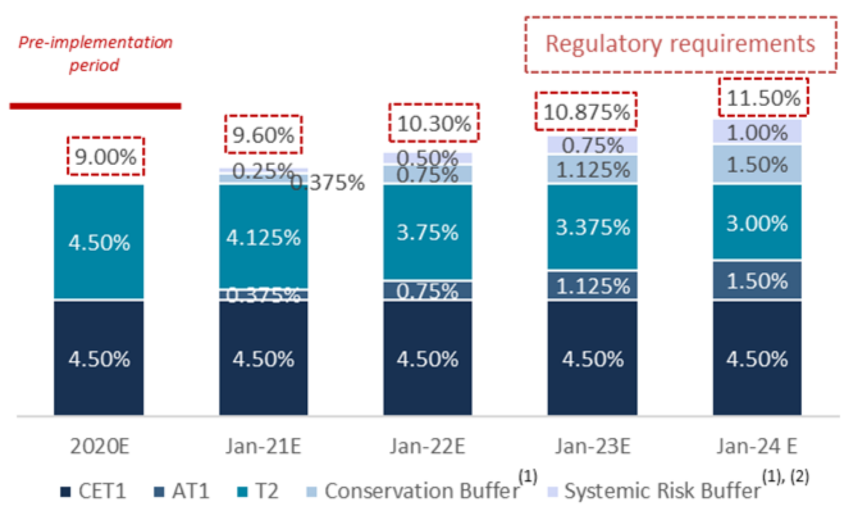
The total solvency ratio prior to January 1, 2021 was defined as the value of the technical capital calculated in the terms of the Decree 2555 of 2010, divided by risk-weighted assets by level of credit and market risk. Credit institutions' technical capital had to be at least 9.0% of the institution's total risk-weighted assets and also had comply with a measure of "core solvency" for Tier I, which required higher-quality capital set at a minimum of 4.5% of total risk-weighted assets.

Pursuant to Decree 2555 of 2010 (as amended), the Superintendency of Finance must grant prior approval of the eligibility of a debt, equity or hybrid instrument in order to be classified as Tier I, Additional Tier I (AT1) or Tier II.

The Decrees 1477 of 2018 and 1421 of 2019 introduced Basel III principles to estimate adequate capital in credit establishments. The main changes contained in these Decrees, which came into effect on January 1, 2021, are as follows:

- Total solvency ratio is defined as the value of the technical capital (CET1, AT1 and T2) calculated under the terms of the Decree 1477 of 2018 and the Decree 1421 of 2019, divided by risk-weighted assets by level of credit, market and operational risk, at a minimum of 9%;
- A minimum Core Equity Tier 1 (CET1) of 4.5%;
- A minimum Core Equity Tier 1 plus Additional Tier 1 (AT1) of 6%;
- A capital conservation buffer of 1.5% consisting of CET1;
- A systemic risk buffer of 1.0% for systemically important financial institutions (SIFIS) consisting of CET1; and
- Includes an operational risk component in risk weighted assets;
- In addition, these Decrees established a minimum leverage ratio of 3%.

These indicators (with the exception of the leverage ratio) must be achieved gradually from 2021 to 2024, in accordance with the transition plan established in the regulation. Banco de Bogotá was considered an Entity of Systemic Importance, according to Circular Externa 76 of December 2, 2020, issued by the Superintendency of Finance and therefore must comply with this systemic buffer. The following chart presents the statutory transition period as set forth in the Decrees 1477 of 2018 and 1421 of 2019:



(1) Requires highest quality of capital.
(2) Will only apply to SIFIs as defined by the Superintendency of Finance.

(Amounts expressed in millions of Colombian pesos)

In accordance with the minimum capital requirements and in compliance with the Superintendency of Finance of Colombia's new regulation, Grupo Aval and its financial subsidiaries are aimed to accomplish the guidelines of Decree 1421 which was issued on August 6, 2019, which introduced minimum capital requirements for operational risk to credit establishments adopting the Basel III standard. The decree includes a transition period of 18 months, due on January 1, 2021. The supervisor incorporates in Chapter XXIII of Accounting and Financial Circular (CBCF), an update of instructions related to the management of operational risk that financial entities must implement, in order to raise their levels to international standards and best practices, which will become effective on July 7, 2021.

As of December, 31 2021, and 2020, all of Grupo Aval´s financial subsidiaries complied with the minimum regulatory capital requirements, as established by Basel II. Below is shown the consolidated outcome by entity of the minimum regulatory capital, required for the entities regulated by the Superintendency of Finance:

	December 31, 2021				
	Banco de Bogotá	**Banco de Occidente**	**Banco Popular**	**Banco AV Villas**	**Corficolombiana**
Common Equity Tier One Capital	16,798,256	3,976,479	2,679,376	1,328,179	10,297,725
Additional Tier One Capital	2,070,203	—	—	176	181
Tier One Capital	**18,868,459**	**3,976,479**	**2,679,376**	**1,328,355**	**10,297,906**
Tier Two Capital	3,438,652	464,650	196,830	67,754	—
Deductions	(28,010)	—	—	—	(49,152)
Technical Capital	**22,279,101**	**4,441,129**	**2,876,206**	**1,396,109**	**10,248,754**
Risk-weighted assets by level of credit	142,407,577	30,661,940	17,137,233	8,781,323	15,660,907
Market risk	11,266,069	3,640,125	1,925,118	1,408,877	2,352,045
Operational risk	10,857,424	1,670,957	800,880	614,340	2,112,103
Total risk-weighted assets	**164,531,070**	**35,973,022**	**19,863,231**	**10,804,540**	**20,125,055**
Basic solvency ratio (minimum 4.5%)	10.21 %	11.05 %	13.49 %	12.29 %	51.17 %
Additional basic solvency ratio (minimum 6%)	11.47 %	11.05 %	13.49 %	12.29 %	51.17 %
Capital Adequacy Ratio (minimum 9%)	13.54 %	12.35 %	14.48 %	12.92 %	50.93 %
Combined buffer	5.71 %	6.55 %	8.99 %	7.79 %	46.67 %
Leverage value	233,045,670	54,343,878	29,656,493	17,469,029	22,161,189
Leverage ratio (minimum 3%)	8.10 %	7.32 %	9.03 %	7.60 %	46.47 %

Starting on 18, December, 2021, given ATH is no longer considered as a financial entity by the Superintendency of Finance, Banco AV Villas' capital adequacy is in accordance with its separate financial statements under Colombian IFRS.

	December 31, 2020				
	Banco de Bogotá	**Banco de Occidente**	**Banco Popular**	**Banco AV Villas**	**Corficolombiana**
Regulatory Capital	**19,752,122**	**3,891,274**	**2,475,933**	**1,509,106**	**5,319,415**
Basic ordinary equity	12,828,890	3,176,896	2,056,501	1,348,671	4,741,904
Basic additional equity	6,923,232	714,378	419,432	160,435	577,510
Market risk	14,090,858	2,143,050	1,130,815	1,223,164	1,983,088
Credit risk	149,689,953	34,570,240	22,510,106	11,361,903	13,065,397
Total assets weighted by risk	**163,780,811**	**36,713,290**	**23,640,921**	**12,585,067**	**15,048,485**
Total solvency risk index.	12.06 %	10.60 %	10.47 %	11.99 %	35.35 %
Basic solvency risk index.	7.83 %	8.65 %	8.70 %	10.72 %	31.51 %

Likewise, Porvenir has adequately complied with the capital requirements established for pensions fund administrators in Colombia. The following is the detail of the capital requirements defined for them:

December 31, 2021

	Porvenir
Basic equity net of deductions	2,091,223
Additional equity	(2,063)
Stabilizations reserves	1,612,832
Regulatory Capital	476,328
Market risk exposure	263,338
Operational risk exposure	1,510,032
Assets weighted by risk	1,096,715
Solvency ratio	16.60 %

(Amounts expressed in millions of Colombian pesos)

December 31, 2020

Regulatory Capital	**Porvenir**
Basic equity net of deductions	2,034,006
Additional equity	14,270
Stabilizations reserves	1,346,821
Regulatory Capital	701,455
Market risk exposure	154,412
Operational risk exposure	1,401,704
Assets weighted by risk	953,504
Solvency ratio	27.95 %

NOTE 5 – ESTIMATION OF FAIR VALUE

The fair value of the financial assets and liabilities traded in active markets (such as financial assets in debt securities, equity securities and derivatives actively listed in stock exchanges or interbank markets) is based on dirty prices supplied by a price vendor. A dirty price includes accrued unpaid interest on the security, from the date of issuance or last payment of interest, up the date at which the security is valued.

An active market is a market where transactions for assets or liabilities are carried out with sufficient frequency and volume in order to provide price information on an ongoing basis. The fair value of financial assets and liabilities that are not traded in an active market is determined through appraisal techniques determined by the price supplier or by the management of Grupo Aval's entities. Appraisal techniques used for non-standardized financial instruments such as options, foreign exchange swaps and derivatives of the over-the-counter market, which include the use of interest rate or currency assessment curves built by providers and extrapolated to the specific conditions of the instrument being appraised, discounted cash flow analysis, options pricing models and other valuation techniques commonly used by market participants who rely mostly on market data and the least possible on specific data of entities.

Grupo Aval may use models developed internally for financial instruments with no active markets. These models are usually based on valuation techniques and methods generally standardized in the financial sector. The valuation models are mainly used for appraising financial equity instruments not listed on the stock exchange, debt certificates and other debt instruments for which the markets were or have been inactive during the financial period. Some inputs of these models may not be observable in the market and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and the valuation techniques used may not fully reflect all the factors relevant to the positions of Grupo Aval. Therefore, the appraisals are adjusted, if necessary, to allow for additional factors, including country risk, liquidity risks and counterparty risks.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for assets or liabilities identical to those which the entity can access as of the date of measurement.
- Level 2 inputs are inputs different than quoted prices included in Level 1 that are observable for the asset or liability, whether directly or indirectly in non-active markets.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which fair value measurement is classified in whole is determined based on the input of the lowest level that is most significant for measuring its total fair value. For such purpose, the relevance of an input is assessed in connection with the measurement of the total fair value. Financial instruments that are listed in markets that are not deemed active, but which are valued based in accordance with quoted market prices, quotes from price vendors or alternative price sources supported by observable inputs, are classified in Level 2.

If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, this measurement is classified as Level 3. The assessment of the importance of a particular input to the measurement of fair value in whole requires judgment, taking into account specific factors of the asset or liability.

(Amounts expressed in millions of Colombian pesos)

Determining what is deemed as 'observable' requires a significant judgment by Grupo Aval. Grupo Aval considers as observable data the market data which is already available, distributed or updated by the price suppliers, and it is reliable and verifiable, with no property rights, and provided by independent sources which are actively involved in the reference market.

5.1 Measurements of Fair Value on a Recurring Basis

Measurements of fair value on a recurring basis are those required or allowed in statement of financial position at the end of each accounting period.

The following table presents an analysis, within the hierarchy of fair value, of Grupo Aval´s assets and liabilities (by class), measured at fair value as of December 31, 2021 and 2020 on a recurring basis.

December 31, 2021

	Level 1	Level 2	Level 3	Total
Assets				
Trading investments				
Securities issued or secured by Colombian Government	Ps. 2,244,069	Ps. 513,883	Ps. —	Ps. 2,757,952
Securities issued or secured by other Colombian Government entities	—	249,510	—	249,510
Securities issued or secured by foreign Governments	—	150,962	62,901	213,863
Securities issued or secured by other financial entities	—	1,476,476	—	1,476,476
Securities issued or secured by non-financial sector entities	—	9,388	—	9,388
Others	—	34,098	—	34,098
Total trading investments	**Ps. 2,244,069**	**Ps. 2,434,317**	**Ps. 62,901**	**Ps. 4,741,287**
Investments in debt securities at fair value through profit or loss				
Others	—	—	—	—
Total investments in debt securities at fair value through profit or loss	**Ps. 2,244,069**	**Ps. 2,434,317**	**Ps. 62,901**	**Ps. 4,741,287**
Investments in debt securities at fair value through OCI				
Securities issued or secured by Colombian Government	10,638,542	5,433,220	—	16,071,762
Securities issued or secured by other Colombian Government entities	108,028	714,886	—	822,914
Securities issued or secured by foreign Governments	1,324,236	11,408,428	—	12,732,664
Securities issued or secured by central banks	—	1,857,718	—	1,857,718
Securities issued or secured by other financial entities	—	4,186,830	18,094	4,204,924
Securities issued or secured by non-financial sector entities	—	737,710	—	737,710
Others	52,466	1,005,882	7,826	1,066,174
Total investments in debt securities at fair value through OCI	**Ps. 12,123,272**	**Ps. 25,344,674**	**Ps. 25,920**	**Ps. 37,493,866**
Total investments in debt securities	**Ps. 14,367,341**	**Ps. 27,778,991**	**Ps. 88,821**	**Ps. 42,235,153**
Equity securities				
Trading equity securities	6,404	3,807,594	1,268,576	5,082,574
Investments in equity through OCI	1,313,152	4,395	88,588	1,406,135
Total equity securities	**Ps. 1,319,556**	**Ps. 3,811,989**	**Ps. 1,357,164**	**Ps. 6,488,709**
Held for trading derivatives				
Currency forward	—	851,109	—	851,109
Debt securities forward	—	1,099	—	1,099
Interest rate swap	—	208,440	—	208,440
Currency swap	—	39,589	—	39,589
Currency options	—	62,191	—	62,191
Index future	481	—	—	481
Total held for trading derivatives	**Ps. 481**	**Ps. 1,162,428**	**Ps. —**	**Ps. 1,162,909**
Hedging derivatives				
Currency forward	—	6,677	—	6,677
Interest rate swap	—	27,579	—	27,579
Currency swap	—	9,992	—	9,992
Total hedging derivatives	**Ps. —**	**Ps. 44,248**	**Ps. —**	**Ps. 44,248**
Other account receivables				

	Level 1	Level 2	Level 3	Total
Financial assets in concession contracts	—	—	3,228,480	3,228,480
Total other account receivables designated at fair value	**Ps. —**	**Ps. —**	**Ps. 3,228,480**	**Ps. 3,228,480**
Non- financial assets				
Biological assets	—	—	154,986	154,986
Investment properties	—	—	852,935	852,935
Total non- financial assets	**Ps. —**	**Ps. —**	**Ps. 1,007,921**	**Ps. 1,007,921**
Total assets at fair value on recurring basis	**Ps. 15,687,378**	**Ps. 32,797,656**	**Ps. 5,682,386**	**Ps. 54,167,420**
Liabilities				
Trading derivatives				
Currency forward	—	659,871	—	659,871
Debt securities forward	—	3,014	—	3,014
Index futures	4,972	—	—	4,972
Interest rate swap	—	230,862	—	230,862
Currency swap	—	72,044	—	72,044
Currency options	—	79,147	—	79,147
Total trading derivatives	**Ps. 4,972**	**Ps. 1,044,938**	**Ps. —**	**Ps. 1,049,910**
Hedging derivatives				
Currency forward	—	33,160	—	33,160
Interest rate swap	—	22,653	—	22,653
Total hedging derivatives	**Ps. —**	**Ps. 55,813**	**Ps. —**	**Ps. 55,813**
Total liabilities at fair value on recurring basis	**Ps. 4,972**	**Ps. 1,100,751**	**Ps. —**	**Ps. 1,105,723**

December 31, 2020

	Level 1	Level 2	Level 3	Total
Assets				
Trading investments				
Securities issued or secured by Colombian Government	Ps. 1,748,734	Ps. 1,083,245	Ps. —	Ps. 2,831,979
Securities issued or secured by other Colombian Government entities	—	187,295	—	187,295
Securities issued or secured by foreign Governments	—	129,082	72,230	201,312
Securities issued or secured by other financial entities	—	1,502,818	—	1,502,818
Securities issued or secured by non-financial sector entities	—	24,975	—	24,975
Others	—	32,614	—	32,614
Total trading investments	**Ps. 1,748,734**	**Ps. 2,960,029**	**Ps. 72,230**	**Ps. 4,780,993**
Investments in debt securities at fair value through profit or loss				
Others	—	—	7,385	7,385
Total investments in debt securities at fair value through profit or loss	**Ps. 1,748,734**	**Ps. 2,960,029**	**Ps. 79,615**	**Ps. 4,788,378**
Investments in debt securities at fair value through OCI				
Securities issued or secured by Colombian Government	9,943,470	2,903,729	—	12,847,199
Securities issued or secured by other Colombian Government entities	174,614	286,459	—	461,073
Securities issued or secured by foreign Governments	1,813,022	7,850,302	—	9,663,324
Securities issued or secured by central banks	—	1,862,922	—	1,862,922
Securities issued or secured by other financial entities	168,314	2,740,688	3,430	2,912,432
Securities issued or secured by non-financial sector entities	—	49,570	—	49,570
Others	35,491	1,122,041	12,304	1,169,836
Total investments in debt securities at fair value through OCI	**Ps. 12,134,911**	**Ps. 16,815,711**	**Ps. 15,734**	**Ps. 28,966,356**
Total investments in debt securities	**Ps. 13,883,645**	**Ps. 19,775,740**	**Ps. 95,349**	**Ps. 33,754,734**
Equity securities				
Trading equity securities	1,351	4,076,598	1,045,990	5,123,939
Investments in equity through OCI	1,400,896	221	113,973	1,515,090
Total equity securities	**Ps. 1,402,247**	**Ps. 4,076,819**	**Ps. 1,159,963**	**Ps. 6,639,029**
Held for trading derivatives				
Currency forward	—	817,161	—	817,161
Debt securities forward	—	349	—	349
Interest rate swap	—	245,618	—	245,618
Currency swap	—	31,394	—	31,394
Currency options	—	39,402	—	39,402
Total held for trading derivatives	**Ps. —**	**Ps. 1,133,924**	**Ps. —**	**Ps. 1,133,924**

(Amounts expressed in millions of Colombian pesos)

	Level 1	Level 2	Level 3	Total
Hedging derivatives				
Currency forward	—	123,325	—	123,325
Currency swap	—	32,895	—	32,895
Total hedging derivatives	**Ps. —**	**Ps. 156,220**	**Ps. —**	**Ps. 156,220**
Other account receivables				
Financial assets in concession contracts	—	—	2,958,385	2,958,385
Total other account receivables designated at fair value	**Ps. —**	**Ps. —**	**Ps. 2,958,385**	**Ps. 2,958,385**
Non- financial assets				
Biological assets	—	—	122,675	122,675
Investment properties	—	—	808,556	808,556
Total non- financial assets	**Ps. —**	**Ps. —**	**Ps. 931,231**	**Ps. 931,231**
Total assets at fair value on recurring basis	**Ps. 15,285,892**	**Ps. 25,142,703**	**Ps. 5,144,928**	**Ps. 45,573,523**
Liabilities				
Trading derivatives				
Currency forward	—	1,112,439	—	1,112,439
Debt securities forward	—	2,071	—	2,071
Index futures	1,165	—	—	1,165
Interest rate swap	—	251,414	—	251,414
Currency swap	—	39,705	—	39,705
Currency options	—	45,780	—	45,780
Total trading derivatives	**Ps. 1,165**	**Ps. 1,451,409**	**Ps. —**	**Ps. 1,452,574**
Hedging derivatives				
Currency forward	—	26,924	—	26,924
Interest rate swap	—	29,703	—	29,703
Total hedging derivatives	**Ps. —**	**Ps. 56,627**	**Ps. —**	**Ps. 56,627**
Total liabilities at fair value on recurring basis	**Ps. 1,165**	**Ps. 1,508,036**	**Ps. —**	**Ps. 1,509,201**

5.1.1. Trading assets in debt securities pledged as collateral

The following is a list of held-for-trading financial assets that are being used as collateral in repo operations, pledged as collateral for transactions with financial instruments, or pledged to third parties as collateral to secure financial obligations with other banks (See note 21).

	December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Pledged as collateral in money market operations				
Securities issued or secured by foreign Governments	Ps. —	Ps. 36,005	Ps. —	Ps. 36,005
Securities issued or secured by Colombian Government	1,722,648	253,834	—	1,976,482
Securities issued or secured by other financial entities	—	205,634	—	205,634
	Ps. 1,722,648	**Ps. 495,473**	**Ps. —**	**Ps. 2,218,121**
Pledged as collateral to special entities such as CRCC, BR and BVC (*)				
Securities issued or secured by Colombian Government	Ps. 20,444	Ps. —	Ps. —	Ps. 20,444
	Ps. 20,444	**Ps. —**	**Ps. —**	**Ps. 20,444**
	Ps. 1,743,092	**Ps. 495,473**	**Ps. —**	**Ps. 2,238,565**

(*) Cámara de Riesgo Central de Contraparte (“CRCC”), Banco de la República (“BR”) and Bolsa de Valores de Colombia (“BVC”)

(Amounts expressed in millions of Colombian pesos)

	December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Pledged as collateral in money market operations				
Securities issued or secured by foreign Governments	Ps. —	Ps. 27,440	Ps. —	Ps. 27,440
Securities issued or secured by Colombian Government	877,445	428,598	—	1,306,043
Securities issued or secured by other financial entities	—	50,801	—	50,801
Others	—	7,545	—	7,545
	Ps. 877,445	**Ps. 514,384**	**Ps. —**	**Ps. 1,391,829**
Pledged as collateral to special entities such as CRCC, BR and BVC (*)				
Securities issued or secured by Colombian Government	Ps. 59,743	Ps. —	Ps. —	Ps. 59,743
	Ps. 59,743	**Ps. —**	**Ps. —**	**Ps. 59,743**
Pledged as collateral to financial obligations				
Securities issued or secured by foreign Governments	Ps. —	Ps. 7	Ps. —	Ps. 7
	Ps. —	**Ps. 7**	**Ps. —**	**Ps. 7**
	Ps. 937,188	**Ps. 514,391**	**Ps. —**	**Ps. 1,451,579**

(*) Cámara de Riesgo Central de Contraparte (“CRCC”), Banco de la República (“BR”) and Bolsa de Valores de Colombia (“BVC”)

5.1.2 Investment in debt at FVOCI securities pledged as collateral

The following is a list of debt securities at FVOCI that are being used as collateral in repo operations, pledged as collateral for transactions with financial instruments, or pledged to third parties as collateral to secure financial obligations with other banks (See note 21).

	December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Pledged as collateral in money market operations				
Securities issued or secured by central banks	Ps. —	Ps. 37,797	Ps. —	Ps. 37,797
Securities issued or secured by foreign Governments	1,091,388	143,630	—	1,235,018
Securities issued or secured by Colombian Government	4,659,290	880,629	—	5,539,919
Securities issued or secured by other Colombian Government entities	9,002	59,303	—	68,305
Securities issued or secured by other financial entities	—	435,588	—	435,588
Securities issued or secured by non-financial sector entities	—	4,927	—	4,927
Others	52,466	138,987	—	191,453
	Ps. 5,812,146	**Ps. 1,700,861**	**Ps. —**	**Ps. 7,513,007**
Pledged as collateral in operations with derivative instruments				
Securities issued or secured by Colombian Government	11,155	—	—	11,155
	Ps. 11,155	**Ps. —**	**Ps. —**	**Ps. 11,155**
Pledged as collateral to special entities such as CRCC, BR and BVC (*)				
Securities issued or secured by Colombian Government	912,559	18,920	—	931,479
	Ps. 912,559	**Ps. 18,920**	**Ps. —**	**Ps. 931,479**
	Ps. 6,735,860	**Ps. 1,719,781**	**Ps. —**	**Ps. 8,455,641**

(*) Cámara de Riesgo Central de Contraparte (“CRCC”), Banco de la República (“BR”) and Bolsa de Valores de Colombia (“BVC”)

(Amounts expressed in millions of Colombian pesos)

	December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Pledged as collateral in money market operations				
Securities issued or secured by central banks	Ps. —	Ps. 869	Ps. —	Ps. 869
Securities issued or secured by foreign Governments	913,836	243,546	—	1,157,382
Securities issued or secured by Colombian Government	3,260,950	342,847	—	3,603,797
Securities issued or secured by other Colombian Government entities	7,760	35,842	—	43,602
Securities issued or secured by other financial entities	36,747	106,807	—	143,554
Others	35,492	128,113	—	163,605
	Ps. 4,254,785	**Ps. 858,024**	**Ps. —**	**Ps. 5,112,809**
Pledged as collateral in operations with derivative instruments				
Securities issued or secured by Colombian Government	—	10,247	—	10,247
	Ps. —	**Ps. 10,247**	**Ps. —**	**Ps. 10,247**
Pledged as collateral to special entities such as CRCC, BR and BVC (*)				
Securities issued or secured by Colombian Government	552,083	63,016	—	615,099
	Ps. 552,083	**Ps. 63,016**	**Ps. —**	**Ps. 615,099**
	Ps. 4,806,868	**Ps. 931,287**	**Ps. —**	**Ps. 5,738,155**

(*) Cámara de Riesgo Central de Contraparte ("CRCC"), Banco de la República ("BR") and Bolsa de Valores de Colombia ("BVC")

5.2 Items Measured at Fair Value on a Non-Recurring Basis

Grupo Aval is required on a nonrecurring basis to adjust the carrying value of certain assets and liabilities or provide valuation allowances. These assets or liabilities primarily include impaired collateralized loans and non-current assets held for sale. The fair value of these assets which are classified as Level 3 are determined using pricing models, discounted cash flow methodologies, current replacement cost or similar techniques, using internal models or external experts with sufficient experience and knowledge of the real estate market or of assets being appraised. Generally, these appraisals are carried out by references to market data or based on the replacement cost, when sufficient market data is not available.

The following table presents Grupo Aval's assets and liabilities, classified within the fair value hierarchy, which are measured on a nonrecurring basis as of December 31, 2021 and 2020 at fair value less cost of sale:

	Level 1	**Level 2**	**Level 3**	**Total**
December 31, 2021				
Impaired collateralized loans	Ps. —	Ps. —	Ps. 1,959,513	Ps. 1,959,513
Non- current assets held for sale	—	—	208,426	208,426
	Ps. —	**Ps. —**	**Ps. 2,167,939**	**Ps. 2,167,939**

	Level 1	**Level 2**	**Level 3**	**Total**
December 31, 2020				
Impaired collateralized loans	Ps. —	Ps. —	Ps. 1,508,693	Ps. 1,508,693
Non- current assets held for sale	—	—	240,412	240,412
	Ps. —	**Ps. —**	**Ps. 1,749,105**	**Ps. 1,749,105**

5.3 Fair Value determination

The following tables provide information about valuation techniques and significant inputs when measuring fair value on a recurring basis for assets and liabilities, with fair value hierarchy classification of level 2 or level 3.

Level 2 instruments are those which are valued using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

The following table provides information about valuation techniques and significant inputs when measuring fair value on a recurring basis for assets and liabilities classified as level 2.

ASSETS AND LIABILITIES	Valuation technique Level 2	Significant inputs
Investments in debt securities at fair value		
In Colombian Pesos		
Securities issued or secured by the Colombian Government Securities issued or secured by other financial entities Securities issued or secured by non-financial sector entities Others	Income approach Market approach	Theoretical price / estimated price(1) Average price / market price(2)
Securities issued or secured by other Colombian Government entities	Income approach Market approach	Theoretical price / estimated price(1) Yield and margin Average price / market price(2)
In Foreign Currency		
Securities issued or secured by the Colombian Government	Income approach Market approach	Negotiation price, if there are not negotiations, it is calculated by groups of debt securities according to the Superintendency of Pensions methodologies. Theoretical price / estimated price(1) Average price / market price(2)
Securities issued or secured by other Colombian Government entities	Income approach Market approach	Theoretical price / estimated price(1) Market price(2)
Securities issued or secured by foreign Governments	Income approach Market approach	Discounted cash flows using yields from similar securities outstanding Discounted cash flows Negotiation price, if there are not negotiations, it is calculated by groups of debt securities according to the Superintendency of Pensions methodologies. Last auction allocation price Market price or price calculated based on benchmarks set by price providers methodologies Bloomberg Generic Market price(2)
Securities issued or secured by central banks	Income approach	Discounted cash flows using yields from similar securities outstanding Discounted cash flows Market price or price calculated based on benchmarks set by price providers methodologies Last auction allocation price

ASSETS AND LIABILITIES	Valuation technique Level 2	Significant inputs
Securities issued or secured by other financial entities Others	Income approach	Theoretical price / estimated price[1] Discounted cash flows using yields from similar securities outstanding Discounted cash flows Negotiation price, if there are not negotiations, it is calculated by groups of debt securities according to the Superintendency of Pensions methodologies. Market price or price calculated based on benchmarks set by price providers methodologies.
	Market approach	Bloomberg Generic Market price[2]
Securities issued or secured by non-financial sector entities	Income approach	Negotiation price, if there are not negotiations, it is calculated by groups of debt securities according to the Superintendency of Pensions methodologies. Theoretical price / estimated price[1] Market price or price calculated based on benchmarks set by price providers methodologies.
	Market approach	Market price[2]
Equity securities		
Corporate stock	Market approach	Estimated prices[1]
Investment funds [2]	Market approach	Market value of underlying assets, less management and administrative fees
Trading derivatives		
Foreign currency forward	Income approach	Discounted cash flow FWD points, discount rates of different currencies and Spot exchange rates Cash exchange rate and interest rate US$ and CRC
	Market approach	TRM, curves and market price[2]
Debt securities forward	Income approach	Discounted cash flow
Interest rate swap Cross currency swap	Income approach	Discounted cash flow
	Market approach	IBR and fixed rate
Currency options	Income approach	Discounted cash flow Black&Sholes&Merton model
	Market approach	TRM, delta rates interest
Hedging derivatives		
Currency forward	Income approach	Discounted cash flow
	Market approach	TRM, curves
Currency options	Income approach	Discounted cash flow
Interest rate swap	Income approach	Discounted cash flow
	Market approach	Curves
Currency futures	Income approach	Discount rate, spot rate

(1) Estimated Price: A valuation model based on information obtained from a price vendor when it is not able to supply quoted prices (unadjusted) for each security. This model is the basis for the construction of the valuation margin of the securities that is represented on the assigned curve or reference rate. This margin remains constant on the assigned curve or reference rate when calculating the theoretical valuation price.

(2) Quoted market prices (i.e. obtained from price vendors). The subsidiary Porvenir S. A. according to Colombian rules is required to invest to 1% of its total assets under management from severance and mandatory pension funds.

The following table provides information about valuation techniques and significant unobservable inputs when measuring Level 3 assets and liabilities at recurring fair value.

ASSETS	Valuation technique Level 3	Significant inputs
Investments in debt securities at fair value		
<u>In Foreign Currency</u>		
Securities issued or secured by foreign Governments	Income approach	Discounted cash flows
Securities issued or secured by other financial entities	Income approach	Discounted cash flows Discounted cash flows using yields from similar securities outstanding. Market price or price calculated based on benchmarks set by price providers methodologies. Internal rate os return
	Market approach	Bloomberg Generic
Securities issued or secured by non-financial sector entities	Income approach	Discounted cash flows Market price or price calculated based on benchmarks set by price providers methodologies
Others	Income approach	Discounted cash flows
Equity securities		
Investments in equity securities(1)	Discounted cash flow	- Growth in values after 5 years - Income - Discount interest rates
	Adjusted net Asset Value	- Current financial assets
	Comparable Multiples	- Multiple of EBITDA
Other financial assets		
Assets under concession contracts	Discounted cash flow	- Free-cash flow from concession contracts - Concession contract’s maturity period - Perpetuity value of the year “n” free-cash flow - Present value of the discounted residual value at Weighted Average Cost of Capital ("WACC"). The detail of valuation process for financial assets in concession arrangements are outlined in (2)
Non-financial assets		
Biological assets	Discounted cash flow	The processes used to collect data and determine the fair value of biological assets are described in (3)
Investment properties	Discounted cash flow	The processes used to collect data and determine the fair value of investment properties are described in (4)

(Amounts expressed in millions of Colombian pesos)

(1) Valuation of equity securities Level 3

Investments with fair value hierarchy level 3 have significant unobservable inputs. Level 3 instruments include equity instruments, which are not quoted on any stock exchange. Given that observable prices are not available for these securities, Grupo Aval has used valuation techniques as discounted cash flows to obtain fair value.

The following table includes a sensitivity analysis of main equity securities amounting to Ps.43,383 as of December 31, 2021 classified at FVOCI level 3.

Methods and Variables	Variation		Favorable impact		Unfavorable impact
Comparable multiples / Recent transaction price					
EBITDA Number of times	+/-1 x	Ps.	246,938	Ps.	(967,707)
Adjusted net Asset Value					
Current financial assets	+/-5%		50		(50)
Adjusted discounted cash flow					
Growth in residual values after 5 years	+/-1%		7,508		(16,247)
Income	+/-1%		67,645		(73,742)
Discount interest rates	+/- 50 bps		48,141		(59,605)
		Ps.	**370,282**	**Ps.**	**(1,117,351)**

(2) Valuation of financial assets under Gas and Energy concession arrangement rights

Promigas and subsidiaries, designated the financial assets under concession contracts at fair value, the method used to estimate it is discounted cash flows.

The assumptions and inputs used in the calculation of the financial asset estimate were:

- The expiration date of each concession contract.
- The proportion of the expiry period left of each of the concession contracts in force.
- Operational cash flows (only) of the assets under concession.

The components of the calculations are the following:

- Free cash flow generated solely by assets under concession.
- Expiry period of the concession.
- Amount in - perpetuity of the Free Cash Flow (FCF) of the year, estimated factoring in a growth in the residual amount between 1% and 3% each year.
- Current amount of the residual amount Weighted Average Cost of Capital (WACC *), between 8.39% and 8.80% each year.

(*) 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. (Unlevered Beta 0.59, 2020)
- Risk Free Rate, Source: Geometric Average 1996-2020 of American bonds “T-Bonds”.
- Market Return, Source: Geometric Average 1996-2020 Damodaran “Stocks” USA.
- Market Premium: Market Return – Risk Free Rate.
- Country Risk Premium: Average last 5 years EMBI (Difference between 10-year Colombian sovereign bonds and 10 years “T-Bonds”). Damodaran.
- Emerging Market: Equity Premium Emerging countries (Lambda - Damodaran)

(Amounts expressed in millions of Colombian pesos)

Sensitivity analysis

The following table includes a sensitivity analysis of the assumptions used by Promigas and its subsidiaries in the calculation of fair value of unconditional transfer rights of gas pipelines to Government entities at the expiration date of the contracts. The value of the financial asset at December 31, 2021 is Ps. 3,228,480 and Ps. 2,958,385 at 2020, the sensitivity analysis shows their increase or decrease.

	December 31, 2021		December 31, 2020	
Variable	**+100 bps**	**-100 bps**	**+100 bps**	**-100 bps**
WACC	Ps. (788,000)	Ps. 1,232,537	Ps. (675,517)	Ps. 1,029,057
Perpetuity growth rate	700,340	(483,643)	596,031	(420,953)

(*) Perpetuity growth rate in the case of concessions with renewal clauses that are highly likely to be exercised.

(3) Biological Assets

Fair value of Grupo Aval subsidiaries "biological assets", which correspond to agricultural activities related to biological assets (animals or plants), is estimated based on internal reports prepared by the companies who own such assets. Fair value of biological assets is determined using valuations performed by experienced internal professionals, using discounted cash flow models. Since no comparable market exist for the biological assets, given their nature, their fair value is determined using discounted cash flows models for each biological asset, based on estimated future quantities of crops, prices, harvesting costs, and maintenance and crop yields, among others, discounted using a risk-free rate adjusted by an appropriate risk premium. See note 15.

The main assumptions used for determining the fair value of the principal biological assets are as follows:

1. Biological assets growing in rubber crops:

The price of natural rubber used to calculate the 2022-2024 cash flows was forecasted based on the average of the last 3 years of the Technically Specified Rubber (TSR20) per ton since January 2019 Ps. 0.41 (US$ 1,530/Ton), in order to reflect the behavior of the commodity for an entire economic cycle. Forecasted prices are adjusted annually based on the expected US inflation rate.

2. Biological assets growing in African palm crops:

The price of African palm oil (US$ per ton) used to calculate the 2022-2023 cash flows was forecasted based on the average price of palm oil since January 2020 (US$ 810.8/Ton), in order to reflect the behavior of the commodity for an entire economic cycle. Forecasted prices are adjusted annually with the expected US inflation rate.

(4) Investment properties

Investment properties are recognized at fair value, based on a valuation made at each year-end period using, as a basis, independent appraisal expert whose report is obtained and reviewed by management. While in the countries in which we operate, the frequency of transactions in the real state sector is low compared to other more developed markets, management believes there are enough references to assess the fair value of investment properties owned by Grupo Aval and its subsidiaries based on comparable market transactions. (See note 15.4)

Fire-sales are excluded from the comparable transactions used to estimate the fair-value of investment properties. Management has reviewed the main assumptions used by the independent external appraisers (such as inflation, interest rates, etc.) and believes they are consistent with market conditions at each end of period. However, management believes that the estimation of the fair value of investment properties depends on significant judgment from the independent expert appraisers, and as such, there could be a significant probability that the actual price of sale of a property differs from its fair value. (See note 5.1)

5.4 Transfers between level 1 and level 2 of the fair value hierarchy

The following table summarizes the transfer between fair value levels 1 and 2 during 2021 and 2020. 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.

(Amounts expressed in millions of Colombian pesos)

December 31, 2021

	Investments in debt securities at FVTPL Transfers between:		Investments in debt securities at FVOCI Transfers between:	
	Level 2 to 1	Level 1 to 2	Level 2 to 1	Level 1 to 2
Securities issued or secured by Colombian Government	Ps. —	Ps. —	Ps. —	Ps. 813,196
Securities issued or secured by other Colombian Government entities	—	—	—	193,459
Securities issued or secured by other financial entities	—	—	—	54,873
Others	—	—	16,446	—
	Ps. —	**Ps. —**	**Ps. 16,446**	**Ps. 1,061,528**

December 31, 2020

	Investments in debt securities at FVTPL Transfers between:		Investments in debt securities at FVOCI Transfers between:	
	Level 2 to 1	Level 1 to 2	Level 2 to 1	Level 1 to 2
Securities issued or secured by Colombian Government	Ps. 64,374	Ps. —	Ps. 685,075	Ps. —
	Ps. 64,374	**Ps. —**	**Ps. 685,075**	**Ps. —**

There were no transfers of fair values between levels 2 to or from level 3.

5.5 Reconciliation Level 3 of the fair value hierarchy

The reconciliation of the balances at the beginning of the period to the closing balances with the fair value measurements classified at Level 3 is shows in the following table.

	Financial assets in debt securities	Equity instruments	Financial assets in concession arrangements	Biological assets	Investment properties
January 1, 2019	**Ps. 13,733**	**Ps. 560,313**	**Ps. 2,488,414**	**Ps. 84,206**	**Ps. 836,324**
Valuation adjustment with an effect on income	(3,018)	18,721	217,616	18,914	19,597
Valuation adjustments with an effect on OCI	—	3,101	—	—	5,288
Transfers to non-current assets held for sale	—	—	—	—	21,722
Reclassification	—	—	—	—	(2,078)
Additions	—	238	—	20,559	116,702
Sales / redemptions	(613)	(74)	Ps. —	(18,822)	(68,989)
December 31, 2019	**Ps. 10,102**	**Ps. 582,299**	**Ps. 2,706,030**	**Ps. 104,857**	**Ps. 928,566**
Valuation adjustment with an effect on income	(1,390)	313,139	252,355	15,021	(46,924)
Valuation adjustments with an effect on OCI	(1,772)	6,960	—	—	9,014
Transfers from non-current assets held for sale	—	—	—	—	4,323
Reclassification	—	108	—	—	11,685
Business combination	—	—	—	—	10,164
Effect of movements in exchange rates	—	—	—	—	(700)
Additions	99,094	(*) 257,457	—	21,285	37,533
Sales / redemptions	(10,685)	—	—	(18,488)	(145,105)
December 31, 2020	**Ps. 95,349**	**Ps. 1,159,963**	**Ps. 2,958,385**	**Ps. 122,675**	**Ps. 808,556**
Valuation adjustment with an effect on income	4,222	177,310	270,095	28,546	22,775
Valuation adjustments with an effect on OCI	85,096	(6,431)	—	—	7,991
Transfers from non-current assets held for sale	—	—	—	—	22,847
Reclassification	—	—	—	—	4,490
Effect of movements in exchange rates	—	—	—	—	2,964
Additions	—	3,553	—	27,213	77,157
Sales / redemptions	(95,846)	(15,665)	—	(23,448)	(93,845)
Transfers from level 2 to level 3	—	73,859	—	—	—
Transfers from level 3 to level 2	—	(35,425)	—	—	—
December 31, 2021	**Ps. 88,821**	**Ps. 1,357,164**	**Ps. 3,228,480**	**Ps. 154,986**	**Ps. 852,935**

(*) For 12 Months ended as of December 31, 2020 this addition of Ps.257,457 corresponds to: The initial value of the Private Equity Fund Nexus Inmobiliario del Banco de Occidente and Fiduciaria de Occidente for Ps.250,768 and Ps.6,689 refers to new investments in instruments of equity held for trading (shares) of Multibank.

(Amounts expressed in millions of Colombian pesos)

5.6 Fair Value of Financial Assets and Liabilities recognized at Amortized Cost

The following table shows a summary of financial assets and liabilities accounted at amortized cost and valued at fair value as of December 31, 2021 and 2020, only for disclosure purposes.

	December 31, 2021				December 31, 2020			
	Carrying Amount		Fair Value Estimate		Carrying Amount		Fair Value Estimate	
Assets								
Investments in debt securities at amortized cost [1]	Ps.	5,775,070	Ps.	5,711,378	Ps.	5,580,128	Ps.	5,559,263
Credit portfolio at amortized cost [2]		220,297,825		222,142,713		195,541,994		203,901,379
Total financial assets	**Ps.**	**226,072,895**	**Ps.**	**227,854,091**	**Ps.**	**201,122,122**	**Ps.**	**209,460,642**
Liabilities								
Customer deposits [3]	Ps.	234,470,422	Ps.	235,505,912	Ps.	211,841,597	Ps.	216,035,503
Financial obligations [4]		73,282,326		72,891,434		58,624,766		60,181,205
Total financial liabilities	**Ps.**	**307,752,748**	**Ps.**	**308,397,346**	**Ps.**	**270,466,363**	**Ps.**	**276,216,708**

(1) **Financial assets at amortized cost**
Fair value of fixed income investments at amortized cost was determined using the dirty price given by the price supplier, securities in an active market and with a market price for the day of the valuation are classified as level 1; securities with no active market and/or with an estimated price (present value of the flows of a security, discounted with the reference rate and the corresponding margin) given by the supplier are classified as level 2 and level 3.

(2) **Credit portfolio at amortized cost**
For credit portfolio at amortized cost, the fair value was determined using discounted cash flows models at the interest rates offered by banks for granting new loans, taking into account the credit risk and its maturity; the process of valuation is deemed as level 3.
Accounts receivable and payable are classified as short-term assets and liabilities; in consequence, their fair value is similar to their book value.

(3) **Customer deposits**
The fair value of demand deposits is equal to their carrying value. For fixed-term deposits with maturities of less than 180 days, their fair value is deemed equal to their carrying value. For fixed-term deposits with maturities of more than 180 days, their fair value was estimated using the carrying discounted cash flow models and the interest rates offered by banks in accordance with their maturity. This is considered as a level 2 valuation.

(4) **Financial obligations**
For financial liabilities and other short-term liabilities, the carrying value was considered to be similar to its fair value. The fair value of long-term financial liabilities was determined using the discounted cash flow model at interest rates free of risk adjusted by risk premiums of each entity. The fair value of outstanding bonds is determined according to quoted prices or estimated prices supplied by the price vendor. It is considered that this is a level 2 valuation.

(Amounts expressed in millions of Colombian pesos)

NOTE 6 – CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

See accounting policies in Notes 2(2.5).

The following table provides a reconciliation of gross amount between line items in the statement of financial position and categories of financial instruments as of December 31, 2021 and 2020.

December 31, 2021 Assets	Note	Mandatorily at FVTPL	FVOCI – debt instruments	FVOCI – equity instruments	Amortized Cost	Total carrying amount
Cash and cash equivalents	7	Ps. —	Ps. —	Ps. —	Ps. 36,642,829	Ps. 36,642,829
Trading assets	**8**	**10,986,770**	**—**	**—**	**—**	**10,986,770**
Debt securities		4,741,287	—	—	—	4,741,287
Equity securities		5,082,574	—	—	—	5,082,574
Derivative assets		1,162,909	—	—	—	1,162,909
Investment securities	**9**	**—**	**37,493,866**	**1,406,135**	**5,775,070**	**44,675,071**
Measured at fair value		—	37,493,866	1,406,135	—	38,900,001
Measured at amortized cost		—	—	—	5,775,070	5,775,070
Loans	11	—	—	—	231,573,437	231,573,437
Other accounts receivable	**12**	**3,228,480**	**—**	**—**	**16,181,527**	**19,410,007**
Measured at fair value		3,228,480	—	—	—	3,228,480
Measured at amortized cost		—	—	—	16,181,527	16,181,527
Hedging derivative assets	10	44,248	—	—	—	44,248
Total financial assets		**Ps. 14,259,498**	**Ps. 37,493,866**	**Ps. 1,406,135**	**Ps. 290,172,863**	**Ps. 343,332,362**

Liabilities	Note	Mandatorily at FVTPL	FVOCI – debt instruments	FVOCI – equity instruments	Amortized Cost	Total carrying amount
Trading liabilities						
Derivative liabilities	8	Ps. 1,049,910	Ps. —	Ps. —	Ps. —	Ps. 1,049,910
Hedging derivative liabilities	10	55,813	—	—	—	55,813
Customer deposits	20	—	—	—	234,470,422	234,470,422
Financial obligations	21	—	—	—	73,282,326	73,282,326
Total financial liabilities		**Ps. 1,105,723**	**Ps. —**	**Ps. —**	**Ps. 307,752,748**	**Ps. 308,858,471**

December 31, 2020 Assets	Note	Mandatorily at FVTPL	FVOCI – debt instruments	FVOCI – equity instruments	Amortized Cost	Total carrying amount
Cash and cash equivalents	7	Ps. —	Ps. —	Ps. —	Ps. 34,025,535	Ps. 34,025,535
Trading assets	**8**	**11,038,856**	**—**	**—**	**—**	**11,038,856**
Debt securities		4,780,993	—	—	—	4,780,993
Equity securities		5,123,939	—	—	—	5,123,939
Derivative assets		1,133,924	—	—	—	1,133,924
Investment securities	**9**	**7,385**	**28,966,356**	**1,515,090**	**5,580,128**	**36,068,959**
Measured at fair value		7,385	28,966,356	1,515,090	—	30,488,831
Measured at amortized cost		—	—	—	5,580,128	5,580,128
Loans	11	—	—	—	206,447,165	206,447,165
Other accounts receivable	**12**	**2,958,385**	**—**	**—**	**12,381,009**	**15,339,394**
Measured at fair value		2,958,385	—	—	—	2,958,385
Measured at amortized cost		—	—	—	12,381,009	12,381,009
Hedging derivative assets	10	156,220	—	—	—	156,220
Total financial assets		**Ps. 14,160,846**	**Ps. 28,966,356**	**Ps. 1,515,090**	**Ps. 258,433,837**	**Ps. 303,076,129**

Liabilities	Note	Mandatorily at FVTPL	FVOCI – debt instruments	FVOCI – equity instruments	Amortized Cost	Total carrying amount
Trading liabilities						
Derivative liabilities	8	Ps. 1,452,574	Ps. —	Ps. —	Ps. —	Ps. 1,452,574
Hedging derivative liabilities	10	56,627	—	—	—	56,627
Customer deposits	20	—	—	—	211,841,597	211,841,597
Financial obligations	21	—	—	—	58,624,766	58,624,766
Total financial liabilities		**Ps. 1,509,201**	**Ps. —**	**Ps. —**	**Ps. 270,466,363**	**Ps. 271,975,564**

(Amounts expressed in millions of Colombian pesos)

NOTE 7 – CASH AND CASH EQUIVALENTS

Balances of cash and cash equivalents comprise the following as of December 31, 2021 and 2020:

		December 31, 2021		December 31, 2020
In Colombian Pesos				
Cash	Ps.	3,508,811	Ps.	4,008,010
Deposits in the Colombian central bank		4,752,234		3,632,924
Demand deposits in banks and other financial entities		725,100		230,389
Clearing houses		899		537
Investments in debt securities maturing in under three months		—		1,559
Cash held for specific purposes [(1)]		854,994		9,310
	Ps.	**9,842,038**	**Ps.**	**7,882,729**
In foreign currency				
Cash		2,867,651		2,329,999
Demand deposits in banks and other financial entities		22,062,202		22,354,601
Investments in debt securities maturing in under three months		1,707,136		1,387,800
Cash held for specific purposes [(1)]		163,802		70,406
	Ps.	**26,800,791**	**Ps.**	**26,142,806**
Total cash and cash equivalents	**Ps.**	**36,642,829**	**Ps.**	**34,025,535**

[(1)] The variation in cash held for specific purposes in local currency corresponds to: Ps. 663,196 in Covipacifico due to higher funding, collections, payment of the difference in toll rates, payment of Peaje Anconsur, and financial yields; Ps. 152,518 in Covioriente and Ps. 29,970 in Episol of restricted cash available for use in properties, networks and environmental, and in foreign currency, the variation corresponds to Ps. 93,396 in Covioriente due to of future validities in accordance with the concession agreement.

Grupo Aval´s banking subsidiaries had cash reserves to comply with the mandatory (see note 4.3) amount for time deposits, checking accounts and savings accounts for Ps. 19,263,147 and Ps. 14,342,075 at December 31, 2021 and 2020, respectively.

NOTE 8 – TRADING ASSETS AND LIABILITIES

Balances of trading asset and liabilities comprise the following as of December 31, 2021 and 2020:

	Note		December 31, 2021		December 31, 2020
Trading assets					
Debt securities	8.1	Ps.	4,741,287	Ps.	4,780,993
Equity securities	8.2		5,082,574		5,123,939
Derivative assets	8.3		1,162,909		1,133,924
		Ps.	**10,986,770**	**Ps.**	**11,038,856**
Trading liabilities					
Derivative liabilities	8.3		1,049,910		1,452,574
		Ps.	**1,049,910**	**Ps.**	**1,452,574**
Total trading assets and liabilities net		**Ps.**	**9,936,860**	**Ps.**	**9,586,282**

(Amounts expressed in millions of Colombian pesos)

8.1 Trading investments in debt securities

The following is the balance at December 31, 2021 and 2020.

	December 31, 2021		December 31, 2020	
Securities issued or secured by the Colombian Government	Ps.	2,757,952	Ps.	2,831,979
Securities issued or secured by other Colombian Government entities		249,510		187,295
Securities issued or secured by foreign Governments		213,863		201,312
Securities issued or secured by other financial entities		1,476,476		1,502,818
Securities issued or secured by non-financial sector entities		9,388		24,975
Others		34,098		32,614
Total trading debt securities	**Ps.**	**4,741,287**	**Ps.**	**4,780,993**

8.2 Trading investments in equity securities

The following is the balance as of December 31, 2021 and 2020.

	December 31, 2021		December 31, 2020	
In Colombian Pesos				
Corporate stock	Ps.	6,404	Ps.	1,297
Investment funds (1)(2)		2,792,570		3,019,846
Pension and severance funds (3)		2,139,971		1,978,634
	Ps.	**4,938,945**	**Ps.**	**4,999,777**
In foreign currency				
Corporate stock	**Ps.**	56,498	**Ps.**	42,649
Investment funds		87,131		81,513
	Ps.	**143,629**	**Ps.**	**124,162**
Total equity securities	**Ps.**	**5,082,574**	**Ps.**	**5,123,939**

(1) Grupo Aval has restricted investment funds related to Concesionaria Nueva Vía al Mar Ps. 422,317 and Concesionaria Vial del Pacífico Ps. 11,462.

(2) Includes investments in the private real estate fund Nexus as of December 31, 2021, Ps. 1,136,358 and as of December 31, 2020, Ps. 971,736.

(3) Pursuant to Colombian rules, Porvenir S. A. is required to directly invest 1% of the total assets of these funds in mandatory severance and pension funds managed by Porvenir.

(Amounts expressed in millions of Colombian pesos)

8.3 Trading derivatives assets and liabilities

Trading derivative assets and liabilities comprise the following as of December 31, 2021 and 2020.

	December 31, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Forward contracts				
Foreign currency to buy	Ps. 788,768	Ps. 39,398	Ps. 83,935	Ps. 1,081,010
Foreign currency to sell	62,341	620,473	733,226	31,429
Debt securities to buy	—	92	—	—
Debt securities to sell	1,099	2,922	349	2,071
Subtotal	**Ps. 852,208**	**Ps. 662,885**	**Ps. 817,510**	**Ps. 1,114,510**
Swap				
Cross currency	39,589	72,044	31,394	39,705
Interest rate	208,440	230,862	245,618	251,414
Subtotal	**Ps. 248,029**	**Ps. 302,906**	**Ps. 277,012**	**Ps. 291,119**
Futures contracts				
Debt securities to buy	—	—	—	—
Index to buy	481	312	—	1,165
Index to sell	—	4,660	—	—
Subtotal	**Ps. 481**	**Ps. 4,972**	**Ps. —**	**Ps. 1,165**
Options contracts				
Foreign currency to buy	61,550	12,190	30,889	2,003
Foreign currency to sell	641	66,957	8,513	43,777
Subtotal	**62,191**	**79,147**	**39,402**	**45,780**
Total derivative assets and liabilities trading	**Ps. 1,162,909**	**Ps. 1,049,910**	**Ps. 1,133,924**	**Ps. 1,452,574**

Derivative instruments contracted by Grupo Aval or its subsidiaries are generally traded in either domestic financial markets or in over-the-counter international markets. Derivative instruments have a net favorable position (asset) or a net unfavorable position (liability) as a result of fluctuations in exchange rates, in interest rates or other variables relating to market conditions. As a result, the aggregate amount of fair values of the assets and liabilities in derivative instruments may vary significantly from time to time.

NOTE 9 – INVESTMENT SECURITIES

Balances of investment securities comprise the following as of December 31, 2021 and 2020:

	Note	December 31, 2021	December 31, 2020
Investments in debt securities mandatorily at FVTPL	9.1	Ps. —	Ps. 7,385
Investments in debt securities at FVOCI	9.2	37,493,866	28,966,356
Investments in debt securities at amortized cost	9.3	5,775,070	5,580,128
Investments in equity securities at FVOCI	9.4	1,406,135	1,515,090
		Ps. 44,675,071	**Ps. 36,068,959**
Loss impairment			
Investments in debt securities at amortized cost	4.1.5	Ps. (10,698)	Ps. (7,195)
		Ps. (10,698)	**Ps. (7,195)**
Total investment securities net		**Ps. 44,664,373**	**Ps. 36,061,764**

(Amounts expressed in millions of Colombian pesos)

9.1 Investments in debt securities mandatorily at FVTPL

The following table includes investments on asset-backed securities mandatorily at FVTPL because the contractual cash flows of these securities are not SPPI on the principal outstanding.

	December 31, 2021	December 31, 2020
Others	—	7,385
Total investments in debt securities mandatorily at FVTPL	**Ps. —**	**Ps. 7,385**

9.2 Investments in debt securities at FVOCI

The following table includes investments in debt securities at FVOCI as of December 31, 2021 and 2020:

December 31, 2021

Debt securities	Cost	Unrealized Gain	Unrealized Losses	Fair Value	ECL
Securities issued or secured by Colombian Government	Ps. 17,139,726	Ps. 25,541	Ps. (1,093,505)	Ps. 16,071,762	Ps. 7,224
Securities issued or secured by other Colombian Government entities	839,348	8,500	(24,934)	822,914	1,338
Securities issued or secured by foreign Governments	12,520,572	310,558	(98,466)	12,732,664	98,826
Securities issued or secured by central banks	1,874,510	1,199	(17,991)	1,857,718	4,763
Securities issued or secured by other financial entities	4,233,539	14,364	(42,979)	4,204,924	8,325
Securities issued or secured by non-financial sector entities	731,400	9,161	(2,851)	737,710	2,161
Others	1,064,479	20,325	(18,630)	1,066,174	1,341
Total debt securities at FVOCI	**Ps. 38,403,574**	**Ps. 389,648**	**Ps. (1,299,356)**	**Ps. 37,493,866**	**Ps. 123,978**

December 31, 2020

Debt securities	Cost	Unrealized Gain	Unrealized Losses	Fair Value	ECL
Securities issued or secured by Colombian Government	Ps. 12,627,235	Ps. 220,361	Ps. (397)	Ps. 12,847,199	Ps. 5,290
Securities issued or secured by other Colombian Government entities	439,163	21,910	—	461,073	494
Securities issued or secured by foreign Governments	9,558,777	184,925	(80,378)	9,663,324	73,326
Securities issued or secured by central banks	1,861,216	4,117	(2,411)	1,862,922	4,293
Securities issued or secured by other financial entities	2,843,649	69,033	(250)	2,912,432	8,707
Securities issued or secured by non-financial sector entities	47,550	2,020	—	49,570	51
Others	1,124,667	45,665	(496)	1,169,836	4,325
Total debt securities at FVOCI	**Ps. 28,502,257**	**Ps. 548,031**	**Ps. (83,932)**	**Ps. 28,966,356**	**Ps. 96,486**

The following table shows amounts reclassified to profit or loss from OCI before taxes, related to fixed income investments debt securities measured at FVOCI:

	December 31, 2021	December 31, 2020
Redemptions or sales	294,112	612,127
ECL allowance	(13,675)	(68,072)
Total reclassified to profit or loss	**Ps. 280,437**	**Ps. 544,055**

(Amounts expressed in millions of Colombian pesos)

9.3 Investments in debt securities at amortized cost

The following table includes investments in debt securities at amortized cost as of December 31, 2021 and 2020:

Debt securities	December 31, 2021		December 31, 2020	
Securities issued or secured by Colombian Government	Ps.	1,569,076	Ps.	1,674,180
Securities issued or secured by other Colombian Government entities		3,696,298		3,378,438
Securities issued or secured by foreign Governments		27,866		34,747
Securities issued or secured by other financial entities		148,087		288,138
Securities issued or secured by non-financial sector entities		266,411		165,663
Others		67,332		38,962
Total debt securities at amortized cost	**Ps.**	**5,775,070**	**Ps.**	**5,580,128**

The following is a summary of investments in debt securities at amortized cost by maturity dates:

	December 31, 2021		December 31, 2020	
Up to 1 month	Ps.	808,501	Ps.	661,313
More than 1 month and no more than 3 months		37,451		315,593
More than 3 months and no more than 1 year		4,556,665		4,305,327
More than 1 year and no more than 5 years		178,404		122,578
More than 5 years and no more than 10 years		166,690		152,132
More than 10 years		27,359		23,185
Total	**Ps.**	**5,775,070**	**Ps.**	**5,580,128**

9.3.1 Investment in debt at amortized cost securities pledged as collateral

The following is a list of debt securities at amortized cost that are being used as collateral in repo operations, pledged as collateral for transactions with financial instruments, or pledged to third parties as collateral to secure financial obligations with other banks (See note 21).

	December 31, 2021		December 31, 2020	
Pledged as collateral in money market operations				
Securities issued or secured by other Colombian Government entities	Ps.	198,282	Ps.	70,197
Securities issued or secured by other financial entities		42,805		182,076
Securities issued or secured by non-financial sector entities		21,900		—
	Ps.	**262,987**	**Ps.**	**252,273**
Pledged as collateral to special entities such as CRCC, BR and BVC (*)				
Securities issued or secured by Colombian Government	Ps.	—	Ps.	573,134
Securities issued or secured by other Colombian Government entities		98,401		—
	Ps.	**98,401**	**Ps.**	**573,134**
	Ps.	**361,388**	**Ps.**	**825,407**

(*) Cámara de Riesgo Central de Contraparte (“CRCC”), Banco de la República (“BR”) and Bolsa de Valores de Colombia (“BVC”)

(Amounts expressed in millions of Colombian pesos)

9.4 Investments in equity securities at fair value through OCI

The following is the balance at December 31, 2021 and 2020

December 31, 2021

	Cost	Unrealized Gain	Unrealized Losses	Fair Value
In Colombian Pesos				
Corporate stock	Ps. 589,847	Ps. 811,938	Ps. (9,052)	Ps. 1,392,733
In foreign currency				
Corporate stock	10,751	2,694	(43)	13,402
Total equity securities	**Ps. 600,598**	**Ps. 814,632**	**Ps. (9,095)**	**Ps. 1,406,135**

December 31, 2020

	Cost	Unrealized Gain	Unrealized Losses	Fair Value
In Colombian Pesos				
Corporate Stock	Ps. 585,793	Ps. 914,664	Ps. (3,704)	Ps. 1,496,753
In foreign currency				
Corporate Stock	13,363	4,974	—	18,337
Total equity securities	**Ps. 599,156**	**Ps. 919,638**	**Ps. (3,704)**	**Ps. 1,515,090**

Variations in fair values fundamentally reflect variations in the performance of companies and market conditions mainly due to changes in interest rates and other economic trends in the country where the investment is held. At December 31, 2021 and 2020 Grupo Aval considers that there is no evidence of deterioration.

The details of equity instruments through OCI as of December 31, 2021 and 2020 are as follows.

Entity (*)	December 31, 2021	December 31, 2020
Empresa de Energía de Bogotá S.A. E.S.P.	Ps. 1,188,247	Ps. 1,259,541
Mineros S.A.	86,696	93,134
Bolsa de Valores de Colombia S.A.	38,058	47,947
Port Companies	22,887	38,142
Others	70,247	76,326
Total	**Ps. 1,406,135**	**Ps. 1,515,090**

(*) These investments in equity securities have been designated as FVOCI considering that they represent strategic investments for Grupo Aval and therefore, they are not expected to be sold in a foreseeable future.

For the years ended December 31, 2021 and 2020, dividends from these equity investments in the amount of Ps. 159,122 and Ps. 91,565 respectively, were recognized in profit or loss in other income line (see note 30).

NOTE 10 – HEDGE ACCOUNTING

In accordance with its risk management policies, Grupo Aval uses hedge accounting to manage foreign exchange risk relating to investments in foreign operations and in forecasted transactions of its subsidiary Promigas, as follows:

Hedges of net investment in foreign operations

Banco de Bogotá, Banco de Occidente and Promigas are exposed to foreign exchange risk related to their investments in foreign subsidiaries, that have the US Dollar as functional currency.

The purpose of hedge accounting is to mitigate and offset any adverse changes resulting from the fluctuation in exchange rate of the Colombian Peso and the functional currency of such investments. The impacts of those movements are reflected in the cumulative translation adjustment in other comprehensive income of the consolidated financial statements.

(Amounts expressed in millions of Colombian pesos)

To cover this risk, Grupo Aval hedges its exposure through foreign currency financial liabilities expressed in U.S. dollars and forward contracts for the sale of U.S. dollars.

Changes in the Colombian peso against the U.S. dollar have been as follows:

Date	Value of US$ 1	Variation in pesos
December 31, 2019	3,277.14	27.39
December 31, 2020	3,432.50	155.36
December 31, 2021	3,981.16	548.66

According to the information described above, the following table shows movements of OCI gross of taxes, related to hedges of net investment in foreign operations:

Detail of investment	Translation adjustment of the investments	Exchange difference of financial liabilities	Exchange difference in forward contracts	Net OCI account
BAC Holding and MFH [1]	Ps. 2,338,582	Ps. (1,049,016)	Ps. (320,902)	Ps. 968,664
Other subsidiaries and branches Banco de Bogotá	83,286	—	(83,081)	205
Occidental Bank Barbados	18,807	(18,807)	—	—
Banco de Occidente Panamá	27,822	(27,822)	—	—
Sociedad Portuaria El Cayao S.A. E.S.P.	15,031	(15,031)	—	—
Gases del Pacífico S.A.C.	13,353	(19,487)	—	(6,134)
Gas Natural de Lima y Callao S.A.C. – Calidda	63,652	(63,652)	—	—
Gas Comprimido del Perú S.A.C.	2,644	(2,644)	—	—
Gases del Norte del Perú S.A.C.	2,458	(2,458)	—	—
Promigas Panamá Corporation	2	(2)	—	—
Total	**Ps. 2,565,637**	**Ps. (1,198,919)**	**Ps. (403,983)**	**Ps. 962,735**

(1) Includes BAC Holding International Corp. and Multi Financial Holding. See note 1 "Reporting Entity".

According to information described above, the following table contains details of hedging operations carried out to cover foreign denominated equity investments. The analysis shows current amount of OCI gross of taxes:

December 31, 2021

	Thousands of US$			*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**
BAC Holding and MFH [2] [4]	3,861,718	(1,486,000)	(584,500)	Ps. 7,391,903	Ps. (3,021,983)	Ps. (4,048,958)	Ps. 320,962
Other subsidiaries and branches Banco de Bogotá [3]	145,159	—	(144,308)	234,995	—	(233,388)	1,607
Occidental Bank Barbados	32,329	(32,329)	—	51,478	(51,478)	—	—
Banco de Occidente Panamá	46,039	(46,039)	—	72,590	(72,590)	—	—
Sociedad Portuaria El Cayao S.A. E.S.P.	26,365	(26,365)	—	30,020	(30,020)	—	—
Gases del Pacífico S.A.C.	31,888	(31,888)	—	11,727	(25,556)	—	(13,829)
Gas Natural de Lima y Callao S.A.C. – Calidda	125,284	(125,284)	—	83,268	(83,268)	—	—
Promigas Perú S.A.C.	4,820	(4,820)	—	1,508	(1,508)	—	—
Gases del Norte del Perú S.A.C.	8,395	(8,395)	—	2,501	(2,501)	—	—
Promigas Panamá Corporation	8	(8)	—	2	(2)	—	—
Total	**4,282,005**	**(1,761,128)**	**(728,808)**	**Ps. 7,879,992**	**Ps. (3,288,906)**	**Ps. (4,282,346)**	**Ps. 308,740**

(1) Includes only a portion of this investments hedged
(2) Includes BAC Holding International Corp. and Multi Financial Holding
(3) Includes Banco de Bogotá Panamá, Banco Bogotá Finance, Ficentro, Nassau and contributions of foreign branches in Miami and New York.
(4) Banco de Bogotá's Board of Directors approved "uncovering" part of the value of the net investment abroad through the reduction in the size of the hedging with derivatives, likewise, it authorized to stop covering the monthly increases in the value of the investment through equity method. The amount of unhedged translation adjustment of the investments was of Ps. 470,412 during year 2021.

(Amounts expressed in millions of Colombian pesos)

December 31, 2020

	Thousands of US$			*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**
BAC Holding and MFH [(3)]	4,272,887	(2,067,100)	(809,381)	Ps. 5,053,321	Ps. (1,972,967)	Ps. (3,728,056)	Ps. (647,702)
Other subsidiaries and branches Banco de Bogotá [(2)]	147,869	—	(147,523)	151,709	—	(150,307)	1,402
Occidental Bank Barbados	33,841	(33,841)	—	32,671	(32,671)	—	—
Banco de Occidente Panamá	48,514	(48,514)	—	44,768	(44,768)	—	—
Sociedad Portuaria El Cayao S.A. E.S.P.	28,365	(28,365)	—	14,989	(14,989)	—	—
Gases del Pacífico S.A.C.	16,124	(16,124)	—	(1,626)	(6,069)	—	(7,695)
Gas Natural de Lima y Callao S.A.C. – Calidda	112,773	(112,773)	—	19,616	(19,616)	—	—
Promigas Perú S.A.C.	4,820	(4,820)	—	(1,136)	1,136	—	—
Gases del Norte del Perú S.A.C.	699	(699)	—	43	(43)	—	—
Total	**4,665,892**	**(2,312,236)**	**(956,904)**	**Ps. 5,314,355**	**Ps. (2,089,987)**	**Ps. (3,878,363)**	**Ps. (653,995)**

(1) Includes only a portion of this investments hedged
(2) Includes Banco de Bogotá Panamá, Banco Bogotá Finance, Ficentro, Nassau and contributions of foreign branches in Miami and New York.
(3) Banco de Bogotá's Board of Directors approved "uncovering" part of the value of the net investment abroad through the reduction in the size of the hedging with derivatives, likewise, it authorized to stop covering the monthly increases in the value of the investment through equity method. The amount of unhedged translation adjustment of the investments was of Ps. 510,602 during year 2020.

Hedging with Forward Contracts

Forward contracts to sell U.S. dollars have been contracted to hedge part of the net foreign investment that Banco de Bogotá has in Leasing Bogotá Panamá and other foreign subsidiaries. The forward contracts were executed with counterparties from the financial sector and the hedge was documented as a "dynamic hedging strategy", where new forward contracts are signed simultaneously as the previous ones expire. According to IAS 39, changes in the fair value of derivatives exclusively due to exchange rate changes in the peso against the U.S. dollar are registered under "Other Comprehensive Income" in equity. The ineffective part of the hedge is recognized in the statement of income for the period.

Hedging with Debt in Foreign Currency in U.S. dollars

Debt financial instruments that are not derivatives can be designated as hedging instruments for changes in foreign currency exchange rates. According to this rule, Banco de Bogotá and Banco de Occidente designed debt denominated in U.S. dollar as hedging instruments of their foreign subsidiaries as follows:

- Bonds issued by Banco de Bogotá in the international market were designated as hedging instruments of its investment in BAC Holding and MFH amounting US $1,486 million in 2021 and US $2,067 million in 2020.
- Other financial liabilities in the amount of US$275 million as December 31, 2021 (US$245 million as of December 31, 2020) were used to hedge part of the net foreign investment that Banco de Occidente and Promigas have in foreign subsidiaries as part of a hedging strategy, by which new obligations are continuously designated as hedging instruments to replace the previous ones as they expire over time.
- 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 BAC Holding. This operation was eliminated in the consolidation process of Grupo Aval and was excluded from the foreign investment hedge accounting. Starting on 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. 73,708. This amount could be realized in the future as income 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.

Hedging of Future Transactions

In the ordinary course of its operations Promigas S.A. and its subsidiaries receive income in U.S. Dollars derived from the transportation of gas. Promigas and its subsidiaries hedge the exchange risk arising in future transactions of highly probable gas transportation income, entering into forward contracts for the sale of U.S. dollars with financial entities different from the ones consolidated into Grupo Aval.

The following is the summary of Promigas and its subsidiaries open cash flow hedges:

	December 31, 2021	December 31, 2020
Income in Thousands of US$ dollars forecasted	115,124	187,128
Notional amount contracts forward Thousands of US$	115,104	187,128
% hedged	90 %	100 %
Fair value in Colombian pesos	7,943	(4,345)
# of contracts	73	144

Hedging of exchange rate risk

As of December 31, 2020, MFH uses interest rate swaps and cross currency swaps ("Cross Currency Swaps") to reduce the exchange rate risk of financial liabilities. Such contracts are recorded at fair value in the consolidated statement of financial position, in other assets and other liabilities, as appropriate. As of December 31, 2021, this hedge was no longer in effect.

	December 31, 2021	December 31, 2020
Income in Thousands of US$ dollars forecasted	—	113,257
Notional amount contracts swap Thousands of US$	—	100,000
% hedged	— %	88 %
Fair value in Colombian pesos	—	17,979
# of contracts	—	1

Concesionaria Vial del Oriente S.A.S during the year ended December 31, 2021 hedged the foreign exchange risk of the interest flows of the debt in dollars with Grupo Aval Limited, the debt is eliminated in the Grupo Aval consolidated, but the foreign exchange is not eliminated.

	December 31, 2021	December 31, 2020
Income in Thousands of US$ dollars forecasted	39,244	—
Notional amount contracts swap Thousands of US$	39,244	—
% hedged	100 %	— %
Fair value in Colombian pesos	9,992	—
# of contracts	1	—

During the years ended December 31, 2021, 2020 and 2019, an exchange difference recognized under "Other Comprehensive Income" as a result of cash flow hedge accounting of income (loss) from these highly probable transactions, was reclassified to profit or loss in the amounts of Ps. 16,859, Ps. 34,183 and Ps. 20,066 respectively.

The movement of the accumulated OCI account related to cash flow hedges in Colombian pesos during the years ended on December 31, 2021, 2020 and 2019 is as follows:

	December 31, 2021		December 31, 2020		December 31, 2019	
Balance at the beginning of the year	**Ps.**	**(42)**	**Ps.**	**(874)**	**Ps.**	**(14,343)**
Changes in the fair value of the hedge forward contracts		(8,879)		(33,351)		(6,597)
Reclassified to profit or loss		16,859		34,183		20,066
Balance at the end of the year	**Ps.**	**7,938**	**Ps.**	**(42)**	**Ps.**	**(874)**

(Amounts expressed in millions of Colombian pesos)

Fair value hedges of interest rate risk

As of December 31, 2021 and 2020, the MFG uses interest rate swaps to reduce the risk of interest rates on financial assets and financial liabilities. Said contracts are recorded at fair value in the consolidated statement of financial position, under the line of derivatives for hedging assets or liabilities, as appropriate.

December 31, 2021

Fair value hedges		Notional amount		Carrying amount Assets		Carrying amount Liabilities		Change in fair value
Hedging instruments								
Interest rate Swap	Ps.	81,614	Ps.	—	Ps.	18,973	Ps.	5,872
Items designated hedged								
Securities issued or secured by Government and Corporate issuers		81,614		19,073		—		(6,382)

December 31, 2020

Fair value hedges		Notional amount		Carrying amount Assets		Carrying amount Liabilities		Change in fair value
Hedging instruments								
Interest rate Swap	Ps.	70,366	Ps.	—	Ps.	21,438	Ps.	29,695
Cross currency swaps		343,250		32,895		—		5,427
Items designated hedged								
Securities issued or secured by Government and Corporate issuers		70,366		71,062		—		(4,948)
Bonds issued		343,250		—		388,754		(26,427)

Testing of Hedge Effectiveness

Grupo Aval considers hedging as highly effective if at the beginning and in subsequent periods, the hedging instrument highly offsets changes in fair value or in cash flows attributable to the risk hedged during the period for which the hedging has been designated. The hedging is considered as such if the effectiveness of the hedging is in a range between 80% and 125%. Such effectiveness is assessed by Grupo Aval's entities at least quarterly and at the end of each accounting period.

Grupo Aval has documented the hedging effectiveness of its foreign currency denominated investments based on the portion of the net investment hedged at the beginning of the hedging relationship. Since the net balance of these investments fluctuates during the year, Grupo Aval evaluates the hedging relationship on a daily basis as well as the result of the testing of hedge effectiveness.

Hedge Effectiveness with Forward Contracts

Grupo Aval applies the method of the forward rate used in forward contracts to evaluate the hedge effectiveness; for such purpose, Grupo Aval measures the hedge ineffectiveness comparing the value of current forward contracts, which serve as hedge, with the change in the value of a hypothetical derivative with the same maturity.

Hedge Effectiveness with Debt Instruments in Foreign Currency

For debt instruments in foreign currency designated as a hedging instruments, the gain or loss arising from the conversion of the debt to Colombian Pesos is based on the current exchange rate between the U.S. dollar and the Colombian Peso, which is the functional currency of Grupo Aval. If the notional amount of the hedging instrument exactly matches with the portion of the hedged investment in foreign operations, no ineffectiveness is registered in the statement of income.

(Amounts expressed in millions of Colombian pesos)

Derivative Financial Instruments for hedging purposes comprise the following:

According to information described above, the following table contains the fair value of derivative financial instruments used for hedging:

	December 31, 2021		December 31, 2020	
Item	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward contracts				
Foreign currency to buy	Ps. 5,562	Ps. 624	Ps. 951	Ps. 26,473
Foreign currency to sale	1,115	32,536	122,374	451
Subtotal	**Ps. 6,677**	**Ps. 33,160**	**Ps. 123,325**	**Ps. 26,924**
Swap				
Cross currency	9,992	—	32,895	—
Interest rate	27,579	22,653	—	29,703
Subtotal	**Ps. 37,571**	**Ps. 22,653**	**Ps. 32,895**	**Ps. 29,703**
Total hedge derivatives	**Ps. 44,248**	**Ps. 55,813**	**Ps. 156,220**	**Ps. 56,627**

NOTE 11 – LOANS

11.1 Loan Portfolio by Product

The distribution of the loan portfolio of Grupo Aval by product is shown as follows:

	December 31, 2021	December 31, 2020
General purpose loans	Ps. 87,652,620	Ps. 79,602,750
Payroll loans	35,666,306	24,905,547
Mortgages	27,058,641	22,757,640
Credit Cards	20,182,153	16,607,901
Working capital loans	19,410,295	16,164,803
Personal loans	12,356,219	16,908,282
Commercial financial leases	11,108,676	10,636,603
Automobile and vehicle loans	8,353,725	7,115,987
Interbank & overnight funds	3,218,433	4,693,678
Loans funded by development banks	3,198,592	3,900,175
Housing leases	2,061,675	1,801,130
Overdrafts	626,345	641,564
Consumer financial leases	362,018	338,784
Microcredit	317,739	372,321
Gross balance of loan portfolio	**Ps. 231,573,437**	**Ps. 206,447,165**
Loss allowance loan portfolio (1)	(11,275,612)	(10,905,171)
Net balance of loan portfolio	**Ps. 220,297,825**	**Ps. 195,541,994**

(1) See loss allowance reconciliations from the opening to the closing balance in note 4.1.5.

11.2 Loan portfolio by maturity

The distribution of Grupo Aval´s loan portfolio by contractual maturity period is as follows:

December 31, 2021

	Up to 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Commercial	Ps. 51,391,093	Ps. 29,235,366	Ps. 17,099,011	Ps. 24,302,334	Ps. 122,027,804
Consumer	20,754,224	12,483,902	11,463,155	32,187,864	76,889,145
Mortgage	616,096	966,883	1,145,363	26,391,974	29,120,316
Microcredit	188,726	111,014	13,849	4,150	317,739
Interbank and overnight funds	3,218,433	—	—	—	3,218,433
Total gross loan portfolio	**Ps. 76,168,572**	**Ps. 42,797,165**	**Ps. 29,721,378**	**Ps. 82,886,322**	**Ps. 231,573,437**

(Amounts expressed in millions of Colombian pesos)

December 31, 2020

		Up to 1 year		From 1 to 3 years		From 3 to 5 years		More than 5 years		Total
Commercial	Ps.	45,689,138	Ps.	27,230,670	Ps.	16,500,368	Ps.	21,566,762	Ps.	110,986,938
Consumer		17,061,123		11,388,303		11,229,958		26,156,073		65,835,457
Mortgage		548,925		846,345		998,398		22,165,103		24,558,771
Microcredit		198,886		146,578		20,728		6,129		372,321
Interbank and overnight funds		4,693,678		—		—		—		4,693,678
Total gross loan portfolio	**Ps.**	**68,191,750**	**Ps.**	**39,611,896**	**Ps.**	**28,749,452**	**Ps.**	**69,894,067**	**Ps.**	**206,447,165**

11.3 Interest income by portfolio

The interest income of the loan portfolio of Grupo Aval by portfolio is shown as follows:

		December 31, 2021		December 31, 2020		December 31, 2019
Commercial	Ps.	6,583,884	Ps.	7,442,901	Ps.	7,271,607
Consumer		9,260,876		9,319,044		8,935,803
Mortgage		2,023,462		1,862,105		1,658,115
Microcredit		77,880		95,679		106,062
Repos, interbank loans portfolio		169,628		227,300		519,580
Total interest income	**Ps.**	**18,115,730**	**Ps.**	**18,947,029**	**Ps.**	**18,491,167**

11.4 Financial Leasing portfolio

As of December 31, 2021, and 2020 the following table shows the reconciliation between gross investment in financial leasing and the present value of minimum payments to be received in these dates:

		December 31, 2021		December 31, 2020
Total gross rent payments receivable	Ps.	21,464,510	Ps.	17,861,864
Less amounts representing running costs (such as taxes, maintenance, insurances, etc.,)		(660)		(564)
Plus, estimated residual amount of assets given for rental (without guarantee)		25,714		22,526
Gross investment in contracts of financial leasing		**21,489,564**		**17,883,826**
Less unrealized financial income		(7,957,194)		(5,107,309)
Net investment in contracts of financial leasing		**13,532,370**		**12,776,517**
Loss allowance of net investment in financial leasing	**Ps.**	**(804,942)**	**Ps.**	**(737,549)**

The detailed information of gross investment and net investment in financial leasing contracts receivable as of December 31, 2021 and 2020 in each period is as follows:

	December 31, 2021			
		Gross investment		Net investment
Up to 1 year	Ps.	7,706,238	Ps.	4,330,434
From 1 to 5 years		7,678,563		5,383,073
More than 5 years		6,104,763		3,818,863
Total	**Ps.**	**21,489,564**	**Ps.**	**13,532,370**

	December 31, 2020			
		Gross investment		Net investment
Up to 1 year	Ps.	2,383,724	Ps.	1,761,738
From 1 to 5 years		8,000,626		5,464,964
More than 5 years		7,499,476		5,549,815
Total	**Ps.**	**17,883,826**	**Ps.**	**12,776,517**

The banks of Grupo Aval grant loans through financial leasing mainly for acquisition of vehicles and computer equipment, generally with terms between 36 and 60 months, with a purchase option at the end of the contract, for acquisition machinery and equipment with terms between 60 to 120 months, with a purchase option, and for housing leasing with terms between 120 to 240 months, transferring the asset at the end of the contract. These leasing contracts are granted at current market interest rates at inception.

(Amounts expressed in millions of Colombian pesos)

NOTE 12 – OTHER ACCOUNTS RECEIVABLE, NET

Balances of other accounts receivable, net of impairment losses, comprise the following as of December 31, 2021 and 2020:

	Reference	December 31, 2021	December 31, 2020
Contract assets	12.1	Ps. 13,088,483	Ps. 9,731,409
Other accounts receivable	12.2	6,321,524	5,607,985
Total other accounts receivable		**19,410,007**	**15,339,394**
Loss allowance	4.1.5	(382,802)	(343,057)
Total other accounts receivable, net		**Ps. 19,027,205**	**Ps. 14,996,337**

12.1 Contract assets

The following table provides information about assets from contracts with customers as of December 31, 2021 and 2020:

Contract assets	December 31, 2021	December 31, 2020
Financial assets in concession arrangements rights at fair value (1)	Ps. 3,228,480	Ps. 2,958,385
Financial assets in concession arrangements rights at amortized cost (1)	9,860,003	6,773,024
Gross balance of other accounts receivable	**Ps. 13,088,483**	**Ps. 9,731,409**
Loss allowance (2)	(6,951)	(3,901)
Total contract assets	**Ps. 13,081,532**	**Ps. 9,727,508**

(1) See note 16 details regarding concession arrangements rights.

(2) See reconciliations simplified approach and general approach loss allowance on note 4.1.5.

12.2 Other accounts receivable

The detailed information of other accounts receivable measured at amortized cost, except for prepaid expenses, as of December 31, 2021 and 2020 is as follows:

Other accounts receivable	December 31, 2021	December 31, 2020
Accounts receivable for goods and services sales in Non-financial sector companies	Ps. 1,289,944	Ps. 1,235,009
Debtors	929,253	1,040,941
Credit card compensations and network compensation	1,130,931	853,416
Payment in advance	765,561	590,390
Government	524,250	465,621
Conditional contributions	379,791	293,300
Taxes	57,581	52,367
Others	1,244,213	1,076,941
Gross balance of other accounts receivable	**Ps. 6,321,524**	**Ps. 5,607,985**
Loss allowance	(375,851)	(339,156)
Other accounts receivable, net	**Ps. 5,945,673**	**Ps. 5,268,829**

(Amounts expressed in millions of Colombian pesos)

NOTE 13 – NON-CURRENT ASSETS HELD FOR SALE

The movement of the non-current assets held for sale during the years ended December 31, 2021, 2020 and 2019 is as follows:

	December 31, 2021		December 31, 2020		December 31, 2019	
Balance at the beginning of the year	**Ps.**	**240,412**	**Ps.**	**206,193**	**Ps.**	**186,714**
Additions		199,748		75,208		193,735
Business Combination (1)		—		77,480		—
Assets sold, net (2)		(84,530)		(314,815)		(147,760)
Increase / decrease by changes in fair value (3)		(3,874)		(1,347)		2,296
Reclassifications (4)		(135,629)		205,366		(29,989)
Effect of movements in exchange rates		(7,701)		(7,673)		1,197
Balance at year end	**Ps.**	**208,426**	**Ps.**	**240,412**	**Ps.**	**206,193**

(1) Includes recognition of the business combination on Multi Financial Group, Inc., (see note 35).
(2) From the Leaseback operation of Banco de Occidente with the Nexus investment fund includes withdrawals for December 2021 by Ps. (32,365) and for December 2020 by Ps. (119,376).
(3) Includes at December 31, 2019 Ps. 8,055 of recovery of impairment losses.
(4) Includes for December 31, 2021 reclassifications to: i) Investment properties by Ps. (22,847), ii) to other assets by Ps. (111,442); iii) from Properties, plant and equipment for own use Ps. 1,074; iv) to concession agreements by Ps. (2,516) and v) from Right-of-use assets by Ps. 102; for December 31, 2020 i) Investment properties by Ps. (4,323) ii) from other assets by Ps. 32,325 and iii) from Properties, plant and equipment for own use Ps. 177,364; and for December 31,2019 i) Investment properties by Ps. (21,722), ii) other assets by Ps. (14,980) and iii) from Properties, plant and equipment for own use Ps. 6,713.

The following is the detail of the non-current assets held for sale:

	December 31, 2021		December 31, 2020	
Foreclosed assets				
Movable property	Ps.	3,767	Ps.	3,544
Residential real estate		55,850		46,367
Other real estate		95,146		105,308
Other		—		67
	Ps.	**154,763**	**Ps.**	**155,286**
Assets received from leasing agreements				
Machinery and equipment		140		6,406
Vehicles		2,678		1,809
Real estate		20,161		14,856
	Ps.	**22,979**	**Ps.**	**23,071**
Other non-current assets held for sale				
Land		5,816		18,458
Vehicles		360		—
Real estate		24,049		39,998
Other		459		3,599
		30,684		**62,055**
Total non-current assets held for sale	**Ps.**	**208,426**	**Ps.**	**240,412**

Following is the detail of the associated liabilities to assets held for sale:

	December 31, 2021		December 31, 2020	
Commercial accounts payable	Ps.	52,090	Ps.	37,863
Total	**Ps.**	**52,090**	**Ps.**	**37,863**

Non-current assets held for sale are primarily assets received through foreclosure of assets pledged as loan collateral. Accordingly, Grupo Aval has the intention to sell them immediately, our subsidiaries have departments, processes and special sales programs for this purpose. Foreclosed assets are either sold for cash or financing for their sale is provided to potential buyers under normal market conditions. These are expected to be sold within a period of 12 months subsequent to their classification as assets held for sale. There are option contracts in place for some of these assets. Note 4.1.8 on credit risk contains information on assets received through foreclosure and sold during the period.

(Amounts expressed in millions of Colombian pesos)

NOTE 14 – INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The detail of the investments in associates and joint ventures is as follows:

	December 31, 2021		December 31, 2020	
Associates	Ps.	1,170,435	Ps.	1,029,243
Joint ventures		2,394		79
Total	**Ps.**	**1,172,829**	**Ps.**	**1,029,322**

The following table shows the balances of each investment in associates and joint ventures as of December 31, 2021 and 2020, and Grupo Aval's ownership interest percentage in those entities:

	December 31, 2021		December 31, 2020	
	Ownership interest	Book value	Ownership interest	Book value
Associates				
Gas Natural de Lima y Callao S.A. - Cálidda	40 %	Ps. 568,035	40 %	Ps. 455,704
Gases del Caribe S.A. E.S.P.	31 %	305,456	31 %	293,631
Credibanco S.A.	25 %	200,824	25 %	200,636
A.C.H Colombia S.A.	34 %	36,427	34 %	22,811
Redeban Multicolor S.A.	20 %	22,801	20 %	23,635
Colombiana de Extrusión S.A. - Extrucol	30 %	12,966	30 %	11,718
Aerocali S.A.	50 %	8,852	50 %	1,844
Energía Eficiente S.A.	33 %	4,307	39 %	10,133
ADL Digital Lab S.A.S.	34 %	4,014	34 %	1,929
Servicios de Identidad Digital S.A.S.	33 %	3,989	33 %	4,905
Metrex S.A.	18 %	2,166	18 %	1,775
Concentra Inteligencia en Energía S.A.S.	24 %	598	24 %	522
		Ps. 1,170,435		**Ps. 1,029,243**

	December 31, 2021			December 31, 2020		
	Ownership interest	Book value		Ownership interest	Book value	
Joint ventures						
Renting Automayor S.A.S. [1]	50 %		2,394	50 %		—
Cfc Sk Capital S.A.S.	50 %		—	50 %		79
		Ps.	**2,394**		**Ps.**	**79**

(1) Joint businesses executed by Grupo Aval's subsidiaries with specific purposes wherein the joint business assumes no responsibilities for business results, not requiring significant equity resources from Grupo Aval.

All of our associates and joint ventures are domiciled in Colombia, with the exception of Gas Natural de Lima y Callao S.A. – Calidda which resides in Perú.

The main corporate purpose of Grupo Aval´s associates is described as follows:

	Associate	Corporate purpose
1	Gas Natural de Lima y Callao S.A. - Cálidda	Gas distribution
2	Gases del Caribe S.A. E.S.P.	Gas distribution
3	Credibanco S.A.	Payment processing
4	A.C.H Colombia S.A.	Automated clearing house
5	Redeban Multicolor S.A.	Payment processing
6	Colombiana de Extrusión S.A. - Extrucol	Networks and infrastructure
7	Aerocali S.A.	Projects in airport infrastructure
8	Energía Eficiente S.A.	Gas distribution
9	ADL Digital Lab S.A.S.	Technology or digital services
10	Servicios de Identidad Digital S.A.S.	Digital services
11	Metrex S.A.	Manufacturing and commercialization of industrial equipment
12	Concentra Inteligencia en Energía S.A.S.	Gas distribution

(Amounts expressed in millions of Colombian pesos)

As of December 31, 2021, and 2020, Grupo Aval did not have contingent assets as income receivable that arose from any contractual difference with any concession, other than a tariff recognition. There were also no contingent liabilities for fines or sanctions imposed by the Government in the development of concession contracts for possible contractual breaches.

A roll-forward of investments in associates and joint ventures accounts is shown below for the years ended December 31, 2021, 2020 and 2019:

Associates

	December 31, 2021	December 31, 2020	December 31, 2019
Balance at the beginning of the year	**Ps. 1,029,243**	**Ps. 985,497**	**Ps. 975,032**
Acquisitions	4,539	—	2,789
Participation in the profit or loss of the period	298,705	222,825	231,693
Participation in Other Comprehensive Income	(846)	13,059	(9,061)
Dividends received	(225,844)	(221,076)	(192,602)
Capitalization reductions	—	5,333	—
Sale of investments	—	—	(5,125)
Entity Liquidation	—	—	(4,956)
Allowance for Impairment	—	—	(225)
Reclassifications	—	(57)	—
Exchange difference	63,654	23,662	(12,048)
Realization of Other Comprehensive Income	1,059	—	—
Dilution effect	(75)	—	—
Year-end balance	**Ps. 1,170,435**	**Ps. 1,029,243**	**Ps. 985,497**

Joint ventures

	December 31, 2021	December 31, 2020	December 31, 2019
Balance at the beginning of the year	**Ps. 79**	**Ps. 2,465**	**Ps. 7,711**
Participation in the period profit or loss	1,512	(2,663)	(2,067)
Dividends received	(70)	(51)	(3,310)
Exchange difference	873	328	131
Year-end balance	**Ps. 2,394**	**Ps. 79**	**Ps. 2,465**

The condensed financial information of the associates and joint ventures accounted for under the equity method is as follows:

Associates

At the time calculating the equity method, the year-end financial information of associates was not available. Therefore, the information of the immediately preceding month for the years 2021 and 2020 was used.

December 31, 2021

	Assets	Liabilities	Equity	Income	Expenses	Net income LTM
Gas Natural de Lima y Callao S.A. - Cálidda	Ps. 4,958,317	Ps. 3,554,154	Ps. 1,404,163	Ps. 2,754,051	Ps. 2,403,065	Ps. 350,986
Gases del Caribe S.A. E.S.P.	3,361,896	2,359,061	1,002,835	2,477,609	2,110,599	367,010
Credibanco S.A.	357,829	153,552	204,277	251,731	243,861	7,870
A.C.H Colombia S.A.	172,286	77,996	94,290	190,069	117,628	72,441
Redeban Multicolor S.A.	1,656,658	1,521,056	135,602	306,253	287,864	18,389
Colombiana de Extrusión S.A. - Extrucol	106,137	62,918	43,219	117,736	109,304	8,432
Aerocali S.A.	56,639	38,936	17,703	158,042	124,348	33,694
Energía Eficiente S.A.	94,128	67,732	26,396	258,315	262,310	(3,995)
ADL Digital Lab S.A.S.	35,441	23,634	11,807	36,328	30,196	6,132
Servicios de Identidad Digital S.A.S.	15,126	3,159	11,967	118	17,007	(16,889)
Metrex S.A.	35,347	23,312	12,035	45,352	43,179	2,173
Concentra Inteligencia en Energía S.A.S.	2,772	257	2,515	1,547	1,231	316
	Ps.10,852,576	**Ps. 7,885,767**	**Ps. 2,966,809**	**Ps. 6,597,151**	**Ps. 5,750,592**	**Ps. 846,559**

(Amounts expressed in millions of Colombian pesos)

December 31, 2020

	Assets	Liabilities	Equity	Income	Expenses	Net income LTM
Gas Natural de Lima y Callao S.A. - Cálidda	Ps. 3,995,219	Ps. 2,819,672	Ps. 1,175,547	Ps. 2,075,243	Ps. 1,819,121	Ps. 256,122
Gases del Caribe S.A. E.S.P.	3,139,758	2,172,442	967,316	2,258,914	1,899,868	359,046
Credibanco S.A.	344,039	143,612	200,427	252,500	234,732	17,768
A.C.H Colombia S.A.	127,457	59,985	67,472	143,394	97,311	46,083
Redeban Multicolor S.A.	733,691	616,704	116,987	241,961	237,953	4,008
Colombiana de Extrusión S.A. - Extrucol	69,520	30,460	39,060	68,994	64,284	4,710
Aerocali S.A.	43,968	40,280	3,688	60,105	81,712	(21,607)
Energía Eficiente S.A.	81,828	55,662	26,166	223,840	223,803	37
ADL Digital Lab S.A.S.	25,347	19,673	5,674	20,416	15,932	4,484
Servicios de Identidad Digital S.A.S.	16,745	2,030	14,715	198	8,538	(8,340)
Metrex S.A.	31,416	21,551	9,865	27,224	26,946	278
Concentra Inteligencia en Energía S.A.S.	2,751	560	2,191	1,689	2,374	(685)
	Ps. 8,611,739	**Ps. 5,982,631**	**Ps. 2,629,108**	**Ps. 5,374,478**	**Ps. 4,712,574**	**Ps. 661,904**

Joint Ventures

At the time calculating the equity method, the year-end financial information of joint ventures was not available. Therefore, the information of the immediately preceding month for the years 2021 and 2020 was used.

December 31, 2021

	Assets	Liabilities	Equity	Income	Expenses	Net income LTM
Renting Automayor S.A.	Ps. 97,538	Ps. 92,390	Ps. 5,148	Ps. 20,513	Ps. 17,376	Ps. 3,137
Cfc Sk Capital S.A.S.	140	—	140	1	18	(17)
	Ps. 97,678	**Ps. 92,390**	**Ps. 5,288**	**Ps. 20,514**	**Ps. 17,394**	**Ps 3,120**

December 31, 2020

	Assets	Liabilities	Equity	Income	Expenses	Net income LTM
Cfc Sk Capital S.A.S.	Ps. 160	Ps. 2	Ps. 158	Ps. 289	Ps. 527	Ps. (238)
Cfc Sk El Dorado Latam Management Company Ltd.	—	—	—	—	4,384	(4,384)
Cfc Sk El Dorado Latam Capital Partners, Ltd.	—	—	—	—	700	(700)
	Ps. 160	**Ps. 2**	**Ps. 158**	**Ps. 289**	**Ps. 5,611**	**Ps (5,322)**

(Amounts expressed in millions of Colombian pesos)

NOTE 15 – TANGIBLE ASSETS

The movement of the carrying value amounts of tangible assets for the years ended on December 31, 2021, 2020 and 2019 is as follows:

	For own use [1]	Given in operating leases [2]	Right-of-use assets [1]	Investment properties [3] [1]	Biological assets	Total
Cost						
Balance as of January 1, 2019	**Ps. 8,740,485**	**Ps. 7,784**	**Ps. —**	**Ps. 836,324**	**Ps. 84,206**	**Ps. 9,668,799**
Effects of amendments in accounting policies by rights-of-use assets	(91,604)	—	2,365,889	—	—	2,274,285
Purchases or capitalized expenses [4] [5]	671,219	7,468	187,834	116,702	20,559	1,003,782
Withdrawals / Sales	(287,264)	(310)	(80,078)	(68,989)	(18,822)	(455,463)
Changes in fair value	—	—	—	19,597	18,914	38,511
Revaluation of investment properties	—	—	—	5,288	—	5,288
Transfers to/from non-current assets held for sale	(7,782)	—	—	21,722	—	13,940
Effect of movements in exchange rates	54,794	—	50,153	—	—	104,947
Reclassifications	143,507	(1,671)	(4,822)	(2,078)	—	134,936
Balance as of December 31, 2019	**9,223,355**	**13,271**	**2,518,976**	**928,566**	**104,857**	**12,789,025**
Increase due to changes in the lease variables	—	—	7,676	—	—	7,676
Business Combination [6]	293,014	—	90,492	10,164	—	393,670
Purchases or capitalized expenses [4] [5]	634,885	4,481	237,542	37,533	21,285	935,726
Withdrawals / Sales	(270,147)	—	(113,348)	(145,105)	(18,488)	(547,088)
Changes in fair value	—	—	—	(46,924)	15,021	(31,903)
Revaluation of investment properties	—	—	—	9,014	—	9,014
Transfers to/from non-current assets held for sale	(246,021)	—	—	4,323	—	(241,698)
Effect of movements in exchange rates	11,103	—	(19,434)	(700)	—	(9,031)
Reclassifications	72,021	(1,647)	—	11,685	—	82,059
Balance as of December 31, 2020	**9,718,210**	**16,105**	**2,721,904**	**808,556**	**122,675**	**13,387,450**
Increase due to changes in the lease variables	—	—	30,106	—	—	30,106
Purchases or capitalized expenses [4] [5]	637,541	34,306	187,236	77,157	27,213	963,453
Withdrawals / Sales	(375,055)	—	(233,224)	(93,845)	(23,448)	(725,572)
Changes in fair value	—	—	—	22,775	28,546	51,321
Revaluation of investment properties	—	—	—	7,991	—	7,991
Transfers to/from non-current assets held for sale	(1,861)	—	—	22,847	—	20,986
Effect of movements in exchange rates	443,004	—	133,780	2,964	—	579,748
Reclassifications	(36,482)	(2,208)	—	4,490	—	(34,200)
Balance as of December 31, 2021	**Ps. 10,385,357**	**Ps. 48,203**	**Ps. 2,839,802**	**Ps. 852,935**	**Ps. 154,986**	**Ps. 14,281,283**
Accumulated Depreciation:						
Balance January 1, 2019	**Ps. (3,070,841)**	**Ps. (3,571)**	**Ps. —**	**Ps. —**	**Ps. —**	**Ps. (3,074,412)**
Effects of amendments in accounting policies by rights of use	25,446	—	(82,351)	—	—	(56,905)
Depreciation of the year charged against profit or loss	(513,357)	(2,552)	(323,196)	—	—	(839,105)
Withdrawals / Sales	231,892	19	8,302	—	—	240,213
Transfers to/from non-current assets held for sale	1,069	—	—	—	—	1,069
Effect of movements in exchange rates	(25,950)	—	772	—	—	(25,178)
Reclassification	(83,564)	1,062	3,055	—	—	(79,447)
Balance December 31, 2019	**(3,435,305)**	**(5,042)**	**(393,418)**	**—**	**—**	**(3,833,765)**
Depreciation of the year charged against profit or loss	(556,579)	(3,616)	(361,510)	—	—	(921,705)
Withdrawals / Sales	213,460	—	36,542	—	—	250,002
Transfers to/from non-current assets held for sale	68,657	—	—	—	—	68,657
Effect of movements in exchange rates	(5,230)	—	33,831	—	—	28,601
Reclassification	(20)	1,548	(1,830)	—	—	(302)
Balance December 31, 2020	**(3,715,017)**	**(7,110)**	**(686,385)**	**—**	**—**	**(4,408,512)**
Depreciation of the year charged against profit or loss	(540,542)	(5,077)	(341,330)	—	—	(886,949)
Withdrawals / Sales	237,420	—	125,691	—	—	363,111
Transfers to/from non-current assets held for sale	733	—	—	—	—	733
Effect of movements in exchange rates	(206,328)	—	(35,271)	—	—	(241,599)
Reclassification	(1,875)	2,208	(2,111)	—	—	(1,778)
Balance December 31, 2021	**Ps. (4,225,609)**	**Ps. (9,979)**	**Ps. (939,406)**	**Ps. —**	**Ps. —**	**Ps. (5,174,994)**
Impairment losses:						
Balance as of January 1, 2019	**Ps. (5,901)**	**Ps. (3)**	**Ps. —**	**Ps. —**	**Ps. —**	**Ps. (5,904)**
Year impairment charge	1,085	(30)	—	—	—	1,055
Balance as of December 31, 2019	**(4,816)**	**(33)**	**—**	**—**	**—**	**(4,849)**
Withdrawals / Year impairment charge	(86)	(51)	—	—	—	(137)
Balance as of December 31, 2020	**(4,902)**	**(84)**	**—**	**—**	**—**	**(4,986)**
Withdrawals / Year impairment charge	(678)	(72)	—	—	—	(750)
Balance as of December 31, 2021	**Ps. (5,580)**	**Ps. (156)**	**Ps. —**	**Ps. —**	**Ps. —**	**Ps. (5,736)**

(Amounts expressed in millions of Colombian pesos)

	For own use [1]	Given in operating leases [2]	Right-of-use assets [1]	Investment properties [3] [1]	Biological assets	Total
Tangible assets, net:						
Balance as of December 31, 2019	**Ps. 5,783,234**	**Ps. 8,196**	**Ps. 2,125,558**	**Ps. 928,566**	**Ps. 104,857**	**Ps. 8,950,411**
Balance as of December 31, 2020	**Ps. 5,998,291**	**Ps. 8,911**	**Ps. 2,035,519**	**Ps. 808,556**	**Ps. 122,675**	**Ps. 8,973,952**
Balance as of December 31, 2021	**Ps. 6,154,168**	**Ps. 38,068**	**Ps. 1,900,396**	**Ps. 852,935**	**Ps. 154,986**	**Ps. 9,100,553**

(1) See Note 1.1 "Other events COVID-19" impact.
(2) Only assets for own use different than asset given in operating lease are included (see note 15.2).
(3) Cost is included at fair value. The total of purchases of investment properties, includes assets received in total or partial settlement of the payment obligations of debtors, at December 31, 2021 Ps. 75,788 and Ps. 35,874 at December 31, 2020. Includes Ps. 493 by the recognition a new investment property by Banco de Occidente.
(4) The total of purchases for own use, includes at December 31, 2021 Ps. 5,536, at December 31, 2020 Ps. 137 and Ps. 329 at December 31, 2019 for capitalization of intangible and at December 31, 2021 Ps. 1,189 for decommissioning cost.
(5) Includes borrowing costs capitalized by Ps. 616, at December 31, 2021; Ps. 295 at December 31, 2020 and Ps. 2,656 at December 31, 2019. with a capitalized interest rate (weighted average) of 5.14%, 5.81% and 7.66% E.A. respectively.
(6) Includes recognition of the business combination on Multi Financial Group, Inc., (see note 35).

15.1. Tangible assets for own use

The following is the detail of the balance at December 31, 2021 and 2020, by type:

December 31, 2021	Cost	Accumulated depreciation	Impairment loss	Carrying amount
Land	Ps. 1,147,650	—	(1,786)	Ps. 1,145,864
Buildings	2,827,154	(706,922)	(3,281)	2,116,951
Office equipment and accessories	1,180,416	(872,070)	(299)	308,047
Information technology equipment	2,462,693	(1,816,775)	(200)	645,718
Vehicles	140,268	(98,115)	(14)	42,139
Equipment and machinery	1,585,128	(415,735)	—	1,169,393
Silos	8,613	(6,786)	—	1,827
Warehouses	63,325	(35,469)	—	27,856
Improvements in leaseholds properties	483,602	(248,706)	—	234,896
Construction in progress	221,217	—	—	221,217
Bearer plants	265,291	(25,031)	—	240,260
Balance as of December 31, 2021	**Ps. 10,385,357**	**Ps. (4,225,609)**	**Ps. (5,580)**	**Ps. 6,154,168**

December 31, 2020	Cost	Accumulated depreciation	Impairment loss	Carrying amount
Land	Ps. 1,119,233	Ps. —	Ps. (4,405)	Ps. 1,114,828
Buildings	2,676,382	(628,643)	—	2,047,739
Office equipment and accessories	1,109,808	(795,010)	(280)	314,518
Information technology equipment	2,205,683	(1,567,691)	—	637,992
Vehicles	138,054	(83,623)	—	54,431
Equipment and machinery	1,532,530	(342,150)	(217)	1,190,163
Silos	8,613	(6,746)	—	1,867
Warehouses	62,833	(34,275)	—	28,558
Improvements in leaseholds properties	464,407	(237,477)	—	226,930
Construction in progress	150,335	—	—	150,335
Bearer plants	250,332	(19,402)	—	230,930
Balance as of December 31, 2020	**Ps. 9,718,210**	**Ps. (3,715,017)**	**Ps. (4,902)**	**Ps. 5,998,291**

(Amounts expressed in millions of Colombian pesos)

15.2 Tangible assets given in operating leases:

The following is movement of carrying value amounts of the balance to as of December 31, 2021 and 2020, by type:

December 31, 2021		**Cost**		**Accumulated depreciation**		**Impairment loss**		**Carrying amount**
Computing equipment	**Ps.**	33,547	**Ps.**	(6,872)	**Ps.**	—	**Ps.**	26,675
Vehicles		9,592		(1,700)		—		7,892
Mobilization equipment and machinery		5,064		(1,407)		(156)		3,501
Balance as of December 31, 2021	**Ps.**	**48,203**	**Ps.**	**(9,979)**	**Ps.**	**(156)**	**Ps.**	**38,068**

December 31, 2020		**Cost**		**Accumulated depreciation**		**Impairment loss**		**Carrying amount**
Computing equipment	**Ps.**	11,034	**Ps.**	(4,897)	**Ps.**	—	**Ps.**	6,137
Vehicles		2,776		(1,418)		—		1,358
Mobilization equipment and machinery		2,295		(795)		(84)		1,416
Balance as of December 31, 2020	**Ps.**	**16,105**	**Ps.**	**(7,110)**	**Ps.**	**(84)**	**Ps.**	**8,911**

15.3 Right-of-use assets:

The following is movement of carrying value amounts of the balance to as of December 31, 2021 and 2020, by type:

December 31, 2021		**Cost**		**Accumulated depreciation**		**Carrying amount**
Land	Ps.	32,254	Ps.	(5,104)	Ps.	27,150
Buildings		2,281,264		(722,433)		1,558,831
Office equipment and accessories		1,882		(407)		1,475
Information technology equipment		118,429		(40,436)		77,993
Vehicles		87,063		(39,471)		47,592
Equipment and machinery		188,894		(81,662)		107,232
Warehouses		130,016		(49,893)		80,123
Balance as of December 31, 2021	**Ps.**	**2,839,802**	**Ps.**	**(939,406)**	**Ps.**	**1,900,396**

December 31, 2020		**Cost**		**Accumulated depreciation**		**Carrying amount**
Land	Ps.	30,353	Ps.	(3,076)	Ps.	27,277
Buildings		2,196,138		(510,670)		1,685,468
Office equipment and accessories		2,126		(116)		2,010
Information technology equipment		101,540		(32,742)		68,798
Vehicles		84,231		(33,242)		50,989
Equipment and machinery		188,227		(73,853)		114,374
Warehouses		119,289		(32,686)		86,603
Balance as of December 31, 2020	**Ps.**	**2,721,904**	**Ps.**	**(686,385)**	**Ps.**	**2,035,519**

(Amounts expressed in millions of Colombian pesos)

15.4 Investment properties

The following table summarizes investment properties as of December 31, 2021 and 2020:

December 31, 2021	Cost		Accumulated adjustments to fair value		Carrying amount	
Land	Ps.	354,066	Ps.	155,224	Ps.	509,290
Buildings		277,196		66,449		343,645
Balance as of December 31, 2021	**Ps.**	**631,262**	**Ps.**	**221,673**	**Ps.**	**852,935**

December 31, 2020	Cost		Accumulated adjustments to fair value		Carrying amount	
Land	Ps.	363,220	Ps.	135,899	Ps.	499,119
Buildings		242,049		67,388		309,437
Balance as of December 31, 2020	**Ps.**	**605,269**	**Ps.**	**203,287**	**Ps.**	**808,556**

The following amounts have been recognized in the Consolidated Statement of Income during the years ended on December 31, 2021, 2020 and 2019 in relation to investments properties:

	December 31, 2021		December 31, 2020		December 31, 2019	
Income from rents	Ps.	10,540	Ps.	8,382	Ps.	10,289
Direct operating expenses deriving from property investments which create income from rent		(1,793)		(2,268)		(1,929)
Direct operating expenses deriving from property investments which do not create income from rent		(5,292)		(4,454)		(6,211)
	Ps.	**3,455**	**Ps.**	**1,660**	**Ps.**	**2,149**

NOTE 16 – CONCESSION ARRANGEMENTS RIGHTS

The following is the balance of the assets in concession agreements registered in the Group as of December 31, 2021 and 2020:

	December 31, 2021		December 31, 2020	
Financial assets at fair value	Ps.	3,228,480	Ps.	2,958,385
Financial asset at amortized cost net [(1)]		9,853,052		6,769,123
Total financial assets in concession arrangements rights [(2)]	**Ps.**	**13,081,532**	**Ps.**	**9,727,508**
Intangible asset		11,098,116		9,187,564
Total assets in concession arrangements rights	**Ps**	**24,179,648**	**Ps.**	**18,915,072**

(1) At December 31, 2021 and 2020, the balance of the financial asset at amortized cost includes an impairment expense of Ps. 3,050 and Ps. 1,759 respectively, see note 16.1.

(2) See note 12.1, “Contract assets”.

(Amounts expressed in millions of Colombian pesos)

16.1 Financial Assets in Concession Arrangements

The following table shows the changes in financial assets in concession arrangements registered in Grupo Aval's subsidiaries for the years ended on December 31, 2021, 2020 and 2019:

		Gas and Energy		Infrastructure		Total
Balance as of January 1, 2019	**Ps.**	**2,488,414**	**Ps.**	**2,630,269**	**Ps.**	**5,118,683**
Additions or new concession arrangements		—		1,495,035		1,495,035
Collections during the year		—		(23,674)		(23,674)
Adjustment to fair value		217,616		—		217,616
Accrued interest		—		225,432		225,432
Impairment expense		—		(1,176)		(1,176)
Balance as of December 31, 2019	**Ps.**	**2,706,030**	**Ps.**	**4,325,886**	**Ps.**	**7,031,916**
Additions or new concession arrangements (1)		—		2,203,309		2,203,309
Collections during the year		—		(24,070)		(24,070)
Adjustment to fair value		252,355		—		252,355
Accrued interest		—		265,757		265,757
Impairment expense		—		(1,759)		(1,759)
Balance as of December 31, 2020	**Ps.**	**2,958,385**	**Ps.**	**6,769,123**	**Ps.**	**9,727,508**
Additions or new concession arrangements (1)		—		2,613,987		2,613,987
Collections during the year		—		(273,665)		(273,665)
Adjustment to fair value		270,095		—		270,095
Accrued interest		—		746,657		746,657
Impairment expense		—		(3,050)		(3,050)
Balance as of December 31, 2021	**Ps.**	**3,228,480**	**Ps.**	**9,853,052**	**Ps.**	**13,081,532**

(1) Includes the progress of construction the Covipacifico and Covioriente concession.

16.2 Intangible Assets in Concession Arrangements

The following table shows the movements of the main concession arrangements in Grupo Aval's subsidiaries under intangible assets during years ended at December 31, 2021, 2020 and 2019:

Cost		Gas and energy		Infrastructure		Total
Balance as of January 1, 2019	**Ps.**	**3,033,014**	**Ps.**	**3,732,759**	**Ps.**	**6,765,773**
Additions (1)		760,982		1,525,013		2,285,995
Reclassification to PPE		407		—		407
Withdrawals (2)		(10,299)		(763,518)		(773,817)
Effect of movements in exchange rates		1,434		—		1,434
At December 31, 2019	**Ps.**	**3,785,538**	**Ps.**	**4,494,254**	**Ps.**	**8,279,792**
Additions (1)		863,910		1,001,985		1,865,895
Reclassification to PPE		582		—		582
Transfer to non-current assets held for sale		(769)		—		(769)
Withdrawals		(10,520)		(384)		(10,904)
Effect of movements in exchange rates		16,149		—		16,149
At December 31, 2020	**Ps.**	**4,654,890**	**Ps.**	**5,495,855**	**Ps.**	**10,150,745**
Additions (1)		982,508		922,203		1,904,711
Reclassification to PPE		20,301		—		20,301
Transfer to non-current assets held for sale		2,516		—		2,516
Withdrawals		(5,104)		—		(5,104)
Effect of movements in exchange rates		238,721		—		238,721
At December 31, 2021	**Ps.**	**5,893,832**	**Ps.**	**6,418,058**	**Ps.**	**12,311,890**
Accumulated Amortization		**Gas and energy**		**Infrastructure**		**Total**
Balance as of January 1, 2019	**Ps.**	**(501,737)**	**Ps.**	**(749,555)**	**Ps.**	**(1,251,292)**
Amortization of the year		(140,488)		(108,216)		(248,704)
Reclassification to PPE		7		—		7
Withdrawals (2)(3)		2,964		741,226		744,190
Effect of movements in exchange rates		(473)		—		(473)
At December 31, 2019	**Ps.**	**(639,727)**	**Ps.**	**(116,545)**	**Ps.**	**(756,272)**
Amortization of the year		(183,701)		(20,730)		(204,431)

(Amounts expressed in millions of Colombian pesos)

Cost		**Gas and energy**		**Infrastructure**		**Total**
Transfer to non-current assets held for sale		148		—		148
Withdrawals		4,131		349		4,480
Effect of movements in exchange rates		(1,868)		—		(1,868)
At December 31, 2020	**Ps.**	**(821,017)**	**Ps.**	**(136,926)**	**Ps.**	**(957,943)**
Amortization of the year		(222,894)		(9,921)		(232,815)
Reclassification to PPE		45		—		45
Transfer to non-current assets held for sale		—		—		—
Withdrawals		1,236		—		1,236
Effect of movements in exchange rates		(12,895)		—		(12,895)
At December 31, 2021	**Ps.**	**(1,055,525)**	**Ps.**	**(146,847)**	**Ps.**	**(1,202,372)**

Impairment loss		**Gas and energy**		**Infrastructure**		**Total**
Balance as of January 1, 2019	**Ps.**	**—**	**Ps.**	**—**	**Ps.**	**—**
Impairment charge		—		(2,032)		(2,032)
At December 31, 2019	**Ps.**	**—**	**Ps.**	**(2,032)**	**Ps.**	**(2,032)**
Impairment charge		(2,296)		(910)		(3,206)
At December 31, 2020	**Ps.**	**(2,296)**	**Ps.**	**(2,942)**	**Ps.**	**(5,238)**
Impairment charge		(4,850)		(1,314)		(6,164)
At December 31, 2021	**Ps.**	**(7,146)**	**Ps.**	**(4,256)**	**Ps.**	**(11,402)**

Total Intangible Assets		**Gas and energy**		**Infrastructure**		**Total**
Balance as of January 1, 2019	**Ps.**	**2,531,277**	**Ps.**	**2,983,204**	**Ps.**	**5,514,481**
Cost		752,524		761,495		1,514,019
Amortization (2)		(137,990)		633,010		495,020
Impairment loss		—		(2,032)		(2,032)
Balance at December 31, 2019	**Ps.**	**3,145,811**	**Ps.**	**4,375,677**	**Ps.**	**7,521,488**
Cost		869,352		1,001,601		1,870,953
Amortization		(181,290)		(20,381)		(201,671)
Impairment loss		(2,296)		(910)		(3,206)
Balance at December 31, 2020 (2)	**Ps.**	**3,831,577**	**Ps.**	**5,355,987**	**Ps.**	**9,187,564**
Cost		1,238,942		922,203		2,161,145
Amortization		(234,508)		(9,921)		(244,429)
Impairment loss		(4,850)		(1,314)		(6,164)
Balance at December 31, 2021 (2)	**Ps.**	**4,831,161**	**Ps.**	**6,266,955**	**Ps.**	**11,098,116**

(1) In gas and energy, includes borrowing costs capitalised by Ps. 13,856 for 2021, Ps. 24,383 for 2020 and Ps. 29,403 for 2019 with a capitalized interest rate (weighted average) of 5.39%, 4.56% and 6.77% E.A. respectively.

(2) In infrastructure, Proyectos de Infraestructura PISA S.A. includes of Ps. 21,884 for 2019 that was offset with a liability outstanding with Agencia Nacional de Infraestructura – (ANI), due to the settlement of the inspection reports with the ANI

(3) As of December 31, 2019, Concesionaria Vial de los Andes - Coviandes finished its operation and maintenance stage. The infrastructure was returned to the grantor.

(4) Gas and Energy mainly includes as of December 31, 2021, the balance of the concessions under construction of Gases del Norte del Perú S.A.C. and Gases del Pacífico S.A.C. by Ps. 615,604 and Ps. 53,936, and as of December 31, 2020 Ps. 100,732 and Ps. 388,059 respectively

(Amounts expressed in millions of Colombian pesos)

The following is a summary of the main concession contracts granted to Grupo Aval's subsidiaries as of December 31, 2021:

Concession Owner	Business and country	Objective	Current stage	Contract date	Year of construction start	% progress of construction		Concession end date
Gas and Energy								
Surtigas S.A. E.S.P.	Gas and Energy Colombia	Purchase, storage, packaging and distribution of gases derived from hydrocarbons.	Operation	03/1984 to 04/1994	1984	100	%	2034 to 2045
Transmetano E.S.P. S.A.	Gas and Energy Colombia	Construction, operation and maintenance of gas transportation systems.	Operation	08/1994	1996	100	%	2044
Promigas S.A. E.S.P.	Gas and Energy Colombia	Purchase, sale, transportation, distribution, exploitation and exploration of natural gas, oil and hydrocarbons in general.	Operation	05/1976 to 11/1994	1976	100	%	2026 to 2044
Promioriente S.A. E.S.P.	Gas and Energy Colombia	Construction, operation and maintenance of gas pipelines.	Operation	09/1995	1995	100	%	2045
Gases de Occidente S.A. E.S.P.	Gas and Energy Colombia	Transportation and distribution of liquefied petroleum gas and natural gas.	Operation	08/1998	1998	100	%	2047
Compañía Energética de Occidente S.A. E.S.P. (1)	Gas and Energy Colombia	Administrative, operational, technical and commercial management for the provision of electrical energy.	Operation and maintenance	01/2010	2010	100	%	2035
Sociedad Portuaria El Cayao S.A. E.S.P.	Gas and Energy Colombia	Construction, maintenance and administration of ports.	Operation	07/2015	2015	100	%	2035
Gases del Pacífico S.A.C.	Gas and Energy Perú	Purchase, sale, production, commercialization of energy in any of its forms.	Construction and Operation	10/2013	2015	95.60	%	2034
Gases del Norte del Perú S.A.C.	Gas and Energy Perú	Construction and distribution service of natural gas.	Construction and Operation	11/2019	2020	48.30	%	2051
Infrastructure								
Proyectos de Infraestructura S.A.	Infrastructure Colombia	Design, construction, equipment, conservation, operation and maintenance of road infrastructure.	Operation	12/1993	1994	100	%	2033
Concesiones CCFC S.A.S.	Infrastructure Colombia	Design, construction, equipment, conservation, operation and maintenance of road infrastructure.	Operation	06/1995	2001	100	%	2024
Concesionaria Panamericana S.A.S.	Infrastructure Colombia	Design, construction, equipment, conservation, operation and maintenance of road infrastructure.	Operation	12/1997	2009	100	%	2035
Concesionaria Vial del Pacífico S.A.S.	Infrastructure Colombia	Design, construction, equipment, conservation, operation and maintenance of road infrastructure.	Construction	09/2014	2018	83.33	%	2043
Concesionaria Nueva Vía del Mar S.A.S.	Infrastructure Colombia	Design, construction, equipment, conservation, operation and maintenance of road infrastructure.	Preconstruction	01/2015	2023	4.11	%	2044
Concesionaria Vial Andina S.A.S.	Infrastructure Colombia	Design, construction, equipment, conservation, operation and maintenance of road infrastructure.	Construction, operation and maintenance	06/2015	2016	95.55	%	2054
Concesionaria Vial Del Oriente S.A.S.	Infrastructure Colombia	Design, construction, equipment, conservation, operation and maintenance of road infrastructure.	Construction	07/2015	2018	69.45	%	2043

1. The concession has an investment commitment for the expansion, replacement and improvement of the infrastructure which as of December 2021 has an advance of 46.34%.

(Amounts expressed in millions of Colombian pesos)

NOTE 17 – GOODWILL

The following table shows the movement of the goodwill balance during the years ended December 31, 2021 and 2020:

		December 31, 2021[1]		December 31, 2020[1]
Balance at the beginning of the year	**Ps.**	7,713,817	**Ps.**	7,348,587
Business combination [2]		—		134,515
Impairment charge [3]		(109,334)		(5,065)
Effect of movements in exchange rates [4]		882,077		235,780
Balance at the end of the year	**Ps.**	**8,486,560**	**Ps.**	**7,713,817**

(1) See note 1.1. "Other events COVID-19" impact (Impairment of assets).
(2) For 2020, includes recognition of the business combination on Multi Financial Group, Inc., (see note 35).
(3) See note 17.1. Goodwill impairment.
(4) The foreign exchange adjustment is attributable to BAC Holding international Corp and Multifinancial Group Inc.

The following is the detail of goodwill assigned by cash generating units (CGU) representing the lowest identifiable level within Grupo Aval and monitored by management. In addition to this, the values of goodwill are not greater than the identified business' segments:

Goodwill carrying amount

CGU		December 31, 2021		December 31, 2020
BAC Holding International Corp. [1][2][3][5]	Ps.	6,256,287	Ps.	5,519,230
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A.		538,231		538,231
Banco de Bogotá S.A. over Megabanco [4]		465,905		465,905
Banco Popular S.A.		358,401		358,401
Banco de Bogotá S.A.		301,222		301,222
Promigas S.A. and Subsidiaries		169,687		169,687
Banco de Bogotá S.A. over Multi Financial Group Inc. [5]		145,020		—
Banco de Occidente S.A.		127,571		127,571
Concesionaria Panamericana S.A.S. [6]		93,272		101,809
Banco de Occidente S.A. over Banco Unión [4]		22,724		22,724
Hoteles Estelar S.A.		6,661		6,661
Concesionaria Covipacífico S.A.S. [7]		1,579		102,376
	Ps.	**8,486,560**	**Ps.**	**7,713,817**

(1) The main variation presented corresponds to the foreign exchange adjustment attributable to BAC Holding International Corp.
(2) In 2020, includes recognition of the business combination on Multi Financial Group, Inc., (see note 35).
(3) Formerly Leasing Bogotá S.A. Panama (See note 1).
(4) Goodwill recognized as a result of mergers between Banco de Bogotá and Megabanco, Banco de Occidente and Banco Unión.
(5) In 2021 there was a business reorganization in Banco de Bogotá, due to this, the CGU of Multi Financial Group Inc. became an independent CGU of BAC Holding International Corp. (See note 1).
(6) Includes recognition of impairment Ps. 8,537.
(7) Includes recognition of impairment Ps. 100,797 (See note 17.1).

The recoverable amount of each cash generating unit was determined based on market values of banks, listed in stock exchanges and a recoverable amount is determined by a study for those not listed in stock exchanges. Such calculations used cash flow projections, covering periods from 5 to 20 years. Cash flows subsequent to these periods were extrapolated using estimated growth rates for such flows, not exceeding the average of the economic sector where the cash generating unit operates.

Below is the detail of the most significant values that comprise Goodwill, representing more than 80% of the Goodwill balance detailed above:

A. BAC Holding International Corp.

On December 9, 2010, Banco de Bogotá S.A. acquired control of BAC Credomatic Inc. (BAC COM) through its subsidiary BAC Holding International Corp. (BAC Holding), which is the Panamanian company that executed the purchase agreement. BAC Credomatic Inc. (BAC COM), a company incorporated to do business under the laws of the British Virgin Islands, is the owner of Banco BAC International Bank, Inc. and the operations of BAC Credomatic Inc. (BAC) in Central America.

(Amounts expressed in millions of Colombian pesos)

With the acquisition of BAC COM, through BAC Holding, BAC's corporate structure now is controlled by Banco de Bogotá S.A., which is controlled, in turn, by Grupo Aval. Goodwill was generated and recognized as a result of that operation. Banco de Bogotá was authorized by the Superintendency of Finance to make this acquisition, through its subsidiary BAC Holding International Corp, as indicated in Official Notice 2010073017- 048 dated December 3, 2010.

Later, 98.92% of the shares of Banco Bilbao Vizcaya Argentaria S.A. Panamá (BBVA Panamá, now BAC de Panamá) were acquired by Banco de Bogotá, through its subsidiary BAC Holding International Corp, under authorization from the Superintendency of Finance, as per Official Notice 2013072962-052 dated December 12, 2013.

In addition, 100.00% of the shares of Banco Reformador de Guatemala (Reformador) and of Transcom Bank Limited in Barbados (Transcom) were acquired, and both banks were stated as Grupo Financiero Reformador de Guatemala. The Superintendency of Finance authorized Banco de Bogotá to acquire these banks, through its subsidiaries Credomatic International Corporation and BAC Credomatic Inc., as per Official Notice 2013068082-062 dated December 3, 2013.

During 2015, Credomatic International Corporation, a subsidiary of the company, acquired 100% of the issued and outstanding shares of COINCA Corporation Inc. (COINCA) and Corporación Tenedora BAC Credomatic S.A., and an indirect subsidiary of the Company, acquired 100% of the issued and outstanding shares of Medios de Pago MP S.A., domiciled in Costa Rica, generating with the latter a capital gain of Ps. 853,401 that was included in the consolidated financial statements of the Bank in the first quarter of 2016.

As of September 2021, Leasing Bogotá S.A Panama changed its corporate name to BAC Holding International Corp. and spun-off Multi Financial Group Inc. in favor of Banco de Bogotá through Multi Financial Holding (See note 1). In this sense, the goodwill of BAC Credomatic and its subsequent acquisitions were registered in BAC Holding International Corp. and the goodwill of Multi Financial Group Inc. in Multi Financial Holding.

The latest valuation update for the groups of cash generating units to which this goodwill was allocated was carried out by an independent adviser and reviewed by Management in January 2022, based on the financial statements of BAC Credomatic on September 30, 2021. The conclusion was that there are no circumstances that could indicate a possible impairment, given that the recoverable amount of the groups of cash generating units associated with goodwill of Ps. 24,669,313 exceeds the book value by Ps.11,185,784.

The following table shows the averages of the main assumptions used in the reports on impairment analysis of the cash-generating units with allocated goodwill, based on the impairment assessments carried out on the indicated dates. Although the valuation exercise includes a 10-years projection, the following tables only show the first 5 years as, following the first year of projection, rates are generally stable with no significant variations.

	December 31, 2021				
	2022	**2023**	**2024**	**2025**	**2026**
Lending rate on the loan portfolio and investments	9.1 %	9.1 %	9.1 %	9.1 %	9.1 %
Borrowing rate	2.2 %	2.2 %	2.2 %	2.2 %	2.2 %
Growth in income from commissions	1.6 %	6.6 %	5.8 %	5.4 %	5.3 %
Growth in expenses	6.2 %	5.1 %	5.1 %	4.7 %	3.3 %
Discount rate after taxes	11.8 %				
Growth rate after ten years	3.0 %				

	December 31, 2020				
	2021	**2022**	**2023**	**2024**	**2025**
Lending rate on the loan portfolio and investments	10.1 %	10.1 %	10.1 %	10.1 %	10.2 %
Borrowing rate	2.8 %	2.8 %	2.8 %	2.9 %	2.9 %
Growth in income from commissions	3.8 %	8.4 %	7.6 %	6.3 %	6.7 %
Growth in expenses	3.5 %	4.8 %	5.6 %	4.7 %	4.7 %
Discount rate after taxes	12.3 %				
Growth rate after ten years	3.0 %				

A 10-years projection was made to evaluate potential goodwill impairment, considering that the business will have matured and the flow of funds will have stabilized once this period has elapsed. In turn, macroeconomic assumptions as well as those for BAC Credomatic's business in each of the countries where it operates were used for the projection, to reflect the contribution of each market to the CGUs as a whole. The averages of the main premises used are listed in the foregoing tables, including the variables for all the countries where BAC Credomatic Inc. operates. The following is description of that process:

(Amounts expressed in millions of Colombian pesos)

- Lending rates on loans and investments were projected based on historical data and on the expectations of management in each of the countries where BAC Credomatic Inc. operates, considering the competitiveness of the different services in their respective markets and the growth strategies for each segment. The projection on US Federal Reserve rates was taken into account as well, since these rates serve as a basis for international banking rates.
- Growth in income from commissions was projected in line with the growth in BAC Credomatic´s active portfolio, which allows for greater income through products and services like insurance, memberships. commissions on foreign currency exchange and also the implementation of new services among others. Competitive markets were also considered in the projected time horizon elapsed.
- Although the functional or reporting currency of the business is that of each country in the region where BAC Credomatic Inc.´s. subsidiaries operate, the future flows of funds have been converted into nominal U.S. dollars in each projected period, discounted at a nominal rate in U.S. dollars, net of income tax, estimated as cost of equity ("Ke"). A discount rate in U.S. dollars is used, given that a consistent discount rate in the respective local currencies cannot be estimated due to of the lack of required data.
- The discount rate has been estimated considering of the risk profile of each of the markets where BAC Credomatic Inc. operates.
- To estimate the terminal value, the normalized flow of funds, adjusted according to growth expectations, was projected in perpetuity. This projection does not exceed the average long-term rate of growth for the economies in each of the countries where BAC operates. An annual growth rate of 3.0% was estimated for the long term.

The after-tax discount rate used to discount the dividend flows reflects the specific risks relative to the CGU and the markets where BAC Credomatic operates, as mentioned earlier. Had the US dollar denominated estimated discount rate of 11.8% been 1.0% higher; it would not have been necessary to reduce the book value of goodwill, since the value-in-use of the cash-generating units associated with goodwill would have been Ps. 21,922,915 still exceeding book value as of December, 2021 of Ps. 13,483,529.

B. Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.

Porvenir absorbed AFP Horizonte Pensiones y Cesantías S.A. and the goodwill in question was allocated to the groups of cash-generating units that together made up Porvenir later that same year.

The latest valuation update for the business lines of the groups of cash-generating units to which this goodwill was allocated, was done by an external adviser and reviewed by management. This valuation was conducted in January 2022 and is based on financial statements of Porvenir on September 30, 2021. The conclusion was that there are no situations that imply a possible impairment, given that the recoverable amount of the groups of cash generating units associated with goodwill was Ps. 5,310,260, exceeding the book value by Ps. 2,446,969.

The following are the main assumptions used in the impairment test reports taken as the basis for impairment testing on the dates listed, even though the valuation exercise includes a 20-years projection, the following tables only shows the first 5 years as rates, following the first year of projection, are generally stable with no significant variations.

December 31, 2021					
	2022	**2023**	**2024**	**2025**	**2026**
Interest rate on investments	6.1 %	4.7 %	4.4 %	4.6 %	4.6 %
Borrowing rate	6.3 %	6.3 %	6.3 %	6.3 %	6.3 %
Growth in income from commissions	(7.8)%	7.0 %	4.5 %	6.0 %	5.6 %
Growth in expenses	(14.5)%	(0.1)%	1.5 %	4.7 %	4.5 %
Inflation	3.5 %	3.8 %	3.4 %	3.6 %	3.6 %
Discount interest rate after taxes	12.5 %	12.6 %	12.6 %	12.6 %	12.6 %
Growth rate after twenty years	3.5 %				

(Amounts expressed in millions of Colombian pesos)

December 31, 2020

	2021	2022	2023	2024	2025
Interest rate on investments	4.9 %	4.3 %	4.6 %	4.3 %	4.3 %
Borrowing rate	6.3 %	6.3 %	6.3 %	6.3 %	6.3 %
Growth in income from commissions	(8.9)%	8.4 %	7.1 %	7.1 %	6.4 %
Growth in expenses	(1.7)%	4.2 %	(0.8)%	2.5 %	5.3 %
Inflation	2.9 %	4.4 %	3.8 %	3.1 %	3.1 %
Discount interest rate after taxes	13.6 %	13.4 %	13.4 %	13.4 %	13.4 %
Growth rate after twenty years	3.4 %				

A 20-years projection was made to estimate goodwill based on macroeconomic assumptions and those related to the business of Porvenir, as indicated in the foregoing tables. The following is a description of that process.

- Investments and borrowing rates were projected using historical data and data provided by the Company on the business.
- The estimated increases in commissions and expenses are based on business growth and other transactions estimated by the Company.
- The inflation rate used in the projections is based on reports from outside sources, such as The Economist Intelligence Unit, and intra-group sources such as Corficolombiana´s research team.
- The growth rate used for the terminal value was 3.5%, which is the average projected inflation provided by the independent specialists.

The after-tax discount interest rate that was used to discount dividend flows reflects the specific risks relative to each cash-generating unit. If the estimated discount rate of 12.5% had been 1.0% higher than the estimated rate in the valuation done by external experts, there would be no need to reduce the book value of goodwill, since the fair value of the groups of cash-generating units associated with goodwill would be Ps. 4,780,417 and still exceeding book value as of December, 2021 of Ps. 2,863,291.

C. Cash-generating units inside Banco de Bogotá

Goodwill was generated in 2006 with the acquisition of 94.99% of the shares of Banco de Crédito y Desarrollo Social – MEGABANCO S.A. and later merged with Banco de Bogotá. This operation was authorized by the Office of the Superintendency of Finance in Resolution No. 917 dated June 2, 2006

The latest valuation update for the business lines of the groups of cash-generating units to which this goodwill was allocated, was performed by an independent adviser and reviewed by management. This valuation was conducted in January 2022 and is based on Banco de Bogotá´s financial statements as of September 30, 2021. It was concluded that there are no situations that imply a possible impairment, given that the recoverable amount of the groups of cash generating units associated with goodwill was Ps. 9,166,267 exceeds the book value by Ps. 1,931,847.

The following table shows the main assumptions used in the latest impairment tests of the groups of cash-generating units with allocated goodwill.

December 31, 2021

	2022	2023	2024	2025	2026
Lending rate on the loan portfolio and investments	7.8 %	8.4 %	8.6 %	8.7 %	8.7 %
Borrowing rate	2.4 %	3.1 %	3.5 %	3.5 %	3.5 %
Growth in income from commissions	10.2 %	7.5 %	9.1 %	9.8 %	10.7 %
Growth in expenses	5.2 %	9.0 %	7.1 %	7.1 %	6.6 %
Inflation	3.5 %	3.8 %	3.4 %	3.6 %	3.6 %
Discount rate after taxes	12.5 %	13.2 %	13.2 %	13.2 %	13.2 %
Growth rate after five years	3.6 %				

December 31, 2020

	2021	2022	2023	2024	2025
Lending rate on the loan portfolio and investments	6.7 %	8.0 %	9.0 %	9.5 %	9.6 %
Borrowing rate	1.8 %	2.6 %	3.4 %	3.9 %	3.9 %
Growth in income from commissions	15.7 %	44.0 %	8.8 %	8.5 %	8.6 %
Growth in expenses	3.6 %	12.6 %	10.5 %	7.7 %	5.5 %
Inflation	2.9 %	4.4 %	3.8 %	3.1 %	3.1 %
Discount rate after taxes	13.0 %	12.8 %	12.8 %	12.8 %	12.8 %
Growth rate after five years	3.3 %				

A 5-years projection was made to estimate goodwill, based on macroeconomic assumptions and those related to the businesses listed in the foregoing tables.

The following is a description of that process.

- The lending rates on loans and investments were projected based on the Company expected rates and lending rates from independent specialists (The Economist Intelligence Unit "EIU")
- The borrowing rates were projected based on the Company´s expected rates and the money market interest rate from EIU.
- Estimated growth of commissions is based on its historical ratio to the gross loan portfolio.
- Estimated growth in expenses is based on the inflation's growth and/or its historical percentage over revenues.
- The inflation rate used in the projections is based on reports from outside sources, such as The Economist Intelligence Unit, and intra-group sources such as Corficolombiana´s research team.
- The growth rate used for the terminal value was 3.6%, which is the average projected inflation provided by the independent specialists and reviewed by management.

The discount rate after taxes used to discount dividend flows reflects the specific risks relative to each cash-generating unit. If the 12.5% estimated discount rate had been 1.0% higher than the rate estimated in the models, the book value of goodwill would not have to be impaired, since the fair value of the groups of cash-generating units associated with goodwill would have been Ps. 8,289,397, still exceeding book value as of December, 2021 of Ps. 7,234,420.

17.1. Goodwill Impairment

Below is the detail of the most significant values that comprise impairment charge of Goodwill:

Concesionaria Víal del Pacífico

The recoverable amount for Concesionaria Vial del Pacífico S.A.S., has been calculated based on its value in use, determined by discounting the future free cash flows expected for the reminder of the concession term (from December 2021 to October 2043, the estimated time completion), using the estimated discount rate WACC 8.51% (8.7% as of December 2020), considering the company's cash and debt balances as of December 31, 2021.

Under the following assumptions, the recoverable amount as of Ps. 1,236,830 as of December 31, 2021, was lower than the carrying amount of the investment including its goodwill, generating an impairment of Ps. 100,797. The main assumptions and circumstances taken into account, which led to the recognition of this impairment were:

a. Covipacífico's income is made up of toll revenue, future government payments and payments for collection differences (shortfall in toll revenue is covered by top-up payments, called DR) if applicable. The estimate of said income to be received during the concession period is obtained from the combination of several elements:

    - Average daily traffic (TPD for its acronym in Spanish) projections by category and application of the corresponding tariff per category, taking into account the updating method agreed in the concession contract. The tariff growth rate is regularly given by the variation observed in the CPI (IPC for its acronym in Spanish), and in some cases an additional growth is incorporated.

    - Revenues from future government payments, agreed in constant pesos in the concession contract, are updated with the variation of the CPI corresponding to the period in which they are received by the concessionaire.

b. Internal projections of costs and expenses to be incurred for Administration, Operation and Maintenance are used, considering compliance with contractual obligations, as well as service level indicators.

c. Estimation of the discount rate:

    - For December 2021, financial debt and equity are taken as a reference for the long-term capital structure of the company 60%-40%.
    - For the cost of debt, a weighted average of the following is used:
        - Bridge loan (IBR + 4%)

(Amounts expressed in millions of Colombian pesos)

- Senior Debt (in US$) (4.9%)
- Cost of long-term debt granted on average by the market to concessions, CPI + 8%.
- The tax rate used is 35% for 2021 and 31%. For 2020

o To calculate the Ke, the geometric average of the 10-year United States government bond yield was used as a reference for the risk-free rate, and the geometric average of the market premium was calculated, according to published data. on Aswath Damodaran's blog. The beta is calculated from the average beta of companies in the sector of emerging market countries. For the EMBI, the market value of the JP Morgan EMBI + is used. In this way, a nominal Ke in US$ of 11.6% (10% for December 2020) and a nominal Ke in COP of 11.8% are calculated. (10.1% for December 2020).

NOTE 18 – OTHER INTANGIBLE ASSETS

The following table shows the movements of the other intangible assets during years ended on December 31, 2021, 2020 and 2019:

	Internally generated				Separate			
	Developing		In use		acquisition		Total	
Balance as of January 1, 2019	**Ps.**	**246,075**	**Ps.**	**362,869**	**Ps.**	**424,941**	**Ps.**	**1,033,885**
Capitalizations / Acquisitions / Purchases		183,428		(109,025)		313,741		388,144
Amortization		—		(25,007)		(185,865)		(210,872)
Withdrawals and transfers		(82,363)		(34,938)		107,457		(9,844)
Effect of movements in exchange rates		16		—		5,162		5,178
Balance as of December 31, 2019	**Ps.**	**347,156**	**Ps.**	**193,899**	**Ps.**	**665,436**	**Ps.**	**1,206,491**
Business combination [(1)]		—		—		174,317		174,317
Capitalizations / Acquisitions / Purchases		339,245		—		220,155		559,400
Amortization		—		(35,272)		(240,174)		(275,446)
Withdrawals and transfers		(213,123)		68,928		131,101		(13,094)
Effect of movements in exchange rates		(74)		—		(27,924)		(27,998)
Balance as of December 31, 2020	**Ps.**	**473,204**	**Ps.**	**227,555**	**Ps.**	**922,911**	**Ps.**	**1,623,670**
Capitalizations / Acquisitions / Purchases		376,344		—		192,321		568,665
Amortization		—		(44,916)		(281,672)		(326,588)
Impairment loss		—		—		(3,253)		(3,253)
Withdrawals and transfers		(287,656)		196,317		70,973		(20,366)
Effect of movements in exchange rates		1,369		—		42,545		43,914
Balance as of December 31, 2021	**Ps.**	**563,261**	**Ps.**	**378,956**	**Ps.**	**943,825**	**Ps.**	**1,886,042**

(1) Includes recognition of the business combination on Multi Financial Group, Inc., (see note 35). Licenses, software and information technology applications Ps. 61,650 and other intangibles Ps. 112,667.

(Amounts expressed in millions of Colombian pesos)

NOTE 19 – INCOME TAX

19.1 Components of the income tax expense:

The income tax expense for the years ended on December 31, 2021, 2020 and 2019 comprises the following:

		December 31, 2021		December 31, 2020		December 31, 2019
Current period income tax	Ps.	1,660,815	Ps.	1,592,062	Ps.	1,564,056
Income tax surcharge (1)		60,730		84,621		—
Subtotal current period taxes	**Ps.**	**1,721,545**	**Ps.**	**1,676,683**	**Ps.**	**1,564,056**
Prior years adjustments (2)		(103,464)		(52,539)		(16,931)
Adjustment due to settlement of uncertain tax positions from prior years (3)		(69,442)		8,539		(22,113)
Deferred taxes						
Deferred taxes current period		1,268,583		203,093		647,718
Deferred taxes - Prior years adjustments (4)		34,573		7,892		(86,473)
Subtotal deferred taxes	**Ps.**	**1,303,156**	**Ps.**	**210,985**	**Ps.**	**561,245**
Total	**Ps.**	**2,851,795**	**Ps.**	**1,843,668**	**Ps.**	**2,086,257**

(1) The income tax surcharge applicable to financial entities was declared unconstitutional for the year 2019.

(2) In 2021, current tax recovery was recorded in Banco de Occidente for Ps. (71,282), Banco de Bogotá for Ps. (12,888), Corficolombiana for Ps. (10,185) and other entities for Ps. (9,108); the most important effect is registered from Banco de Occidente corresponds to the impact of the fiscal realization of derivative contracts that was adjusted with the presentation of income tax return of the year 2020.

(3) In 2021, BAC Credomatic recovery provisions for uncertainties for Ps. (71,638). Also, Banco Av Villas and Banco de Occidente recorded Ps. 2,196.

(4) In 2021, Banco de Occidente recorded an adjustment to prior year expenses of Ps. 59,825 associated with the fiscal adjustments to derivative contracts. In 2019, adjustments were recorded in connection with a deferred tax reversal on the property, plant and equipment, which had been subject to a tax base update in accordance with the rules of the Normalization (Amnesty) tax. Banco de Occidente recorded a recovery of Ps. (63,849) and Banco Popular of Ps. (24,914).

19.2 Reconciliation of the Nominal Tax Rate and the Effective tax Rate:

The following are the existing legal provisions related to income tax:

In Colombia

The tax rules in relation to the income tax applicable during the years 2021, 2020 and 2019, among other things, establish the following:

- The income tax rate to be 31% plus an income tax surcharge of 3% applicable to financial institutions in 2021, 32% plus an income tax surcharge of 4% applicable to financial institutions in 2020 and 33% in 2019. The income tax surcharge stipulated for 2019 was declared unconstitutional by the Constitutional Court of Colombia through Judgment C-510 of October 2019.

- Gains on the sale or disposal of non-current assets held for more than two years is taxed at 10%.

- Gains of the entities that belong to the special free zone regime in Colombia is taxed at 20%.

- The tax rate on presumptive income is calculated to 0.5% in the years 2020, 1.5% in the year 2019 and 3.5% in the years 2018.

- In 2020 and 2019, an income tax discount of 50% of the industry and commerce tax paid in the taxable period can be applied. This discount will increase to 100% in 2022.

- Tax loss-carry forwards incurred prior to 2017 may be offset on the same terms applicable for 2016, but they may not be fiscally readjusted. Tax loss carry-forwards incurred since 2017 may be offset against company taxable income over the following twelve years.

- The "presumptive income" incurred prior to 2017 may be offset on the same terms applicable for 2016, but they may not be fiscally readjusted. The "presumptive income" incurred since 2017 may be offset by taxable income over the following five years.

(Amounts expressed in millions of Colombian pesos)

- As of 2017 the companies' taxable income will be determined based on the new accounting regulation in force in Colombia since January 1, 2015. However, the new tax regulation also includes special income tax rules for several transactions.

The last tax reform that is in force at the time of preparation of these Financial Statements is Law 2155 of 2021. This Law, includes among others:

- An income tax rate of 35% that applies to companies from 2022 onwards. In addition, financial institutions in Colombia with a taxable income equal to or greater than 120,000 Units of Tax Value - UVT (which by 2022 equals 36,308 pesos), are subject to a 3% income tax surcharge in 2022, 2023, 2024 and 2025.

- An income tax discount of 50% of the industry and commerce tax paid in the taxable period. This eliminated the increase of this discount to 100% starting on in 2022, that was included in previous reforms.

- The audit benefit is extended for taxpayers that increase their net income tax of the taxable year relative to the net income tax of the immediately preceding year by at least 35% or 25%, limiting the tax authority's right to examine the income tax to 6 or 12 months from the date of its filing, respectively.

- The expiration of a tax authority's right to examine the income tax will be five years after the filing date for taxpayers that declare or compensate tax losses or that are subject to the transfer pricing regime.

<u>In other countries</u>

Given that our subsidiary BAC Holding has an international license in Panamá it is subject to a tax rate of 0%. The subsidiaries in Guatemala are taxed at a rate of 25%; the subsidiaries in El Salvador, Honduras, Costa Rica and Nicaragua are taxed at a rate of 30% and the subsidiaries with a local license in Panamá are taxed at a rate of 25%. The subsidiaries in Perú are taxed at a rate of 29.5% since 2017.

Below is the detailed reconciliation between total expenses of the income tax of Grupo Aval calculated at the applicable enacted tax rate and the tax expense recognized in the statement of income for the years ended on December 31, 2021, 2020 and 2019:

	Years ended on:		
	December 31, 2021	December 31, 2020	December 31, 2019
Profit before income tax	Ps. 8,520,297	Ps. 6,475,284	Ps. 7,451,711
Enacted tax rate in Colombia	34 %	36 %	33 %
Theoretical income tax expense	2,896,901	2,331,102	2,459,065
Nondeductible expenses	414,045	613,118	484,615
Tax losses considered non recoverable for income tax purpose	9,480	39,843	54,698
Presumptive income considered non recoverable for income tax purpose	(7,845)	(5,074)	7,071
Nontaxable dividends	(54,102)	(31,770)	(24,172)
Nontaxable income under equity method in associates	(102,073)	(79,258)	(69,399)
Profit (loss) on sales or appraisal of investment	(695)	2,492	(1,167)
Nontaxable interest income and other income	(274,704)	(86,195)	(19,088)
Other nontaxable income	(208,030)	(386,496)	(339,253)
Revenues taxable at different tax rate	1,453	5,511	(5,851)
Tax benefits in the acquisition of property and equipment	(22,431)	(25,470)	(42,375)
Tax Discounts (1)	(91,830)	(111,165)	(80,742)
Profits (losses) in Subsidiaries in tax free countries or with different tax rate	(265,374)	(422,894)	(116,155)
Effect on the deferred income tax due to changes in tax rates (2)	587,938	(102,617)	(129,172)
Prior year adjustments	(103,464)	(52,539)	(16,931)
Adjustments due to uncertain tax positions in previous year	(69,442)	8,539	(22,113)
Deferred taxes - Prior years adjustments	34,573	7,892	(86,473)
With holding tax (3)	113,958	134,167	—
Other	(6,563)	4,482	33,699
Total tax expense of the year	**Ps. 2,851,795**	**Ps. 1,843,668**	**Ps. 2,086,257**
Effective income tax rate	**33.47 %**	**28.47 %**	**28.00 %**

(1) Corresponds to the industry and commerce tax that during 2019 could be used as a tax discount under Law 1943 of 2018. Banco de Bogotá recorded Ps. 47,155, Banco de Occidente Ps. 7,068, Banco Popular Ps. 6,257, Banco AV Villas Ps. 10,444, Corficolombiana Ps. 8,498 and Grupo Aval Holding Ps. 1,230.

(2) Corresponds to the effect of the difference in rate applied by entities with respect to the statutory rate of 36%. Banco Bogotá records an effect of Ps. 262,901 explained by the differential rates of BAC Holding and subsidiaries. Corficolombiana records an effect of Ps. 133,329 explained by their subsidiaries that are not subject to the 4% income tax surcharge rate. Other entities contribute Ps. 7,611.

(Amounts expressed in millions of Colombian pesos)

(3) Expenditure for withholdings at source assumed in investments in Central America and recorded by LB Panamá. The country that contributes the most is Costa Rica, over which during 2020 it registered Ps.87,919.

19.3 Tax Losses and excess of Presumptive Income:

The following table shows the detail of the tax loss carry forward and excess of presumptive income over taxable income of the entities of Grupo Aval which are not recognized as deferred tax assets, as of December 31, 2021 and 2020.

		December 31, 2021		December 31, 2020
Tax loss carry forwards expiring on:				
December 31, 2024	Ps.	—	Ps.	13
December 31, 2025		6		23
December 31, 2026		—		904
December 31, 2029		170,944		175,081
December 31, 2030		284,105		298,235
December 31, 2031		233,232		244,574
December 31, 2032		14,363		112,786
December 31, 2033		31,262		5,715
December 31, 2034		433,022		4,443
December 31, 2035		3,575		3,082
December 31, 2036		3,291		2,838
Without expiration date		2,161		432,676
Subtotal	**Ps.**	**1,175,961**	**Ps.**	**1,280,371**
Excess of presumptive income expiring on:				
December 31, 2022	Ps.	46,745	Ps.	59,128
December 31, 2023		52,538		46,894
December 31, 2024		27,191		55,195
December 31, 2025		9,132		27,222
December 31, 2026		—		9,469
Subtotal	**Ps.**	**135,606**	**Ps.**	**197,908**
Total	**Ps.**	**1,311,567**	**Ps.**	**1,478,279**

19.4 Deferred Taxes from Investments in Subsidiaries:

Grupo Aval did not record income tax liabilities related to temporary differences on investment subsidiaries of Ps. 13,081,990 and Ps. 10,770,417 as of December 31, 2021 and 2020, respectively. These were not recognized because Grupo Aval controls the dividend policy of its subsidiaries and is able to control the timing of reversal of the related taxable temporary differences and Grupo Aval does not expect to reverse them in the foreseeable future.

(Amounts expressed in millions of Colombian pesos)

19.5 Deferred taxes by Type of Temporary Difference:

The differences between the carrying value of the assets and liabilities and their tax bases give rise to the following temporary differences which result in deferred taxes, calculated and recorded in the years ended on December 31, 2021, 2020 and 2019, based on current tax regulations as references for the years wherein such temporary differences will be reverted:

Year ended on December 31, 2021

	Balance as of January 1, 2021	Credited (charged) to profit or loss	Credited (charged) to OCI	Foreign exchange adjustments and reclassiffications	Balance as of December 31, 2021
Deferred tax assets					
Debt securities at fair value	Ps. 28,230	Ps. 21,386	Ps. 350,014	Ps. (14,292)	Ps. 385,338
Equity securities at fair value	275	753	—	—	1,028
Derivative instruments	609,930	(216,846)	308,831	(2,604)	699,311
Allowance of investments securities	562	593	—	—	1,155
Accounts receivable	45,324	101,221	—	(49)	146,496
Allowance for accounts receivable	47,181	12,423	—	—	59,604
Loans and receivables	3,623	(29)	—	(2,437)	1,157
Allowance for impairment on loans and receivables	448,793	54,939	—	58,998	562,730
Allowance for foreclosed assets	10,169	8,758	—	2,155	21,082
Property, plant and equipment costs	323,544	15,505	—	—	339,049
Depreciation of property, plant and equipment	32,154	2,401	—	59	34,614
Investment property	25,461	4,481	79	—	30,021
Deferred charges and of intangible assets	214,669	28,501	—	—	243,170
Tax losses carry forward	86,558	38,949	—	(8,482)	117,025
Surplus of presumptive income	6,071	(1,720)	—	—	4,351
Provisions	220,822	98,893	—	4,348	324,063
Employee benefits	123,700	(4,375)	(19,635)	2,972	102,662
Goodwill	423	(423)	—	—	—
Financial assets in concession contracts	884,158	484,332	—	—	1,368,490
Biological assets	104	(3)	—	—	101
Lease agreements	609,701	56,007	—	27,680	693,388
Other	444,708	186,995	441,257	(36,004)	1,036,956
Subtotal	**Ps. 4,166,160**	**Ps. 892,741**	**Ps. 1,080,546**	**Ps. 32,344**	**Ps. 6,171,791**
Deferred tax liabilities					
Debt securities at fair value	Ps. (111,742)	Ps. 9,262	Ps. (3,767)	Ps. 32,352	Ps. (73,895)
Equity securities at fair value	(203,826)	(17,437)	(20,075)	(12,084)	(253,422)
Derivative instruments	(13,194)	(15,724)	(3,722)	(28)	(32,668)
Accounts receivable	(115,071)	(62,571)	—	—	(177,642)
Allowance of investments securities	(1,805)	384	—	—	(1,421)
Loans and receivables	(27,042)	(2,489)	—	—	(29,531)
Allowance for impairment on loans and receivables	(399,561)	(193,833)	—	(19,531)	(612,925)
Foreclosed assets	(60,161)	(5,006)	—	—	(65,167)
Provision for foreclosed assets	(10,388)	(4,206)	—	(1,927)	(16,521)
Property plant and equipment costs	(270,327)	(3,460)	—	(9,806)	(283,593)
Depreciation of property, plant and equipment	(338,964)	(71,262)	—	—	(410,226)
Investment property	(79,571)	(16,694)	—	(77)	(96,342)
Right-of-use	(422,659)	1,526	—	(16,036)	(437,169)
Deferred charges and of intangible assets	(263,802)	(53,515)	—	(3,589)	(320,906)
Provisions	(21,766)	7,562	—	(2,338)	(16,542)
Employee benefits	(30,851)	(8,943)	3,686	(5,259)	(41,367)
Goodwill	(253,223)	(73,847)	—	—	(327,070)
Deferred Income	(638,438)	(278,721)	—	—	(917,159)
Financial assets in concession arrangements	(149,928)	(25,404)	—	—	(175,332)
Intangible assets in concession arrangements	(2,537,348)	(1,451,262)	—	(6,367)	(3,994,977)
Biological assets	(31,194)	(14,633)	—	—	(45,827)
Lease agreements	(279,347)	(29,017)	—	(9,175)	(317,539)
Other	(226,224)	113,393	(2,651)	23,831	(91,651)
Subtotal	**Ps. (6,486,432)**	**Ps. (2,195,897)**	**Ps. (26,529)**	**Ps. (30,034)**	**Ps. (8,738,892)**
Total	**Ps. (2,320,272)**	**Ps. (1,303,156)**	**Ps. 1,054,017**	**Ps. 2,310**	**Ps. (2,567,101)**

(Amounts expressed in millions of Colombian pesos)

Year ended on December 31, 2020

	Balance as of January 1, 2020	Change in accounting policies	Credited (charged) to profit or loss	Credited (charged) to OCI	Foreign exchange adjustments	Balance as of December 31, 2020
Deferred tax assets						
Debt securities at fair value	Ps. 11,274	Ps. 26,312	Ps. 1,776	Ps. (117)	Ps. (11,015)	Ps. 28,230
Equity securities at fair value	365	—	(667)	577	—	275
Derivative instruments	156,543	—	136,061	317,271	55	609,930
Allowance of investments securities	173	—	389	—	—	562
Accounts receivable	147	—	45,180	—	(3)	45,324
Allowance for accounts receivable	50,144	—	(2,963)	—	—	47,181
Loans and receivables	1,650	117,600	(117,519)	—	1,892	3,623
Allowance for impairment on loans and receivables	212,223	8,495	218,844	—	9,231	448,793
Allowance for foreclosed assets	1,856	—	8,908	—	(595)	10,169
Property, plant and equipment costs	304,768	(2,305)	19,812	—	1,269	323,544
Depreciation of property, plant and equipment	36,083	—	(3,908)	—	(21)	32,154
Investment property	18,323	—	7,138	—	—	25,461
Deferred charges and of intangible assets	99,584	(29,258)	117,615	—	26,728	214,669
Tax losses carry forward	56,516	26,041	3,132	—	869	86,558
Surplus of presumptive income	5,661	—	410	—	—	6,071
Provisions	223,238	2,911	(7,584)	—	2,257	220,822
Employee benefits	120,367	(1,219)	3,608	437	507	123,700
Goodwill	859	—	(436)	—	—	423
Financial assets in concession contracts	247,883	—	636,275	—	—	884,158
Biological assets	220	—	(2)	(114)	—	104
Lease agreements	586,879	10,592	1,451	—	10,779	609,701
Other	285,468	—	69,257	100,825	(10,842)	444,708
Subtotal	**Ps. 2,420,224**	**Ps. 159,169**	**Ps. 1,136,777**	**Ps. 418,879**	**Ps. 31,111**	**Ps. 4,166,160**
Deferred tax liabilities						
Debt securities at fair value	Ps. (75,114)	Ps. —	Ps. (27,361)	Ps. (18,286)	Ps. 9,019	Ps. (111,742)
Equity securities at fair value	(105,502)	—	(116,654)	(411)	18,741	(203,826)
Derivative instruments	(7,264)	—	(8,734)	2,740	64	(13,194)
Accounts receivable	(92,100)	—	(22,971)	—	—	(115,071)
Allowance of investments securities	(85,584)	—	83,779	—	—	(1,805)
Loans and receivables	(38,086)	—	308	—	10,736	(27,042)
Allowance for impairment on loans and receivables	(432,707)	(52,429)	144,414	—	(58,839)	(399,561)
Foreclosed assets	(90,276)	—	30,115	—	—	(60,161)
Provision for foreclosed assets	(8,611)	—	(1,472)	—	(305)	(10,388)
Property plant and equipment costs	(294,303)	(3,788)	30,070	—	(2,306)	(270,327)
Depreciation of property, plant and equipment	(265,505)	—	(73,426)	—	(33)	(338,964)
Investment property	(70,065)	(99)	(8,617)	(532)	(258)	(79,571)
Right-of-use	(494,923)	(16,274)	100,038	—	(11,500)	(422,659)
Deferred charges and of intangible assets	(82,082)	—	(132,822)	—	(48,898)	(263,802)
Provisions	(9,408)	—	(515)	—	(11,843)	(21,766)
Employee benefits	(27,492)	—	(3,397)	1,078	(1,040)	(30,851)
Goodwill	(222,513)	—	(30,710)	—	—	(253,223)
Deferred Income	(127,223)	—	(511,215)	—	—	(638,438)
Financial assets in concession arrangements	(189,897)	—	39,969	—	—	(149,928)
Intangible assets in concession arrangements	(1,890,875)	—	(646,473)	—	—	(2,537,348)
Biological assets	(27,704)	—	(3,490)	—	—	(31,194)
Lease agreements	(231,167)	—	(48,180)	—	—	(279,347)
Other	(176,534)	—	(140,418)	11,429	79,299	(226,224)
Subtotal	**Ps. (5,044,935)**	**Ps. (72,590)**	**Ps. (1,347,762)**	**Ps. (3,982)**	**Ps. (17,163)**	**Ps. (6,486,432)**
Total	**Ps. (2,624,711)**	**Ps. 86,579**	**Ps. (210,985)**	**Ps. 414,897**	**Ps. 13,948**	**Ps. (2,320,272)**

(Amounts expressed in millions of Colombian pesos)

Year ended on December 31, 2019

	Balance as of January 1, 2019	Change in accounting policies	Credited (charged) to profit or loss	Credited (charged) to OCI	Foreign exchange adjustments	Balance as of December 31, 2019
Deferred tax assets						
Debt securities at fair value	Ps. 29,650	Ps. —	Ps. (14,680)	Ps. (4,540)	Ps. 844	Ps. 11,274
Equity securities at fair value	622	—	(1,129)	872	—	365
Derivative instruments	73,154	—	68,038	15,351	—	156,543
Allowance of investments securities	136	—	37	—	—	173
Accounts receivable	—	—	147	—	—	147
Allowance for accounts receivable	41,390	—	8,750	—	4	50,144
Loans and receivables	14,917	—	(13,440)	—	173	1,650
Allowance for impairment on loans and receivables	159,169	—	54,517	—	(1,463)	212,223
Allowance for foreclosed assets	2,927	—	(1,203)	—	132	1,856
Property, plant and equipment costs	284,111	—	16,749	—	3,908	304,768
Depreciation of property, plant and equipment	20,903	—	15,180	—	—	36,083
Investment property	—	—	18,323	—	—	18,323
Deferred charges and of intangible assets	168,856	—	(69,272)	—	—	99,584
Tax losses carry forward	299,201	—	(24,518)	(240,420)	22,253	56,516
Surplus of presumptive income	4,670	—	991	—	—	5,661
Provisions	189,882	—	35,111	—	(1,755)	223,238
Employee benefits	131,783	—	(27,270)	15,308	546	120,367
Goodwill	—	—	859	—	—	859
Deferred Income	2,587	—	(2,587)	—	—	—
Financial assets in concession contracts	158,645	—	89,238	—	—	247,883
Biological assets	104	—	282	(166)	—	220
Lease agreements	8,592	649,307	(74,500)	—	3,480	586,879
Other	271,950	—	(3,989)	18,102	(595)	285,468
Subtotal	**Ps. 1,863,249**	**Ps. 649,307**	**Ps. 75,633**	**Ps. (195,492)**	**Ps. 27,527**	**Ps. 2,420,224**
Deferred tax liabilities						
Debt securities at fair value	Ps. (49,937)	Ps. —	Ps. 43,565	Ps. (65,399)	Ps. (3,343)	Ps. (75,114)
Equity securities at fair value	(115,877)	—	20,716	(10,773)	432	(105,502)
Derivative instruments	(17,565)	—	17,410	(10,272)	3,163	(7,264)
Accounts receivable	(287,526)	—	195,426	—	—	(92,100)
Allowance of investments securities	(23,150)	—	(62,434)	—	—	(85,584)
Loans and receivables	(63,567)	—	25,769	—	(288)	(38,086)
Allowance for impairment on loans and receivables	(270,947)	—	(163,948)	—	2,188	(432,707)
Foreclosed assets	(92,416)	—	2,140	—	—	(90,276)
Provision for foreclosed assets	(109,092)	—	100,172	—	309	(8,611)
Property plant and equipment costs	(357,384)	—	54,139	—	8,942	(294,303)
Depreciation of property, plant and equipment	(170,138)	—	(86,092)	—	(9,275)	(265,505)
Investment property	—	—	(69,732)	(333)	—	(70,065)
Right-of-use	—	(636,017)	144,618	—	(3,524)	(494,923)
Deferred charges and of intangible assets	(621,878)	—	539,796	—	—	(82,082)
Provisions	(24,280)	—	21,285	—	(6,413)	(9,408)
Employee benefits	—	—	(28,020)	322	206	(27,492)
Goodwill	(193,030)	—	(29,483)	—	—	(222,513)
Deferred Income	(116,034)	—	(11,189)	—	—	(127,223)
Financial assets in concession arrangements	(554,608)	—	364,711	—	—	(189,897)
Intangible assets in concession arrangements	(344,133)	—	(1,546,742)	—	—	(1,890,875)
Biological assets	(23,333)	—	(4,371)	—	—	(27,704)
Lease agreements	(4,293)	—	(226,874)	—	—	(231,167)
Other	(243,665)	—	62,260	(1,235)	6,106	(176,534)
Subtotal	**Ps. (3,682,853)**	**Ps. (636,017)**	**Ps. (636,878)**	**Ps. (87,690)**	**Ps. (1,497)**	**Ps. (5,044,935)**
Total	**Ps. (1,819,604)**	**Ps. 13,290**	**Ps. (561,245)**	**Ps. (283,182)**	**Ps. 26,030**	**Ps. (2,624,711)**

(Amounts expressed in millions of Colombian pesos)

Grupo Aval offsets deferred tax assets and liabilities by entity and tax authority, considering the application of the tax provisions in Colombia and other countries in which the legal right to offset tax assets and liabilities and other requirements in IAS 12, according to the following breakdown:

December 31, 2021		Gross Deferred tax amounts		Offset		Balances on Statement of financial position
Deferred tax asset	Ps.	6,171,791	Ps.	(4,406,526)	Ps.	1,765,265
Deferred tax liability		(8,738,892)		4,406,526		(4,332,366)
Net	**Ps.**	**(2,567,101)**	**Ps.**	**—**	**Ps.**	**(2,567,101)**

December 31, 2020		Gross Deferred tax amounts		Offset		Balances on Statement of financial position
Deferred tax asset	Ps.	4,166,160	Ps.	(3,304,458)	Ps.	861,702
Deferred tax liability		(6,486,432)		3,304,458		(3,181,974)
Net	**Ps.**	**(2,320,272)**	**Ps.**	**—**	**Ps.**	**(2,320,272)**

Grupo Aval estimates to recover its income tax assets and settle its income tax liabilities as shown below:

Deferred tax		December 31, 2021		December 31, 2020
Deferred tax asset recoverable before 12 months	Ps.	1,498,125	Ps.	686,568
Deferred tax asset recoverable after 12 months		4,673,666		3,479,592
Total Deferred tax asset	**Ps.**	**6,171,791**	**Ps.**	**4,166,160**
Deferred tax liability to settle before 12 months	Ps.	(983,821)	Ps.	(1,002,096)
Deferred tax liability to settle after 12 months		(7,755,071)		(5,484,336)
Total Deferred tax liability	**Ps.**	**(8,738,892)**	**Ps.**	**(6,486,432)**

Current tax		December 31, 2021		December 31, 2020
Current tax asset recoverable before 12 months	Ps.	1,195,641	Ps.	871,780
Current tax asset recoverable after 12 months		87,997		433,522
Total Current tax asset	**Ps.**	**1,283,638**	**Ps.**	**1,305,302**
Current tax liability to settle before 12 months	Ps.	(775,108)	Ps.	(704,197)
Current tax liability to settle after 12 months		(48,470)		(71,126)
Total Current tax liability	**Ps.**	**(823,578)**	**Ps.**	**(775,323)**

19.6 Effect of the current and deferred taxes in each component of other comprehensive income in equity:

The effects of the current and deferred taxes in each component of other comprehensive income are detailed below during the years ended on December 31, 2021, 2020 and 2019:

	December 31, 2021							
Items that will be reclassified to profit or loss		**Amount before taxes**		**Current tax (expense) Income**		**Deferred tax (expense) income**		**Net**
Hedging of net investments in foreign subsidiaries operations	Ps.	2,565,637	Ps.	—	Ps.	(2,292)	Ps.	2,563,345
Hedging derivatives in foreign currency		(403,983)		—		275,834		(128,149)
Hedging financial liabilities in foreign currency		(1,198,919)		—		476,463		(722,456)
Cash Flow hedging		7,980		—		(3,382)		4,598
Foreign currency translation differences for foreign operations		(180,798)		—		(14,946)		(195,744)
Investment in associates and join ventures		(846)		—		(228)		(1,074)
Debt financial instruments		(1,346,315)		—		357,814		(988,501)
Subtotal Items that will be reclassified to profit or loss	**Ps.**	**(557,244)**	**Ps.**	**—**	**Ps.**	**1,089,263**	**Ps.**	**532,019**
Items that will not be reclassified to profit or loss								
Effect of moving investment properties for own use	Ps.	4,718	Ps.	—	Ps.	79	Ps.	4,797
Equity financial instruments		(110,397)		—		(19,376)		(129,773)
Actuarial gains (losses) from defined benefit pension plans		61,665		—		(15,949)		45,716
Subtotal Items that will not be reclassified to profit or loss	**Ps.**	**(44,014)**	**Ps.**	**—**	**Ps.**	**(35,246)**	**Ps.**	**(79,260)**
Total “other comprehensive income” during the period	**Ps.**	**(601,258)**	**Ps.**	**—**	**Ps.**	**1,054,017**	**Ps.**	**452,759**

(Amounts expressed in millions of Colombian pesos)

	December 31, 2020			
Items that will be reclassified to profit or loss	**Amount before taxes**	**Current tax (expense) Income**	**Deferred tax (expense) income**	**Net**
Hedging of net investments in foreign subsidiaries operations	Ps. 883,022	Ps. —	Ps. (563)	Ps. 882,459
Hedging derivatives in foreign currency	(1,034,816)	—	310,445	(724,371)
Hedging financial liabilities in foreign currency	(366,195)	—	110,668	(255,527)
Cash Flow hedging	832	—	641	1,473
Foreign currency translation differences for foreign operations	(548,706)	—	11,484	(537,222)
Investment in associates and joint ventures	13,059	42,284	(869)	54,474
Debt financial instruments	172,906	—	(22,085)	150,821
Subtotal Items that will be reclassified to profit or loss	**Ps. (879,898)**	**Ps. 42,284**	**Ps. 409,721**	**Ps. (427,893)**
Items that will not be reclassified to profit or loss				
Asset revaluation	Ps. 9,014	Ps. —	Ps. (765)	Ps. 8,249
Equity financial instruments	193,880	—	4,425	198,305
Actuarial gains (losses) from defined benefit pension plans	(9,488)	—	1,516	(7,972)
Subtotal Items that will not be reclassified to profit or loss	**Ps. 193,406**	**Ps. —**	**Ps. 5,176**	**Ps. 198,582**
Total "other comprehensive income" during the period	**Ps. (686,492)**	**Ps. 42,284**	**Ps. 414,897**	**Ps. (229,311)**

	December 31, 2019			
Items that will be reclassified to profit or loss	**Amount before taxes**	**Current tax (expense) Income**	**Deferred tax (expense) income**	**Net**
Hedging of net investments in foreign subsidiaries operations	Ps. 95,329	Ps. —	Ps. 145	Ps. 95,474
Hedging derivatives in foreign currency	(50,318)	—	18,221	(32,097)
Hedging financial liabilities in foreign currency	(47,942)	247,153	(229,627)	(30,416)
Cash Flow hedging	13,469	—	(4,988)	8,481
Foreign currency translation differences for foreign operations	128,135	—	(1,235)	126,900
Debt financial instruments	(9,061)	—	—	(9,061)
Investment in associates and joint ventures	426,300	—	(69,707)	356,593
Subtotal Items that will be reclassified to profit or loss	**Ps. 555,912**	**Ps. 247,153**	**Ps. (287,191)**	**Ps. 515,874**
Items that will not be reclassified to profit or loss				
Asset revaluation	Ps. 5,288	Ps. —	Ps. (333)	Ps. 4,955
Equity financial instruments	237,781	—	(11,288)	226,493
Actuarial gains (losses) from defined benefit pension plans	(61,222)	—	15,630	(45,592)
Subtotal Items that will not be reclassified to profit or loss	**Ps. 181,847**	**Ps. —**	**Ps. 4,009**	**Ps. 185,856**
Total "other comprehensive income" during the period	**Ps. 737,759**	**Ps. 247,153**	**Ps. (283,182)**	**Ps. 701,730**

19.7 Uncertainties in Open Tax Positions

As of December 31, 2021, and 2020, Grupo Aval recognized tax uncertainty liabilities for Ps. 50,006 and Ps. 111,591 respectively. Uncertain tax positions corresponding to expenses, considered deductible, and which, according to decisions of the tax authorities, could be considered as non-deductible. The balance as of December 31, 2020 is expected to be used fully or released when the inspection rights of the tax authorities with respect to the open tax returns expire.

(Amounts expressed in millions of Colombian pesos)

19.8 Withholdings tax on dividends paid between entities

On December 28, 2018, some changes to tax on distribution of dividends were introduced by means of Law 1943. From there on, there is a new withholding tax (¨WHT") on distributions made to entities, which is treated as a tax credit deducted at source when a subsequent distribution is made by the entity to an individual. In essence, the tax credit resulting from the WHT is awarded to the ultimate beneficiary, no to the entity receiving the dividend in the first place. When the entity first receives the distribution, it accounts for the WHT in equity, as a reduction in dividends payable to individuals in accordance with paragraph 65A of IAS 12. Grupo Aval recorded WHT by Ps. 11,309 and Ps. 20,331 as of December 31, 2021 and 2020, respectively. The figure is not applicable with respect to payments made by BAC Holding, which is a foreign entity.

NOTE 20 – CUSTOMER DEPOSITS

20.1 Detail of the composition of the deposits

The following is the detail of the balances of the deposits received from Grupo Aval´s customer and subsidiaries in development of their deposit collection operations:

Detail		December 31, 2021		December 31, 2020
Demand				
Checking accounts	Ps.	59,225,849	Ps.	51,198,284
Savings accounts		89,097,128		76,551,465
Other funds on demand		617,201		532,660
		148,940,178		**128,282,409**
Term deposits				
Fixed term deposit certificates [(1)]		85,530,244		83,559,188
Total deposits		**234,470,422**		**211,841,597**
Per currency				
In Colombian Pesos		122,904,271		116,477,562
In foreign currency		111,566,151		95,364,035
Total per currency	Ps.	**234,470,422**	Ps.	**211,841,597**

(1) The amount of term deposits due over 12 months as December 31, 2021 is Ps. 26,380,487 and December 31, 2020 is Ps. 28,164,514.

20.2 Detail of the effective interest rates

The following is a summary of the effective interest rates which are accrued on customer deposits is as follows:

December 31, 2021

	Deposits			
	In Colombian Pesos Rate		In foreign currency Rate	
	Minimum %	Maximum %	Minimum %	Maximum %
Interest-bearing checking accounts	0.05 %	3.69 %	0.01 %	5.50 %
Saving accounts	0.01 %	6.03 %	0.01 %	8.00 %
Fixed term deposit certificates	0.05 %	10.15 %	0.01 %	10.35 %

December 31, 2020

	Deposits			
	In Colombian Pesos Rate		In foreign currency Rate	
	Minimum %	Maximum %	Minimum %	Maximum %
Interest-bearing checking accounts	0.07 %	3.20 %	0.03 %	5.85 %
Saving accounts	0.01 %	5.07 %	0.03 %	8.00 %
Fixed term deposit certificates	0.01 %	10.30 %	0.01 %	10.35 %

(Amounts expressed in millions of Colombian pesos)

20.3 Detail of the concentration of deposits received from customers per economic sector

	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Individuals	Ps. 49,728,304	21.2 %	Ps. 44,766,208	21.1 %
Commerce	36,427,804	15.5 %	29,901,422	14.1 %
Financial	34,729,994	14.8 %	39,703,773	18.7 %
Services	26,808,490	11.4 %	17,637,128	8.3 %
Government and Colombian Government entities	19,302,161	8.2 %	18,260,125	8.6 %
Insurance	7,017,685	3.0 %	2,769,410	1.3 %
Manufacturing	5,761,688	2.5 %	4,072,883	1.9 %
Real Estate	4,410,650	1.9 %	3,422,308	1.6 %
Agriculture and livestock	2,588,497	1.1 %	2,494,422	1.2 %
Exploitation of mines and quarries	2,412,425	1.0 %	755,267	0.4 %
Transport	2,134,067	0.9 %	1,036,546	0.5 %
Telecommunications	2,126,723	0.9 %	282,717	0.1 %
Education	1,577,282	0.7 %	1,586,080	0.7 %
Foreign Governments	931,011	0.4 %	1,087,077	0.5 %
Artistic, entertainment and recreation activities	732,304	0.3 %	313,444	0.1 %
Colombian Municipalities	443,543	0.2 %	532,739	0.3 %
Tourism	558,777	0.2 %	473,756	0.2 %
Other	36,779,017	15.8 %	42,746,292	20.4 %
Total	**Ps. 234,470,422**	**100 %**	**Ps. 211,841,597**	**100 %**

NOTE 21 – FINANCIAL OBLIGATIONS

21.1 Financial obligations other than issued bonds

a) Interbank borrowings, overnight funds and borrowings from banks and others

The following is a summary of the financial obligations of Grupo Aval as of December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Local Currency		
Interbank funds		
Overnight funds	Ps. 8,910	Ps. 2,361
Interbank funds purchased	972,439	202,219
Commitments to transfer open and closed repo operations	3,644,717	2,237,837
Commitments to transfer simultaneous operations	4,422,249	3,397,284
Commitments originated in short positions simultaneous operations	717,210	158,203
Total interbank funds	**Ps. 9,765,525**	**Ps. 5,997,904**
Borrowings from banks and others		
Borrowings	1,973,866	1,858,618
Leases contracts	1,488,300	1,597,463
Other financial obligations	7,721	7,899
Total borrowings from banks and others	**Ps. 3,469,887**	**Ps. 3,463,980**
Foreign currency		
Interbank funds		
Overnight funds	1,733	—
Interbank funds purchased	239,390	783,873
Commitments to transfer open and closed repo operations	596,134	397,867

(Amounts expressed in millions of Colombian pesos)

		December 31, 2021		December 31, 2020
Commitments to transfer simultaneous operations		69,633		—
Total interbank funds	**Ps.**	**906,890**	**Ps.**	**1,181,740**
Borrowings from banks and others				
Borrowings		18,382,147		12,423,796
Leases contracts		1,393,857		1,428,270
Andean Development Corporation (Corporación Andina de Fomento)		627,600		268,889
Letters of credit		1,311,128		554,642
Bankers acceptances		1,909,580		1,378,310
Discoveries in bank current account		30,292		136,000
Other financial obligations		219		630
Total borrowings from banks and others	**Ps.**	**23,654,823**	**Ps.**	**16,190,537**
Total interbank borrowings, overnight funds and borrowings from banks and others	**Ps.**	**37,797,125**	**Ps.**	**26,834,161**

The amount of interbank borrowings, overnight funds and borrowings from banks and others due over 12 months as of December 31, 2021 was Ps. 11,436,422 and as of December 31, 2020 was Ps. 10,607,458.

Short-term obligations associated with simultaneous and repo operations as of December 31, 2021 amounted to Ps. 4,491,882 were guaranteed with investments were Ps. 9,994,115. And short-term obligations associated with simultaneous and repo operations as of December 31, 2020 amounted to Ps. 3,397,284 were guaranteed with investments were Ps. 6,756,912.

Borrowings from development entities

The Colombian Government has established certain credit programs for promoting the development of specific sectors of the economy, including foreign trade, agriculture, tourism, housing construction and other industries. The programs are managed by many entities of the Government such as Banco de Comercio Exterior ("Bancoldex"), Fondo para el Financiamiento del Sector Agropecuario ("Finagro") and Financiera de Desarrollo Territorial ("Findeter").

The details of the borrowings from these entities as of December 31, 2021, and 2020 and are as follows:

	Interest rates in force at cut off		December 31, 2021		December 31, 2020
Banco de Comercio Exterior - "BANCOLDEX"	Fix between 0.80% and 8.71%, DTF + 0.30% to 6.14%, IBR + 0.05% to 4.35%, LIBOR6 + 1.21% to 3.70%	Ps.	822,948	Ps.	1,046,721
Fondo para el Financiamiento del Sector Agropecuario - "FINAGRO"	Fix between 0.04% and 7.30%, DTF + 0.50% to 2.80% and IBR + 0.40% to 2.60%		394,391		327,902
Financiera de Desarrollo Territorial "FINDETER"	Fix between 0.01% and 9.74%, DTF + 1.00% to 4.80%, IBR + 0.11% to 4.85%, CPI + 0.50% and 5.00% and LIBOR6 + 3.14%		2,009,930		2,655,185
Total		**Ps.**	**3,227,269**	**Ps.**	**4,029,808**

The amount of borrowings from development entities due over 12 months as of December 31, 2021 was Ps. 3,104,889, and as of December 31, 2020 was Ps. 3,724,954.

The amount of financial obligations with development entities in Colombian pesos as of December 31, 2021 is Ps.3,214,706 and as of December 31, 2020 is Ps.3,972,161; in foreign currency, as of December 31, 2021 is Ps.12,563 and as of December 31, 2020 is Ps.57,647.

21.2. Financial obligations from issued bonds

Grupo Aval and some of its subsidiaries have been authorized by the Superintendency of Finance and by the applicable regulatory entities in other jurisdictions to issue either bonds or general guarantee bonds. The bonds issued by Grupo Aval and subsidiaries are non-guaranteed and represent exclusively the obligations of each of the issuers.

(Amounts expressed in millions of Colombian pesos)

The detail of issued bonds as of December 31, 2021 and 2020, by issuance date and maturity date was as follows:

Issuer	Issue Date	December 31, 2021	December 31, 2020	Maturity Date	Interest Rate
Local Currency					
Banco Av. Villas S.A.	23/02/2021	Ps. 475,949	Ps. —	Between 23/02/2024 and 23/02/2026	CPI + 0.71% to 1.36%
Banco de Bogotá S.A.	Between 24/09/2020 and 10/02/2021	902,331	300,011	Between 24/09/2023 and 10/02/2026	CPI + 1.16%; IBR + 1.14% and Fix Between 3.40% and 4.75%
Banco de Occidente S.A	Between 09/02/2012 and 20/08/2020	2,685,078	3,023,809	Between 09/02/2022 and 14/12/2032	CPI + 1.75% to 4.65%; IBR + 1.37% and Fix Between 5.71% and 6.49%
Corporación Financiera Colombiana S.A.	Between 27/08/2009 and 20/10/2021	3,754,128	3,287,717	Between 11/03/2022 and 19/11/2045	CPI + 1.75% to 5.99%; Fix Between 3.77% and 7.10%
Banco Popular S.A	Between 12/10/2016 and 11/11/2021	2,518,982	1,652,087	Between 13/02/2022 and 04/02/2027	CPI + 2.58% to 4.13%; IBR + 1.59% to 2.61% and Fix Between 5.88% and 8.10%
Grupo Aval Acciones y Valores S.A.	Between 03/12/2009 and 14/11/2019	1,132,101	1,129,634	Between 14/11/2024 and 28/06/2042	CPI + 3.69% to 5.20% and Fix 6.42%
Peso denominated Total		**Ps. 11,468,569**	**Ps. 9,393,258**		
Foreign Currency					
Banco de Bogotá S.A. Under rule 144A.	Between 19/02/2013 and 03/08/2017	8,509,886	7,327,946	Between 19/02/2023 and 03/08/2027	Fix Between 4.38% to 6.25%
BAC Credomatic					
El Salvador	Between 25/05/2017 and 29/09/2021	421,097	467,262	Between 25/05/2022 and 19/08/2024	Fix Between 4.70% to 5.85%
Honduras	Between 11/04/2019 and 15/12/2021	334,127	306,129	Between 25/02/2022 and 29/12/2025	Fix Between 3.20% to 9.50% and Banker rate Between 0.25% to 3.75%
Panamá	Between el 11/09/2017 and 15/12/2021	1,569,444	1,713,174	Between el 21/01/2022 and 30/06/2026	Fix Between 2.00% to 5.00%
BAC Credomatic Total		**Ps. 2,324,668**	**Ps. 2,486,566**		
Banco Bogotá and BAC Credomatic Total		**Ps. 10,834,554**	**Ps. 9,814,512**		
Grupo Aval Limited	Between 26/09/2012 and 04/02/2020	7,971,392	6,845,536	Between 26/09/2022 and 04/02/2030	Fix Between 4.38% to 4.75%
Promigas S.A. and Gases del Pacífico S.A.C. Under rule 144A.	Between 16/10/2019 and 22/10/2020	1,983,417	1,707,490	Between 16/10/2029 and 22/10/2029	Fix 3.75%
Foreign Currency Total		**Ps. 20,789,363**	**Ps. 18,367,539**		
Total of Bonds		**Ps. 32,257,932**	**Ps. 27,760,797**		

The amount of issued bonds due over 12 months as of December 31, 2021 was Ps. 25,521,295 and as of December 31, 2020 was Ps. 26,467,982.

Grupo Aval had no defaults on principal or interest payments or other breaches with respect to its liabilities during the years ended 31 December 2021 and 2020, and Grupo Aval is complying with the related covenants agreed with investors and debtors.

(Amounts expressed in millions of Colombian pesos)

21.3 Analysis of changes in financing during the year

Reconciliation of movements of liabilities to cash flows arising from financing activities:

Reconciliation of movements of liabilities to cash flows arising from financing activities

		Liabilities			Equity			Total
	Notes	Dividends payable	Bonds issued	Leases contracts	Subscribed and paid-in capital	Additional paid-in capital	Non-controlling interest	
Balance at December 31, 2018		Ps. 535,310	Ps. 20,140,351	Ps. 1,023,589	Ps. 22,281	Ps. 8,472,336	Ps. 11,764,639	Ps. 41,958,506
Change in accounting policies on january 1, 2019		—	—	2,225,545	—	—	—	**2,225,545**
Cash flows from financing activities:								
Dividens paid to shareholders		(1,266,920)	—	—	—	—	—	**(1,266,920)**
Dividens paid to non-controlling interest	**26**	(804,302)	—	—	—	—	—	**(804,302)**
Issuance of debt securities		—	3,130,254	—	—	—	—	**3,130,254**
Interest issuance of debt securities		—	18,633	—	—	—	—	**18,633**
Payment of outstanding debt securities		—	(1,544,225)	—	—	—	—	**(1,544,225)**
Leases contracts		—	—	(362,334)	—	—	—	**(362,334)**
Equity transaction		—	—	—	—	(26,570)	(40,527)	**(67,097)**
Net cash used in financing activities		**(2,071,222)**	**1,604,662**	**(362,334)**	**—**	**(26,570)**	**(40,527)**	**(895,991)**
Cash flows from operating activities:								
Accrued interest		—	1,220,437	205,627	—	—	—	**1,426,064**
Interest paid		—	(1,103,218)	(194,589)	—	—	—	**(1,297,807)**
Other Changes		**2,167,023**	**56,036**	**135,664**	**—**	**—**	**(830,160)**	**1,528,563**
Total liabilities related to other changes		**2,167,023**	**173,255**	**146,702**	**—**	**—**	**(830,160)**	**1,656,820**
Total equity related to other changes		**—**	**—**	**—**	**—**	**—**	**2,603,750**	**2,603,750**
Balance at December 31, 2019		**Ps. 631,111**	**Ps. 21,918,268**	**Ps. 3,033,502**	**Ps. 22,281**	**Ps. 8,445,766**	**Ps. 13,497,702**	**Ps. 47,548,630**
Cash flows from financing activities:								
Dividens paid to shareholders		(1,330,241)	—	—	—	—	—	**(1,330,241)**
Dividens paid to non-controlling interest	**26**	(946,034)	—	—	—	—	—	**(946,034)**
Issuance of debt securities		—	5,733,500	—	—	—	—	**5,733,500**
Interest issuance of debt securities		—	(7,180)	—	—	—	—	**(7,180)**
Payment of outstanding debt securities		—	(2,185,636)	—	—	—	—	**(2,185,636)**
Leases contracts		—	—	(429,636)	—	—	—	**(429,636)**
Redemption of preferred shares		—	—	—	—	—	(379,320)	**(379,320)**
Equity transaction		—	—	—	—	(546)	(50,458)	**(51,004)**
Net cash used in financing activities		**(2,276,275)**	**3,540,684**	**(429,636)**	**—**	**(546)**	**(429,778)**	**404,449**
Cash flows from operating activities:								
Accrued interest		—	1,545,009	210,816	—	—	—	**1,755,825**
Interest paid		—	(1,503,675)	(191,924)	—	—	—	**(1,695,599)**
Other Changes		**2,294,038**	**2,260,511**	**402,975**	**—**	**—**	**(957,390)**	**4,000,134**
Total liabilities related to other changes		**2,294,038**	**2,301,845**	**421,867**	**—**	**—**	**(957,390)**	**4,060,360**
Total equity related to other changes		**—**	**—**	**—**	**—**	**25,650**	**2,671,725**	**2,697,375**
Balance at December 31, 2020		**Ps. 648,874**	**Ps. 27,760,797**	**Ps. 3,025,733**	**Ps. 22,281**	**Ps. 8,470,870**	**Ps. 14,782,259**	**Ps. 54,710,814**
Cash flows from financing activities:								
Dividens paid to shareholders		(1,230,841)	—	—	—	—	—	**(1,230,841)**
Dividens paid to non-controlling interest	**26**	(913,356)	—	—	—	—	—	**(913,356)**
Issuance of debt securities		—	2,932,471	—	—	—	—	**2,932,471**
Interest issuance of debt securities		—	(1,191)	—	—	—	—	**(1,191)**
Payment of outstanding debt securities		—	(1,631,318)	—	—	—	—	**(1,631,318)**
Leases contracts		—	—	(472,084)	—	—	—	**(472,084)**
Redemption of preferred shares		—	—	—	—	—	(29,751)	**(29,751)**
Equity transaction		—	—	—	—	—	120	**120**
Net cash used in financing activities		**(2,144,197)**	**1,299,962**	**(472,084)**	**—**	**—**	**(29,631)**	**(1,345,950)**
Cash flows from operating activities:								
Accrued interest		—	1,631,055	173,214	—	—	—	**1,804,269**
Interest paid		—	(1,590,137)	(168,966)	—	—	—	**(1,759,103)**
Other Changes		**2,093,857**	**3,156,256**	**324,260**	**—**	**—**	**(823,551)**	**4,750,822**
Total liabilities related to other changes		**2,093,857**	**3,197,174**	**328,508**	**—**	**—**	**(823,551)**	**4,795,988**
Total equity related to other changes		**—**	**—**	**—**	**—**	**19,929**	**2,528,917**	**2,548,846**
Balance at December 31, 2021		**Ps. 598,534**	**Ps. 32,257,933**	**Ps. 2,882,157**	**Ps. 22,281**	**Ps. 8,490,799**	**Ps. 16,457,994**	**Ps. 60,709,698**

(Amounts expressed in millions of Colombian pesos)

NOTE 22 – EMPLOYEE BENEFITS

In accordance with labor legislation in the countries in which Grupo Aval operates, and based on labor conventions and collective bargaining agreements signed between Grupo Aval's subsidiaries and their employees, employees have short term benefits (including but not limited to salaries, holidays, legal and extralegal premiums, interests on severances and defined contribution plans such as severances), long-term benefits (including but not limited to seniority bonuses), post-employment benefits (including but not limited to medical aids) and retirement benefits (including but not limited to severance payments to employees in Colombia who continue with labor regime before Law 50 of 1990 and legal and extralegal retirement pensions). Compensation of key management personnel (see note 34) includes salaries.

Through personnel benefits plans, Grupo Aval is exposed to several risks (interest rates), which are intended to be minimized by applying the risk management policies and procedures defined under Note 4.

The detail of the balance of liabilities for employee benefits as of December 31, 2021, and 2020 is as follows:

	December 31, 2021		December 31, 2020	
Short term	Ps.	552,889	Ps.	462,070
Post-employment		522,196		597,936
Long term		134,831		180,090
Total	**Ps.**	**1,209,916**	**Ps.**	**1,240,096**
Plan Asset	Ps.	(46,840)	Ps.	(38,241)
Net employee benefits	**Ps.**	**1,163,076**	**Ps.**	**1,201,855**

22.1 Post-employment benefits

In Colombia, when employees retire after completing certain thresholds of years and time of service, retirement pensions are assumed by public or private pension funds based on defined contribution plans,. Entities and employees contribute monthly defined amounts by law to gain entitlement to a pension at the time of retirement.

Unlike in Central America, in Colombia according to prior labor regimes, post-employment benefits for employees hired before (i) 1968 require pensions to be directly assumed the company for those employees that have fulfilled the requirements of age and years of service and (ii) 1990 entitle employees to receive a compensation equivalent to the last month of salary multiplied by each year of service.

Some subsidiaries have labor conventions or pay extra-legal premiums to employees retiring in compliance with the required age and time of service, when they start enjoying the pension granted by the pension funds.

Some retirees of Grupo Aval and its subsidiaries receive benefits including coverage of medical treatments.

As of December 31, 2021 and 2020, the post-employment benefit expense is composed of:

	December 31, 2021		December 31, 2020	
Defined contribution plan	Ps.	77,257	Ps.	83,549
Defined benefit plan		48,857		37,917

(Amounts expressed in millions of Colombian pesos)

22.2 Long Term Employee Benefits

Some Grupo Aval subsidiaries grant their employees extra-legal long-term premiums during their working lives per every five years of service that they complete, calculated as days of salary per year of work.

Grupo Aval has recognized the liabilities corresponding to these benefits, based on the same actuarial calculations and using the same parameters as in retirement benefits.

The following table shows the Post-employment and long-term benefits movements during the years ended on December 31, 2021, 2020 and 2019 are as follows:

	Post-employment benefits			Long-term benefits		
	December 31, 2021	**December 31, 2020**	**December 31, 2019**	**December 31, 2021**	**December 31, 2020**	**December 31, 2019**
Balance at the beginning of the year	**Ps. 597,936**	**Ps. 590,914**	**Ps. 541,226**	**Ps. 180,090**	**Ps. 186,333**	**Ps. 242,335**
Business combination (1)	—	13,632	—	—	—	—
Service costs	15,606	6,410	14,567	18,454	17,915	22,860
Interests cost	33,251	32,745	37,138	7,982	8,563	14,252
Gain on settlements	—	(1,238)	—	—	—	—
Past Service Costs (2)	—	—	1,018	(28,009)	(15,659)	(49,400)
	Ps. 646,793	**Ps. 642,463**	**Ps. 593,949**	**Ps. 178,517**	**Ps. 197,152**	**Ps. 230,047**
Changes in actuarial assumptions from changes in demographic assumptions	7,142	—	7,407	(1,493)	—	—
Changes in actuarial assumptions from changes in financial assumptions	(67,646)	7,835	54,674	(21,462)	11,449	(13,008)
	Ps. (60,504)	**Ps. 7,835**	**Ps. 62,081**	**Ps. (22,955)**	**Ps. 11,449**	**Ps. (13,008)**
Payments to employees	(79,776)	(63,515)	(63,580)	(20,731)	(28,511)	(30,706)
Effect of movements in exchange rates	15,683	11,153	(1,536)	—	—	—
Liability balance at the end of the year	**Ps. 522,196**	**Ps. 597,936**	**Ps. 590,914**	**Ps. 134,831**	**Ps. 180,090**	**Ps. 186,333**
Plan Assets						
Balance at the beginning of the year plan assets	(38,241)	(22,756)	—	—	—	—
Business combination (1)	—	(13,632)	—	—	—	—
Recognition of the active plan	—	(840)	(21,474)	—	—	—
Interests income	(1,320)	(863)	(318)	—	—	—
Remeasurements on plan assets	(1,161)	1,651	(859)	—	—	—
Effect of movements in exchange rates	(6,118)	(1,801)	(105)	—	—	—
Balance at the end of the year plan assets	**Ps. (46,840)**	**Ps. (38,241)**	**Ps. (22,756)**	**Ps. —**	**Ps. —**	**Ps. —**
Net Balance at the end of the year	**Ps. 475,356**	**Ps. 559,695**	**Ps. 568,158**	**Ps. 134,831**	**Ps. 180,090**	**Ps. 186,333**

(1) Includes recognition of the business combination on Multi Financial Group, Inc., (see note 35).

(2) The variation includes the effect of a change in a long-term institutional benefit plan for the year 2021 at Banco de Occidente and Fiduciaria de Occidente, for the year 2020 at Porvenir and Fiduciaria Bogota and for the year 2019 at Banco de Bogotá, which went from being a defined benefit plan to a defined contribution plan, through which the bank makes monthly contributions into a fund created for each employee.

The assumptions used to calculate the obligation projected for different post-employment benefits employees are as follows:

Post-employment benefits *	**December 31, 2021**	**December 31, 2020**
Discount interest rate	7.15 %	5.78 %
Inflation rate	2.91 %	2.94 %
Salary growth rate	3.06 %	3.25 %
Pension growth rate	3.03 %	3.03 %

* Entities in Colombia and subsidiaries abroad participate.

(Amounts expressed in millions of Colombian pesos)

Long-term benefits *	December 31, 2021	December 31, 2020
Discount interest rate	7.20 %	4.78 %
Inflation rate	3.00 %	3.00 %
Salary growth rate	3.40 %	4.00 %

* Only entities from Colombia participate.

Employee turnover is calculated based on the experience of each entity. For those entities where a sufficiently long statistic history is not yet available to support the actuarial bases, the SoA2003 table is used as a reference. With this table, the probability of permanence of personnel in the entity is established, modified according to the population factor of each benefit. Employee´s life expectancy is calculated based on the mortality tables RV08 (Colombia) and GA83 (Central America).

The sensitivity analysis for post-employment and long-term benefits liabilities due to defined benefits plans to different actuarial and financial variables is shown below, maintaining other variables at constant values (increase or decrease 50 basis points):

	-0.50 basic points				+0.50 basic points			
At December 31, 2021		Post-employment benefits		Long-term benefits		Post-employment benefits		Long-term benefits
Discount interest rate	Ps.	17,436	Ps.	3,258	Ps.	(16,970)	Ps.	(3,073)
Salaries growth rate		(5,898)		(3,752)		5,513		3,946
Retirement growth rate		(13,832)		N/A		13,967		N/A

	-0.50 basic points				+0.50 basic points			
At December 31, 2020		Post-employment benefits		Long-term benefits		Post-Employment Benefits		Long-Term Benefits
Discount interest rate	Ps.	23,540	Ps.	5,068	Ps.	(22,724)	Ps.	(4,787)
Salaries growth rate		(5,286)		(5,444)		5,596		5,718
Retirement growth rate		(15,429)		N/A		16,475		N/A

Future benefit payments projected, reflecting services, as the case may be, are expected to be paid as follows:

Year		Payments for post-Employment benefits		Payments for long-term benefits
2022	Ps.	70,504	Ps.	20,986
2023		62,396		19,604
2024		61,762		24,039
2025		62,107		23,745
2026		63,917		19,247
Years 2027 – 2031		325,705		97,157

NOTE 23 – LEGAL RELATED AND NON LEGAL RELATED PROVISIONS

The movement and balances of legal and non-legal related provisions during the periods ended on December 31, 2021, 2020 and 2019 are described below:

		For legal		Non-legal		Total provisions
Balance as of January 1, 2019	**Ps.**	**125,929**	**Ps.**	**601,466**	**Ps.**	**727,395**
Provisions increase during the year		116,627		177,606		294,233
Use of provisions		(34,603)		(52,296)		(86,899)
Amounts reversed due to provisions not utilized		(13,296)		(51,905)		(65,201)
Effect of movements in exchange rates		23		(909)		(886)
Balance as of December 31, 2019	**Ps.**	**194,680**	**Ps.**	**673,962**	**Ps.**	**868,642**
Business combination (1)		2,417		1,415		3,832
Provisions increase during the year		190,248		118,580		308,828
Use of provisions		(20,787)		(86,746)		(107,533)
Amounts reversed due to provisions not utilized		(124,616)		(41,183)		(165,799)
Effect of movements in exchange rates		(168)		5,048		4,880
Balance as of December 31, 2020	**Ps.**	**241,774**	**Ps.**	**671,076**	**Ps.**	**912,850**
Provisions increase during the year		206,861		414,872		621,733

(Amounts expressed in millions of Colombian pesos)

	For legal		Non-legal		Total provisions	
Use of provisions		(81,910)		(49,819)		(131,729)
Amounts reversed due to provisions not utilized [(2)]		(118,966)		(146,601)		(265,567)
Effect of movements in exchange rates		(230)		13,204		12,974
Balance as of December 31, 2021	**Ps.**	**247,529**	**Ps.**	**902,732**	**Ps.**	**1,150,261**

(1) Includes recognition of the business combination on Multi Financial Group, Inc., (see note 35).
(2) For legal related, recovery of provisions by Porvenir for Ps. 111,616 for claims for nullity of affiliations that were in progress.

Estimated period to be canceled	Legal provisions		Non-legal		Total provisions	
Within twelve months	Ps.	7,892	Ps.	225,226	Ps.	233,118
After twelve months		239,637		677,506		917,143
Balance as of December 31, 2021	**Ps.**	**247,529**	**Ps.**	**902,732**	**Ps.**	**1,150,261**

Legal related:

Administrative proceedings

At December 31, 2021 and 2020, the outstanding balance of provisions recorded for administrative proceedings were Ps. 24,433 and Ps. 67,765 respectively, by way of claims for administrative or judicial processes of a tax nature, initiated by national and local authorities that establish, in some cases sanctions in which the subsidiaries of Grupo Aval would incur.

Labor proceedings

At December 31, 2021 and 2020, the outstanding balance of provisions recorded for labor proceedings were Ps. 32,381 and Ps. 34,252 respectively. Labor proceedings include labor pursuits, indemnities for former employees against some subsidiaries of Grupo Aval. The time expected for resolution is uncertain since each proceeding is based on different instances. However, historically most cases have been resolved in favor of Grupo Aval.

Other proceedings

At December 31, 2021 and 2020, the outstanding balance of other legal provisions recorded were Ps. 190,715 and Ps. 139,757, respectively, being the most representative:

- Provisions made to cover claims for nullity of affiliations to Porvenir, which amounted to ‘a Ps. 163,157 and Ps. 107,484, respectively.

Non-legal related:

At December 31, 2021 and 2020 the outstanding balance of non-legal related provisions recorded amounting were Ps. 902,732 and Ps. 671,076, respectively, are mainly comprised by:

- Provisions in Corficolombiana´s affiliates as of December 31, 2021 and 2020, associated with the maintenance, restoration and rehabilitation of constructions and buildings, professional fees relating to development of concession contracts of Ps. 299,950 and Ps. 244,490 respectively.
- Provision in Proinvipacífico, a Corficolombiana´s subsidiary for the recognition of additional costs on the Pacífico 1 project of Ps. 117,294 at December 31, 2021.
- Provisions in Porvenir´s subsidiary as of December 31, 2021 and 2020, where the main balance corresponds to undercapitalized accounts, these are individual pension accounts called "Fondo de Pensiones Obligatorias Especial Porvenir de Retiro Programado", which according to actuarial projections do not have the required balance to achieve minimum pension payment, and thus have to be provisioned for the expected difference of Ps. 272,428 and Ps. 230,095 respectively.
- Provisions of several subsidiaries of Grupo Aval as of December 31. 2021 and 2020, corresponding to the dismantling of ATMs and offices of Ps. 89,043 and Ps. 83,184, respectively.
- Provisions for losses on loan commitments as of December 31. 2021 and 2020 of Ps. 62,041 and Ps. 67,393 respectively. See note 4.1.5 Loan commitments and financial guarantee contracts.

(Amounts expressed in millions of Colombian pesos)

NOTE 24 – OTHER LIABILITIES

Accounts payable and other liabilities of December 31, 2021 and 2020 comprise the following:

Items		December 31, 2021		December 31, 2020
Suppliers and services payable [(1)]	Ps.	3,228,295	Ps.	2,664,081
Income received for third parties [(2)]		2,719,882		2,076,532
Cashier checks		806,066		864,499
Dividends payable		598,534		648,874
Withholdings taxes and labor contributions		582,910		441,689
Transactions ATH and ACH		574,011		538,558
Contract liability related to concessions		548,167		581,100
Collection on behalf of third parties		339,545		236,418
Collection service		332,368		256,661
Commissions and fees		331,516		276,708
Merchant acquiring accounts		274,028		169,787
Customer loyalty programs		221,990		155,829
Insurance payables		150,282		105,396
Checks drawn and not paid		127,944		107,628
Value added tax - VAT		80,307		74,002
Cash surplus		75,524		37,504
Other liabilities		554,387		542,597
Total other liabilities	**Ps.**	**11,545,756**	**Ps.**	**9,777,863**

(1) As of December 31, 2021, includes the amount of the penalty of Ps. 31,274 corresponding to the process with the Superintendency of Industry and Commerce ("SIC").

(2) The increase presented is due to advance payments made by the Agencia Nacional de Infraestructura (ANI) for Ps. 643,289, which correspond to the resources of trust of future validities, collections of tolls and financial returns.

Other		December 31, 2021		December 31, 2020
Liabilities to be canceled within twelve months		7,705,817		6,110,472
Liabilities to be canceled after twelve months		3,839,939		3,667,391
Total	**Ps.**	**11,545,756**	**Ps.**	**9,777,863**

NOTE 25 – EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

Authorized, issued and outstanding shares as of December 31, 2021 and 2020 consisted of the following:

	December 31, 2021	December 31, 2020
Authorized shares	120,000,000,000	120,000,000,000
Subscribed fully paid shares	22,281,017,159	22,281,017,159
Total outstanding shares	**22,281,017,159**	**22,281,017,159**
The outstanding shares are as follows:		
Common voting shares **[(1)]**	15,122,739,992	15,131,197,752
Preferred non-voting shares **[(2)]**	7,158,277,167	7,149,819,407

(1) Common Voting shares with a nominal value of (Ps. 1) Colombian peso.

(2) Since 2011, Grupo Aval allows its shareholders to convert their common shares into preferred shares. For the years ended December 31, 2021 and 2020, 8,457,760 and 6,592,222 common shares were converted into preferred shares, respectively. Preferred shares have the right to receive a preferential minimum dividend of one Colombian peso (Ps. 1) per semester per share. This preferential minimum dividend is only applicable when dividends declared for common shares are less than one Colombian peso (Ps. 1). Preferential minimum dividends are not cumulative.

(Amounts expressed in millions of Colombian pesos)

25.1 Appropriated retained earnings

As of December 31, 2021, and 2020 the appropriation of retained earnings is as follows:

	December 31, 2021		December 31, 2020	
Retained earnings	Ps.	2,671,450	Ps.	1,785,978
Withholding tax over dividends		(5,740)		(5,699)
Legal reserve		11,140		11,140
Statutory and voluntary reserves		10,706,541		9,510,715
	Ps.	**13,383,391**	**Ps.**	**11,302,134**

25.1.1 Legal Reserve

In accordance with current legal regulations, Grupo Aval and its subsidiaries in Colombia shall create a legal reserve through the appropriation of (10%) of the net profits of each year up to an amount equal to (50%) of the subscribed capital stock. This reserve may be reduced below (50%) of the subscribed capital stock to stem losses in excess of retained earnings. The legal reserve cannot be less than the percentage aforementioned except to cover losses in excess of retained earnings.

25.1.2 Statutory and Voluntary Reserves

The Statutory and voluntary reserves are determined during the Shareholders Meetings.

25.2 Declared Dividends

The dividends are declared and paid to shareholders based on unconsolidated net income under Colombian IFRS (NCIF), the dividends declared were as follows:

	December 31, 2020		December 31, 2019		December 31, 2018	
Net income for the periods ended on	Ps.	2,399,001	Ps.	3,031,238	Ps.	2,887,749
Cash dividends declared		In the general assembly held in March 2021, 54.00 pesos per share payable in twelve installments of 4.50 pesos per share, from April 2021 to March 2022.		In the general assembly held in March 2020, 60.00 pesos per share payable in twelve installments of 5.00 pesos per share, from April 2020 to March 2021.		In the general assembly held in March 2019, 60.00 pesos per share payable in twelve installments of 5.00 pesos per share, from April 2019 to March 2020.
Total outstanding shares		22,281,017,159		22,281,017,159		22,281,017,159
Total dividends declared	**Ps.**	**1,203,175**	**Ps.**	**1,336,861**	**Ps.**	**1,336,861**

25.3 Earnings per share

- Basic earnings per share

Grupo Aval calculates basic earnings per share by dividing net income for the year attributable to controlling interest of Grupo Aval parent company by the weighted average number of shares outstanding during the year (including common and preferred shares).

(Amounts expressed in millions of Colombian pesos)

The following table summarizes the earnings per share for the year ended as of December 31, 2021, 2020 and 2019:

		December 31, 2021		December 31, 2020		December 31, 2019
Net income for the year	Ps.	5,668,502	Ps.	4,631,616	Ps.	5,365,454
Less: participation of non- controlling interests		(2,370,766)		(2,282,095)		(2,331,045)
Net income attributable to owners of the parent		**3,297,736**		**2,349,521**		**3,034,409**
Less: preferred dividends declared		—		—		—
Less: Allocation of undistributed earnings to preferred stockholders (1)(2)		(1,058,554)		(753,457)		(970,070)
Net Income allocated to common shareholders for basic and diluted EPS	Ps.	2,239,182	Ps.	1,596,064	Ps.	2,064,339
Weighted average number of common shares outstanding used in basic EPS calculation (2)		15,128,947,661		15,135,829,538		15,158,004,812
Basic and Diluted earnings per share to common shareholders (pesos)		148.01		105.45		136.19
Basic and Diluted earnings per ADS in Colombian pesos (3)		2,960.13		2,108.99		2,723.76
Weighted average of the common and preferred shares used in the calculation of earnings per basic share (common and preferred)		22,281,017,159		22,281,017,159		22,281,017,159
Basic earnings of the owners of the parent per share in Colombian pesos		**148.01**		**105.45**		**136.19**

(1) Based on a weighted average of preferred shares.
(2) Averages based on an end of month number of preferred or common shares.
(3) Each ADS represents 20 preferred shares.

- Diluted earnings per share

On December 31, 2021, 2020 and 2019, Grupo Aval did not have any dilutive instruments.

25.4 Equity transactions

On December 31, 2021 some transactions took place that resulted in changes to the interests of Grupo Aval and its subsidiaries, below is the detail of the most significant equity transactions:

- **Corporación Financiera Colombiana S.A. - Corficolombiana S.A.**

In Corficolombiana, Grupo Aval and its subsidiaries chose to receive dividends in shares, unlike some minority shareholders who opted to be paid dividends in cash, generating a dilution effect for Ps.19,929, which led to a modification in Grupo Aval's stake from 39.58% to 39.98%.

- **Preference shares**

There was payment of dividends Ps.14,612 corresponding to the preferred shares issued by Multi Financial Group.

(Amounts expressed in millions of Colombian pesos)

25.5 Consolidated Other Comprehensive Income (OCI):

Components of accumulated Other Comprehensive Income for the years ended December 31, 2021, 2020 and 2019 are as follows:

	Net gain (loss) on hedges of net investment in foreing operations	Cash flow hedges	Foreing currency translation differences from unhedged foreign operations	Effect of moving investment properties for own use	Unrealized gains (losses) debt securities	Unrealized gains (losses) Equity securities	Investments in associates and join ventures	Actuarial gains(losses)	Income tax	Total comprehensive income, net of taxes
Ending balance 2018	**Ps. (206,783)**	**Ps. (14,343)**	**Ps. (466,212)**	**Ps. —**	**Ps. (38,622)**	**Ps. 484,274**	**Ps. 111,346**	**Ps. (114,444)**	**Ps. 1,493,556**	**Ps. 1,248,772**
Current-period change	(2,931)	13,469	128,135	5,288	426,300	237,781	(9,061)	(61,222)	(36,029)	701,730
Ending balance 2019	**Ps. (209,714)**	**Ps. (874)**	**Ps. (338,077)**	**Ps. 5,288**	**Ps. 387,678**	**Ps. 722,055**	**Ps. 102,285**	**Ps. (175,666)**	**Ps. 1,457,527**	**Ps. 1,950,502**
Current-period change	(517,989)	832	(548,706)	9,014	172,906	193,880	13,059	(9,488)	457,181	(229,311)
Ending balance 2020	**Ps. (727,703)**	**Ps. (42)**	**Ps. (886,783)**	**Ps. 14,302**	**Ps. 560,584**	**Ps. 915,935**	**Ps. 115,344**	**Ps. (185,154)**	**Ps. 1,914,708**	**Ps. 1,721,191**
Current-period change	962,735	7,980	(180,798)	4,718	(1,346,315)	(110,397)	(846)	61,665	1,054,017	452,759
Ending balance 2021	**Ps. 235,032**	**Ps. 7,938**	**Ps. (1,067,581)**	**Ps. 19,020**	**Ps. (785,731)**	**Ps. 805,538**	**Ps. 114,498**	**Ps. (123,489)**	**Ps. 2,968,725**	**Ps. 2,173,950**

	Non -controlling interest	Owners of the parent	Total comprehensive income, net of taxes
Beginning balance 2018	**Ps. 551,999**	**Ps. 696,773**	**Ps. 1,248,772**
Current-period change	305,056	396,674	701,730
Ending balance 2019	**Ps. 857,055**	**Ps. 1,093,447**	**Ps. 1,950,502**
Current-period change	2,123	(231,434)	(229,311)
Ending balance 2020	**Ps. 859,178**	**Ps. 862,013**	**Ps. 1,721,191**
Current-period change	197,590	255,169	452,759
Ending balance 2021	**Ps. 1,056,768**	**Ps. 1,117,182**	**Ps. 2,173,950**

NOTE 26 - NON- CONTROLLING INTEREST

The following table includes information regarding the non-controlling interest of each direct subsidiary of Grupo Aval at December 31, 2021 and 2020:

December 31, 2021

Entity	Country	Non-controlling Interest	Non-controlling Interest share of equity	Non-controlling interest share of net income	Dividends paid to non-controlling interest in the year
Corporación Financiera Colombiana S.A.	Colombia	60.02%	Ps. 7,535,170	Ps. 1,183,899	Ps. (400,959)
Banco de Bogotá S.A. [1]	Colombia	31.26%	6,720,725	877,725	(430,624)
Banco de Occidente S.A.	Colombia	27.73%	1,178,665	162,923	(58,511)
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A. [1]	Colombia	24.33%	402,758	87,152	(4)
Banco Comercial AV Villas S.A.	Colombia	20.13%	363,994	38,954	(13,497)
Banco Popular S.A.	Colombia	6.26%	256,682	20,113	(9,761)
		Total	**Ps. 16,457,994**	**Ps. 2,370,766**	**Ps. (913,356)**

1 - Deconsolidation of Porvenir by Banco de Bogotá (see note 1).

December 31, 2020

Entity	Country	Non-controlling Interest	Non-controlling Interest share of equity	Non-controlling interest share of net income	Dividends paid to non-controlling interest in the year
Corporación Financiera Colombiana S.A.	Colombia	60.42%	Ps. 6,833,480	Ps. 1,445,835	Ps. (419,026)
Banco de Bogotá S.A.	Colombia	31.26%	6,194,859	692,575	(422,818)
Banco de Occidente S.A.	Colombia	27.73%	1,134,808	94,374	(76,376)
Banco Comercial AV Villas S.A.	Colombia	20.13%	365,631	33,112	(17,703)
Banco Popular S.A.	Colombia	6.26%	253,481	16,199	(10,111)
		Total	**Ps. 14,782,259**	**Ps. 2,282,095**	**Ps. (946,034)**

(Amounts expressed in millions of Colombian pesos)

The following table includes information regarding each direct subsidiary of Grupo Aval that has significant non-controlling interests to December 31, 2021, and 2020 (before eliminations):

December 31, 2021

Entity		Assets	Liabilities	Total Income	Net Income	OCI - Controlling	Cash Flow from operating activities
Corporación Financiera Colombiana S.A.	Ps.	46,988,876	33,716,537	11,537,283	1,849,023	780,417	2,508,786
Banco de Bogotá S.A. (1)		232,334,894	206,995,928	22,354,860	4,549,032	2,036,654	(1,170,862)
Banco de Occidente S.A.		51,663,460	46,474,881	3,921,938	585,905	(37,375)	2,482,879
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A. (1)		4,133,467	1,462,473	1,477,232	580,202	(1,237)	404,241
Banco Comercial AV Villas S.A.		17,563,247	15,651,553	1,633,004	192,248	(21,771)	303,074
Banco Popular S.A.	Ps.	29,910,656	26,541,256	2,619,626	314,577	6,443	485,518

1 - Deconsolidation of Porvenir by Banco de Bogotá (see note 1).

December 31, 2020

Entity		Assets		Liabilities		Total Income		Net Income		OCI - Controlling		Cash Flow from operating activities
Corporación Financiera Colombiana S.A.	Ps.	38,146,485	Ps.	26,113,816	Ps.	10,318,526	Ps.	2,292,396	Ps.	1,016,955	Ps.	800,867
Banco de Bogotá S.A.		208,268,384		185,769,784		21,906,817		2,504,605		971,373		8,534,336
Banco de Occidente S.A.		45,090,745		40,111,534		4,233,815		340,557		146,773		1,132,652
Banco Comercial AV Villas S.A.		16,589,069		14,712,590		1,704,123		163,915		71,426		835,271
Banco Popular S.A.	Ps.	27,394,730	Ps.	24,204,935	Ps.	2,673,349	Ps.	234,754	Ps.	35,841	Ps.	1,090,176

NOTE 27 – COMMITMENTS AND CONTINGENCIES

Capital expenses commitments

As of December 31, 2021, and December 31, 2020, Grupo Aval and its subsidiaries had contractual disbursement commitments of capital expenditures, for tangible assets for Ps. 98,110 and Ps. 65,210, respectively; and for intangible assets for Ps. 129,465 and Ps. 92,816, respectively.

Contingencies

As of December 31, 2021, and 2020, Grupo Aval and its subsidiaries were part of administrative and legal proceedings as defendants; the claims of proceedings were assessed based on analyses and opinions of seasoned lawyers. The following legal contingencies were determined:

Labor Proceedings

As of December 31, 2021, and December 31, 2020, the outstanding balances recognized for labor complaints amounted to Ps. 139,698 and Ps. 88,848, respectively. Historically, many of these proceedings have been resolved in favor of Grupo Aval and its subsidiaries.

Civil Proceedings

As of December 31, 2021, and December 31, 2020, the result of the assessment of claims for civil suits, not including those with remote probability, reached outstanding balances recognized of Ps. 251,523. As of December 31, 2020 these amounted to Ps. 395,192, respectively, of which Ps. 107,898 correspond to processes acquired through the Multi Financial Group Inc. (MFG).

Administrative, Tax Proceedings and Other Proceedings

Claims derived from administrative and judicial processes include those of fiscal responsibility over concession contracts, tax proceedings and other, filed by national and local tax authorities. These authorities may establish, in some cases, sanctions in which Grupo Aval and its subsidiaries may incur as a result of: (i) the performance of their duty as a withholder or collector of national and local taxes, and/or (ii) the obligation to pay a higher tax amount in their condition of taxpayers. As of December 31, 2021, the outstanding balances recognized for these claims amounted to Ps. 138,418. As of December 31, 2020, these amounted to Ps. 101,700, of which Ps. 3,748 correspond to processes acquired through the Multi Financial Group Inc. (MFG).

Other matters

The outcomes of the following legal processes cannot be necessarily classified as “possible” in accordance with IAS 37, however, they are being disclosed herein in consideration of their relevance.

Class Action before the Administrative Tribune of Cundinamarca in connection with the Ruta del Sol Sector 2 Project

On January 26, 2017, the Inspector-General’s Office (Procuraduría General de la Nación or “PGN”) filed a class action against CRDS, (a company formed by Constructora Norberto Odebrecht S.A., Odebrecht Investimentos em Infraestructura Ltda., CSS Constructores S.A. and Episol), the National Infrastructure Agency ("ANI") and its members, for allegedly violating the collective rights of administrative morality, defense of public patrimony, and access to public services in connection with the Ruta del Sol Sector 2 project. On December 6, 2018, the Administrative Tribunal of Cundinamarca (“TAC”), the body presiding over the class action, issued a first instance ruling against CRDS, and all its shareholders, including Episol, and other individuals and entities. The TAC found the defendants jointly and severally liable for the damages caused to the collective interests and ordered the payment of Ps. 800,156 to the Colombian Ministry of Transportation. The TAC also debarred the defendants for a term of ten years, during which time they would be prohibited from contracting with the Colombian government and holding public office. Subsequently, in an order dated February 8, 2019, the TAC corrected certain arithmetical errors in its ruling, and reduced the amount of the fine to Ps. 715,656.

The aforementioned ruling is not final and appeals were filed by Episol and the other defendants, which were granted by the TAC on February 25, 2019 and will be heard by the Consejo de Estado (Colombia’s Supreme Court on administrative matters). On February 14, 2020, the Consejo de Estado issued a ruling regarding the effects of the appeal, specifying that the provisions of the first instance ruling regarding the delivery of money or other goods as well as the debarment from government contracting would only become enforceable in the event of a final second instance ruling by the Consejo del Estado confirming the decision under appeal.

In the case of Episol, its appeal filing seeks revocation of the TAC’s first instance ruling against it on the basis of multiple substantive and procedural defects.

It is not possible to establish how much time it will take for the Consejo de Estado to make a decision in relation to this case. In the event that the decision of the TAC is confirmed and Episol is compelled to assume the entire amount of the penalty, the maximum impact to the net attributable profit of Grupo Aval would be Ps. 286,104.

Investigations by United States authorities

In late 2018, the Department of Justice of the United States ("DOJ") and the United States Securities and Exchange Commission ("SEC") informed Grupo Aval that they had opened an investigation on matters related to the Ruta del Sol Sector 2 project. Grupo Aval is cooperating with the DOJ and the SEC in these investigations. It is not possible to predict the decisions that the DOJ or the SEC will take as a result of the issues that are the subject of these investigations, nor the impact that such investigations and their outcome may have on Grupo Aval and / or its subsidiaries.

(Amounts expressed in millions of Colombian pesos)

NOTE 28 – NET INCOME FROM CONTRACTS WITH CUSTOMERS

Below is the detail of the income and expenses for commissions and fees for the years ended as of December 31, 2021, 2020 and 2019:

Income from commissions and fees		December 31, 2021		December 31, 2020		December 31, 2019
Banking services fees	Ps.	3,126,651	Ps.	2,823,411	Ps.	3,006,506
Debit and credit card fees		1,511,956		1,298,251		1,364,244
Pension and severance fund management		1,253,700		1,158,524		1,129,391
Trust activities and portfolio management service		336,637		343,268		334,910
Bonded warehouse services		169,386		155,253		161,298
Commissions on transfers, checks and checkbooks		25,187		31,113		50,026
Office network services		18,914		17,493		24,618
Other commissions and fees		10,771		8,586		12,350
Total income from commissions and fees (*)	**Ps.**	**6,453,202**	**Ps.**	**5,835,899**	**Ps.**	**6,083,343**

(*) See note 31.6. to see income by country.

Expenses from commissions and fees		December 31, 2021		December 31, 2020		December 31, 2019
Banking services	Ps.	(481,381)	Ps.	(404,414)	Ps.	(311,098)
Sales and services commissions		(227,541)		(216,457)		(184,481)
Fees paid to pension funds sales force		(87,499)		(74,752)		(94,285)
Information processing services of operators		(22,940)		(21,632)		(17,969)
Offices network services		(11,158)		(14,610)		(8,508)
Other		(11,255)		(10,611)		(11,658)
Total expenses from commissions and fees	**Ps.**	**(841,774)**		**(742,476)**		**(627,999)**
Net income from commissions and fees	**Ps.**	**5,611,428**	**Ps.**	**5,093,423**	**Ps.**	**5,455,344**

Below is the detail of the income and cost from goods and services for the years ended as of December 31, 2021, 2020 and 2019:

Income from sales of goods and services		December 31, 2021		December 31, 2020		December 31, 2019
Energy and gas E&G	Ps.	4,874,278	Ps.	4,509,551	Ps.	4,524,903
Infrastructure		4,662,912		3,966,192		3,783,534
Hotels		285,692		139,782		366,835
Agribusiness		218,511		147,443		135,928
Other services		135,607		225,996		205,813
Others operating income		273,914		155,825		139,575
Total income from sales of goods and services (*)	**Ps.**	**10,450,914**	**Ps.**	**9,144,789**	**Ps.**	**9,156,588**

(*) See note 31.6, to see income by country.

Costs and expenses of sales goods and services		December 31, 2021		December 31, 2020		December 31, 2019
Cost of sales from companies from non-financial sector	Ps.	(5,594,615)	Ps.	(4,766,263)	Ps.	(5,041,089)
Allowance for impairment of loans and receivables		(51,064)		(46,078)		(43,401)
General and administrative expenses		(647,425)		(487,530)		(659,262)
Personnel expenses		(558,561)		(538,463)		(555,038)
Amortization		(263,755)		(230,396)		(267,808)
Depreciation		(117,246)		(119,813)		(98,963)
Depreciation of right of use assets		(34,374)		(36,002)		(30,425)
Employee bonuses		(38,766)		(28,722)		(36,300)
Commissions and fees expenses		(27,886)		(26,884)		(30,885)
Donations expenses		(16,178)		(35,622)		(14,704)
Labor severances		(2,109)		(5,715)		(3,902)
Total costs and expenses of sales goods and services	**Ps.**	**(7,351,979)**	**Ps.**	**(6,321,488)**	**Ps.**	**(6,781,777)**
Gross profit from sales of goods and services	**Ps.**	**3,098,935**	**Ps.**	**2,823,301**	**Ps.**	**2,374,811**

(Amounts expressed in millions of Colombian pesos)

NOTE 29 – NET TRADING INCOME

Net trading income includes income from client driven trading activities primarily conducted in markets, including foreign exchange, credit, rates and equities trading, as follows:

		December 31, 2021		December 31, 2020		December 31, 2019
Trading investment income [(1)]						
Fixed income securities	Ps.	(110,035)	Ps.	348,312	Ps.	270,310
Equities		260,564		277,806		349,526
Total trading investment income	**Ps.**	**150,529**	**Ps.**	**626,118**	**Ps.**	**619,836**
Derivatives income						
Net income on financial derivatives [(2)]	Ps.	711,217	Ps.	530,503	Ps.	19,932
Other trading income [(3)]		86,970		138,803		122,143
Total derivatives income	**Ps.**	**798,187**	**Ps.**	**669,306**	**Ps.**	**142,075**
Total net trading income	**Ps.**	**948,716**	**Ps.**	**1,295,424**	**Ps.**	**761,911**

(1) Includes net trading income from investment securities held for trading, that reflects the interest from investment in debt securities, gains/losses from mark-to-market valuation from investment in equity and debt securities and net income from trading activities.

(2) Includes net trading income from derivatives, which reflects the gains/losses from mark-to-market valuation on trading derivatives.

(3) Includes gains/losses from: (i) Net changes in the valuation of hedging derivatives from mark-to-market valuations from unhedged, (ii) the ineffective portion of the hedge, (iii) Transfers of due hedging derivatives from OCI to the statement of income.

NOTE 30 – OTHER INCOME AND EXPENSE

Below is the detail of the other income and expense in the years ended on December 31, 2021, 2020 and 2019:

Other Income		December 31, 2021		December 31, 2020		December 31, 2019
Net gain on sale of debt securities [(1)]	Ps.	314,960	Ps.	613,213	Ps.	198,562
Share of profit of equity accounted investees, net of tax		300,217		220,162		229,626
Dividends		159,122		91,565		84,686
Foreign exchange gains, net		87,236		363,034		312,267
Gain on the sale of non-current assets held for sale		36,225		112,043		23,381
Gain on sale of assets properties, plant and equipment		23,770		22,941		24,381
Net gain or loss on asset valuation		20,974		(50,326)		14,151
Other income		351,543		344,267		395,909
Total other income	Ps.	**1,294,047**	Ps.	**1,716,899**	Ps.	**1,282,963**

1) Includes the net effect of the sale and the realization of OCI of the investments (see note 9.2).

(Amounts expressed in millions of Colombian pesos)

Other Expense		December 31, 2021		December 31, 2020		December 31, 2019
Personnel expenses	Ps.	(4,513,015)	Ps.	(4,400,542)	Ps.	(4,085,396)
Taxes and fees		(1,026,976)		(960,332)		(914,476)
Affiliation contributions and transfers		(744,622)		(564,349)		(664,835)
Consultancy, audit and other fees		(664,196)		(704,457)		(661,645)
Maintenance and repairs		(581,639)		(537,130)		(458,522)
Insurance		(581,515)		(520,006)		(382,322)
Depreciation of tangible assets		(428,311)		(440,382)		(416,946)
Depreciation right of use assets		(307,018)		(325,508)		(292,771)
Marketing		(301,633)		(221,541)		(351,104)
Amortization of intangible assets		(295,648)		(249,481)		(191,768)
Warehouse services		(270,062)		(283,013)		(277,574)
Leases (rent)		(174,683)		(158,514)		(175,002)
Transportation services		(171,018)		(167,442)		(184,720)
Cleaning and security services		(154,205)		(162,944)		(137,721)
Outsourcing services		(152,739)		(148,113)		(149,280)
Data processing		(119,111)		(99,919)		(83,542)
Supplies and stationary		(97,416)		(94,866)		(103,104)
Losses due to claims		(76,761)		(74,220)		(60,302)
Impairment losses other assets		(72,223)		(7,060)		(20,755)
Adaptation and installation		(63,552)		(59,501)		(58,904)
Travel expenses		(28,852)		(25,985)		(58,663)
Loss from sale of property and equipment		(12,767)		(19,201)		(14,227)
Donations expenses		(4,171)		(41,213)		(7,256)
Loss from sale of non-current assets held for sale		(3,179)		(3,420)		(4,392)
Other		(551,384)		(383,612)		(416,122)
Total other expense	**Ps.**	**(11,396,696)**	**Ps.**	**(10,652,751)**	**Ps.**	**(10,171,349)**

NOTE 31 – ANALYSIS OF OPERATING SEGMENTS

Operating segments are components of Grupo Aval responsible for developing commercial activities that can generate revenue or incur expenses and whose operating profit or loss are regularly reviewed by the chief operating decision maker ("CODM") of Grupo Aval, and for which financial information is available. Operating segment information is consistent with the internal reports provided to the CODM.

31.1 Description of products and services from which each reportable segment derives its income

Grupo Aval is organized into seven main operating segments comprised by the five main banking operations (Banco de Bogotá S.A., BAC Holding International Corp., Banco de Occidente S.A., Banco AV Villas S.A., Banco Popular S.A.), Corficolombiana S.A. and Porvenir.

Banco de Bogotá S.A., Banco de Occidente S.A., Banco Popular S.A. and Banco AV Villas S.A.: These operating segments provide financial services to companies, individuals and Government organizations mainly in Colombia such as: wholesale and retail lending, financial leasing, treasury operations, proprietary trading, trust, logistics and bonded warehouse services, among other.

BAC Holding International Corp. ("BAC Holding"): This operating segment consolidates BAC Holding's operations, mainly in Central America. It derives its income from financial services provided by its main subsidiaries, BAC Credomatic Inc., to companies, individuals and Government organizations in Costa Rica, Panama, Guatemala, Honduras, El Salvador and Nicaragua such as: wholesale and retail lending, financial leasing, treasury operations, proprietary trading, pension fund management, brokerage, among other.

Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A. ("Porvenir"): Is the leading private pension fund manager in Colombia in terms of assets under management and has the largest share of earnings in the private pension and severance fund management market in Colombia.

Corficolombiana S.A.: This operating segment consolidates all of Corficolombiana's subsidaries. It provides both financial and non-financial services to companies, individuals and Government organizations, mainly in Colombia and Peru. It derives its income from financial services such as: retail lending, treasury operations, proprietary trading, brokerage and trust services, among other. It derives its income from non-financial services from 5 main sectors: Energy & gas (transportation and distribution of natural gas and energy), infrastructure (concession arrangements, mainly in road infrastructure), hotels (hospitality services) and agribusiness (mainly palm oil and rubber).

31.2 Factors used by management to identify reportable segments

Operating segments identified above are based on the relevance of factors such as (i) the nature of the products and services provided and (ii) the geographical locations. Information regarding the performance of operating segments is reviewed by the CODM on a quarterly basis.

Per the organizational changes detailed in Note 1, during 2021 the Company implemented a new reporting segment structure. With this change, (i) Porvenir became a new reporting segment separately from the Banco de Bogota reporting segment, (ii) Leasing Bogotá S.A. Panamá (LB Panama) reporting segment denomination was changed to BAC Holding International Corp. (BAC Holding), and (iii) Multi Financial Group Inc. (MFG) was transferred from BAC Holding to be included into the Banco de Bogota reporting segment.

With respect to the previous period and as required by IFRS 8 "Operating Segments", the reported figures have been modified to be consistent with 2021.

31.3 Measurement of net income, assets and liabilities of operating segments

Grupo Aval's CODM reviews the financial information of each of its operating segments and assesses the performance of each segment based on Statements of Financial Position and the Statement of Income of each of them, and on certain credit risk indicators, as described in note 2.29

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(Amounts expressed in millions of Colombian pesos)

31.4 Information on net income, assets and liabilities of reportable operating segments

The following is the detail of the reportable financial information summarized for each segment as of December 31, 2021, 2020 and 2019:

Statement of Financial Position

December 31, 2021

	Banco de Bogotá S.A.	BAC Holding International Corp [1]	Banco de Occidente S.A.	Banco Popular S.A.	Banco AV Villas S.A.	Porvenir S.A.	Corficolombiana S.A.	Other segments [2]	Eliminations	Total
Assets										
Trading assets	Ps. 2,480,205	Ps. 190,340	Ps. 1,655,678	Ps. 354,037	Ps. 249,071	Ps. 2,493,514	Ps. 3,664,843	Ps. 49	Ps. (100,967)	Ps. 10,986,770
Investment securities	12,812,319	14,431,606	6,326,995	4,306,819	2,936,690	886,111	3,899,476	—	(935,643)	44,664,373
Hedging derivatives assets	5,379	—	—	—	—	—	38,869	—	—	44,248
Investments in associates and joint ventures	8,404,257	—	1,664,990	625,512	6,252	—	912,186	4,014	(10,444,382)	1,172,829
Investments in subsidiary companies [3]	13,483,527	—	—	—	—	—	—	—	(13,483,527)	—
Loans, net	76,985,399	73,183,254	35,097,325	21,665,102	12,602,276	—	2,872,688	—	(2,108,219)	220,297,825
Other assets [4]	14,716,485	29,125,645	6,918,472	2,959,186	1,768,958	753,842	35,600,816	8,788,173	(10,893,697)	89,737,880
Total assets	**Ps. 128,887,571**	**Ps. 116,930,845**	**Ps. 51,663,460**	**Ps. 29,910,656**	**Ps. 17,563,247**	**Ps. 4,133,467**	**Ps. 46,988,878**	**Ps. 8,792,236**	**Ps. (37,966,435)**	**Ps. 366,903,925**
Liabilities										
Customer deposits	76,452,861	87,280,715	36,340,252	20,868,576	13,408,861	960	5,330,880	—	(5,212,683)	234,470,422
Financial obligations	24,757,219	12,326,831	8,496,369	4,585,661	1,704,383	769,893	18,986,327	9,116,041	(7,460,398)	73,282,326
Other liabilities [5]	2,338,529	3,839,772	1,638,260	1,087,019	538,309	691,620	9,399,330	553,665	(406,974)	19,679,530
Total liabilities	**Ps. 103,548,609**	**Ps. 103,447,318**	**Ps. 46,474,881**	**Ps. 26,541,256**	**Ps. 15,651,553**	**Ps. 1,462,473**	**Ps. 33,716,537**	**Ps. 9,669,706**	**Ps. (13,080,055)**	**Ps. 327,432,278**

(1) BAC Holding International Corp, before Leasing Bogotá S.A. Panamá (see note 1).
(2) Includes Grupo Aval Holding, Grupo Aval Limited, ATH Negocio Conjunto and Aval Soluciones Digitales S.A. Negocio Conjunto.
(3) Includes measurement of subsidiary BAC Holding International Corp. (before Leasing Bogotá S.A. Panamá. See note 1)
(4) Includes cash and cash equivalents for Ps. 36,642,829; intangibles Ps. 21,470,718; other accounts receivable Ps. 19,027,205, tangible assets Ps. 9,100,553; income tax assets Ps. 2,607,673; non-current assets held for sale Ps. 208,426 and other assets Ps. 680,476.
(5) Includes trading liabilities Ps. 1,049,910; Hedging derivative liabilities Ps. 55,813; income tax liabilities Ps. 4,714,714; employee benefits Ps. 1,163,076; provisions Ps. 1,150,261 and other liabilities Ps. 11,545,756.

(Amounts expressed in millions of Colombian pesos)

Statement of income for 2021

	Banco de Bogotá S.A.	BAC Holding International Corp [1]	Banco de Occidente S.A.	Banco Popular S.A.	Banco AV Villas S.A.	Porvenir S.A.	Corficolombiana S.A.	Other segments [2]	Eliminations	Total
External income										
Interest income	Ps. 6,104,989	Ps. 6,839,240	Ps. 2,727,195	Ps. 2,192,893	Ps. 1,296,049	Ps. 45,560	Ps. 441,586	Ps. 6	Ps. —	Ps. 19,647,518
Income from commissions and fees	1,418,806	2,657,273	450,735	255,026	280,673	1,195,302	94,244	101,143	—	6,453,202
Income from sales of goods and services	34,360	—	49,633	—	—	57,358	10,309,563	—	—	10,450,914
Share of profit of equity accounted investees, net of tax	4,420	—	4,990	7,817	8,259	—	272,646	2,085	—	300,217
Dividends	6,799	5,153	526	2,957	1,269	—	142,418	—	—	159,122
Net income from other financial instruments mandatory at fair value through profit or loss	—	—	—	—	—	—	270,095	—	—	270,095
Net trading income	540,715	26,435	(67,877)	18,481	(622)	223,745	207,794	45	—	948,716
Other income [3]	(169,566)	891,650	298,738	59,499	19,885	(57,904)	(227,725)	20,131	—	834,708
	Ps. 7,940,523	Ps. 10,419,751	Ps. 3,463,940	Ps. 2,536,673	Ps. 1,605,513	Ps. 1,464,061	Ps. 11,510,621	Ps. 123,410	Ps. —	Ps. 39,064,492

	Banco de Bogotá S.A.	BAC Holding International Corp [1]	Banco de Occidente S.A.	Banco Popular S.A.	Banco AV Villas S.A.	Porvenir S.A.	Corficolombiana S.A.	Other segments [2]	Eliminations	Total
Intersegment income										
Interest income	Ps. 65,537	Ps. 16,869	Ps. 14,763	Ps. 15,831	Ps. 10,029	Ps. 4,655	Ps. 22,353	Ps. 243	Ps. (150,280)	Ps. —
Income from commissions and fees	5,551	—	7,480	2,749	18,016	2,511	1,821	85,836	(123,964)	—
Income from sales of goods and services	38	—	187,357	—	—	4,841	933	—	(193,169)	—
Share of profit of equity accounted investees, net of tax	706,881	—	240,874	59,418	(6,610)	—	1,139	—	(1,001,702)	—
Participation in results of subsidiaries [4]	1,691,418	—	—	—	—	—	—	—	(1,691,418)	—
Dividends	6,093	—	2,612	4,713	3,281	—	2,039	—	(18,738)	—
Net trading income	(2,130)	—	95	(10)	5	(1,987)	(318)	—	4,345	—
Gain on deconsolidation (loss of control) of subsidiaries [5]	1,303,024	—	—	—	—	—	—	—	(1,303,024)	—
Other income [3]	5,807	7,564	4,817	252	2,770	3,151	(1,303)	115,959	(139,017)	—
Discontinued segment [6]	(64,106)	64,106	—	—	—	—	—	—	—	—
	3,718,113	88,539	457,998	82,953	27,491	13,171	26,664	202,038	(4,616,967)	—
Total income	Ps. 11,658,636	Ps. 10,508,290	Ps. 3,921,938	Ps. 2,619,626	Ps. 1,633,004	Ps. 1,477,232	Ps. 11,537,285	Ps. 325,448	Ps. (4,616,967)	Ps. 39,064,492
Expenses										
Interest expense	Ps. (2,122,188)	Ps. (2,257,827)	Ps. (769,621)	Ps. (617,622)	Ps. (238,012)	Ps. (40,247)	Ps. (1,028,343)	Ps. (418,213)	Ps. 573,416	Ps. (6,918,657)
Net impairment loss on financial assets	(1,679,612)	(1,314,006)	(723,664)	(161,928)	(149,468)	(6,942)	(9,177)	—	9,708	(4,035,089)
Depreciation and amortization	(285,670)	(424,110)	(126,522)	(100,066)	(66,504)	(12,163)	(9,434)	(11,058)	4,550	(1,030,977)
Expenses from commissions and fees	(325,580)	(110,032)	(126,377)	(63,713)	(205,604)	(114,818)	(13,587)	(6,135)	124,072	(841,774)
Costs and expenses of sales goods and services	(161,088)	—	(318,687)	—	—	(55,601)	(6,830,460)	19,859	(6,002)	(7,351,979)
Administrative expenses	(1,300,958)	(2,257,766)	(687,293)	(745,582)	(394,819)	(213,044)	(100,585)	(367,244)	599,918	(5,467,373)

(Amounts expressed in millions of Colombian pesos)

	Banco de Bogotá S.A.	BAC Holding International Corp [1]	Banco de Occidente S.A.	Banco Popular S.A.	Banco AV Villas S.A.	Porvenir S.A.	Corficolombiana S.A.	Other segments [2]	Eliminations	Total
Income tax expense	(252,595)	(528,367)	(74,903)	(155,714)	(116,732)	(191,886)	(1,476,571)	(53,555)	(1,472)	(2,851,795)
Other expense [7]	(1,169,845)	(1,924,764)	(508,966)	(460,424)	(269,617)	(262,329)	(220,105)	606,907	(689,203)	(4,898,346)
Total expenses	**(7,297,536)**	**(8,816,872)**	**(3,336,033)**	**(2,305,049)**	**(1,440,756)**	**(897,030)**	**(9,688,262)**	**(229,439)**	**614,987**	**(33,395,990)**
Net income for the year	**Ps. 4,361,100**	**Ps. 1,691,418**	**Ps. 585,905**	**Ps. 314,577**	**Ps. 192,248**	**Ps. 580,202**	**Ps. 1,849,023**	**Ps. 96,009**	**Ps. (4,001,980)**	**Ps. 5,668,502**

(1) BAC Holding International Corp, before Leasing Bogotá S.A. Panamá (see note 1).
(2) Includes Grupo Aval Holding, Grupo Aval Limited, ATH Negocio Conjunto and Aval Soluciones Digitales S.A. Negocio Conjunto.
(3) Includes Net gain on sale of debt and equity securities for Ps. 314,960; Foreign exchange gains (losses), net Ps. 87,236; Gain on the sale of non-current assets held for sale Ps. 36,225; net gain in asset valuation Ps. 20,974 and other operating income Ps. 375,313.
(4) Includes measurement of subsidiary BAC Holding International Corp. (before Leasing Bogotá S.A. Panamá. See note 1)
(5) Corresponds to deconsolidation of Porvenir from the Banco de Bogotá segment (See note 1).
(6) Corresponds to the recognition of the spin-off of MFG from the BAC Holding segment to the Banco de Bogotá segment (see note 1).
(7) Includes personnel expenses of Ps. (4,513,015); loss from sale of non-current assets held for sale Ps. (3,179) and other operating expenses Ps. (382,152).

Revenue from contracts with customers at December, 2021.

	Banco de Bogotá S.A.	BAC Holding International Corp [1]	Banco de Occidente S.A.	Banco Popular S.A.	Banco AV Villas S.A.	Porvenir S.A.	Corficolombiana S.A.	Other segments [2]	Eliminations	Total
Revenue from contracts with customers [3]	**Ps. 1,458,755**	**Ps. 2,657,273**	**Ps. 695,205**	**Ps. 257,775**	**Ps. 298,689**	**Ps. 1,260,012**	**Ps. 10,406,561**	**Ps. 186,979**	**Ps. (317,133)**	**Ps. 16,904,116**
Timing of revenue recognition										
At a point in time	56,579	153,979	18,701	22,104	85,401	269	139,770	184,036	(96,247)	**564,592**
Over time	1,402,176	2,503,294	676,504	235,671	213,288	1,259,743	10,266,791	2,943	(220,886)	**16,339,524**

(1) BAC Holding International Corp, before Leasing Bogotá S.A. Panamá (see note 1).
(2) Includes Grupo Aval Holding, Grupo Aval Limited, ATH Negocio Conjunto and Aval Soluciones Digitales S.A. Negocio Conjunto.
(3) Includes Income from contracts with customers, (see note 28)

(Amounts expressed in millions of Colombian pesos)

Statement of Financial Position December 31, 2020

	Banco de Bogotá S.A.	BAC Holding International Corp [1]	Banco de Occidente S.A.	Banco Popular S.A.	Banco AV Villas S.A.	Porvenir S.A.	Corficolombiana S.A.	Other segments [2]	Eliminations	Total
Assets										
Trading assets	Ps. 2,832,267	Ps. 164,340	Ps. 2,143,707	Ps. 347,139	Ps. 700,889	Ps. 2,281,824	Ps. 2,603,549	Ps. 12,755	Ps. (47,614)	Ps. 11,038,856
Investment securities	12,280,691	10,153,193	4,966,920	3,205,960	2,345,996	695,125	3,231,070	—	(817,191)	36,061,764
Hedging derivatives assets	149,961	—	—	—	—	—	6,259	—	—	156,220
Investments in associates and joint ventures	6,657,044	—	1,614,628	577,963	3,729	—	784,073	1,929	(8,610,044)	1,029,322
Investments in subsidiary companies [3]	14,819,772	—	—	—	—	—	—	—	(14,819,772)	—
Loans, net	73,283,350	58,722,132	31,040,792	20,426,642	11,838,132	—	2,006,931	—	(1,775,985)	195,541,994
Other assets [4]	14,973,460	26,635,941	5,324,698	2,837,027	1,700,323	993,474	29,514,603	7,642,529	(10,554,341)	79,067,714
Discontinued segment [5]	(16,550,713)	16,550,713	—	—	—	—	—	—	—	—
Total assets	**Ps. 108,445,832**	**Ps. 112,226,319**	**Ps. 45,090,745**	**Ps. 27,394,731**	**Ps. 16,589,069**	**Ps. 3,970,423**	**Ps. 38,146,485**	**Ps. 7,657,213**	**Ps. (36,624,947)**	**Ps. 322,895,870**
Liabilities										
Customer deposits	Ps. 77,878,031	Ps. 69,699,920	Ps. 30,970,733	Ps. 20,611,759	Ps. 13,966,758	Ps. 851	Ps. 4,926,745	Ps. —	Ps. (6,213,200)	Ps. 211,841,597
Financial obligations	20,956,963	10,794,118	7,317,684	2,429,104	232,457	671,510	13,889,097	7,989,984	(5,656,151)	58,624,766
Other liabilities [6]	3,445,439	1,982,547	1,823,117	1,164,071	513,375	654,980	7,297,974	508,703	(400,256)	16,989,950
Discontinued segment [5]	(14,929,962)	14,929,962	—	—	—	—	—	—	—	—
Total liabilities	**Ps. 87,350,471**	**Ps. 97,406,547**	**Ps. 40,111,534**	**Ps. 24,204,934**	**Ps. 14,712,590**	**Ps. 1,327,341**	**Ps. 26,113,816**	**Ps. 8,498,687**	**Ps. (12,269,607)**	**Ps. 287,456,313**

(1) BAC Holding International Corp, before Leasing Bogotá S.A. Panamá (see note 1).
(2) Includes Grupo Aval Holding, Grupo Aval Limited, and ATH Negocio Conjunto.
(3) Includes measurement of subsidiary BAC Holding International Corp (before Leasing Bogotá S.A. Panamá. See note 1).
(4) Includes Cash and cash equivalents for Ps. 34,025,535; intangibles Ps. 18,525,051; other accounts receivable Ps. 14,996,337, tangible assets Ps. 8,973,952; income tax assets Ps. 1,797,888; non-current assets held for sale Ps. 240,412 and other assets Ps. 508,539.
(5) Corresponds to the recognition of the spin-off of MFG from the BAC Holding segment to the Banco de Bogotá segment (see note 1).
(6) Includes trading liabilities Ps. 1,452,574; Hedging derivative liabilities Ps. 56,627; income tax liabilities Ps. 3,588,181; employee benefits Ps. 1,201,855; provisions Ps. 912,850 and other liabilities Ps. 9,777,863.

Statement of Income for the year 2020

(Amounts expressed in millions of Colombian pesos)

	Banco de Bogotá S.A.	BAC Holding International Corp [1]	Banco de Occidente S.A.	Banco Popular S.A.	Banco AV Villas S.A.	Porvenir S.A.	Corficolombiana S.A.	Other segments [2]	Eliminations	Total
External income										
Interest income	Ps. 6,221,050	Ps. 7,005,424	Ps. 2,959,192	Ps. 2,219,585	Ps. 1,343,460	Ps. 44,540	Ps. 429,495	Ps. 44	Ps. —	Ps. 20,222,790
Income from commissions and fees	1,215,773	2,388,632	416,437	245,997	257,018	1,110,127	83,271	118,644	—	5,835,899
Income from sales of goods and services	26,894	—	50,079	—	—	56,401	9,011,415	—	—	9,144,789
Share of profit of equity accounted investees, net of tax	4,819	244	3,049	5,241	3,704	—	201,580	1,525	—	220,162
Dividends	6,653	7,170	277	2,239	1,702	—	73,524	—	—	91,565
Net income from other financial instruments mandatory at fair value through profit or loss	—	—	—	—	—	—	252,355	—	—	252,355
Net trading income	596,070	7,282	396,691	53,722	16,121	203,853	21,551	134	—	1,295,424
Other income [3]	324,554	850,172	(57,474)	47,713	52,578	(6,870)	191,249	3,250	—	1,405,172
	Ps. 8,395,813	**Ps. 10,258,924**	**Ps. 3,768,251**	**Ps. 2,574,497**	**Ps. 1,674,583**	**Ps. 1,408,051**	**Ps. 10,264,440**	**Ps. 123,597**	**Ps. —**	**Ps. 38,468,156**
	Banco de Bogotá S.A.	**BAC Holding International Corp [1]**	**Banco de Occidente S.A.**	**Banco Popular S.A.**	**Banco AV Villas S.A.**	**Porvenir S.A.**	**Corficolombiana S.A.**	**Other segments [2]**	**Eliminations**	**Total**
Intersegment income										
Interest income	Ps. 95,946	Ps. 1,269	Ps. 14,803	Ps. 15,424	Ps. 10,193	Ps. 3,355	Ps. 49,233	Ps. 191	Ps. (190,414)	Ps. —
Income from commissions and fees	6,201	26	6,344	2,967	18,391	3,048	1,542	45,940	(84,459)	—
Income from sales of goods and services	1,285	—	185,687	—	—	3,765	2,169	—	(192,906)	—
Share of profit of equity accounted investees, net of tax	823,168	—	253,586	78,493	(4,432)	—	847	—	(1,151,662)	—
Participation in results of subsidiaries [4]	1,169,473	—	—	—	—	—	—	—	(1,169,473)	—
Dividends	6,192	—	2,067	3,601	2,195	—	1,623	—	(15,678)	—
Net trading income	7,299	—	243	(1,858)	(4)	—	556	—	(6,236)	—
Other income [3]	2,200	2,126	2,834	225	3,197	516	(1,884)	118,347	(127,561)	—
Discontinued segment [5]	(19,661)	19,661	—	—	—	—	—	—	—	—
	2,092,103	**23,082**	**465,564**	**98,852**	**29,540**	**10,684**	**54,086**	**164,478**	**(2,938,389)**	**—**
Total income	**Ps. 10,487,916**	**Ps. 10,282,006**	**Ps. 4,233,815**	**Ps. 2,673,349**	**Ps. 1,704,123**	**Ps. 1,418,735**	**Ps. 10,318,526**	**Ps. 288,075**	**Ps. (2,938,389)**	**Ps. 38,468,156**
Expenses										
Interest expense	Ps. (2,612,243)	Ps. (2,460,619)	Ps. (1,082,203)	Ps. (822,584)	Ps. (352,566)	Ps. (42,386)	Ps. (984,454)	Ps. (404,727)	Ps. 499,518	Ps. (8,262,264)
Net impairment loss on financial assets	(2,572,877)	(1,733,028)	(1,137,316)	(303,710)	(253,319)	(1,971)	(12,037)	—	365	(6,013,893)
Depreciation and amortization	(283,609)	(431,606)	(116,070)	(89,458)	(67,595)	(13,340)	(8,939)	(8,745)	3,991	(1,015,371)
Expenses from commissions and fees	(263,435)	(106,763)	(104,387)	(59,251)	(157,354)	(110,654)	(12,048)	(3,867)	75,283	(742,476)
Costs and expenses of sales goods and services	(150,644)	—	(311,439)	—	—	(53,955)	(5,824,340)	19,860	(970)	(6,321,488)
Administrative expenses	(1,308,248)	(1,925,599)	(655,902)	(667,265)	(391,477)	(188,630)	(88,615)	(349,937)	609,314	(4,966,359)
Income tax expense	(18,752)	(483,602)	65,459	(91,348)	(58,740)	(245,360)	(962,300)	(47,546)	(1,479)	(1,843,668)
Other expense [6]	(1,081,162)	(1,971,316)	(551,399)	(404,979)	(259,158)	(183,617)	(133,397)	501,997	(587,990)	(4,671,021)
Total expenses	**(8,290,970)**	**(9,112,533)**	**(3,893,257)**	**(2,438,595)**	**(1,540,209)**	**(839,913)**	**(8,026,130)**	**(292,965)**	**598,032**	**(33,836,540)**

(Amounts expressed in millions of Colombian pesos)

	Banco de Bogotá S.A.	BAC Holding International Corp (1)	Banco de Occidente S.A.	Banco Popular S.A.	Banco AV Villas S.A.	Porvenir S.A.	Corficolombiana S.A.	Other segments (2)	Eliminations	Total
Net income for the year	**Ps. 2,196,946**	**Ps. 1,169,473**	**Ps. 340,558**	**Ps. 234,754**	**Ps. 163,914**	**Ps. 578,822**	**Ps. 2,292,396**	**Ps. (4,890)**	**Ps. (2,340,357)**	**Ps. 4,631,616**

(1) BAC Holding International Corp, before Leasing Bogotá S.A. Panamá (see note 1).
(2) Includes Grupo Aval Holding, Grupo Aval Limited, Grupo Aval International Limited and ATH Negocio Conjunto.
(3) Includes net gain on sale of debt and equity securities for Ps. 613,213; foreign exchange gains (losses), net Ps. 363,034; gain on the sale of non-current assets held for sale Ps. 112,043; net gain in asset valuation Ps. (50,326) and other operating income Ps. 367,208.
(4) Includes measurement of subsidiary BAC Holding International Corp (before Leasing Bogotá S.A. Panamá. See note 1).
(5) Corresponds to the recognition of the spin-off of MFG from the BAC Holding segment to the Banco de Bogotá segment (see note 1)
(6) Includes personnel expenses of Ps. (4,400,542); loss from sale of non-current assets held for sale Ps. (3,420) and other operating expenses Ps. (267,059).

	Banco de Bogotá S.A.	BAC Holding International Corp (1)	Banco de Occidente S.A.	Banco Popular S.A.	Banco AV Villas S.A.	Porvenir S.A.	Corficolombiana S.A.	Other segments (2)	Eliminations	Total
Revenue from contracts with customers (3)	**Ps. 1,250,153**	**Ps. 2,388,658**	**Ps. 658,547**	**Ps. 248,964**	**Ps. 275,409**	**Ps. 1,173,341**	**Ps. 9,098,397**	**Ps. 164,584**	**Ps. (277,365)**	**Ps. 14,980,688**
Timing of revenue recognition										
At a point in time	55,239	131,890	20,849	18,044	77,497	312	110,080	163,552	(56,777)	**520,686**
Over time	1,194,914	2,256,768	637,698	230,920	197,912	1,173,029	8,988,317	1,032	(220,588)	**14,460,002**

(1) BAC Holding International Corp, before Leasing Bogotá S.A. Panamá (see note 1).
(2) Includes Grupo Aval Holding, Grupo Aval Limited and ATH Negocio Conjunto.
(3) Includes Income from contracts with customers, (see note 28)

Statement of Income of the year 2019

(Amounts expressed in millions of Colombian pesos)

	Banco de Bogotá S.A.	BAC Holding International Corp [1]	Banco de Occidente S.A.	Banco Popular S.A.	Banco AV Villas S.A.	Porvenir S.A.	Corficolombiana S.A.	Other segments [2]	Eliminations	Total
External income										
Interest income	Ps. 5,931,114	Ps. 6,302,300	Ps. 3,107,030	Ps. 2,297,087	Ps. 1,460,981	Ps. 46,132	Ps. 407,843	Ps. 248	Ps. —	Ps. 19,552,735
Income from commissions and fees	1,302,769	2,562,027	423,571	263,985	281,324	1,083,469	77,012	89,186	—	6,083,343
Income from sales of goods and services	52,228	—	58,947	—	(5,466)	54,784	8,996,095	—	—	9,156,588
Share of profit of equity accounted investees, net of tax	10,633	—	4,272	5,232	3,819	—	205,674	(4)	—	229,626
Dividends	635	4,243	336	1,155	1,795	—	76,522	—	—	84,686
Net income from other financial instruments mandatory at fair value through profit or loss	—	—	—	—	—	—	217,616	—	—	217,616
Net trading income	187,834	54,335	117,048	24,827	16,648	250,112	110,977	130	—	761,911
Other income [3]	260,715	427,396	145,493	72,545	36,692	2,787	20,186	2,837	—	968,651
	Ps. 7,745,928	**Ps. 9,350,301**	**Ps. 3,856,697**	**Ps. 2,664,831**	**Ps. 1,795,793**	**Ps. 1,437,284**	**Ps. 10,111,925**	**Ps. 92,397**	**Ps. —**	**Ps. 37,055,156**
	Banco de Bogotá S.A.	**BAC Holding International Corp [3]**	**Banco de Occidente S.A.**	**Banco Popular S.A.**	**Banco AV Villas S.A.**	**Porvenir S.A.**	**Corficolombiana S.A.**	**Other segments [1]**	**Eliminations**	**Total**
Intersegment income										
Interest income	Ps. 93,463	Ps. 2,212	Ps. 13,344	Ps. 13,411	Ps. 3,441	Ps. 2,740	Ps. 128,352	Ps. 79	Ps. (257,042)	Ps. —
Income from commissions and fees	4,292	47	8,328	2,904	18,905	3,385	1,474	68,227	(107,562)	—
Income from sales of goods and services	1,969	—	164,635	—	5,466	5,701	5,866	—	(183,637)	—
Share of profit of equity accounted investees, net of tax	780,515	—	246,576	73,370	(3,997)	—	1,665	—	(1,098,129)	—
Participation in results of subsidiaries [4]	1,345,364	—	—	—	—	—	—	—	(1,345,364)	—
Dividends	5,288	—	2,022	2,925	2,053	—	105	—	(12,393)	—
Net trading income	37,261	(34,199)	—	39	—	—	2,457	—	(5,558)	—
Other income [3]	49,444	101	5,268	181	1,544	503	(7,357)	88,628	(138,312)	—
	2,317,596	**(31,839)**	**440,173**	**92,830**	**27,412**	**12,329**	**132,562**	**156,934**	**(3,147,997)**	**—**
Total income	**Ps. 10,063,524**	**Ps. 9,318,462**	**Ps. 4,296,870**	**Ps. 2,757,661**	**Ps. 1,823,205**	**Ps. 1,449,613**	**Ps. 10,244,487**	**Ps. 249,331**	**Ps. (3,147,997)**	**Ps. 37,055,156**
Expenses										
Interest expense	Ps. (2,690,061)	Ps. (2,156,423)	Ps. (1,228,385)	Ps. (880,056)	Ps. (421,033)	Ps. (35,770)	Ps. (925,197)	Ps. (240,723)	Ps. 310,431	Ps. (8,267,217)
Net impairment loss on financial assets	(1,357,159)	(1,260,960)	(720,456)	(319,532)	(222,446)	(7,506)	(12,330)	—	145,286	(3,755,103)
Depreciation and amortization	(244,909)	(373,585)	(107,651)	(82,028)	(65,455)	(13,424)	(7,789)	(10,135)	3,491	(901,485)
Expenses from commissions and fees	(175,832)	(100,232)	(85,289)	(65,713)	(137,275)	(115,398)	(12,737)	(4,419)	68,896	(627,999)
Costs and expenses of sales goods and services	(181,879)	—	(305,866)	—	—	(54,049)	(6,256,833)	20,755	(3,905)	(6,781,777)
Administrative expenses	(1,441,417)	(1,788,732)	(725,963)	(640,153)	(392,862)	(175,934)	(85,533)	(279,356)	575,643	(4,954,307)
Income tax expense	(314,239)	(477,575)	(61,098)	(52,533)	(105,396)	(207,227)	(802,936)	(62,399)	(2,854)	(2,086,257)
Other expense [5]	(887,201)	(1,815,591)	(494,103)	(415,526)	(242,113)	(270,676)	(136,968)	366,572	(419,951)	(4,315,557)
Total expenses	**(7,292,697)**	**(7,973,098)**	**(3,728,811)**	**(2,455,541)**	**(1,586,580)**	**(879,984)**	**(8,240,323)**	**(209,705)**	**677,037**	**(31,689,702)**
Net income for the year	**Ps. 2,770,827**	**Ps. 1,345,364**	**Ps. 568,059**	**Ps. 302,120**	**Ps. 236,625**	**Ps. 569,629**	**Ps. 2,004,164**	**Ps. 39,626**	**Ps. (2,470,960)**	**Ps. 5,365,454**

(Amounts expressed in millions of Colombian pesos)

(1) BAC Holding International Corp, before Leasing Bogotá S.A. Panamá (see note 1).
(2) Includes Grupo Aval Holding, Grupo Aval Limited, Grupo Aval International Limited and ATH Negocio Conjunto.
(3) Includes Net gain on sale of debt and equity securities for Ps. 198,562; Foreign exchange gains (losses), net Ps. 312,267; Gain on the sale of non-current assets held for sale Ps. 23,381; net gain in asset valuation Ps. 14,151 and other operating income Ps. 420,290.
(4) Includes measurement of subsidiary BAC Holding International Corp. (before Leasing Bogotá S.A. Panamá. See note 1).
(5) Includes personnel expenses of Ps. (4,085,396); loss from sale of non-current assets held for sale Ps. (4,392) and other operating expenses Ps. (225,769).

	Banco de Bogotá S.A.	BAC Holding International Corp [1]	Banco de Occidente S.A.	Banco Popular S.A.	Banco AV Villas S.A.	Porvenir S.A.	Corficolombiana S.A.	Other segments [2]	Eliminations	Total
Revenue from contracts with customers [3]	**Ps. 1,357,166**	**Ps. 2,562,074**	**Ps. 651,537**	**Ps. 266,889**	**Ps. 300,229**	**Ps. 1,147,036**	**Ps. 8,679,277**	**Ps. 437,415**	**Ps. (161,692)**	**Ps. 15,239,931**
Timing of revenue recognition										
At a point in time	88,885	138,389	31,763	22,784	83,687	6,514	116,974	436,504	(366,909)	**558,591**
Over time	1,268,281	2,423,685	619,774	244,105	216,542	1,140,522	8,562,303	911	205,217	**14,681,340**

(1) BAC Holding International Corp, before Leasing Bogotá S.A. Panamá (see note 1).
(2) Includes Grupo Aval Holding, Grupo Aval Limited and ATH Negocio Conjunto.
(3) Includes Income from contracts with customers, (see note 28)

Main eliminations of total income, expenses, assets and liabilities between segments with the corresponding consolidated entries at the level of Grupo Aval are:

- Loans and financial obligations of entities mainly from non-financial sector.
- Investments in term deposits and outstanding bonds of in other segments.
- Investments in subordinates elimination and record of non- controlling interests.
- Leases and commissions pay between entities of Grupo Aval.
- Expenses and incomes from commissions

31.5 Analysis of Revenues by Products and Services

Grupo Aval’s revenues are analyzed by products and services, in the statement of income.

(Amounts expressed in millions of Colombian pesos)

31.6 Income by Country

Grupo Aval's revenues for each individual country for which revenues are significant, are the following during the years ended December 31, 2021, 2020 and 2019:

	December 31, 2021									
	Country									
	Colombia	**Panamá**	**Costa Rica**	**Guatemala**	**Honduras**	**Nicaragua**	**El Salvador**	**Perú**	**Other countries (1)**	**Total income**
Interest income	**Ps. 11,683,435**	**Ps. 2,334,194**	**Ps. 2,000,806**	**Ps. 1,258,845**	**Ps. 1,148,521**	**Ps. 392,584**	**Ps. 773,094**	**Ps. 21,037**	**Ps. 35,002**	**Ps. 19,647,518**
Income from commissions and fees	**3,681,564**	**350,929**	**970,729**	**290,011**	**403,412**	**172,271**	**198,450**	**786**	**385,050**	**6,453,202**
Storage services	169,386	—	—	—	—	—	—	—	—	169,386
Trust activities	336,637	—	—	—	—	—	—	—	—	336,637
Pension and severance fund management	1,199,070	—	35,347	—	19,283	—	—	—	—	1,253,700
Fees on credit cards	658,028	59,542	374,086	95,617	154,976	67,355	84,517	—	17,835	1,511,956
Office network services	18,914	—	—	—	—	—	—	—	—	18,914
Commissions on drafts, checks and checkbooks	24,748	439	—	—	—	—	—	—	—	25,187
Other commissions	10,771	—	—	—	—	—	—	—	—	10,771
Commissions on banking services	1,264,010	290,948	561,296	194,394	229,153	104,916	113,933	786	367,215	3,126,651
Share of profit of equity accounted investees, net of tax	**300,217**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**300,217**
Dividends	**148,091**	**9,018**	**—**	**1,185**	**828**	**—**	**—**	**—**	**—**	**159,122**
Income from sales of goods and services	**9,416,207**	**—**	**—**	**—**	**—**	**—**	**—**	**1,034,707**	**—**	**10,450,914**
Energy and gas E&G	3,850,399	—	—	—	—	—	—	1,023,879	—	4,874,278
Infrastructure	4,662,912	—	—	—	—	—	—	—	—	4,662,912
Hotels	274,864	—	—	—	—	—	—	10,828	—	285,692
Agribusiness	218,511	—	—	—	—	—	—	—	—	218,511
Others services	135,607	—	—	—	—	—	—	—	—	135,607
Others operating income	273,914	—	—	—	—	—	—	—	—	273,914
Other income	**966,250**	**212,444**	**524,812**	**154,897**	**83,746**	**99,747**	**7,918**	**881**	**2,824**	**2,053,519**
Total income	**Ps. 26,195,764**	**Ps. 2,906,585**	**Ps. 3,496,347**	**Ps. 1,704,938**	**Ps. 1,636,507**	**Ps. 664,602**	**Ps. 979,462**	**Ps. 1,057,411**	**Ps. 422,876**	**Ps. 39,064,492**

(1) United States, British Virgin Islands, Grand Cayman, Barbados and Bahamas.

(Amounts expressed in millions of Colombian pesos)

	December 31, 2020									
	Country									
	Colombia	Panamá	Costa Rica	Guatemala	Honduras	Nicaragua	El Salvador	Perú	Other countries (1)	Total income
Interest income	Ps. **12,410,532**	Ps. **1,972,328**	Ps. **2,152,830**	Ps. **1,293,265**	Ps. **1,181,310**	Ps. **392,163**	Ps. **770,206**	Ps. **15,100**	Ps. **35,056**	Ps. **20,222,790**
Income from commissions and fees	**3,390,994**	**285,019**	**962,945**	**289,184**	**358,035**	**167,911**	**204,602**	**216**	**176,993**	**5,835,899**
Storage services	155,253	—	—	—	—	—	—	—	—	155,253
Trust activities	343,268	—	—	—	—	—	—	—	—	343,268
Pension and severance fund management	1,115,154	—	31,784	—	11,586	—	—	—	—	1,158,524
Fees on credit cards	584,225	43,513	348,199	74,860	107,368	55,522	66,819	—	17,745	1,298,251
Office network services	17,493	—	—	—	—	—	—	—	—	17,493
Commissions on drafts, checks and checkbooks	30,658	455	—	—	—	—	—	—	—	31,113
Other commissions	8,586	—	—	—	—	—	—	—	—	8,586
Commissions on banking services	1,136,357	241,051	582,962	214,324	239,081	112,389	137,783	216	159,248	2,823,411
Share of profit of equity accounted investees, net of tax	**220,162**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**220,162**
Dividends	**78,186**	**11,543**	**—**	**1,157**	**679**	**—**	**—**	**—**	**—**	**91,565**
Income from sales of goods and services	**8,280,872**	**305**	**—**	**—**	**—**	**—**	**—**	**863,612**	**—**	**9,144,789**
Energy and gas E&G	3,655,799	—	—	—	—	—	—	853,752	—	4,509,551
Infrastructure	3,966,192	—	—	—	—	—	—	—	—	3,966,192
Hotels	129,617	305	—	—	—	—	—	9,860	—	139,782
Agribusiness	147,443	—	—	—	—	—	—	—	—	147,443
Others services	225,996	—	—	—	—	—	—	—	—	225,996
Others operating income	155,825	—	—	—	—	—	—	—	—	155,825
Other income	**1,937,571**	**227,853**	**461,790**	**154,258**	**56,065**	**97,578**	**6,271**	**4,190**	**7,375**	**2,952,951**
Total income	Ps. **26,318,317**	Ps. **2,497,048**	Ps. **3,577,565**	Ps. **1,737,864**	Ps. **1,596,089**	Ps. **657,652**	Ps. **981,079**	Ps. **883,118**	Ps. **219,424**	Ps. **38,468,156**

(1) United States, British Virgin Islands, Grand Cayman, Barbados and Bahamas.

(Amounts expressed in millions of Colombian pesos)

	December 31, 2019									
	Country									
	Colombia	Panamá	Costa Rica	Guatemala	Honduras	Nicaragua	El Salvador	Perú	Other countries [1]	Total income
Interest income	**Ps. 12,891,567**	**Ps. 1,418,362**	**Ps. 2,128,292**	**Ps. 1,058,404**	**Ps. 950,760**	**Ps. 391,889**	**Ps. 660,029**	**Ps. 6,162**	**Ps. 47,270**	**Ps. 19,552,735**
Income from commissions and fees	**3,506,114**	**352,996**	**1,173,411**	**278,198**	**344,010**	**170,261**	**223,982**	**—**	**34,371**	**6,083,343**
Storage services	161,298	—	—	—	—	—	—	—	—	161,298
Trust activities	334,910	—	—	—	—	—	—	—	—	334,910
Pension and severance fund management	1,088,849	—	31,711	—	8,831	—	—	—	—	1,129,391
Fees on credit cards	606,581	45,016	406,458	69,367	99,055	50,568	63,467	—	23,732	1,364,244
Office network services	24,618	—	—	—	—	—	—	—	—	24,618
Commissions on drafts, checks and checkbooks	49,546	480	—	—	—	—	—	—	—	50,026
Other commissions	12,350	—	—	—	—	—	—	—	—	12,350
Commissions on banking services	1,227,962	307,500	735,242	208,831	236,124	119,693	160,515	—	10,639	3,006,506
Share of profit of equity accounted investees, net of tax	**229,626**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**229,626**
Dividends	**80,443**	**2,666**	**—**	**870**	**707**	**—**	**—**	**—**	**—**	**84,686**
Income from sales of goods and services	**8,710,572**	**669**	**—**	**—**	**—**	**—**	**—**	**445,347**	**—**	**9,156,588**
Energy and gas E&G	4,102,181	—	—	—	—	—	—	422,722	—	4,524,903
Infrastructure	3,783,534	—	—	—	—	—	—	—	—	3,783,534
Hotels	343,541	669	—	—	—	—	—	22,625	—	366,835
Agribusiness	135,928	—	—	—	—	—	—	—	—	135,928
Others services	205,813	—	—	—	—	—	—	—	—	205,813
Others operating income	139,575	—	—	—	—	—	—	—	—	139,575
Other income	**1,484,085**	**44,292**	**72,026**	**147,776**	**59,667**	**114,740**	**5,486**	**6,635**	**13,471**	**1,948,178**
Total income	**Ps. 26,902,407**	**Ps. 1,818,985**	**Ps. 3,373,729**	**Ps. 1,485,248**	**Ps. 1,355,144**	**Ps. 676,890**	**Ps. 889,497**	**Ps. 458,144**	**Ps. 95,112**	**Ps. 37,055,156**

[1] United States, British Virgin Islands, Grand Cayman, Barbados and Bahamas.

(Amounts expressed in millions of Colombian pesos)

During the years ended December 31, 2021, 2020 and 2019, Grupo Aval reported no concentration of revenue in customers with more than a 10% share of revenue from ordinary activities.

The foregoing analysis is based on the customer's domicile. Income from off- shore entities of Colombian customers are reported as income from Colombia. The revenues include income from interest, fees, commissions and other operating income.

31.7 Non-current assets by Country

Grupo Aval's non-current assets for each individual country for which non-current assets are significant, are as follows as of December 31, 2021 and 2020:

December 31, 2021		(1) Own – use Property, plant and equipment, net		(2) Intangible assets
Colombia	Ps.	4,247,081	Ps.	12,710,562
Panamá		543,798		6,461,575
Costa Rica		473,800		190,684
Guatemala		178,901		28,289
Other countries		710,588		2,079,608
Total	**Ps.**	**6,154,168**	**Ps.**	**21,470,718**

December 31, 2020		(1) Own – use Property, plant and equipment, net		(2) Intangible assets
Colombia	Ps.	4,347,718	Ps.	11,617,710
Panamá		475,048		5,596,211
Costa Rica		388,914		104,044
Guatemala		155,646		18,569
Other countries		630,965		1,188,517
Total	**Ps.**	**5,998,291**	**Ps.**	**18,525,051**

(1) see note 15.1
(2) see notes 16 to 18.

NOTE 32 – UNCONSOLIDATED STRUCTURED ENTITIES

The term "unconsolidated structured entities" refers to all structured entities that are not controlled by Grupo Aval. Grupo Aval enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities.

The table below shows the total assets of unconsolidated structured entities in which Grupo Aval had an interest at the reporting date and its maximum exposure to loss in relation to those interests:

Nature and risks associated with Grupo Aval's interests in unconsolidated structured entities

December 31, 2021		Securitizations		Grupo Aval's managed funds		Total
Grupo Aval's interest-assets						
Investments at fair value through profit or loss	Ps.	—	Ps.	5,019,671	Ps.	5,019,671
Other account receivables		—		29,567		29,567
Total assets in relation to Grupo Aval's interests in the unconsolidated structured entities		**—**		**5,049,238**		**5,049,238**
Grupo Aval's maximum exposure (*)	**Ps.**	**—**	**Ps.**	**5,049,238**	**Ps.**	**5,049,238**

(*) Represent 1.37%, respectively of the Grupo Aval's managed funds total assets.

(Amounts expressed in millions of Colombian pesos)

December 31, 2020		**Securitizations**		**Grupo Aval's managed funds**		**Total**
Grupo Aval's interest-assets						
Investments at fair value through profit or loss	Ps.	7,385	Ps.	5,079,993	Ps.	5,087,378
Other account receivables		—		25,183		25,183
Total assets in relation to Grupo Aval's interests in the unconsolidated structured entities		**7,385**		**5,105,176**		**5,112,561**
Grupo Aval's maximum exposure (*)	**Ps.**	**7,385**	**Ps.**	**5,105,176**	**Ps.**	**5,112,561**

(*) Represent 1.58%, respectively of the Grupo Aval's managed funds total assets.

As of December 31, 2020 Grupo Aval invested in asset-backed securities issued by securitization entities for which underlying assets are mortgages granted by financial institutions. Grupo Aval did not have a significant exposure to sub-prime securities. As of December 31, 2021 Grupo Aval does not have invest in asset-backed securities.

In the normal course of operations, Grupo Aval has trust companies that manage collective investment funds and assets of third parties where the managing trustees receive commissions. Additionally, Grupo Aval's subsidiary Fondo de Pensiones y Cesantias Porvenir that manages mandatory pension funds and defined contribution plans. For management services provided by the trust and Porvenir, commissions received vary according to the performance of each fund or asset managed.

The obligations of these entities in the administration of these assets are obligations of means and do not guarantee the results. The maximum exposure risk of loss is determined by the possible failures in the administration of the funds by the amount of the returns that manages and the return of the results of assets the clients.

NOTE 33 - TRANSFERS OF FINANCIAL ASSETS

Grupo Aval enters into transactions in its normal course of business by which it transfers financial assets to third parties. Depending on the circumstances, these transfers may either result in these financial assets being derecognized or continuing to be recognized in Grupo Aval´s financial statements.

A. Transferred financial assets not qualifying for full derecognition

i. Sale and repurchase agreements

Sales and repurchase agreements are transactions in which Grupo Aval sells securities and simultaneously agrees to repurchase them (or assets that are substantially the same) at a fixed price on a future date. Grupo Aval continues to recognize the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognized as a financial asset and a financial liability is recognized for the obligation to pay the repurchase price. Because Grupo Aval sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement. As of December 31, 2021, the financial assets held for trading that are being used as collateral under repurchase agreements amounted to Ps. 2,238,565 (December 31, 2020 Ps.1,451,572) see note 5.1.1 (only pledged as collateral in money market operations and pledged as collateral to special entities such as CRCC, BR and BVC), the financial investments debt securities at amortized cost that are being used as collateral under repurchase agreements amounted to Ps.361,388 (December 31, 2020 Ps.825,407) see note 9.3.1 and the financial investments debt securities FVOCI that are being used as collateral under repurchase agreements amounted to Ps. 8,444,486 (December 31, 2020 Ps. 5,727,908) see note 5.1.2 (only pledged as collateral in money market operations and pledged as collateral to special entities such as CRCC, BR and BVC).

ii. Securities lending

As of December 31, 2021, and 2020 Grupo Aval has not recorded securities lending.

B. Transfer of financial assets that are derecognized in their entirety.

i. Securitizations

As of December 31, 2021, and 2020 Grupo Aval has not recorded securitizations.

NOTE 34 – RELATED PARTIES

To verify the correct identification of relationships and transaction with related parties, Grupo Aval has established a specific formal Procedure for the Identification and Disclosure of Balances and Transactions with Related Parties. Such procedure is communicated and made available to our personnel through Grupo Aval's intranet. In application of this procedure, our members of the Board of Directors and our key management personnel are periodically required to identify close family members and entities over which such persons have significant influence. Such process is conducted by a written request containing the criteria that such person must consider in order to provide information on close family members and entities that must be disclosed as their related parties.

In addition, Grupo Aval Vice-Presidency of Accounting Consolidation periodically performs an evaluation of its controlling and non-controlling investments in other entities to identify if such entities should be treated as a related entity.

The following are some of the guidelines included in the abovementioned corporate framework:

- Grupo Aval and its subsidiaries shall permanently carry out the registration of the operations performed with related parties, identifying the type of operation, its purpose, economic conditions and authorizations received when applicable.

- Grupo Aval and its subsidiaries shall establish limits of indebtedness or exposure and perform constant monitoring of the intragroup operations, complying for such purpose with the restrictions set forth under applicable regulations.

- All intragroup operations shall be fully identified by accounting areas of the respective entities.

- Authorization levels are defined within the governance and control structure, assigned as may be deemed adequate as a function of the magnitude and type of transaction, keeping the evidence of such authorizations.

- It should be verified that related party transactions are carried out for a good and valuable consideration, at market conditions, maintaining a financial equilibrium in the relationships between the entities participating in the operation.

This Reference Framework for Institutional Relations was also submitted to the consideration and approval of the Board of Directors of our subsidiaries and has been made available in the web sites of Grupo Aval and its subsidiaries.

(Amounts expressed in millions of Colombian pesos)

Balances as of the year ended December 31, 2021 and 2020, with related parties, are detailed in the following tables:

	Individuals		Entities		
December 31, 2021	**Individuals with control over Grupo Aval (*)**	**Key management personnel (*)**	**Associates and joint ventures**	**Entities controlled by individuals**	**Entities with significant influence by individuals**
Assets					
Financial assets in investments	Ps. —	Ps. —	Ps. 1,489,672	Ps. —	Ps. —
Financial assets in credit operations	10,839	8,592	541,293	1,551,342	187,466
Accounts receivable	58	8	20,761	351,582	2
Other assets	—	—	8,974	4,526	—
Liabilities					
Deposits	Ps. 191,333	Ps. 29,704	Ps. 110,142	Ps. 1,910,253	Ps. 12,914
Accounts payable	583	375	15,685	771,804	10
Financial obligations	2	12	—	—	—
Other liabilities	—	—	2,492	1,234	—

(*) Include family members

	Individuals		Entities		
December 31, 2020	**Individuals with control over Grupo Aval (*)**	**Key management personnel (*)**	**Associates and joint ventures**	**Entities controlled by individuals**	**Entities with significant influence by individuals**
Assets					
Financial assets in investments	Ps. —	Ps. —	Ps. 1,043,666	Ps. —	Ps. —
Financial assets in credit operations	5,916	7,355	569,718	1,604,776	135,531
Accounts receivable	9	21	7,301	29,354	12
Other assets	34	—	3,207	7,313	167
Liabilities					
Deposits	Ps. 300,093	Ps. 27,058	Ps. 117,815	Ps. 1,796,235	Ps. 9,219
Accounts payable	689	351	5,194	695,671	10
Financial obligations	—	8	—	—	—
Other liabilities	—	—	2,575	350	—

(*) Include family members

(Amounts expressed in millions of Colombian pesos)

Transactions during the years ended as of December 31, 2021, 2020 and 2019, with related parties are as follows:

a. Profit or loss

	Individuals		Entities		
December 31, 2021	**Individuals with control over Grupo Aval (*)**	**Key management personnel (*)**	**Associates and joint ventures**	**Entities controlled by individuals**	**Entities with significant influence by individuals**
Income					
Interest income	Ps. 294	Ps. 439	Ps. 18,333	Ps. 60,964	Ps. 11,224
Fee income and commissions	4	51	30,417	120,642	6
Leases	—	—	1,459	81	—
Other income	7	14	340,583	15,867	20
Expenses					
Financial expenses	Ps. (857)	Ps. (391)	Ps. (1,034)	Ps. (31,879)	Ps. (127)
Fee expenses and commissions	(4)	(1,862)	(39,278)	(1,466)	(338)
Operating expenses	(308)	(9,829)	(327)	(2,648)	—
Other expenses	(3)	(2,868)	(84,328)	(49,364)	—

(*) Include family members

	Individuals		Entities		
December 31, 2020	**Individuals with control over Grupo Aval (*)**	**Key management personnel (*)**	**Associates and joint ventures**	**Entities controlled by individuals**	**Entities with significant influence by individuals**
Income					
Interest income	Ps. 61	Ps. 463	Ps. 25,898	Ps. 85,308	Ps. 8,425
Fee income and commissions	7	48	26,185	100,424	6
Leases	—	—	1,219	95	—
Other income	6	8	273,113	6,720	10
Expenses					
Financial expenses	Ps. (882)	Ps. (620)	Ps. (1,062)	Ps. (22,619)	Ps. (52)
Fee expenses and commissions	(4)	(1,832)	(23,527)	(1,829)	(305)
Operating expenses	—	(9,743)	(754)	(3,539)	—
Other expenses	6	(1,834)	(60,029)	(68,522)	—

(*) Include family members

	Individuals		Entities		
December 31, 2019	**Individuals with control over Grupo Aval (*)**	**Key management personnel (*)**	**Associates and joint Ventures (**)**	**Entities controlled by individuals**	**Entities with significant influence by individuals**
Income					
Interest income	Ps. 290	Ps. 722	Ps. 28,172	Ps. 90,281	Ps. 7,998
Fee income and commissions	17	45	36,505	106,120	6
Leases	—	—	—	324	—
Other income	7	7	274,349	6,285	534
Expenses					
Financial expenses	Ps. (169)	Ps. (628)	Ps. (1,251)	Ps. (20,319)	Ps. (28)
Fee expenses and commissions	(3)	(1,410)	(20,066)	(2,098)	(380)
Operating expenses	(300)	(7,850)	—	(3,278)	—
Other expenses	(14)	(1,893)	(444,730)	(41,276)	(25)

(*) Include family members

(**) Expenses were recognized during the year 2019 with respect to defaulted debts owed by related parties for Ps. 400,630

(Amounts expressed in millions of Colombian pesos)

Outstanding amounts are not guaranteed and shall be liquidated in cash. Guarantees have not been granted or received.

b. Compensation of Key Management Personnel

The compensation received by the key personnel of the management comprises the following:

	Year ended as of					
Items	**December 31, 2021**		**December 31, 2020**		**December 31, 2019**	
Salaries	Ps.	34,250	Ps.	34,274	Ps.	40,696
Short term benefits for employees		14,761		14,257		16,059
Larg term benefits for employees		425		587		742
Fee		1,871		1,239		1,525
Total	**Ps.**	**51,307**	**Ps.**	**50,357**	**Ps.**	**59,022**

Transactions with our related parties correspond primarily to the normal course of banking business activities carried out under market conditions. Such transactions include demand and saving deposits, time deposits, commercial, consumer and mortgage loans, financial leases, payment of dividends and or interest.

NOTE 35 – BUSINESS COMBINATION

On May 22, 2020, BAC Holding International Corp. (BAC Holding) (before, Leasing Bogotá S.A. Panamá), a subsidiary of Banco de Bogotá, acquired Multi Financial Group Inc. (MFG). The acquired Group was comprised mainly of Multibank Inc. and subsidiaries. MFG provides a wide variety of financial services, mainly corporate banking, investment, mortgage and consumer banking, as well as insurance, securities brokerage, factoring, leasing and real estate services. The purchase price was Ps. 1,613,408 (US$433.8 million) paid in cash on May 22, 2020, for thus acquiring 96.6% of the ordinary and outstanding shares. Non-controlling interest recognized for Ps. 465,902 (US$125 million) includes Ps. 409,070 (US$110 million) in preferred shares that were not included in the share purchase agreement.

In September 2020, BAC Holding received a refund for an amount of Ps. 6,334 (US$ 1.6 million) as an adjustment to the price paid which had included items that should not have been included in the transaction. The final adjusted purchase price is Ps. 1,607,074 (US$432.2 million).

MFG’s consolidated results have been recognized in Grupo Aval´s consolidated financial statements from the date BAC Holding obtained control. The acquisition was mainly carried out in order to increase BAC Holding´s operation through future business potential, strengthening the leadership position in Panamá, the synergies and economies of scale expected from operations and of MFG with this transaction being complementary to the lines of business in which the BAC Holding already participates in Panamá. The goodwill has been allocated to MFG as a single operating segment. The recognized goodwill is not deductible for tax purposes.

For the period between the acquisition date and December 31, 2020, MFG contributed revenues of Ps. 684,682 (US$197.4 million) and profits of Ps. 23,239 (US$6.7 million) to the Group´s consolidates results. If the acquisition had occurred on January 1, 2020, the Grupo Aval estimates that consolidated revenues would have been Ps. 38,949,821 (US$11,215 million), and consolidated net income for the year ended December 31, 2020 would have been Ps. 4,486,044 (US$1,298 million). In determining these amounts, Grupo Aval has assumed that the determined fair value adjustments that arose at the acquisition date would have been the same had the acquisition occurred on 1 January 2020.

The Company incurred costs related to the acquisition of Ps. 2,701 (US$0.78 million) for legal fees, valuation fees and due diligence costs. These costs have been included under "administrative costs". The following table summarizes the cash consideration paid for the acquisition of MFG and the amounts of assets acquired and liabilities assumed, at fair value, at the acquisition date:

(Amounts expressed in millions of Colombian pesos)

		Fair value in (US$)		Equivalent to millions of Colombian pesos
Purchase price		**432,210,992**		**1,607,074**
Assets acquired and liabilities assumed				
Assets				
Cash and cash equivalents	US$	71,778,007	Ps.	266,929
Investments		993,293,255		3,693,879
Loans		3,526,006,837		13,109,218
Other accounts receivable		74,035,237		274,552
Non-current assets held for sale		20,213,844		77,480
Properties and equipment		78,958,681		293,014
Right-of-use-assets		24,903,282		90,492
Investment properties		2,757,600		10,164
Income tax assets		42,727,694		157,878
Intangible assets		47,407,001		174,317
Other Assets		10,601,714		39,522
Total Assets Acquired	**US$**	**4,892,683,153**	**Ps.**	**18,187,445**
Liabilities				
Hedging derivative liabilities		8,674,437		32,259
Customer deposits		2,895,302,230		10,759,192
Financial obligations		872,181,178		3,241,753
Bonds issued		510,989,080		1,901,655
Suppliers and services payable		64,925,605		241,447
Provisions		1,030,579		3,832
Employee benefits		2,049,540		7,622
Income tax liabilities		16,463,825		61,226
Total Liabilities Assumed	**US$**	**4,371,616,474**	**Ps.**	**16,248,984**
Non-controlling interests	US$	125,282,341	Ps.	465,902
Identifiable assets acquired and liabilities assumed in Multi Financial Group	**US$**	**395,784,338**	**Ps.**	**1,472,559**
Goodwill	**US$**	**36,426,654**	**Ps.**	**134,515**

Grupo Aval has completed the evaluation and allocation of the purchase price based on the acquisition accounting method. Grupo Aval identified that intangible assets correspond mainly to Relationship with Depositors, Relationships with Clients, Brands and Trade Names.

NOTE 36 – SUBSEQUENT EVENTS

On February 4, 2022, Grupo Aval held an extraordinary shareholders' meeting, in which the project for BAC Holding´s partial spin-off was approved; the project consists that Banco de Bogotá spins-off 75% of its current participation of 100% in BAC Holding in favor of Grupo Aval´s shareholders.

The following is a summary of the main steps to carry out the spin-off:

- Banco de Bogota carry out a spin-off of 75% of its shareholding in BAC Holding, the beneficiary entity is Sociedad Beneficiaria Bogota S.A.S. (entity created for this purpose on November 22, 2021, and of which its sole shareholder is Grupo Aval Acciones y Valores S.A.).

(Amounts expressed in millions of Colombian pesos)

- Grupo Aval will spin-off the shares in BAC Holding, received from Banco de Bogotá´s partial spin off described in the previous step, in favor of the Sociedad Beneficiaria Aval S.A.S. (an entity created for this purpose on November 22, 2021).
- After the Grupo Aval shareholders' meeting was held, authorization was requested from the Superintendency of Finance to approve said spin-off; the request was made on February 9, 2022.
- Once the spin-offs of Banco de Bogotá and Grupo Aval are executed, it is planned to carry out a merger of BAC Holding, Sociedad Beneficiaria Bogota S.A.S. and Sociedad Beneficiaria Aval S.A.S., with BAC Holding as the absorbing company in the merger.

The following is the detail of the estimated financial effects of the spin-off transaction on December 31, 2021:

	December 31, 2021	***Estimated effect***	***December 31, 2021***
Assets			
Total assets	Ps. 366,903,925	Ps. (111,808,162)	Ps. 255,095,763
Liabilities			
Total liabilities	Ps. 327,432,278	Ps. (101,882,666)	Ps. 225,549,612
Equity			
Owners of the parent:			
Equity attributable to owners of the parent	23,013,653	(6,821,008)	16,192,645
Non-controlling interests	16,457,994	(3,104,488)	13,353,506
Total equity	**39,471,647**	**(9,925,496)**	**29,546,151**
Total liabilities and equity	**Ps. 366,903,925**	**Ps. (111,808,162)**	**Ps. 255,095,763**

On March 28, 2022. Grupo Aval completed the spin-off of 51.6% of the shares of BAC Holding International Corp. ("BHI") to its shareholders.

The shares of BHI spun off to the shareholders of Grupo Aval were received as a result of the spin-off carried out by Banco de Bogotá S.A. on March 25, through which Banco de Bogotá S.A. spun off 75% its the shares in BHI of its shareholders, including Grupo Aval, shareholder of 68.7% of the shares of Banco de Bogotá S.A.

The General Meeting of Shareholders that took place on March 30, 2022, approved the following:

Net income for period ended December 31, 2021 included in the unconsolidated financial statements of Grupo Aval	3,502,758
Occasional reserve release at the disposal of the General Meeting of Shareholders	10,518,335
Total Income available for disposal of the General Meeting of Shareholders	**14,021,093**
Dividends	A stock dividend at the rate of $54 per share on the 22,281,017,159 common and preferred shares outstanding as of December 31, 2021. These dividends will be paid in shares, at the rate of 1 share for every 13.72333 common or preferred shares, as of December 31, 2021. The payment of the shares will be made on May 31, 2022, to any shareholders that is entitled to it at the time the payment becomes due in accordance with current regulations. For this purpose, up to a total of 1,623,586,385 new shares of the same species held by the shareholder will be issued. The unit value of the shares will be 741.06.
Total dividends declared	**1,203,175**
Total shares outstanding	22,281,017,159
To Occasional reserve at the disposal of General Meeting of Shareholders	**12,817,918**

(Amounts expressed in millions of Colombian pesos)

In a meeting held on March 4, 2022, Grupo Aval's Board of Directors approved the presentation of the consolidated financial statements under Colombian IFRS and the accompanying notes for the period ended December 31, 2021, for consideration of the General Meeting of Shareholders.

Ukraine-Russia

Since February 2022, the Ukraine-Russia war intensified and has already adversely affected growth prospects around the world. In addition, the conflict is expected to cause additional inflationary pressures worldwide as Russia and Ukraine lead the world in cereal and fertilizers exports. The price of oil and gas have been put under increased pressure due to this situation. Colombia and the other countries in which we operate are not immune to these global trends. However, as of the date of approval of the consolidated financial statements, no significant financial impacts have been identified.

We will remain observant of its effects on commodity prices in the international markets, additional inflationary pressures and its effects on monetary policies, and its potential effects on the results of the Group

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NOTE 37 – PARENT COMPANY INFORMATION

Condensed Separate statement of financial position

The following are the condensed separate Statements of Financial Position of Grupo Aval Acciones y Valores S.A. ,as of December 31, 2021, and 2020 and Condensed Separate Statements of Income and Statement of Cash Flows for the fiscal year ended on December 31, 2021, 2020 and 2019.

Condensed Separate Statement of Financial Position

	December 31,	
	2021	**2020**
Current Assets		
Cash and cash equivalents	Ps. 174,784	Ps. 130,353
Held for trading securities	47	7
Accounts receivable from related parties	281,375	343,448
Other assets	172	2,316
Total current assets	**Ps. 456,378**	**Ps. 476,124**
Non current Assets		
Investments in subsidiaries and associates	25,025,607	22,684,869
Property plant and equipment	5,565	6,817
Deferred tax	124	1,849
Total non current assets	**Ps. 25,031,296**	**Ps. 22,693,535**
Total assets	**Ps. 25,487,674**	**Ps. 23,169,659**
Current liabilities		
Borrowings at amortized cost	6,318	2,644
Outstanding bonds at amortized cost	8,048	5,579
Accounts payable	433,756	464,417
Other non-financial liabilities	1,214	1,214
Total current liabilities	Ps. **449,336**	Ps. **473,854**
Long-term liabilities		
Borrowings at amortized cost	525,659	526,735
Outstanding bonds	1,124,520	1,124,520
Total non current liabilities	Ps. **1,650,179**	Ps. **1,651,255**
Total liabilities	Ps. **2,099,515**	Ps. **2,125,109**

(Amounts expressed in millions of Colombian pesos)

	December 31, 2021	December 31, 2020
Equity		
Shareholders' equity	23,388,159	21,044,550
Total liabilities and shareholders' equity	**Ps. 25,487,674**	**Ps. 23,169,659**

Condensed Separate Statement of Income	**December 31, 2021**	**December 31, 2020**	**December 31, 2019**
Operating revenue			
Equity method income, net	3,245,692	2,295,451	3,014,756
Other revenue from ordinary activities	286,823	286,755	286,778
Total operating revenue	**Ps. 3,532,515**	**Ps. 2,582,206**	**Ps. 3,301,534**
Expenses, net			
Administrative expenses	(82,686)	(79,993)	(83,902)
Other expenses	(434)	(163)	(236)
(Losses) gains from exchange differences	(41)	(52)	(812)
Operating income	**Ps. 3,449,354**	**Ps. 2,501,998**	**Ps. 3,216,584**
Financial expenses	(98,690)	(106,979)	(121,794)
Net income before taxes	**3,350,664**	**2,395,019**	**3,094,790**
Income tax expense	(52,565)	(46,088)	(61,411)
Net income	**Ps. 3,298,099**	**Ps. 2,348,931**	**Ps. 3,033,379**

Condensed separate Cash Flow	**December 31, 2021**	**December 31, 2020**	**December 31, 2019**
Net income	Ps. 3,298,099	Ps. 2,348,931	Ps. 3,033,379
Adjustments to reconcile net income to net cash used by operating activities	(2,021,406)	(938,332)	(1,753,640)
Net cash provided by operating activities	**Ps. 1,276,693**	**Ps. 1,410,599**	**Ps. 1,279,739**
Net cash used in investing activities	(132)	(186)	(145)
Net cash used in financing activities	(1,232,130)	(1,331,359)	(1,267,976)
Increase in cash and cash equivalents	**Ps. 44,431**	**Ps. 79,054**	**Ps. 11,618**
Effect of foreign currency changes on cash and cash equivalents	—	-	1,014
Cash and cash equivalents at beginning of year	130,353	51,299	38,667
Cash and cash equivalents at end of year	**Ps. 174,784**	**Ps. 130,353**	**Ps. 51,299**

Basis for presenting and summary of significant accounting policies

The attached separated financial statement of Grupo Aval has been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and their interpretations from the International Financial Reporting Standards Committee (IFRIC), currently in force and on the basis of historic cost, except for financial assets at fair value through profit or loss.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with IFRS have been condensed or omitted for immaterial.

The separated financial statements of Grupo Aval have been prepared using the same IFRS basis and principles that Grupo Aval used to prepare it consolidated financial statements described in Note 2.

Commitments and contingencies

In the normal course of business, certain subsidiaries of Grupo Aval are defendants in various tax and legal proceedings. Grupo Aval is not aware of any pending legal proceedings which could have a significant effect on its financial position or the results of its operations.

(Amounts expressed in millions of Colombian pesos)

Investment in subsidiaries and associates companies

Based on the IAS 27, when an entity prepares separate financial statements it shall account for investments in subsidiaries either: a) at cost or b) at fair value, in accordance with IFRS 9 or c) using the equity method. Accordingly Grupo Aval accounts for its investments in subsidiaries using the equity method.

The equity method is an accounting method according to which the investment is initially recognizes at cost, and they are periodically adjusted due to changes in the interest of the parent company over the net assets of the subsidiaries. Grupo Aval records on the result of the period its participation in the profit or loss of the subsidiaries, and in OCI its participation in the "Other comprehensive income account" of the subsidiary. In applying equity method Grupo Aval uses the subsidiaries consolidated financial statements at the end of the period prepared under IFRS.

Investment in Subsidiaries and Associates

Investment in subsidiaries and associates as of December 31, 2021 and 2020 comprise the following:

	December 31, 2021		December 31, 2020	
Subsidiary	**Ownership interest held by Grupo Aval**	**Book Value**	**Ownership interest held by Grupo Aval**	**Book Value**
Banco de Bogotá S.A.	68.74 %	Ps. 15,616,990	68.74 %	Ps. 13,601,445
Banco de Occidente S.A.	72.27 %	3,632,129	72.27 %	3,494,268
Banco Comercial AV Villas S.A.	79.87 %	1,479,917	79.87 %	1,473,996
Banco Popular S.A.	93.74 %	3,318,617	93.74 %	3,186,389
Corporación Financiera Colombiana S.A.	39.98 %	1,061,518	39.58 %	973,650
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.	75.67 %	570,941	75.67 %	564,256
Grupo Aval Limited	100.00 %	(658,519)	100.00 %	(611,064)
Sociedad Beneficiaria Aval S.A.S.	100.00 %	—	— %	—
Sociedad Beneficiaria Bogotá S.A.S.	100.00 %	—	— %	—
Total subsidiaries		**Ps. 25,021,593**		**Ps. 22,682,940**
Associates				
ADL Digital Lab S.A.S	34.00 %	4,014	34.00 %	1,929
Total associates		**4,014**		**1,929**
Total investment in subsidiaries and associates		**Ps. 25,025,607**		**Ps. 22,684,869**

(Amounts expressed in millions of Colombian pesos)

Outstanding bonds

Outstanding bonds at December 31, 2021 and 2020 comprise the following:

Issuance date		Tranches	Maturity	Coupon rate	Amounts outstanding 2021		Amounts outstanding 2020	
November, 2019	Ps.	100,000	November, 2024	6.42 %	Ps.	100,825	Ps.	100,825
November, 2019		300,000	November, 2039	IPC + 3.69 %		303,229		302,126
June, 2017		300,000	June, 2042	IPC + 3.99 %		300,301		300,178
November, 2016		93,000	November, 2026	IPC + 3.86 %		93,810		93,538
November, 2016		207,000	November, 2036	IPC + 4.15 %		208,861		208,259
December, 2009		124,520	December, 2024	IPC + 5.20 %		125,542		125,173
Total Bonds	**Ps.**	**1,124,520**			**Ps.**	**1,132,568**	**Ps.**	**1,130,099**

The scheduled maturities of bonds as of December 31, 2021 are as follows:

Period	Amount
2022	8,048
2023	—
2024 and thereafter	1,124,520
Total	**Ps. 1,132,568**

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Grupo Aval Acciones y Valores S.A.

By: /s/ Luis Carlos Sarmiento Gutiérrez
Name: Luis Carlos Sarmiento Gutiérrez
Title: President

Date: April 21, 2022

Beginning of XBRL-Only Section

Cover Page / DEI Information

Amendment flag	False
Document Fiscal Period Focus	FY
Entity Central Index Key	0001504764
No Trading Symbol Flag	True

End of XBRL-Only Section