Condensed Consolidated Interim Financial Statements 1Q18

GRUPO AVAL ACCIONES Y VALORES S.A.

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

	Notes		March 31, 2018 (*)		December 31, 2017
ASSETS					
Cash and cash equivalents		Ps.	21,687,695	Ps.	22,336,838
Financial assets at fair value	4		27,813,484		19,057,394
Financial assets measured at amortized cost	4		163,355,806		175,055,314
Non-current assets held for sale			89,486		101,382
Investments in associates and joint ventures			942,371		1,043,014
Property, plant and equipment	6		6,449,358		6,654,006
Goodwill	7		6,581,277		6,901,056
Intangibles assets	8		4,072,241		3,962,848
Income tax assets			870,911		1,047,213
Other assets			416,392		482,635
Total assets		**Ps.**	**232,279,021**	**Ps.**	**236,641,700**
LIABILITIES AND EQUITY					
LIABILITIES					
Financial liabilities at fair value	4		788,650		312,129
Financial liabilities measured at amortized cost	4		196,565,011		200,161,260
Provisions	11		732,177		692,615
Income tax liabilities			2,214,302		2,079,384
Employee benefits	10		1,232,390		1,182,596
Others liabilities	12		6,638,753		6,235,466
Total liabilities		**Ps.**	**208,171,283**	**Ps.**	**210,663,450**
EQUITY					
Subscribed and paid-in capital			22,281		22,281
Additional paid-in capital			8,303,431		8,412,685
Retained earnings			6,058,523		7,573,912
Other comprehensive income			560,627		223,543
Equity attributable to owners of the parent			**14,944,862**		**16,232,421**
Non-controlling interest			9,162,876		9,745,829
Total equity		**Ps.**	**24,107,738**	**Ps.**	**25,978,250**
Total liabilities and equity		**Ps.**	**232,279,021**	**Ps.**	**236,641,700**

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

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

Luis Carlos Sarmiento Gutiérrez	**María Edith González Flórez**	**Gloria Andrea Sánchez Sánchez**
President	Accountant	Alternate auditor
Principal executive officer	T.P. 13083-T	T.P. 146962-T
		Member of KPMG S.A.S.
		(See my report of may 15, 2018)

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

	Notes		For the three-month periods ended March 31 2018 (*)		2017
Interest income		Ps.	4,589,190	Ps.	4,616,665
Interest expenses			1,860,921		2,189,124
Net, interest income			**2,728,269**		**2,427,541**
Net impairment loss			873,411		722,415
Net interest income, after impairment losses			**1,854,858**		**1,705,126**
Income from contracts with customer for commission and fee					
Commission and fee income	15		1,311,804		1,279,179
Commission and fee expense	15		161,527		150,975
Net commission and fee income			**1,150,277**		**1,128,204**
Income from sales of goods and services to clients					
Income from sales of goods and services	15		1,376,716		-
Cost for goods and services	15		1,170,874		-
Net, income from sales of goods and services to clients			**205,842**		**-**
Net income from financial instruments at fair value through profit and loss	**16**		**(38,324)**		**275,997**
Other income	**17**		**425,817**		**513,518**
Other expense	**17**		**2,176,999**		**2,060,732**
Net income before tax expense			**1,421,471**		**1,562,113**
Income tax expense	**9**		470,127		476,838
Net income for the quarter		**Ps.**	**951,344**	**Ps.**	**1,085,275**
Net income for the quarter attributable to:					
Owners of the parent			597,745		708,200
Non-controlling interest			353,599		377,075
		Ps.	**951,344**	**Ps.**	**1,085,275**
Net income of the owners of the parent per share (in Colombian pesos)			**26.83**		**31.78**

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

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

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

		For the three-month periods ended March 31			
	Notes		2018 (*)		2017
Net income		Ps.	**951,344**	Ps.	**1,085,275**
Other comprehensive income					
Items that may be reclassified to profit or loss					
Hedging of net investments in foreign operations:					
Net investment in foreign subsidiaries	5		(796,454)		(414,708)
Hedging derivative instrument	5		355,243		170,111
Hedging non-derivative instrument	5		441,243		244,156
Cash flow hedges			**6,230**		**20,879**
Foreign currency translation differences for foreign Operations			**2,649**		**53,928**
Impairment of credits and contingents			-		(13,943)
Investments in associates and joint ventures			(15,119)		(12,758)
Unrealized gains (losses) on investments in debt securities through OCI			(58,339)		-
(Expenses) tax			(246,947)		(158,517)
Total, Items that may be reclassified to profit or loss		Ps.	**(311,494)**	Ps.	**(110,852)**
Items that will not be reclassified to profit or loss					
Unrealized (losses) gains on equity securities			(3,390)		20,893
Actuarial gains from defined benefit pension plans			2,207		-
Expenses tax			(1,481)		(545)
Total items that will not be reclassified to profit or loss		Ps.	**(2,664)**	Ps.	**20,348**
Total other comprehensive income			**(314,158)**		**(90,504)**
Total comprehensive income, net of taxes		Ps.	**637,186**	Ps.	**994,771**
Total comprehensive income for the year attributable to:					
Owners of the parent			391,185		660,129
Non-controlling interest			246,001		334,642
		Ps.	**637,186**	Ps.	**994,771**

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

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Grupo Aval Acciones y Valores S.A. and Subsidiaries
Consolidated Statement of Changes in Equity for the three-month periods ended at March 31, 2018 and 2017
(Figures in millions of Colombian pesos)

		Subscribed and paid-in capital		Additional paid - in capital		Retained earnings		Other comprehensive income (OCI)		Equity attributable to owners of the parent		Non-controlling interest		Total equity
Balance at December 31, 2017	**Ps.**	**22,281**	**Ps.**	**8,412,685**	**Ps.**	**7,573,912**	**Ps.**	**223,543**	**Ps.**	**16,232,421**	**Ps.**	**9,745,829**	**Ps.**	**25,978,250**
Changes in accounting policies (*)		-		(109,254)		(1,043,645)		543,644		**(609,255)**		(229,383)		**(838,638)**
Balance at January 1, 2018	**Ps.**	**22,281**	**Ps.**	**8,303,431**	**Ps.**	**6,530,267**	**Ps.**	**767,187**	**Ps.**	**15,623,166**	**Ps.**	**9,516,446**	**Ps.**	**25,139,612**
Dividends declared		-		-		(1,069,489)		-		**(1,069,489)**		(599,571)		**(1,669,060)**
Other comprehensive income		-		-		-		(206,560)		**(206,560)**		(107,598)		**(314,158)**
Net income		-		-		597,745		-		**597,745**		353,599		**951,344**
Balance at march 31, 2018	**Ps.**	**22,281**	**Ps.**	**8,303,431**	**Ps.**	**6,058,523**	**Ps.**	**560,627**	**Ps.**	**14,944,862**	**Ps.**	**9,162,876**	**Ps.**	**24,107,738**

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

		Subscribed and paid-in capital		Additional paid - in capital		Retained earnings		Other comprehensive income (OCI)		Equity attributable to owners of the parent		Non-controlling interest		Total equity
Balance at December 31, 2016	**Ps.**	**22,281**	**Ps.**	**8,416,780**	**Ps.**	**6,771,926**	**Ps.**	**423,080**	**Ps.**	**15,634,067**	**Ps.**	**9,268,612**	**Ps.**	**24,902,679**
Acquisition of non-controlling interest		-		(2,630)		-		-		**(2,630)**		-		**(2,630)**
Dividends declared		-		-		(1,310,124)		-		**(1,310,124)**		(618,913)		**(1,929,037)**
Other comprehensive income		-		-		-		(48,071)		**(48,071)**		(42,433)		**(90,504)**
Net income		-		-		708,200		-		**708,200**		377,075		**1,085,275**
Wealth tax		-		-		(66,099)		-		**(66,099)**		(39,845)		**(105,943)**
Balance at March 31, 2017	**Ps.**	**22,281**	**Ps.**	**8,414,150**	**Ps.**	**6,103,903**	**Ps.**	**375,009**	**Ps.**	**14,915,343**	**Ps.**	**8,944,496**	**Ps.**	**23,859,839**

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Grupo Aval Acciones y Valores S.A. and Subsidiaries
Condensed Consolidated Statement of Cash Flows for the three-month periods ended March 31, 2018 and 2017
(Figures in millions of Colombian pesos)

	Note		March 31, 2018 (*)		March 31, 2017
Cash flows from operating activities:					
Net income before tax expense		Ps.	1,421,471	Ps.	1,562,113
Reconciliation of net income before taxes and net cash provided by operating activities:					
Depreciation and amortization	15 - 17		226,560		199,044
Impairment losses of loans and receivables			993,017		778,725
Net interest income			(2,728,269)		(2,427,541)
Gains on sales of non-current assets held for sale	17		(2,053)		(234)
Gain on sales of property, plant and equipment			(6,399)		(2,038)
Foreign exchange gains			(357,825)		(79,499)
Income proceeds of investments in associates and joint Ventures			(40,189)		(39,396)
Other adjustment for reconciliation net income			13,682		4,016
Fair value adjustments on:					
Investment property and biological assets			(13,030)		(8,765)
Derivative financial instruments			251,887		(131,029)
Changes in operating assets and liabilities:					
Decrease in financial assets held for trading			407,929		327,272
Increase in other accounts receivable			(177,444)		(79,792)
Decrease (increase) in non-current assets held for sale			4,914		(938)
Decrease in other assets			4,048		24,403
Increase in other liabilities, provisions and employee benefits			(354,528)		(768,432)
Decrease in loans and receivables			2,789,222		1,160,636
(Decrease) increase in customer deposits			(185,760)		3,497,071
Increase in interbank borrowings and overnight funds			1,782,302		1,602,127
(Decrease) in borrowings from development entities			(440)		(806)
(Decrease) increase in borrowings from banks and others			(859,470)		956,890
Income tax payments			(169,856)		(163,262)
Net cash provided by operating activities		**Ps.**	**2,999,769**	**Ps.**	**6,410,565**
Cash flows from investing activities:					
Acquisition of property plant and equipment		Ps.	(120,972)	Ps.	(46,213)
(Increase) in available for sale financial assets			(1,827,586)		-
Purchases of held-to-maturity financial assets			(1,028,723)		(1,462,622)
Maturities of held-to-maturity financial assets			1,012,071		1,462,622
Additions of other intangible assets			(52,430)		(45,248)
Proceeds from sales of property and equipment			30,597		15,826
Dividends received from investments			121,145		40,759
Capitalization of intangible assets in concession contracts			(225,206)		(107,385)
Decrease of other items related to investment activities			12,049		33,012
Net cash used in investing activities:		**Ps.**	**(2,079,055)**	**Ps.**	**(791,203)**
Cash Flows from financing activities:					
Dividends paid to shareholders		Ps.	(326,800)	Ps.	(326,872)
Dividends paid to non-controlling interest			(166,223)		(285,622)
Issuance of debt securities			500,119		673,842
Payment of outstanding debt securities			(382,196)		(2,894,570)
Net cash provided by (used in) financing activities		**Ps.**	**(375,100)**	**Ps.**	**(2,833,222)**
Effect of foreign currency changes on cash and cash equivalents			**(1,194,757)**		**(436,837)**
(Decrease) increase in cash and cash equivalents			**(649,143)**		**2,349,303**
Cash and cash equivalents at the beginning of the period		**Ps.**	**22,336,838**	**Ps.**	**22,193,004**
Cash and cash equivalents at the end of the period		**Ps.**	**21,687,695**	**Ps.**	**24,542,307**

The accompany notes and appendices are an integral part of the consolidated financial statements.

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

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NOTE 1 – REPORTING ENTITY

Grupo Aval Acciones y Valores S.A. (hereinafter the "The Group" or "Grupo Aval") was established under Colombian law in January 7, 1994, with its main offices and business address registered in Bogotá, D.C., Colombia. The corporate purpose of Grupo Aval is the purchase and sale of securities issued by financial and comercial entities. Grupo Aval is the majority shareholder of Banco de Bogotá S.A., Banco de Occidente S.A., Banco Popular S.A. and Banco Comercial AV Villas S.A., entities whose main purpose is to perform all transactions, operations and services inherent to the banking business, pursuant to applicable laws and regulations. Furthermore, through its direct and indirect investments in Corporación Financiera Colombiana S.A. ("Corficolombiana") and in Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A. ("Porvenir"), Grupo Aval engages in investment banking activities, invests in the non-financial sector and manages pensions and severance funds in Colombia..

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

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

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

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

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

Changes in significant accounting policies

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

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

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

A. IFRS 15 Income from contracts with customers.

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

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

(Figures in millions of Colombian pesos)

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

		Impact of the adoption of IFRS 15 to January 1, 2018
Customer loyalty programs	Ps.	32,232
Deferred tax associated to customer loyalty programs		(18,055)
Concession arrangements rights		55,706
Deferred tax associated to concession arrangements rights		(15,573)
Net impact at January 1, 2018	**Ps.**	**54,310**

Impact in asset and liabilities of the adoption of IFRS 15	Balance at December 31, 2017	Adjustment IFRS 15	Impact of the adoption of IFRS 15 at January 1, 2018
Assets			
Concession arrangements rights	3,114,167	55,706	3,169,873
Deferred tax	138,464	(18,055)	120,409
Total assets	**236,641,700**	**37,652**	**236,679,352**
Liabilities			
Customer loyalty programs	6,928,081	(32,232)	6,895,849
Deferred tax	1,747,283	15,574	1,762,857
Total liabilities	**210,663,450**	**(16,658)**	**210,646,792**
Equity			
Equity attributable to owners of the parent	**16,232,421**	**27,721**	**16,260,142**
Non-controlling interest	**9,745,829**	**26,589**	**9,772,418**
Total equity	**25,978,250**	**54,310**	**26,032,560**
Total liabilities and equity	**236,641,700**	**37,652**	**236,679,352**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The main activities through which the Group generates income from contracts with customers are described below:

(i) Banking (financial services)

Banks usually sign contracts that cover several different services. Such contracts may contain components that are within or outside the scope of IFRS 15. For this reason, banks only apply the rules of IFRS 15 when all or part of their contracts are outside of the scope of IFRS 9.

The sources of income obtained by banks through contracts with clients are the following:

- Credit cards: Exchange fees, general fees (annual, quarterly, monthly), loyalty programs

There are contracts that create rights and obligations due between the bank and cardholders or merchants, under which the bank usually provides services in exchange for annual or other fees. Below are some of the services that may exist in the contract with the cardholder are described below:

- Customer loyalty programs (options for acquiring free or discounted goods / services in the future), which are usually based on the monetary volume of card transactions,
- Payment processing services,
- Insurance, where the bank is not the insurer,
- Protection against fraud, and
- Processing of certain transactions, such as purchases in foreign currency and cash withdrawals.

The transaction price is assigned to each performance obligation based on the relative sales prices of the goods or services provided to the customer. The allocation of the transaction price to each individual performance obligation is not absolutely necessary when there is more than one performance obligation, when all are met at the same time or equally during the period.

- Commissions:

Banks receive insurance commissions when they refer new clients to third-party insurance sellers, and the bank is not in itself the insurer of the policy. These commissions are usually paid periodically (monthly, for example) to banks based on the volume of new policies (and / or renewal of existing policies) generated with clients referred by the bank. The transaction price may include a variable portion or a portion payable subject to the outcome of future events, such as policy cancellations. These portions are estimated and included in the transaction price based on the most probable amount, so it is included in the transaction price only when it is very likely that the resolution of said uncertainty will not lead to a significant reversal in income.

Commitment fees are within the scope of IFRS 15 when it is unlikely that an specific loan agreement will arise and when the commitment is not measured at fair value through profit or loss.

IFRS 15 contemplates loan syndication fees received by a bank that agrees to a loan and does not retain any part of the loan package for itself (or retains a portion to the same EIR (earning interest rate) in English or IRR (internal rate of return) for purposes of comparable risk with other participants).

• Savings accounts and checking accounts: Transaction and account fees

Savings account and checking account contracts generally allow clients to access a series of services, which include the processing of electronic transfers, the use of ATMs to withdraw cash, the issuance of debit cards, and the generation of bank statements. Sometimes they include other benefits. Collections are made periodically and give the customer access to banking services and additional benefits.

• Investment banking: placement and consulting fees

Consulting contracts with clients are not standardized. These contracts may constitute different promises made to customers, which usually include a variable portion that takes into account contingent fees that are only payable when meeting agreed goals.

(ii) Asset management

Asset management revenues consist of basic management fees, consulting fees, distribution of incentives and incentive fees based on the performance resulting from the sale of services. Revenues from basic management fees, consultancy fees and incentive distributions are recorded based on the accrual taking into account the amounts receivable at each period.

Income from incentive fees based on performance and profit-sharing agreements are recorded based on the accrual taking into account the amount that would be payable under the established formula in the contract when said amount is no longer subject to adjustments resulting from future events.

If the amount expected by the asset manager is variable, the variable portion included in the transaction price is limited to the amount for which it is "very likely that there will not be a significant reversal of recognized accumulated revenue when resolving the uncertainty". When making this assessment, the Group takes into account both the probability and magnitude of the income reversal. Some factors that could increase the probability or magnitude of a reversal of income are, among others, the following: (i) the variable portion is very susceptible to factors that are outside the influence of the entity, (ii) the uncertainty associated to the variable portion is not expected to be resolved in the long term, and (iii) the contract has a large amount and a wide range of possible amounts associated to the variable portion.

Management fees are usually based on net assets under management, while performance fees are based on profits generated from the underlying investments held by funds subject to certain limits.

The contractual measurement period for performance fees for traditional fund managers is usually the end of the month, the quarter and, in some cases, a longer period. Sometimes, performance fees are restricted until the contractual measurement period is completed. This means that in general, total income will not be recognized in the interim periods. However, management must determine if there is a part (a minimum amount) of the variable portion that should be recognized before the end of the contractual measurement period. The total amount of the charge will probably be recognized at the end of the contractual measurement period when the asset manager obtains the right to a fixed amount. In some cases, the total amount of the charge is recognized when there is a payment given that the amount becomes fixed at that time and is no longer subject to reversal.

(iii) Operation and construction services (Concessions)

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

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

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

(iv) Energy and public services

The contracts between a client and a public service for the purchase, delivery and sale of gas or electricity, establish the rates and terms of the service. The Group determined that its obligation to sell electricity or gas represents a single performance obligation, which is fulfilled over time (in other words, the sale of electricity or gas over the duration of the contract represents a series of defined assets that are substantially the same and have the same transfer pattern to the client).

Some contracts include multiple deliverables, such as the installation of connections or repairs, which are accounted for as separate performance obligations. The transaction price is assigned to each performance obligation based on the individual sale prices (regulated rates). If the contracts include the installation of goods, the income of the goods is recognized at the point at which the goods are delivered, the legal title is passed and the client has accepted said goods.

(v) Logistics

Transportation 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 the Group's usual business practices.

Revenue recognition criteria are, in most cases, applied 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 programs

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

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

(vii) Agricultural crops

The Group sells agricultural products. Sales are recognized when control over the products has been transferred. When the products are delivered to the wholesaler, he has total discretion over the channel and price to sell the products, and there are no unfulfilled obligations. The delivery occurs when the products have been shipped to a specific location, when the risks of obsolescence and loss have been transferred to the wholesaler, and when the wholesaler has accepted the products according to the sales contract, the acceptance criteria have expired, or when the group has objective evidence that all acceptance criteria has been met.

Income from these sales is recognized based on the price, net of discounts, that has been specified in the contract. Accumulated experience is used to estimate and provide discounts, using the most probable amount, and income is only recognized when it is very likely that there will not be a significant reversal. No financing is considered when sales are made with a credit of less than 3 months, which is consistent with market practices. An account receivable is recognized when the goods are delivered given that this is the moment when the consideration is unconditional, since only time is required for it to be paid.

For this reason, a contractual liability (reimbursement liability) and a right for returned goods (included in other current assets) are recognized for the products that will be returned. Accumulated experience is used to estimate these returns at the time of sale (expected value method). Given that the number of products returned has been stable for years, it is very likely that there will not be a significant reversal in the accumulated income. The validity of this assumption and the estimated amount of returns is re-evaluated on each reporting date.

(viii) Hotel services

Sources of income:

• Administration fees are received by the hotels managed by the Group, usually from long-term contracts with the hotel owners. Administration fees include a basic charge, which are usually a percentage of the hotel's income, and which is recognized upon receipt under the terms of the contract, and an incentive fee, which is usually based on the hotel's profitability or cash flows, and it is recognized when the corresponding performance criteria are met under the terms of the contract.

• Income from operating owned or leased hotels, including room rental and food and beverage sales.

Income is recognized at the time that goods are sold or that services are provided.

(ix) Financing components

The Group adjusts transactional prices to the time value of money for contracts where the period between the transfer of goods or services promised to the customer and the payment by the customer is greater than one year.

The Group has established new items in its presentation of the income statement in compliance with the requirements of the IFRS 15 standard.

B. IFRS 9 Financial Instruments

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

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

	Detail		**Impact of adopting IFRS 9 on opening balance**
Recognition of expected credit losses under IFRS 9	ii.		(1,225,128)
Recognition of changes on classification under IFRS 9	i.		(15,381)
Related tax			381,118
Impact at 1 January 2018		**Ps.**	**(859,391)**

Details on the new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i. Classification and Measurement of Financial Assets and Liabilities

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

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

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

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

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

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

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

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

Upon initial recognition of an equity investment that is not held for trading, Grupo Aval may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

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

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

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

Business Model Assessment

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

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

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

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

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

Grupo Aval will consider the contractual terms of the instrument by assessing whether the contractual cash flows are solely payments of principal and interest. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, Grupo Aval will consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;

(Figures in millions of Colombian pesos)

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

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

- The borrowers are able to prepay the loans without significant penalties. Colombian regulation does not allow for penalties charged on prepayments.
- the market competition ensures that interest rates are consistent between banks; and
- any regulatory or customer protection framework is in place that requires banks to treat customers fairly.

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, and the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant upon initial recognition.

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

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

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

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

	Original classification under IFRS 9 (2012 version)	**New classification under IFRS 9 (2014 version)**		**Original carrying amount under IFRS 9 (2012 version)**		**New carrying amount under IFRS 9 (2014 version)**
Financial assets						
Cash and cash equivalents	Amortized cost	Amortized cost	Ps.	22,336,838	Ps.	22,336,838

(Figures in millions of Colombian pesos)

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

ii. **Impairment of financial assets**

IFRS 9 (2014 version) replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ model “ECL”. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.
The new impairment model applies to the following financial instruments that are not measured at FVTPL:
- financial assets that are debt instruments;
- loans and lease receivables; and
- Loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*).

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

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

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

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

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

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

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

Measurement of ECLs

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

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

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

Definition of Default

Under IFRS 9, Grupo Aval will consider a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to Grupo Aval in full, without recourse by Grupo Aval to actions such as realizing collateral (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to Grupo Aval. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.
- Clients in bankruptcy proceedings, such as Law 1116 for the case of the Colombian Goverment
- Fixed income financial instruments include the following concepts, among others:
    - External rating of the issuer or instrument in rating D.
    - Contractual payments are not made on the due date or within the stipulated period or grace period.
    - There is a very high probability of suspension of payments.
    - The issuer likely to go bankrupt or file for bankruptcy or similar action.
    - The financial asset no longer has an active market given its financial difficulties.

In assessing whether a borrower is in default, Grupo Aval will consider indicators that are:
- qualitative: e.g. breaches of covenants;
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to Grupo Aval; and
- based on internally developed data and obtained from external sources.

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

Significant Increase in Credit Risk

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) of a financial instrument has increased significantly since initial recognition, Grupo Aval will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on Grupo Aval's historical experience, expert credit assessment and forward-looking information.

Grupo Aval will primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing:
- the remaining lifetime probability of default (PD) at the reporting date; with
- the remaining lifetime PD at this point in time that was estimated upon initial recognition of the exposure.
- Qualitative aspects and the rebuttable presumption of the norm (30 days) are also considered.

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

Credit Risk Grades

Grupo Aval will allocate each exposure to a credit risk grade based on a variety of data intended to be predictive of the probability of default and applying experienced credit judgement. Grupo Aval will use these grades with the purpose identifying significant increases in credit risk under IFRS 9 (version 2014). Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure will be allocated to a credit risk grade upon initial recognition based on available information about the borrower. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Generating the Term Structure of PD

Credit risk grades will be the primary input in the determination of the term structure of PD for exposures. Grupo Aval will collect performance and default information about its credit risk exposures analyzed by jurisdiction or region, by type of product and borrower and by credit risk grade. For some portfolios, information purchased from external credit reference agencies may also be used.

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

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

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

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

The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency.

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

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

Grupo Aval will monitor the effectiveness of the criteria used in identifing significant increases in credit risk through regular reviews to confirm that:
- the criteria are useful in identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes over 30 days past due;

- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL and lifetime ECL measurements.

Modified Financial Assets

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

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

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

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

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

Inputs for the measurement of ECLs

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

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

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

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

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

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has significantly increased, Grupo Aval will measure ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which there is exposure to credit risk, even if for risk management purposes, Grupo Aval considers a longer period. The maximum contractual period extends to the date at which Grupo Aval has the right to require repayment of an advance or terminate a loan commitment or guarantee.

For retail overdrafts and credit card facilities and certain corporate revolving facilities that include both a loan and an undrawn commitment component, Grupo Aval will measure ECLs over a period longer than the maximum contractual period if Grupo Aval's contractual ability to demand repayment and cancel the undrawn commitment does not limit Grupo Aval's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. Grupo Aval can cancel them with immediate effect but the contractual right is not enforced in the normal day-to-day management, rather when Grupo Aval becomes aware of an increase in credit risk of a particular facility. This longer period will be estimated taking into account the credit risk management actions that Grupo Aval expects to take and that serve to mitigate ECLs. These include a reduction in limits and cancellation of the facility.

Whenever modelling of a parameter is carried out on a collective basis, the financial instruments will be grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk ratings;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

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

Forward-looking Information

Under IFRS 9 (2014 version), Grupo Aval will incorporate forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs. Grupo Aval will formulate a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on recommendations from the Group's Market Risk Committee, forecasts provided by economic experts and considering a variety of external actual and forecast information. This process will involve developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

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

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

(Figures in millions of Colombian pesos)

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, credit risk and credit losses. These key drivers include interest rates, unemployment rates and GDP forecasts.

Impact of the new impairment model

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

Loss allowance at 31 December 2017 under IAS 39 9	**Ps.**	**5,940,413**
Additional impairment recognized at 1 January 2018 on:		
Loans and receivables:		1,165,580
Other accounts receivable		26,996
Debt securities and other liquid financial assets		32,552
Loss allowance at 1 January 2018 under IFRS 9	**Ps.**	**7,165,541**

iii. Hedge Accounting

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

iv. Transition

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

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

C. Change in accounting policies.

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

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

c) Taxes related to the previous literals.

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

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

NOTE 3 – USE OF JUDGEMENTS AND ESTIMATES

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

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

Measurement of fair values

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and the valuation techniques used may not fully reflect all the factors relevant to the positions of Grupo Aval. Therefore the appraisals are adjusted, if necessary, to allow for additional factors, including country risk, liquidity risks and counterparty risks.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for assets or liabilities identical to those which the entity can access as of the date of measurement.
- Level 2 inputs are inputs different than quoted prices included in Level 1 that are observable for the asset or liability, whether directly or indirectly in non-active markets.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which fair value measurement is classified in whole is determined based on the input of the lowest level that is most significant for measuring its total fair value. For such purpose, the relevance of an input is assessed in connection with to measurement of the total fair value. Financial instruments that are listed in markets that are not deemed active, but which are valued based in accordance with quoted market prices, quotes from price vendors or alternative price sources supported by observable inputs, are classified in Level 2.

If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, this measurement is classified as Level 3. The assessment of the importance of a particular input to the measurement of fair value in whole requires judgment, taking into account specific factors of the asset or liability.

Determining what is deemed as 'observable' requires a significant judgment by Grupo Aval. Grupo Aval considers as observable data the market data which is already available, distributed or updated by the price suppliers, and it is reliable and verifiable, with no property rights, and provided by independent sources which are actively involved in the reference market.

(Figures in millions of Colombian pesos)

NOTE 4 – FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

a) Carrying value and fair value

The following table presents an analysis, within the hierarchy of fair value, of Grupo Aval´s assets and liabilities (by class), measured at fair value as of March 31, 2018 and December 31, 2017 on a recurring basis. For financial instruments that are not measured at fair value if the carrying amount is a reasonable approximation of fair value, fair value information is not included:

			Fair Value							
March 31, 2018		**Carrying Value**		**Level 1**		**Level 2**		**Level 3**		**Total**
Financial Assets										
Cash and cash equivalents	**Ps.**	**21,687,695**								21,687,695
Financial instruments at fair value through profit or loss										
Investments in debt securities through profit or loss	**Ps.**	**2,574,342**	**Ps.**	**1,157,257**	**Ps.**	**1,399,921**	**Ps.**	**17,164**	**Ps.**	**2,574,342**
Securities issued or secured by Colombian Government		1,166,074		1,129,884		36,190		-		1,166,074
Securities issued or secured by other entities of the Colombian Government		82,763		-		82,763		-		82,763
Securities issued or secured by Foreign Governments		112,985		27,373		85,612		-		112,985
Securities issued or secured by Central Banks		13,202		-		13,202		-		13,202
Securities issued or secured by other financial entities		1,101,560		-		1,101,560		-		1,101,560
Securities issued or secured by Non-financial sector entities		55,275		-		55,275		-		55,275
Other		42,483		-		25,319		17,164		42,483
Investments in debt securities through OCI (1)	**Ps.**	**18,584,618**	**Ps.**	**9,978,069**	**Ps.**	**8,606,549**	**Ps.**	**-**	**Ps.**	**18,584,618**
Securities issued or secured by Colombian Government		11,101,159		9,530,657		1,570,502		-		11,101,159
Securities issued or secured by other entities of the Colombian Government		555,669		-		555,669		-		555,669
Securities issued or secured by Foreign Governments		1,922,854		65,039		1,857,815		-		1,922,854
Securities issued or secured by Central Banks		1,281,543		-		1,281,543		-		1,281,543
Securities issued or secured by other financial entities		3,153,335		382,373		2,770,962		-		3,153,335
Securities issued or secured by Non-financial sector entities		332,878		-		332,878		-		332,878
Other		237,180		-		237,180		-		237,180
Equity securities at fair value through profit or loss		**2,407,455**		**23,856**		**2,359,854**		**23,745**		**2,407,455**
Investments in equity securities through OCI		**942,907**		**764,101**		**53,553**		**125,253**		**942,907**
Held for trading Derivatives		**787,116**		**-**		**785,173**		**1,943**		**787,116**
Currency Forward		638,212		-		636,269		1,943		638,212
Securities Forward		1,143		-		1,143		-		1,143
Currency Swap		48,164		-		48,164		-		48,164
Interest Rate Swap		71,019		-		71,019		-		71,019
Currency Options		28,578		-		28,578		-		28,578
Hedging Derivatives		**182,425**		**-**		**182,425**		**-**		**182,425**
Currency Forward		182,425		-		182,425		-		182,425
Financial assets in concession arrangement rights		**2,334,621**		**-**		**-**		**2,334,621**		**2,334,621**

(Figures in millions of Colombian pesos)

			Fair Value							
		Carrying Value		Level 1		Level 2		Level 3		Total
Total financial assets at fair value on recurring basis	Ps.	**27,813,484**	Ps.	**11,923,283**	Ps.	**13,387,475**	Ps.	**2,502,726**	Ps.	**27,813,484**
Financial assets at amortized cost										
Investments in debt securities		**2,826,444**		**25,099**		**2,811,351**		**-**		**2,836,450**
Securities issued or secured by other entities of the Colombian Government		2,794,538		-		2,803,700		-		2,803,700
Securities issued or secured by Foreign Governments		24,386		25,099		-		-		25,099
Securities issued or secured by other financial entities		7,520		-		7,651		-		7,651
Loan portfolio, net (see detail literal f)		**156,099,562**								**153,350,747**
Commercial		93,723,652								
Consumer		46,446,949								
Mortgage		15,603,022								
Microcredit		325,939								
Other accounts receivables, net		**4,429,800**								
Total financial assets at amortized cost	Ps.	**163,355,806**								
Financial Liabilities										
Financial liabilities at fair value										
Trading Derivatives		**754,817**		**-**		**753,812**		**1,005**		**754,817**
Currency Forward		582,291		-		581,286		1,005		582,291
Securities Forward		1,819		-		1,819		-		1,819
Interest Rate Swap		36,542		-		36,542		-		36,542
Currency Swap		77,950		-		77,950		-		77,950
Currency Options		56,215		-		56,215		-		56,215
Hedging Derivatives		**33,833**		**-**		**-**		**-**		**33,833**
Currency Forward		33,833		-		33,833		-		33,833
Total financial liabilities at fair value on recurring basis	Ps.	**788,650**	Ps.	**-**	Ps.	**787,645**	Ps.	**1,005**	Ps.	**788,650**
Financial liabilities at amortized cost										
Customer Deposits		**151,771,644**								**151,948,888**
Checking accounts		34,507,297								34,783,042
Time deposits		60,806,056								60,841,643
Savings accounts		55,927,801								55,793713
Others		530,490								530,490
Financial obligations		**44,793,367**								**58,143,466**
Interbank borrowings and overnight funds		6,971,061								6,971,063
Borrowings from banks and others		16,279,791								28,994,485
Bonds issued (see detail “e”)		18,546,758								19,054,242
Borrowings from development entities		2,995,757								3,123,676
Total Financial liabilities at amortized cost	Ps.	**196,565,011**								**210,092,354**

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

(Figures in millions of Colombian pesos)

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

(Figures in millions of Colombian pesos)

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

b) Fair Value determination

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

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

	Valuation technique for fair value hierarchy level 2 and level 3 Adjusted Net Asset Value	**Significant inputs** Adjusted Net Asset Value
Trading Derivatives		
Foreign Currency Forward Debt securities Forward Interest rate Swap Cross Currency Swap Swap (others) Currency Options	Income approach	- Underlying asset price - Currency curve by underlying asset - Forward Exchange rates curve of the operation's currency - Implicit curves of Exchange rates forwards - Swap curves by underlying asset - Implicit volatilities matrixes and curves
Hedging Derivatives		
Currency Forward	Discounted cash flow	Curves by currency
Other financial assets		
Assets under concession contracts	Income approach	- Free-cash flow from concession contracts - Concession contract's maturity period - Perpetuity value of the year "n" free-cash flow - Present value of the discounted residual value at WACC. - Financial income: annual adjustment of the financial asset's value. The detail of valuation process for financial assets in concession arrangements are outlined in (3)
Non- financial assets		
Biological assets	Income approach	See detail on last annual financial statements
Investment properties	Income approach	See detail on last annual financial statements
LIABILITIES **Derivatives held for trading**		
Foreign Currency Forward Debt securities Forward Interest rate Swap Currency Swap Swap (others) Currency Options	Income approach	- Underlying asset price - Currency curve by underlying asset - Forward Exchange rates curve of the operation's currency - Implicit curves of exchange rates forwards - Swap curves by underlying asset - Implicit volatilities matrixes and curves
Hedging Derivatives		
Foreign Currency Forward Interest rate Forward Interest rate Swap	Income approach	- Underlying asset price - Currency curve by underlying asset - Forward Exchange rates curve of the operation's currency - Implicit curves of Exchange rates forwards - Swap curves by underlying asset - Implicit volatilities matrixes and curves

The following details sensitivity analysis of the valuation when measuring Level 3 assets at recurring fair value, on base of the valuation at December 31, 2017:

(1) Mortgage-Backed Securities

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

(Figures in millions of Colombian pesos)

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

(2) Valuation of equity instruments Level 3

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

The following table summarizes the ranges of the main inputs used in the valuations:

Variable	Range
Inflation growth	Between 3% and 3.90%
During the five years projection	Between 2.50% and 3.60%
Income	Between 3 and 5% per year in constant terms
Cost and expenses	Between 3 and 5%
Perpetual growth rate after 5 years	Inflation
Discount interest rate	Between 1 and 3 %

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

Methods and Variables	Variation	Price per share recognize	Favorable impact	Unfavorable impact
Comparable Multiples / Recent Transaction Price				
EBITDA Number of times	+/-1 x	237,297.06	263,723.32	210,870.79
		643,128.96	728,070.52	557,917.74
Adjusted Net Asset Value				
Most relevant variable in assets	+/-10%	0.97	1.04	0.87
Adjusted discounted cash flow				
Growth in residual values	+/-1% of the gradient	17,502.21	22,860.03	13,215.96
Growth in residual values after 10 years	+/-1%	6.30	6.75	5.89
Growth in residual values after 5 years	+/- 30 bp	11.50	11.64	11.31
	+/-1%	44.85	47.42	42.93
		6.30	7.56	5.14
		11.50	12.04	10.92
Income	+/-1%	44.85	50.62	39.73
		19,447.22	19,803.31	19,091.13
		66,794.16	68,580.10	64,651.03
		6.30	6.75	5.89
		11.50	11.86	11.15
		44.85	46.77	43.57
Discount interest rates	+/- 50 pb	17,502.21	20,002.53	15,359.08
		19,447.22	20,446.57	18,493.81
		66,794.16	70,008.85	63,579.47

(Figures in millions of Colombian pesos)

(3) Financial assets under concession arrangement rights

Promigas and subsidiaries designated at fair value through profit or loss the group of their financial assets under concession contracts, governed by the Petroleum Act due to the contractual nature of the asset, taking into account that the Government will exercise the purchase at the end of the contract. At its fair price in accordance with Article 51 of the Petroleum Code. In order to determine fair value, the income approach is applied. The discounted cash flows correspond to the residual value (in perpetuity) of the cash flows generated by the assets that are under concession, that is, they are the estimated flows that said assets would generate from the moment of the end of the concession in the future; subsequently, the value of the financial asset will be adjusted in each period; This adjustment will be made taking into account new changes in the assumptions made in the discount rate of the company (WACC) and the new horizon of the end of the concession. (See note 8.1).

The assumptions for the calculation of the financial assets were:

- Financial assets were calculated taking into account the expiration date of each concession contract.
- Only the operational cash flows of these assets under concession were taken into account.

The components of the calculations are as follows:

- FCF: Free cash flow generated solely by assets under concession.
- N: Expiration period of the concession.
- Amount of the residual: Amount in-perpetuity of the Free Cash Flow (FCF) of the year n
- Financial asset: Current amount of the residual amount discounted at WACC,
- Financial Income: Annual adjustment of the amount of the financial asset to WACC (*).

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

- Unlevered Beta USA (Oil/Gas Distribution): Damodaran. (Unlevered beta 0.69, 0.71 in 2016)
- Risk Free Rate, Source: Geometric Average 10 years of American bonds “T-Bonds”.
- Marker Return, Source: Geometric Average 10 years Damodaran “Stocks” USA. 2004 - 2013
- Market Premium: Market Return – Risk Free Rate
- Country Risk Premium: Average last 5 years EMBI (Difference between 10 year Colombian sovereign bonds and 10 year “T-Bonds”). Damodaran
- Emerging Market: Equity Premium Emerging countries (Lambda - Damodaran)

The following table includes a sensitivity analysis of the fair value on financial assets under concession arrangement rights measured at fair value, with changes on below assumptions

		December 31, 2017		
Variable		+100 bps		-100 bps
WACC	Ps.	(26,20)%	Ps.	949,005
Growth rate		520,052		(362,867)

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

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

	March 31, 2018		December 31, 2017	
	Level 2 to 1	Level 1 to 2	Level 2 to 1	Level 1 to 2
ASSETS				
Debt securities at fair value				

	March 31, 2018				December 31, 2017			
		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.	263
Securities issued or secured by other entities of the Colombian Government		-		-		-		314
Securities issued or secured by other financial entities		-		13,798		-		49,864
	Ps.	**-**	**Ps.**	**13,798**	**Ps.**	**-**	**Ps.**	**50,441**

(*)Grupo Aval adopted IFRS 9 and IFRS 15 as of January 1, 2018 prospectively. (Seer Note 2.)

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

		Financial assets in debt securities		**Equity instruments**		**Financial assets under concession arrangements**
December 31, 2017	**Ps.**	**19,602**	**Ps.**	**133,195**	**Ps.**	**2,282,611**
Valuation adjustment through profit or loss		(2,083)		(1,738)		52,010
Valuation adjustments through OCI		-		2,783		-
Additions		-		20,576		-
Redemptions, sales/disposals		(356)		(183)		-
Transfers to level 2		-		(5,634)		-
March 31, 2018	**Ps.**	**17,163**	**Ps.**	**148,999**	**Ps.**	**2,334,621**

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

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

March 31, 2018

		Level 1		**Level 2**		**Level 3**		**Total**
Impaired collateralized loans	Ps.	-	Ps.	-	Ps.	839,136	Ps.	839,136
Non – current assets held for sale		-		-		89,486		89,486
	Ps.	**-**	**Ps.**	**-**	**Ps.**	**928,622**	**Ps.**	**928,622**

December 31, 2017

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

e) Financial obligations from issued bonds

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

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

(Figures in millions of Colombian pesos)

Peso denominated

Issuer	Issue Date		March 31, 2018		December 31, 2017	Maturity Date	Interest Rate
Banco de Bogotá S.A.	23/02/2010	Ps.	126,689	Ps.	132,989	23/02/2020	CPI + 5.45% and UVR + 5.45%
Banco de Occidente S.A	Between 25/08/2008 and 14/12/2017		3,277,015		3,271,929	Between 16/07/2018 and 14/12/2032	Between CPI + 2.90% and 7.00%; Fixed between 6.18% and 7.85%
Corporación Financiera Colombiana S.A.	Between 20/05/2009 and 02/03/2018		2,835,838		2,361,702	Between 11/03/2019 and 02/03/2043	CPI + 2.55% to 6.9%, DTF + 5%, Fixed 7.1%
Banco Popular S.A	Between 26/02/2013 and 12/09/2017		1,436,448		1,571,308	Between 14/08/2018 and 12/10/2026	CPI+ 2.72% to 4.13%; IBR + 1.32; DTF +1.49; Fixed between 6.62% and 8.10%
Grupo Aval Acciones y Valores S.A.	03/12/2009 and 28/06/2017		1,108,730		1,109,240	Between 03/12/2019 and 28/06/2042	CPI + 2.69% to 5.20%
Peso denominated Total		**Ps.**	**8,784,720**	**Ps.**	**8,447,168**		

Foreign Currency

Issuer	Issue Date		March 31, 2018		December 31, 2017	Maturity Date	Interest Rate
Banco de Bogotá S.A.	Between 19/02/2013 and 03/08/2017	Ps.	6,031,586	Ps.	6,459,452	Between 19/02/2023 and 03/08/2027	Between 4.38% and 6.25%
BAC Credomatic							
El Salvador	Between 11/02/2013 and 28/11/2017		566,252		635,536	Between 18/04/2018 and 25/05/2022	Between 5.20% and 5.80%
Guatemala	Between 28/10/2016 and 20/03/2018		255,392		400,244	Between 02/04/2018 and 20/03/2019	Between 3.75% and 8.50%
Honduras	Between 23/07/2013 and 16/03/2018		146,334		159,674	Between 23/07/2018 and 16/03/2021	Between 0.50% and 6.00%
Total BAC Credomatic		**Ps.**	**967,978**	**Ps.**	**1,195,454**		
Total Banco de Bogotá S.A.		**Ps.**	**6,999,564**	**Ps.**	**7,654,906**		
Grupo Aval Limited	19/09/2012	Ps.	2,762,474	Ps.	3,000,122	26/09/2022	4.75%
Foreign Currency Total		**Ps.**	**9,762,038**	**Ps.**	**10,655,028**		
Total of Bonds		**Ps.**	**18,546,758**	**Ps.**	**19,102,196**		

Future maturities of bonds as of March 31, 2018 are as follows:

Year		Value
2018	Ps.	638,600
2019		1,325,299
2020		1,940,213
2021		465,825
2022		3,450,292
After 2022		10,726,529
Total	**Ps.**	**18,546,758**

(Figures in millions of Colombian pesos)

f) Credit risk concentration

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

	March 31, 2018						December 31, 2017					
Portfolio segment		Gross balance		Allowance for impairment		Net balance of credit portfolio		Gross balance		Allowance for impairment		Net balance of credit portfolio
Commercial	Ps.	97,125,343	Ps.	3,401,691	Ps.	93,723,652	Ps.	99,428,894	Ps.	2,928,482	Ps.	96,500,412
Consumer		49,675,000		3,228,051		46,446,949		50,382,895		2,461,876		47,921,019
Mortgage		15,824,660		221,638		15,603,022		16,151,299		153,956		15,997,343
Microcredit		413,172		87,233		325,939		409,688		74,167		335,521
Total	Ps.	**163,038,175**	Ps.	**6,938,613**	Ps.	**156,099,562**	Ps.	**166,372,776**	Ps.	**5,618,481**	Ps.	**160,754,295**

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

March 31, 2018

Portfolio segment		Balance in Statement of financial position		Leasing presentation adjustment		Balance according to disclosure
Commercial	Ps.	97,125,343	Ps.	(9,678,355)	Ps.	87,446,988
Consumer		49,675,000		(214,936)		49,460,064
Mortgage		15,824,660		(1,088,645)		14,736,015
Microcredit		413,172		-		413,172
Financial Leasing		-		10,981,936		10,981,936
Total portfolio	**Ps.**	**163,038,175**	**Ps.**	**-**	**Ps.**	**163,038,175**

December 31, 2017

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

(Figures in millions of Colombian pesos)

(1) Loan portfolio by economic sector

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

		March 31, 2018			December 31, 2017	
		Total	**%**		**Total**	**%**
Sector						
Trade and tourism	Ps.	2,139,003	1.31%	Ps.	2,182,437	1.31%
Mining products and oil		2,361,322	1.45%		2,377,188	1.43%
Government		3,545,706	2.17%		3,579,838	2.15%
Agricultural		3,821,263	2.34%		3,940,981	2.37%
Other industrial and manufacturing products		4,481,166	2.75%		4,469,427	2.68%
Public services		5,696,527	3.49%		5,421,328	3.26%
Chemical production		5,512,422	3.38%		5,672,310	3.41%
Transportation and communications		7,311,628	4.48%		7,566,374	4.55%
Food, beverage and tobacco		7,984,915	4.90%		8,165,975	4.91%
Construction		10,543,097	6.47%		10,313,655	6.20%
Commercial services		36,923,648	22.65%		37,676,822	22.65%
Consumer services		70,220,876	43.07%		72,059,477	43.31%
Other		2,496,602	1.53%		2,946,964	1.77%
Total loan portfolio	**Ps.**	**163,038,175**	**100.00%**	**Ps.**	**166,372,776**	**100.00%**

(Figures in millions of Colombian pesos)

(2) Portfolio by days past due

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

March 31, 2018										
		From 1 to 30 days		**From 31 to 60 days**		**From 61 to 90 days**		**Total in arrears but not impaired**		**Impaired**
Commercial	Ps.	1,167,867	Ps.	171,373	Ps.	89,602	Ps.	1,428,842	Ps.	4,355,264
Consumer		2,023,130		659,358		271,637		2,954,125		2,624,637
Mortgage		568,180		179,176		76,129		823,485		454,997
Microcredit		35,310		9,437		5,915		50,662		58,263
Financial Leases		594,228		95,069		33,488		722,785		627,449
Total loan portfolio value	**Ps.**	**4,388,715**	**Ps.**	**1,114,413**	**Ps.**	**476,771**	**Ps.**	**5,979,899**	**Ps.**	**8,120,610**

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

(Figures in millions of Colombian pesos)

(3) Portfolio credit by risk level rating

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

		March 31, 2018		December 31, 2017
Commercial				
“A” Normal Risk	Ps.	79,693,455	Ps.	82,217,135
“B” Acceptable Risk		2,338,339		2,093,079
“C” Appreciable Risk		2,780,594		2,735,103
“D” Significant Risk		1,851,554		1,620,293
“E” Risk of non-recoverability		783,046		870,884
	Ps.	**87,446,988**	**Ps.**	**89,536,494**
Consumer				
“A” Normal Risk		44,371,796		45,794,015
“B” Acceptable Risk		1,643,366		1,364,520
“C” Appreciable Risk		1,569,279		1,232,881
“D” Significant Risk		1,363,759		1,256,089
“E” Risk of non-recoverability		511,864		508,626
	Ps.	**49,460,064**	**Ps.**	**50,156,131**
Mortgage				
“A” Normal Risk		13,873,838		14,208,051
“B” Acceptable Risk		306,821		324,925
“C” Appreciable Risk		305,362		326,237
“D” Significant Risk		89,215		79,707
“E” Risk of non-recoverability		160,779		164,613
	Ps.	**14,736,015**	**Ps.**	**15,103,533**
Microcredit				
“A” Normal Risk		341,797		341,194
“B” Acceptable Risk		11,779		11,871
“C” Appreciable Risk		6,676		6,742
“D” Significant Risk		8,494		7,342
“E” Risk of non-recoverability		44,426		42,539
	Ps.	**413,172**	**Ps.**	**409,688**
Financial Leases				
“A” Normal Risk		9,520,397		9,874,243
“B” Acceptable Risk		573,721		489,323
“C” Appreciable Risk		468,139		394,534
“D” Significant Risk		318,054		309,726
“E” Risk of non-recoverability		101,625		99,104
Financial leasing portfolio gross balance	**Ps.**	**10,981,936**	**Ps.**	**11,166,930**
Gross balance of financial assets per credit portfolio	**Ps.**	**163,038,175**	**Ps.**	**166,372,776**

(Figures in millions of Colombian pesos)

(4) Loan impairment provision

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

		March 31, 2018		December 31, 2017
Modality				
Commercial	**Ps.**	3,066,600	**Ps.**	2,659,322
Consumer		3,222,931		2,456,791
Mortgage		188,490		130,882
Microcredit		87,233		74,167
Financial Leases		373,359		297,319
Allowance for impairment	**Ps.**	**6,938,613**	**Ps.**	**5,618,481**

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

		Commercial		Consumer		Mortgage		Microcredit		Financial Leasing		Total
Balance as of December 31, 2017	**Ps.**	**2,659,322**	**Ps.**	**2,456,791**	**Ps.**	**130,882**	**Ps.**	**74,167**	**Ps.**	**297,319**	**Ps.**	**5,618,481**
IFRS 9 adoption (*)		259,894		796,148		56,195		11,118		42,225		1,165,580
Balance as of January 1, 2018 – IFRS 9		**2.919.216**		**3,252,939**		**187,077**		**85,285**		**339,544**		**6,784,061**
Allowance of the period charged against to profit or loss		498,019		994,537		25,253		27,495		99,487		1,644,791
Recovery of provisions with partial payment to profit or loss		(230,385)		(371,662)		(7,895)		(15,572)		(42,366)		(667,880)
Charged-offs of the period		(99,255)		(586,584)		(10,337)		(9,975)		(22,622)		(728,773)
Exchange differences		(20,995)		(66,299)		(5,608)		-		(684)		(93,586)
Balance as of March 31, 2018	**Ps.**	**3,066,600**	**Ps.**	**3,222,931**	**Ps.**	**188,490**	**Ps.**	**87,233**	**Ps.**	**373,359**	**Ps.**	**6,938,613**

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

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

		Commercial		Consumer		Mortgage		Microcredit		Financial Leasing		Total
Balance as of December 31, 2016	**Ps.**	**1,814,944**	**Ps.**	**2,022,825**	**Ps.**	**124,100**	**Ps.**	**63,137**	**Ps.**	**236,438**	**Ps.**	**4,261,444**
Allowance of the period charged against to profit or loss		337,228		915,059		10,741		22,346		46,062		1,331,436
Recovery of provisions with partial payment to profit or loss		(206,876)		(315,268)		(1,792)		(9,566)		(35,899)		(569,401)
Charged-offs of the period		(100,819)		(487,169)		(15,249)		(10,427)		(14,850)		(628,514)
Net allowance with counterpart in ORI for the period		27,147		(8,208)		(4,968)		(124)		(114)		13,733
Exchange differences		(6,119)		(11,304)		(1,408)				(167)		(18,998)
Balance as of March 31, 2017	**Ps.**	**1,865,505**	**Ps.**	**2,115,935**	**Ps.**	**111,424**	**Ps.**	**65,366**	**Ps.**	**231,470**	**Ps.**	**4,389,700**

(Figures in millions of Colombian pesos)

g) Credit Commitments

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

Commitments in unused lines of credit

		March 31, 2018			December 31, 2017		
		Notional amount	**Fair value**		**Notional amount**		**Fair valued**
Guarantees	Ps.	3,098,822	26,731	Ps.	3,495,921	Ps.	58,936
Unused letters of credit		1,207,898	2,707		1,177,697		10,314
Unused limits of overdrafts		281,290	-		75,225		-
Unused credit card limits		17,918,225	-		18,025,620		-
Opening of credit		2,171,279	-		2,239,417		-
Approved loans not disbursed		1,625,787	-		1,736,174		-
Other		383,507	-		473,184		-
Total	**Ps.**	**26,686,808**	**29,438**	**Ps.**	**27,223,238**	**Ps.**	**69,250**

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

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

		March 31, 2018		December 31, 2017
Colombian Pesos	Ps.	13,215,400	Ps.	10,271,676
U.S. dollars		13,132,036		16,589,399
Euro		86,781		85,887
Other		252,591		276,276
Total	**Ps.**	**26,686,808**	**Ps.**	**27,223,238**

NOTE 5 – HEDGE ACCOUNTING

In accordance with its risk management policies, Grupo Aval uses hedge accounting to manage foreign exchange risk relating to investments in foreign operations and in forecasted transactions of its subsidiaries, at March 31, 2018 and December 31, 2017 as follows:

a) Hedges of net investment in foreign operation

The purpose of hedge accounting is to mitigate and offset any adverse changes resulting from the fluctuation in exchange rate of the Colombian Peso and the functional currency of such investments. The impacts of those movements are reflected in the cumulative translation adjustment in other comprehensive income of the consolidated financial statements.

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

(Figures in millions of Colombian pesos)

Date	Value of USD 1	Variation in pesos
March 31, 2018	2,780.47	(203.53)
December 31, 2017	2,984.00	

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

March 31, 2018

	Thousands of USD			Ps. millions							
Detail of investment	**Investment amount**	**Amount of hedge by financial liabilities in foreign currency**	**Amount of hedge by forward contracts**		**Cumulative translation adjustment of the investments (1)**		**Exchange difference of financial liabilities (1)**		**Exchange difference in forward contracts**		**Net OCI account**
Leasing Bogotá Panamá	3,766,247	(2,067,100)	(1,776,110)	Ps.	2,312,855	Ps.	(625,155)	Ps.	(1,823,780)	Ps.	(136,080)
Other subsidiaries and branches Banco de Bogotá (2)	116,102	-	(116,913)		69,389		-		(66,896)		2,493
Occidental Bank Barbados	23,732	(23,732)	-		13,558		(13,558)		-		-
Banco de Occidente (Panamá)	21,827	(21,827)	-		25,134		(25,134)		-		-
Sociedad Portuaria El Cayao S.A. E.S.P. (3)	25,000	(25,000)	-		(2,882)		2,882		-		-
Gases del Pacífico S.A.C. (3)	10,214	(10,214)	-		(1,177)		1,177		-		-
Gas Natural de Lima y Callao S.A.C. – Calidda (3)	17,026	(17,026)	-		(2,059)		2,059		-		-
Total	**3,980,148**	**(2,164,899)**	**(1,893,023)**	**Ps.**	**2,414,818**	**Ps.**	**(657,729)**	**Ps.**	**(1,890,676)**	**Ps.**	**(133,587)**

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

December 31, 2017

	Thousands of USD			Ps. millions							
Detail of investment	**Investment amount**	**Amount of hedge by financial liabilities in foreign currency**	**Amount of hedge by forward contracts**		**Cumulative translation adjustment of the investments (1)**		**Exchange difference of financial liabilities (1)**		**Exchange difference in forward contracts**		**Net OCI account**
Leasing Bogotá Panamá	3,781,475	(2,067,100)	(1,703,009)	Ps.	3,065,281	Ps.	(1,045,872)	Ps.	(2,155,488)	Ps.	(136,079)
Other subsidiaries and branches Banco de Bogotá (2)	113,909	-	(112,049)		92,891		-		(90,431)		2,460
Occidental Bank Barbados	26,396	(26,396)	-		18,740		(18,740)		-		-

(Figures in millions of Colombian pesos)

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

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

b) Hedging of foreign exchange

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

c) Hedging of Forecasted Transactions

In the ordinary course of its operations Promigas S.A. and its subsidiaries receive income in U.S. Dollars derived from the transportation of gas in their gas pipelines. Promigas and its subsidiaries hedge the exchange risk arising in future transactions of highly probable gas transportation income, entered into forward contracts for the sale of U.S. dollars with financial entities different from the ones consolidated into Grupo Aval.

d) Testing of Hedge Effectiveness

Grupo Aval considers hedging as highly effective if at the beginning and in subsequent periods, the hedging is highly effective at offsetting changes in fair value or in cash flows attributable to the risk hedged during the period for which the hedging has been designated. The hedging is considered as such if the effectiveness of the hedging is in a range between 80% and 125%. Such effectiveness is assessed by Grupo Aval‘s entities at least quarterly and at the end of each accounting period.

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

(Figures in millions of Colombian pesos)

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment		March 31, 2018		December 31, 2017
Properties, plant and equipment for own use	Ps.	5,576,353	Ps.	5,799,997
Properties, plant and equipment given in operating lease		4,129		4,076
Investment properties		799,355		783,794
Biological Assets		69,521		66,139
Total	**Ps.**	**6,449,358**	**Ps.**	**6,654,006**

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

		Cost		Accumulated depreciation		Impairment loss		Carrying amount
March 31, 2018								
Land	Ps.	963,554	Ps.	-	Ps.	(3,741)	Ps.	959,813
Buildings		2,592,208		(501,124)		-		2,091,084
Office equipment and accessories		921,532		(610,561)		(226)		310,745
Information technology equipment		1,552,043		(1,125,429)		(11)		426,603
Vehicles		131,989		(63,538)		-		68,451
Equipment and machinery		1,287,475		(173,855)		(3,135)		1,110,485
Silos		8,613		(5,006)		-		3,607
Warehouses		43,592		(25,969)		-		17,623
Advanced payments for the acquisition of plant property and equipment		659		-		-		659
Improvements in leaseholds properties		337,288		(180,376)		-		156,912
Construction in progress		212,814		-		-		212,814
Bearer plants		224,383		(6,826)		-	-	217,557
Balance as of March 31, 2018	**Ps.**	**8,276,150**	**Ps.**	**(2,692,684)**	**Ps.**	**(7,113)**	**Ps.**	**5,576,353**

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

(Figures in millions of Colombian pesos)

NOTE 7 – GOODWILL

Following is the roll-forward of goodwill balances during the period ended March 31, 2018 and December 31, 2016:

		March 31, 2018		December 31, 2017
Balance at the beginning of the period	**Ps.**	**6,901,056**	**Ps.**	**6,824,935**
Additions / Purchases		-		102,376
Foreign exchange adjustment		(319,779)		(26,255)
Balance at the end of the period	**Ps.**	**6,581,277**	**Ps.**	**6,901,056**

NOTE 8 – INTANGIBLE ASSETS

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

Concept		March 31, 2018		December 31, 2017
Concession arrangements (*)	Ps.	3,221,253	Ps.	3,114,167
Other intangibles assets		850,988		848,681
Total	**Ps.**	**4,072,241**	**Ps.**	**3,962,848**

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

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

March 31, 2018

Subsidiaries		Cost		Accumulated amortization		Book value
Promigas S.A.	Ps.	2,584,565	Ps.	(399,017)	Ps.	2,185,548
Concesionaria Vial de los Andes S.A. (*)		743,229		(549,212)		194,017
Proyectos de Infraestructura S.A. - PISA		282,188		(41,178)		241,010
Estudios y Proyectos del Sol S.A.S. - EPISOL		607,570		(6,892)		600,678
Total	**Ps.**	**4,217,552**	**Ps.**	**(996,299)**	**Ps.**	**3,221,253**

(*) Regarding the collapse of tower B of the Chirajara bridge, the results of the investigation carried out by Modjeski & Masters have established that the collapse of tower B of the Chirajara bridge obeyed a design error, related to "a deficiency in the capacity of the partition and head slab due to an incorrect design assumption (error) with respect to the strength provided by the partition. "(*) To date, the financial effect of the collapse of the B tower has not been quantified. Chirajara Bridge, as soon as it is possible to measure its impact reliably will be recognized in the financial statements.

December 31, 2017

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

(Figures in millions of Colombian pesos)

NOTE 9 – INCOME TAX

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

The effective income tax rate of Grupo Aval consolidated regarding continuous operations for the three-month period ended on March 31 of 2018 was 33,07% and for the period ended on March 31 of 2017 was 30,52%.

The effective tax rate presented variation of 2.55%, which is higher in the first quarter of 2018 compared to the same period of the prior year.

Following are some important events that influenced the recognition of the income tax expense and the variation of the effective rate for the period:

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

- During the quarter ended on March 31, 2018, Banco de Occidente recorded tax recovery of CREE from the fiscal periods 2013 and 2014 of Ps. 28,792.

- During the quarter ended on March 31, 2017, Banco de Bogotá recorded current income tax recovery from the fiscal period 2014 of Ps. 66,466. Additionally, Banco de Bogotá made the adjustment of the surplus of income tax provision for 2016, income of Ps. 29,498 and adjustment of deferred tax on Tax losses carry forward and Surplus of presumptive income, recording an income of Ps. 14.287.

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

NOTE 10 – EMPLOYEE BENEFITS

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

		March 31, 2018 (*)		December 31 , 2017
Short term	Ps.	436,306	Ps.	404,292
Post-employment		564,698		548,534
Long term		231,386		229,770
Total	**Ps.**	**1,232,390**	**Ps.**	**1,182,596**

(*) (See the note 2.)

(Figures in millions of Colombian pesos)

NOTE 11 – PROVISIONS FOR LEGAL AND OTHERS

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

Concepts		**March 31, 2018 (*)**		**December 31, 2017**
Legal Provisions	**Ps.**	163,813	**Ps.**	165,353
Other provisions		568,364		527,262
Total	**Ps.**	**732,177**	**Ps.**	**692,615**

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

NOTE 12 – OTHERS LIABILITIES

Accounts payable and others liabilities comprise the following:

Items		**March 31,2018 (*)**		**December 31,2017**
Dividends payable (1)	Ps.	1,766,068	Ps.	590,040
Suppliers and services payable		1,346,513		1,818,103
Non-financial liabilities		582,038		500,209
Commissions and fees		453,380		399,155
Collection on behalf of third parties		426,617		272,206
Cashier checks		418,929		697,575
Withholdings taxes and labor contributions		307,083		456,411
Collection service		224,888		285,017
Affiliate establishments		197,697		248,064
Contributions and affiliations		40,096		23,173
Tax levies		39,941		73,696
Checks drawn and not paid		39,894		39,624
Insurance payable		33,635		32,410
Canceled accounts		28,265		81,841
Financial transactions tax		25,830		37,040
Promissory buyers		19,393		24,049
Compensation to customers		12,826		778
Cash surplus		11,120		9,272
Leases		10,777		10,912
Deferred credits		1,000		1,012
Other liabilities		652,763		634,879
Total	**Ps.**	**6,638,753**	**Ps.**	**6,235,466**

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

(1)Dividends were declared in our annual shareholders' meeting, which took place in March 2018. (See Note 13.)

(Figures in millions of Colombian pesos)

NOTE 13 – CONTROLLING INTEREST EQUITY

Declared dividends

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

		March 31, 2018		December 31, 2017
Net income for the periods ended in	Ps.	2,001,178	Ps.	1,053,594
Statutory and voluntary reserves		5,333,761		5,591,387
Total available to the Assembly	Ps.	**7,334,939**	Ps.	**6,644,981**
Cash dividends declared		48 pesos per share payable in twelve (12) installments of 4 pesos per share, from April 2018 to March 2019		58.80 pesos per share payable in twelve (12) installments of 4.90 pesos per share, from April 2017 to March 2018.
Common shares outstanding		15,170,666,914		15,240,124,702
Preferred shares outstanding		7,110,350,245		7,040,892,457
Total outstanding shares		22,281,017,159		22,281,017,159
Total dividends declared		**1,069,489**		**1,310,124**
Total Statutory and voluntary reserves		**6,265,450**		**5,334,857**

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Contingencies

Capital expenses commitments

As of March 31, 2018 and December 31, 2017 Grupo Aval had contractual disbursement commitments of capital expenditures for Ps.101, 067 and Ps. 110,681, respectively. Grupo Aval has assigned the necessary resources to attend these commitments and consider that Net Income and funds will be sufficient to cover these and other similar commitments.

Operating Lease Commitments

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

		March 31, 2018		December 31, 2017
Up to one year	Ps.	195,557	Ps.	246,373
Greater than one year and up to five years		546,806		526,557
More than five years		229,103		233,239
Total	**Ps.**	**971,465**	**Ps.**	**1,006,169**

Legal contingencies

As of March 31, 2018, Grupo Aval and its subsidiaries handled administrative and judicial proceedings against the Company, with claims amounting to Ps. 620,207 and for December 31, 2017 for a value of Ps.

(Figures in millions of Colombian pesos)

640,457, which based on analysis and concepts of the lawyers in charge, do not need to be provisioned given that they are uncertain obligations that do not imply outflow of resources.

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

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

		For the quarter ended March 31		
Income from commissions and fees		**2018**		**2017**
Commissions on banking services	Ps	636,096	Ps	628,523
Fees on credit cards		281,208		261,558
Pension and severance fund management		253,586		240,774
Trust activities		76,904		76,787
Storage services		37,328		43,654
Commissions on drafts, checks and checkbooks		12,906		15,299
Offices network services		11,188		10,357
Others		2,588		2,227
Total	**Ps.**	**1,311,804**	**Ps.**	**1,279,179**

		For the quarter ended March 31		
Expenses from commissions and fees		**2018**		**2017**
Banking services	Ps.	82,468	Ps.	78,021
Pension and severance fund management		17,845		16,593
Offices network Services		12,563		11,725
Information processing services of operators		7,482		5,504
Collection service of contributions to financial entities		1,737		924
Trust activities		1,093		920
Banks guarantees		165		142
Sales and services commissions		24		22
Others		38,150		37,124
Total	**Ps.**	**161,527**	**Ps.**	**150,975**
Net income from commissions and fees	**Ps.**	**1,150,277**	**Ps.**	**1,128,204**

		March 31, 2018 (*)		**March 31, 2017**
Income from the sale of goods and services from non-financial sector	Ps.	1,344,292	Ps.	-
Others operating income		32,424		-
Total income	**Ps.**	**1,376,716**	**Ps.**	**-**
Cost of sales of companies from non-financial sector		801,503		-
Allowance for impairment of loans and receivables		8,757		-
General and administrative expenses		131,420		-
Personnel expenses		117,590		-
Amortization		72,189		-
Depreciation		22,660		-
Bonus payments		9,575		-
Commissions and fees expenses		4,991		-
Donations expenses		1,774		-

(Figures in millions of Colombian pesos)

		March 31, 2018 (*)		March 31, 2017
Labor severances		415		-
Total costs for goods and services	**Ps.**	**1,170,874**	**Ps.**	**-**
Net, income from non-financial sector	**Ps.**	**205,842**	**Ps.**	**-**

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

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

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

	Quarter ended at March 31,			
		2018		2017 (5)
Net income from investments securities at fair value through profit and losses (1)				
Fixed income	Ps.	32,404	Ps.	246,652
Equities and investment funds		(19,504)		42,068
	Ps.	**12,900**	**Ps.**	**288,720**
Derivatives income				
Net income (loss) on financial derivatives (2)	Ps.	(152,077)	Ps.	(114,767)
Other trading income (3)		48,842		56,974
	Ps.	**(103,235)**	**Ps.**	**(57,793)**
Income from other financial instruments designated at fair value through profit or loss				
Financial assets under concession contracts (4)		52,011		45,070
	Ps.	**52,011**	**Ps.**	**45,070**
	Ps.	**(38,324)**	**Ps.**	**275,997**

(1) Includes net trading income from investment securities held for trading, that reflects the interest from investment in debt securities, gains/losses from mark-to-market valuation from investment in equity and debt securities and net income from trading activities.
(2) Includes net trading income from derivatives, which reflects the gains/losses from mark-to-market valuation on trading derivatives.
(3) Includes gains/losses from: (i) Net changes in the valuation of hedging derivatives from mark-to-market valuations from unhedged risk, (ii) the ineffective portion of the hedge, (iii) Transfers of due hedging derivatives from OCI to the income statement.
(4) See valuations details on note 4.b (3).
(5) The Group adopted IFRS 9 and IFRS 15 as of January 1, 2018 prospectively. (See Note 2.).

(Figures in millions of Colombian pesos)

NOTE 17 – OTHER INCOME AND EXPENSE

Below is a detail of the others income and expense:

Other Income		For the quarter ended March 31 2018		2017(*)
Foreign exchange gains (losses), net	Ps.	289,713	Ps.	198,869
Net gain on sale of debt and equity securities		(43,565)		3,537
Gain on the sale of non-current assets held for sale		2,273		4,300
Share of profit of equity accounted investees, net of tax		40,189		39,395
Dividends		54,012		47,087
Net gain on asset valuation		8,244		(1,043)
Income from non-financial sector entities (*)		-		172,124
Other income		74,951		49,249
Total other income	**Ps.**	**425,817**	**Ps.**	**513,518**

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

Other Expense		For the quarter ended March 31 2018		2017
Personnel expenses	Ps.	924,128	Ps.	896,995
Taxes and fees		169,965		170,602
Depreciation y amortization		131,711		127,950
Affiliation contributions and transfers		126,096		115,154
Consultancy, audit and other fees		119,626		75,761
Leases (Rent)		117,261		68,417
Insurance		93,472		86,805
Maintenance and repairs		89,720		78,233
Utilities		65,425		69,948
Marketing		59,326		53,907
Transportation services		43,614		40,772
Cleaning and security services		30,905		32,122
Outsourcing services		30,208		27,684
Supplies and stationary		18,325		8,202
Electronic data processing		17,913		17,343
Adaptation and installation		12,647		13,866
Travel expenses		11,329		10,450
Loss from sales of non-current assets held for sale		220		9,634
Other expense		115,108		156,887
Total other expense	**Ps.**	**2,176,999**	**Ps.**	**2,060,732**

(Figures in millions of Colombian pesos)

NOTE 18 –OPERATING SEGMENTS ANALYSIS

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

Statement of Financial Position
March 31, 2018

		Banco de Bogotá S.A.		Banco de Occidente S.A.		Banco Popular S.A.		Banco Comercial AV Villas S.A.		Corficolombiana S.A.		Others (1)		Eliminations		Total
Assets																
Financial assets at fair value	Ps.	13,124,172	Ps.	5,624,241	Ps.	2,602,140	Ps.	1,208,499	Ps.	6,445,932	Ps.	905,848	Ps.	(2,097,348)	Ps.	27,813,484
Financial assets measured at amortized cost		2,818,723		855,251		716,410		409,374		2,605,178		1,066,051		(1,214,743)		7,256,244
Loans and receivables		99,965,497		26,672,482		17,598,117		9,827,851		2,828,406		1,846,463		(2,639,254)		156,099,562
Investments in associates and joint ventures		3,503,235		648,539		12,039		1,021		712,564		16,324,399		(20,259,426)		942,371
Other Assets		24,322,981		3,744,216		2,450,222		1,211,321		8,760,900		877,608		(1,199,888)		40,167,360
Total assets	**Ps.**	**143,734,608**	**Ps.**	**37,544,729**	**Ps.**	**23,378,928**	**Ps.**	**12,658,066**	**Ps.**	**21,352,980**	**Ps.**	**21,020,369**	**Ps.**	**(27,410,659)**	**Ps.**	**232,279,021**
Liabilities																
Customer Deposits		97,258,161		25,934,989		16,562,912		10,033,725		4,295,602		-		(2,313,746)		151,771,643
Financial Obligations		23,903,630		5,969,144		3,228,179		686,241		8,748,247		4,690,136		(2,432,209)		44,793,368
Other Liabilities		5,747,349		1,641,424		946,789		493,738		2,999,435		1,341,170		(1,563,633)		11,606,272
Total Liabilities	**Ps.**	**126,909,140**	**Ps.**	**33,545,557**	**Ps.**	**20,737,880**	**Ps.**	**11,213,704**	**Ps.**	**16,043,284**	**Ps.**	**6,031,306**	**Ps.**	**(6,309,588)**	**Ps.**	**208,171,283**

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

(Figures in millions of Colombian pesos)

Statement of Financial Position
December 31, 2017

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

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

(Figures in millions of Colombian pesos)

Statement of Income for the quarter ended March 31, 2018

	Banco de Bogotá S.A.	Banco de Occidente S.A.	Banco Popular S.A.	Banco Comercial AV Villas S.A.	Corficolombiana S.A.	Others [1]	Eliminations	Total
External Income								
Interest income	Ps. 2,747,200	Ps. 820,147	Ps. 564,253	Ps. 322,710	Ps. 134,805	Ps. 75	Ps. -	Ps. 4,589,190
Commission and fee income	1,061,998	96,741	57,400	63,913	20,019	11,733	-	1,311,804
Income from sales of goods and services	32,975	21,790	3,430	-	1,318,521	-	-	1,376,716
Participation in profit or loss associates and joint business	(83)	235	355	382	39,300	-	-	40,189
Dividends	6,060	269	1,285	49	46,349	-	-	54,012
Other Income	109,745	41,330	17,804	13,969	107,905	2,539	-	293,292
	Ps. 3,957,895	**Ps. 980,512**	**Ps. 644,527**	**Ps. 401,023**	**Ps. 1,666,899**	**Ps. 14,347**	**Ps. -**	**Ps. 7,665,203**
Intersegment Income								
Interest income	13,761	401	230	5	11,052	35,634	(61,083)	-
Commission and fee income	892	1,501	1,007	5,029	292	96,151	(104,872)	-
Income from sales of goods and services	7	17,663	-	-	1,429	-	(19,099)	-
Participation in profit or loss associates and joint business	74,642	26,752	(1,140)	(957)	(74)	583,599	(682,822)	-
Dividends	8,639	7,834	9,355	146	1,211	-	(27,185)	-
Other Income	59,797	904	280	411	(516)	2,551	(63,427)	-
	157,738	**55,055**	**9,732**	**4,634**	**13,394**	**717,935**	**(958,488)**	**-**
Total income	**Ps. 4,115,633**	**Ps. 1,035,567**	**Ps. 654,259**	**Ps. 405,657**	**Ps. 1,680,293**	**Ps. 732,282**	**Ps. (958,488)**	**Ps. 7,665,203**
Expenses								
Interest expense	Ps. 1,056,404	Ps. 296,763	Ps. 220,914	Ps. 89,435	Ps. 195,486	Ps. 66,339	Ps. (64,420)	Ps. 1,860,921
Impairment loss on loan and other accounts receivable	568,980	261,216	70,458	72,949	10,595	-	52	984,253
Depreciations and amortizations	87,822	19,106	11,468	7,919	3,452	1,944	-	131,711
Commission and fee expense	98,061	20,232	22,181	26,972	3,207	411	(9,537)	161,527
Cost of goods and services sold	64,482	54,747	3,564	-	1,053,075	(1,081)	(3,913)	1,170,874
Administrative Expenses	711,495	182,690	126,867	91,756	21,896	48,037	(87,957)	1,094,784
Other expense	589,293	119,380	90,525	48,654	24,098	18,014	(50,302)	839,662
Income tax expense	283,681	(1,624)	39,607	23,344	114,550	15,682	(5,113)	470,127
Total Expenses	**3,460,218**	**952,513**	**585,584**	**361,029**	**1,426,359**	**149,346**	**(221,190)**	**6,713,859**
Net income for the year	**Ps. 655,415**	**Ps. 83,054**	**Ps. 68,675**	**Ps. 44,628**	**Ps. 253,934**	**Ps. 582,936**	**Ps. (737,298)**	**Ps. 951,344**

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

(Figures in millions of Colombian pesos)

Statement of Income for the quarter ended March 31, 2017

	Banco de Bogotá S.A.	Banco de Occidente S.A.	Banco Popular S.A.	Banco Comercial AV Villas S.A.	Corficolombiana S.A.	Others (1)	Eliminations	Total
External Income								
Interest income	Ps. 2,775,685	Ps. 854,692	Ps. 530,333	Ps. 315,329	Ps. 140,577	Ps. 49	Ps. -	Ps. 4,616,665
Commission and fee income	1,007,906	96,973	54,774	59,697	26,274	33,555	-	1,279,179
Participation in profit or loss associates and joint business	834	380	598	482	37,101	-	-	39,395
Dividends	2,240	59	1,030	49	43,709	-	-	47,087
Other Income	194,596	(10,988)	53,961	52,263	414,866	(1,667)	-	703,031
	Ps. 3,981,261	**Ps. 941,116**	**Ps. 640,696**	**Ps. 427,820**	**Ps. 662,527**	**Ps. 31,937**	**Ps. -**	**Ps. 6,685,357**
Intersegment Income								
Interest income	21,659	463	227	1,442	22,439	34,221	(80,451)	-
Commission and fee income	717	1,846	960	3,695	602	22,164	(29,984)	-
Participation in profit or loss associates and joint business	32,445	38,924	1,428	2,280	(40)	656,058	(731,094)	-
Dividends	1,306	5,178	5,813	61	1,242	-	(13,600)	-
Other Income	49,830	3,638	9,092	423	(110,780)	44,206	3,592	-
	105,957	**50,049**	**17,520**	**7,901**	**(86,537)**	**756,649**	**(851,537)**	**-**
Total income	**Ps. 4,087,218**	**Ps. 991,165**	**Ps. 658,216**	**Ps. 435,721**	**Ps. 575,990**	**Ps. 788,586**	**Ps. (851,537)**	**Ps. 6,685,357**
Expenses								
Interest expense	Ps. 1,206,803	Ps. 367,056	Ps. 278,219	Ps. 125,423	Ps. 227,345	Ps. 70,500	Ps. (86,222)	Ps. 2,189,124
Impairment loss on loan and other accounts receivable	467,827	178,395	55,628	68,821	4,668	-	2,009	777,348
Depreciations and amortizations	88,517	17,408	10,451	6,713	2,378	2,483	-	127,950
Commission and fee expense	88,338	22,980	19,381	24,744	2,772	(159)	(7,081)	150,975
Administrative Expenses	680,199	152,212	114,683	78,299	27,583	38,700	(86,875)	1,004,801
Other expense	602,150	98,522	84,567	45,977	25,609	16,536	(315)	873,046
Income tax expense	227,888	76,374	37,615	30,028	104,316	422	195	476,838
Total Expenses	**3,361,722**	**912,947**	**600,544**	**380,005**	**394,671**	**128,482**	**(178,289)**	**5,600,082**
Net income for the year	**Ps. 725,494**	**Ps. 78,218**	**Ps. 57,672**	**Ps. 55,716**	**Ps. 181,319**	**Ps. 660,104**	**Ps. (673,248)**	**Ps. 1,085,275**

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

Reconciliation of net income, assets and liabilities of reportable operating segments

Main eliminations of total income, expenses, assets and liabilities between segments with the corresponding consolidated entries at the level of Grupo Aval are:

- Loans with financial obligations of entities mainly from non-financial sector.
- Investments in term deposits and outstanding bonds of in other segments.
- Investments in subordinates elimination and record of non- controlling interests.
- Intercompany leasings and commissions paid between Grupo Aval's entities.
- Expenses and incomes for commissions.

18.1 Analysis of Revenues by Products and Services

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

NOTA 19 – TRANSFERS OF FINANCIAL ASSETS

Grupo Aval and its subsidiaries enters into transactions in the normal course of business by which it transfers financial assets to third parties. Depending on the circumstances, these transfers may either result in these financial assets being derecognized or continuing to be recognized in Grupo Aval´s financial statements.

A. Transferred financial assets not qualifying for full derecognition

i. Sale and repurchase agreements

The debt securities of financial investments at fair value through profit or loss that are being used as guarantees in repurchase transactions amounted to Ps. 652,964 as of March 31, 2018 and Ps. 1,905,396 as of December 31, 2017, and financial assets at amortized cost that are being used as guarantees in repurchase transactions amounted to Ps. 25,843 as of March 31, 2018 and Ps. 1,822,746 as of December 31, 2017.

ii. Securities lending

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

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

I. Securitizations

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

(Figures in millions of Colombian pesos)

NOTE 20 – UNCONSOLIDATED STRUCTURED ENTITIES

The table below shows the total assets of unconsolidated structured entities in which Grupo Aval had an interest at the reporting date and its maximum exposure to loss in relation to those interests:

March 31, 2018		Securitizations		Grupo Aval´s managed funds		Total
Grupo Aval's interest-assets						
Investments at fair value through profit or loss	Ps.	18,851	Ps.	1,848,159	Ps.	1,867,010
Other account receivables		-		51,943		51,943
Total assets in relation to the Gupo Aval's interests in the unconsolidated structured entities		**18,851**		**1,900,102**		**1,918,953**
Grupo Aval's maximum exposure	**Ps.**	**18,851**	**Ps.**	**1,900,102**	**Ps.**	**1,918,953**

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

(Figures in millions of Colombian pesos)

NOTE 21 – RELATED PARTIES

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

March 31, 2018

	Individuals		Entity		
	Natural persons with control over Grupo Aval	Key management personnel	Associates and joint ventures	Entities controlled by individuals	Entities with significant influence by individuals
Assets					
Cash and equivalents	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -
Financial assets in investments	-	-	1,020,641	1,249	-
Financial assets in credit operations	2,685	11,251	1,527,442	1,302,995	3,318
Accounts receivable	10	37	107,814	4,075	-
Other assets	-	-	155,192	4,080	-
Liabilities					
Deposits	Ps. 31,911	Ps. 26,532	Ps. 1,892,987	Ps. 861,221	Ps. 1,445
Accounts payables	146	880	31,283	920,667	-
Financial obligations	2	14	16,377	1,249	-
Others liabilities	-	-	2,297	80,025	-

December 31, 2017

	Individuals		Entity		
	Natural persons with control over Grupo Aval	Key management personnel	Associates and joint ventures	Entities controlled by individuals	Entities with significant influence by individuals
Assets					
Cash and equivalents	Ps. -	Ps. -	Ps. 11	Ps. -	Ps. 67
Financial assets in investments	-	-	910,310	1,249	-
Financial assets in credit operations	3,066	10,665	1,492,067	1,301,697	3,385
Accounts receivable	11	33	59,588	4,421	-
Other assets	-	-	156,636	3,661	18
Liabilities					
Deposits	Ps. 21,257	Ps. 20,192	Ps. 2,535,339	Ps. 1,566,160	Ps. 1,275
Accounts payables	103	700	15,353	322,275	18,671
Financial obligations	4	10	16,435	1,249	-
Others liabilities	-	4	7,424	49	-

(Figures in millions of Colombian pesos)

For the quarter ended March 31, 2018

	Individuals		Entity		
	Natural persons with control over Grupo Aval	Key management personnel	Associates and joint ventures	Entities controlled by individuals	Entities with significant influence by individuals
Interest income	Ps. 23	Ps. 307	Ps. 48,239	Ps. 55,411	Ps. 54
Financial expenses	233	420	29,229	22,991	3
Fee income and commissions	2	24	6,192	15,268	1
Leases	-	-	107	80	-
Fee expenses and commissions	1	444	5,844	759	-
Other income	4	59	59,742	1,001	-
Operating expenses	-	4,677	-	1,079	-
Other expenses	4	498	7,308	7,251	-

For the quarter ended March 31, 2017

	Individuals		Entity		
	Natural persons with control over Grupo Aval	Key management personnel	Associates and joint ventures	Entities controlled by individuals	Entities with significant influence by individuals
Interest income	Ps. 73	Ps. 178	Ps. 45,761	Ps. 33,119	Ps. 697
Financial expenses	63	370	44,048	5,290	2
Fee income and commissions	1	9	10,007	14,330	-
Leases	-	-	116	73	-
Fee expenses and commissions	1	411	481	323	7
Other income	-	-	61,177	249	-
Operating expenses	-	2,012	4,483	767	-
Other expenses	5	458	5,663	3,932	428

(Figures in millions of Colombian pesos)

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

Compensation of Key Management Personnel

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

		Period ended in		
Concepts		**March 31 ,2018**		**March 31,2017**
Salaries	Ps.	4,445	Ps.	4,150
Short term benefits for employees		731		668
Total	**Ps.**	**5,176**	**Ps.**	**4,818**

NOTE 22 – SUBSEQUENT EVENTS

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