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*Condensed consolidated interim financial statements 3Q 2019*

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*GRUPO AVAL ACCIONES Y VALORES S.A.*

VALORES Y VALORES



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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)

	<u>Notes</u>	<u>September 30, 2019 (1)</u>	<u>December 31, 2018</u>
<b>Assets</b>			
Cash and cash equivalents		Ps. 27,332,720	Ps. 28,401,283
Trading assets		9,298,381	7,204,312
Investment securities		24,550,557	23,030,159
Hedging derivatives assets	4	27,792	30,138
Loans, net	4	174,429,722	168,685,654
Other accounts receivable, net		10,827,409	9,300,643
Non-current assets held for sale		98,588	186,714
Investments in associates and joint ventures		990,266	982,743
Tangible assets	6	9,010,334	6,588,483
Goodwill	7	7,676,349	7,318,594
Concessions	8	6,985,611	5,514,481
Other Intangibles		1,118,430	1,033,884
Income tax assets		1,112,855	935,175
Other assets		388,325	462,890
<b>Total assets</b>		<b>Ps. 273,847,339</b>	<b>Ps. 259,675,153</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Trading liabilities	4	Ps. 832,247	Ps. 811,305
Hedging derivatives liabilities	4	115,310	195,539
Customer deposits	4	174,047,965	164,359,451
Financial obligations	4	53,486,929	51,211,990
Provisions	11	736,403	695,288
Income tax liabilities		2,918,062	2,574,398
Employee benefits	10	1,356,397	1,264,881
Other liabilities	12	7,991,186	9,007,953
<b>Total liabilities</b>		<b>Ps. 241,484,499</b>	<b>Ps. 230,120,805</b>
<b>Equity</b>			
<b>Owners of the parent:</b>			
Subscribed and paid-in capital		Ps. 22,281	Ps. 22,281
Additional paid-in capital		8,445,766	8,472,336
Retained earnings		9,582,993	8,598,319
Other comprehensive income		1,263,292	696,773
<b>Equity attributable to owners of the parent</b>		<b>19,314,332</b>	<b>17,789,709</b>
<b>Non-controlling interest</b>		<b>13,048,508</b>	<b>11,764,639</b>
<b>Total equity</b>		<b>32,362,840</b>	<b>29,554,348</b>
<b>Total liabilities and equity</b>		<b>Ps. 273,847,339</b>	<b>Ps. 259,675,153</b>

The accompanying notes are an integral part of the consolidated financial statements.

(1) The Group has adopted IFRS 16 from January 1, 2019 (see Note 2.)

Luis Carlos Sarmiento Gutiérrez  
President  
Principal executive officer

María Edith González Flórez  
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T.P. 13083-T

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Member of KPMG S.A.S.  
(See my report of November 13, 2019)

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

	Notes	For the three-months period ended September 30,		For the nine-months periods ended September 30	
		2019 (1)	2018	2019 (1)	2018
Interest income	Ps.	4,942,101	Ps. 4,687,117	Ps. 14,497,059	Ps. 13,665,021
Interest expense		<u>(2,112,794)</u>	<u>(1,847,276)</u>	<u>(6,106,931)</u>	<u>(5,550,183)</u>
<b>Net interest income</b>		<b>2,829,307</b>	<b>2,839,841</b>	<b>8,390,128</b>	<b>8,114,838</b>
Net impairment loss on financial assets		<u>(1,088,764)</u>	<u>(1,027,721)</u>	<u>(2,833,024)</u>	<u>(2,514,708)</u>
<b>Net interest income, after impairment losses</b>		<b>1,740,543</b>	<b>1,812,120</b>	<b>5,557,104</b>	<b>5,600,130</b>
Income from commissions and fees		1,519,191	1,336,060	4,425,026	3,993,706
Expenses from commissions and fees		<u>(163,999)</u>	<u>(142,296)</u>	<u>(463,640)</u>	<u>(450,692)</u>
<b>Net income from commissions and fees</b>	15	<b>1,355,192</b>	<b>1,193,764</b>	<b>3,961,386</b>	<b>3,543,014</b>
Income from sales of goods and services		2,380,956	2,465,157	6,382,321	5,296,972
Costs and expenses of sales goods and services		<u>(1,719,463)</u>	<u>(1,492,853)</u>	<u>(4,546,539)</u>	<u>(3,859,830)</u>
<b>Net income from sales goods and services</b>	15	<b>661,493</b>	<b>972,304</b>	<b>1,835,782</b>	<b>1,437,142</b>
Net trading income	16	481,317	109,466	798,067	263,788
Net income from other financial instruments mandatory at fair value through profit or loss		55,242	50,167	162,374	177,212
Other income	17	104,778	297,550	756,760	857,871
Other expenses	17	<u>(2,626,035)</u>	<u>(2,231,387)</u>	<u>(7,321,646)</u>	<u>(6,659,740)</u>
<b>Net income before tax expense</b>		<b>1,772,530</b>	<b>2,203,984</b>	<b>5,749,827</b>	<b>5,219,417</b>
Income tax expense		<u>(446,518)</u>	<u>(750,826)</u>	<u>(1,667,492)</u>	<u>(1,675,658)</u>
<b>Net income</b>	Ps.	<b>1,326,012</b>	Ps. <b>1,453,158</b>	<b>4,082,335</b>	Ps. <b>3,543,759</b>
<b>Net income attributable to:</b>					
<b>Owners of the parent</b>		743,207	782,712	2,319,268	2,061,973
<b>Non-controlling interest</b>		<u>582,805</u>	<u>670,446</u>	<u>1,763,067</u>	<u>1,481,786</u>
	Ps.	<b>1,326,012</b>	Ps. <b>1,453,158</b>	<b>4,082,335</b>	Ps. <b>3,543,759</b>
<b>Net income per share basic and diluted (in Colombian pesos)</b>		<b>33.36</b>	<b>35.13</b>	<b>104.09</b>	<b>92.54</b>

The accompanying notes are an integral part of the consolidated financial statements.

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

	Notes	For the three-months period ended September 30,		For the nine-months periods ended September 30	
		2019	2018	2019	2018
<b>Net income</b>		Ps. <u>1,326,012</u>	Ps. <u>1,453,158</u>	Ps. <u>4,082,335</u>	Ps. <u>3,543,759</u>
<b>Other comprehensive income</b>					
<b>Items that may be reclassified to profit or loss</b>					
<b>Net gain (loss) on hedges of net investments in foreign operations</b>					
Foreign currency translation differences from hedged foreign operations	5	1,221,753	169,499	1,049,040	(24,088)
Hedging derivative instrument	5	(633,985)	(79,935)	(544,646)	(1,746)
Hedging non-derivative instrument	5	(587,404)	(89,775)	(504,148)	26,174
Cash flow hedges		(4,153)	3,157	3,292	118
Foreign currency translation differences from unhedged foreign operations		(801)	(120,397)	111,231	(178,782)
Investments in associates and joint ventures		18,724	3,402	11,926	(4,223)
Unrealized gains (losses) on securities at FVOCI		29,596	16,435	419,251	(146,578)
Income tax		350,760	53,315	233,918	17,241
<b>Total, items that may be reclassified to profit or loss</b>		Ps. <u>394,490</u>	Ps. <u>(44,299)</u>	Ps. <u>779,864</u>	Ps. <u>(311,884)</u>
<b>Items that will not be reclassified to profit or loss</b>					
Revaluation investment properties		—	—	4,956	—
Unrealized gains (losses) on equity securities at FVOCI		36,352	(16,551)	222,069	(29,202)
Actuarial gains (losses) from defined benefit pension plans		258	(301)	(30,940)	17,546
Income tax		367	(2,391)	(3)	(9,844)
<b>Total, items that will not be reclassified to profit or loss</b>		Ps. <u>36,977</u>	Ps. <u>(19,243)</u>	Ps. <u>196,082</u>	Ps. <u>(21,500)</u>
<b>Total other comprehensive income</b>		<u>431,467</u>	<u>(63,542)</u>	<u>975,946</u>	<u>(333,384)</u>
<b>Total comprehensive income, net of taxes</b>		Ps. <u>1,757,479</u>	Ps. <u>1,389,616</u>	Ps. <u>5,058,281</u>	Ps. <u>3,210,375</u>
<b>Total comprehensive income for the periods attributable to:</b>					
<b>Owners of the Group</b>		990,890	701,758	2,885,787	1,829,814
<b>Non-controlling interest</b>		766,589	687,858	2,172,494	1,380,561
		Ps. <u>1,757,479</u>	Ps. <u>1,389,616</u>	Ps. <u>5,058,281</u>	Ps. <u>3,210,375</u>

The accompanying notes are an integral part of the consolidated financial statements.

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Grupo Aval Acciones y Valores S.A. and Subsidiaries  
Consolidated Statement of Changes in Equity for the nine-month periods ended at September 30, 2019 and 2018  
(Figures in millions of Colombian pesos)

	Subscribed and paid- in capital	Additional paid – in capital	Appropriated retained earnings	Other comprehensive income (OCI)	Equity attributable to owners of the parent	Non- controlling interest (NCI)	Total equity
<b>Balance at December 31, 2017</b>	Ps. <u>22,281</u>	Ps. <u>8,412,685</u>	Ps. <u>7,573,912</u>	Ps. <u>223,543</u>	Ps. <u>16,232,421</u>	Ps. <u>9,745,829</u>	Ps. <u>25,978,250</u>
Change in accounting policies	—	(109,254)	(776,651)	609,270	(276,635)	(185,282)	(461,917)
<b>Balance at January 1, 2018</b>	<u>22,281</u>	<u>8,303,431</u>	<u>6,797,261</u>	<u>832,813</u>	<u>15,955,786</u>	<u>9,560,547</u>	<u>25,516,333</u>
Issuance of shares	—	—	—	—	—	988,118	988,118
Equity transactions	—	179,106	—	(41,447)	137,659	(137,659)	—
Dividends declared	—	—	(1,069,490)	—	(1,069,490)	(739,125)	(1,808,615)
Other comprehensive income	—	—	—	(190,712)	(190,712)	(142,672)	(333,384)
Net income	—	—	2,061,973	—	2,061,973	1,481,786	3,543,759
<b>Balance at September 30, 2018</b>	Ps. <u>22,281</u>	Ps. <u>8,482,537</u>	Ps. <u>7,789,744</u>	Ps. <u>600,654</u>	Ps. <u>16,895,216</u>	Ps. <u>11,010,995</u>	Ps. <u>27,906,211</u>
	Subscribed and paid- in capital	Additional paid – in capital	Appropriated retained earnings	Other comprehensive income (OCI)	Equity attributable to owners of the parent	Non- controlling interest (NCI)	Total equity
<b>Balance at December 31, 2018</b>	Ps. <u>22,281</u>	Ps. <u>8,472,336</u>	Ps. <u>8,598,319</u>	Ps. <u>696,773</u>	Ps. <u>17,789,709</u>	Ps. <u>11,764,639</u>	Ps. <u>29,554,348</u>
Change in accounting policies (1)	—	—	(5,101)	—	(5,101)	(21,881)	(26,982)
<b>Balance at January 1, 2019</b>	<u>22,281</u>	<u>8,472,336</u>	<u>8,593,218</u>	<u>696,773</u>	<u>17,784,608</u>	<u>11,742,758</u>	<u>29,527,366</u>
Equity transactions	—	(26,570)	—	—	(26,570)	(40,527)	(67,097)
Dividends declared	—	—	(1,336,861)	—	(1,336,861)	(829,044)	(2,165,905)
Effect of realization of equity instruments	—	—	7,368	—	7,368	2,827	10,195
Other comprehensive income	—	—	—	566,519	566,519	409,427	975,946
Net income	—	—	2,319,268	—	2,319,268	1,763,067	4,082,335
<b>Balance at September 30, 2019</b>	Ps. <u>22,281</u>	Ps. <u>8,445,766</u>	Ps. <u>9,582,993</u>	Ps. <u>1,263,292</u>	Ps. <u>19,314,332</u>	Ps. <u>13,048,508</u>	Ps. <u>32,362,840</u>

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Grupo Aval Acciones y Valores S.A. and Subsidiaries  
Condensed Consolidated Statement of Cash Flows for the nine-month periods ended September 30, 2019 and 2018  
(Figures in millions of Colombian pesos)

	Notes	September 30, 2019 (1)	September 30, 2018
<b>Cash flows from operating activities:</b>			
Net income before income tax	Ps.	5,749,827	Ps. 5,219,417
<b>Reconciliation of net income before taxes and net cash provided by operating activities:</b>			
Depreciation and amortization	15-17	975,596	694,324
Impairment losses of loans and receivables, net	4-15	3,190,506	2,808,693
(Gains) in concession agreements		(2,942,769)	(1,141,028)
Net interest income		(8,390,128)	(8,114,838)
(Gains) on sales of non-current assets held for sale, net	17	(14,612)	(11,681)
(Gain) losses on sales of property, plant and equipment		(21,285)	(28,464)
Foreign exchange losses		567,905	(107,630)
Share of profit of equity accounted investees, net of tax		(174,445)	(142,361)
Other adjustments for reconciliation of net income		(386,216)	(89,497)
<b>Fair value adjustments on:</b>			
Derivative financial instruments		(503,936)	(70,234)
Non-current assets held for sale		5,453	14
Investment property		(2,390)	(10,935)
Biological assets		(13,542)	(13,907)
<b>Changes in operating assets and liabilities:</b>			
Trading assets		(984,235)	1,548,070
Accounts receivable		98,564	(60,649)
Non-current assets held for sale		15,740	10,799
Other assets		(7,598)	(30,505)
Other liabilities, provisions and employee benefits		(2,286,406)	1,065,394
Loan portfolio		(3,886,400)	(2,307,950)
Customer deposits		4,482,448	(3,532,999)
Interbank borrowings and overnight funds		(1,204,475)	3,630,589
Borrowings from development entities		2,049	(1,246)
Borrowings from banks		(515,075)	(443,027)
Interest received		13,786,097	13,567,412
Interest paid		(6,128,970)	(3,271,264)
Lease interest		(151,610)	—
Income tax payments		(1,424,998)	(1,174,293)
<b>Net cash (used) provided by operating activities</b>	<b>Ps.</b>	<b>(164,905)</b>	<b>Ps. 7,992,204</b>
<b>Cash flows from investing activities:</b>			
Purchases of amortized cost financial assets	Ps.	(3,058,597)	Ps. (2,473,775)
Redemptions of amortized cost financial assets		3,025,763	2,422,251
Purchases of FVOCI		(20,277,000)	(14,472,687)
Proceeds from sales of FVOCI		20,195,459	11,173,836
Purchases tangible assets		(427,828)	(394,427)
Proceeds from sales of property, plant and equipment		94,275	157,353
Proceeds from sales of non-current assets held for sale		110,392	44,468
Additions of concession arrangement rights		(452,166)	(1,538,719)
Additions of other intangible assets		(218,957)	(257,504)
Proceeds from sales of concession		155	125
Dividends received		246,763	158,607
Effect of loss of control of subsidiaries		—	(3,610)
<b>Net cash (used in) provided by investing activities</b>	<b>Ps.</b>	<b>(761,741)</b>	<b>Ps. (5,184,082)</b>
<b>Cash flows from financing activities:</b>			
Dividends paid to shareholders	Ps.	(933,574)	Ps. (859,528)
Dividends paid to non-controlling interest		(602,709)	(546,507)
Issuance of debt securities		1,526,106	939,682
Payment of outstanding debt securities		(1,127,989)	(1,006,980)
Leases		(274,156)	—
Cash capitalization		—	988,118
Equity transactions		(67,097)	—
<b>Net cash used in financing activities</b>	<b>Ps.</b>	<b>(1,479,419)</b>	<b>Ps. (485,215)</b>
<b>Effect of foreign currency changes on cash and equivalents</b>		<b>1,337,501</b>	<b>(262,927)</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>(1,068,563)</b>	<b>2,059,980</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>Ps.</b>	<b>28,401,283</b>	<b>Ps. 22,336,838</b>
<b>Cash and cash equivalents at end of period</b>	<b>Ps.</b>	<b>27,332,720</b>	<b>Ps. 24,396,818</b>

The accompanying notes are an integral part of the consolidated financial statements.

(1) The Group has adopted IFRS 16 from January 1, 2019 (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 commercial entities. Grupo Aval is the majority shareholder of Banco de Bogotá S.A., Banco de Occidente S.A., Banco Popular S.A. and Banco Comercial AV Villas S.A., entities whose main purpose is to perform all transactions, operations and services inherent to the banking business, pursuant to applicable laws and regulations. Furthermore, through its direct and indirect investments in Corporación Financiera Colombiana S.A. (“Corficolombiana”) and in Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A. (“Porvenir”), Grupo Aval 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**

The interim condensed consolidated financial information has been prepared in accordance with International accounting standard IAS 34 Interim Financial Reporting, which is contained in the accounting and financial information standards accepted in Colombia (NCIF) established in law 1314 of 2009, regulated by the sole regulatory Decree 2420 of 2015, modified by Decrees 2496 of 2015, 2131 of 2016, 2170 of 2017 and 2483 of 2018.

These interim condensed consolidated financial statements do not include all 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 December 31, 2018. All information is presented in millions of pesos and has been rounded to the nearest unit.

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

### **Changes in significant accounting policies**

Except for the changes described below, the accounting policies applied in these interim condensed consolidated financial statements are the same as those applied by Grupo Aval in the financial statements for the year ended December 31, 2018.

#### **2 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, 2018.

### **IFRS 16**

#### **Changes in accounting policies**

Grupo Aval has adopted IFRS 16 using the cumulative effect method, with the effect of initial adoption recognized on January 1, 2019 but has not restated comparatives for the 2018 reporting period, according with the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening Condensed Consolidated Statement of Financial Position on January 1, 2019.

IFRS 16 introduced a new and only accounting model for lessees, as a result, Grupo Aval, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains equal to previous accounting policies.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain it will exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as a rent expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across Grupo Aval. These terms are used to maximize operational flexibility in terms of managing contracts.

#### Adjustments recognized on adoption of IFRS 16

Upon adoption of IFRS 16, Grupo Aval recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019.

Some right-of-use assets related with property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as of December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

	<b>1 January 1, 2019</b>
Right of use assets	Ps. 2,217,380
Deferred tax liabilities	(636,017)
<b>Total</b>	<b>1,581,363</b>
Retained earnings	Ps. 40,272
Retained earnings // deferred tax for-right-of-use	(13,290)
<b>Total</b>	<b>Ps. 26,982</b>
<b>Net, effect</b>	<b>Ps. 1,608,345</b>
	<b>January 1, 2019</b>
Financial liabilities for right-of-use	Ps. (2,225,545)
Provisions for dismantling for right-of-use	(32,107)
Deferred tax assets	649,307
<b>Net, effect</b>	<b>Ps. (1,608,345)</b>

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.



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- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Grupo Aval has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date Group Aval relied on its assessment made applying IAS 17 and IFRIC 4 for determining whether an arrangement contains a lease.

### **NOTE 3 – USE OF JUDGEMENTS AND ESTIMATES**

In preparing these interim condensed consolidated 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, 2018, except for the new significant judgements related to lessee accounting under IFRS 16, which are described in Note 2 (A).

#### **Lease terms**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

#### **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.

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**NOTE 4 – FINANCIAL INSTRUMENTS**

**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 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:

September 30, 2019

	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
<b>ASSETS</b>					
<b>Trading investment</b>					
Securities issued or secured by Colombian Government	Ps. 3,308,959	Ps. 2,820,333	Ps. 488,626	Ps. —	Ps. 3,308,959
Securities issued or secured by other entities of the Colombian Government	121,342	—	121,342	—	121,342
Securities issued or secured by foreign Government	124,480	3,471	121,009	—	124,480
Securities issued or secured by central banks	14,927	—	14,927	—	14,927
Securities issued or secured by other financial entities	1,748,298	—	1,748,298	—	1,748,298
Securities issued or secured by entities of the Non-financial sector	25,918	—	25,918	—	25,918
Other	7,798	—	7,798	—	7,798
<b>Total trading investment</b>	<b>Ps. 5,351,722</b>	<b>Ps. 2,823,804</b>	<b>Ps. 2,527,918</b>	<b>Ps. —</b>	<b>Ps. 5,351,722</b>
<b>Investments in debt securities at fair value through profit or loss</b>					
Other	35,774	—	26,180	9,594	35,774
<b>Total investments in debt securities at fair value through profit or loss</b>	<b>Ps. 5,387,496</b>	<b>Ps. 2,823,804</b>	<b>Ps. 2,554,098</b>	<b>Ps. 9,594</b>	<b>Ps. 5,387,496</b>
<b>Investments at fair value through OCI</b>					
Securities issued or secured by Colombian Government	9,848,080	7,501,012	2,347,068	—	9,848,080
Securities issued or secured by other entities of the Colombian Government	394,635	201,640	192,995	—	394,635
Securities issued or secured by foreign Government	4,902,629	10,642	4,891,987	—	4,902,629
Securities issued or secured by central banks	957,833	—	957,833	—	957,833
Securities issued or secured by other financial entities	3,504,377	529,596	2,974,781	—	3,504,377
Securities issued or secured by entities of the non-financial sector	113,302	—	113,302	—	113,302
Other	429,478	—	429,478	—	429,478
<b>Total investments at fair value through OCI</b>	<b>Ps. 20,150,334</b>	<b>Ps. 8,242,890</b>	<b>Ps. 11,907,444</b>	<b>Ps. —</b>	<b>Ps. 20,150,334</b>
<b>Total investments in debt securities</b>	<b>Ps. 25,537,830</b>	<b>Ps. 11,066,694</b>	<b>Ps. 14,461,542</b>	<b>Ps. 9,594</b>	<b>Ps. 25,537,830</b>

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	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
<b>Investments in equity securities</b>					
Trading equity securities	3,291,247	1,902	2,797,868	491,477	3,291,247
Investments in equity through OCI	1,313,305	1,160,298	51,272	101,735	1,313,305
<b>Total investments in equity securities</b>	<b>Ps. 4,604,552</b>	<b>Ps. 1,162,200</b>	<b>Ps. 2,849,140</b>	<b>Ps. 593,212</b>	<b>Ps. 4,604,552</b>
<b>Held for trading Derivatives</b>					
Currency Forward	432,457	—	432,457	—	432,457
Bond Forward	1,643	—	1,643	—	1,643
Interest Rate Swap	90,298	—	90,298	—	90,298
Currency Swap	55,597	—	55,597	—	55,597
Currency Options	75,417	—	75,417	—	75,417
<b>Total held for trading derivatives</b>	<b>Ps. 655,412</b>	<b>Ps. —</b>	<b>Ps. 655,412</b>	<b>Ps. —</b>	<b>Ps. 655,412</b>
<b>Hedging Derivatives</b>					
Currency Forward	27,792	—	27,792	—	27,792
<b>Total hedging derivatives</b>	<b>Ps. 27,792</b>	<b>Ps. —</b>	<b>Ps. 27,792</b>	<b>Ps. —</b>	<b>Ps. 27,792</b>
<b>Other account receivables</b>					
Financial assets in concession contracts	2,650,788	—	—	2,650,788	2,650,788
<b>Total other account receivables designated at fair value</b>	<b>Ps. 2,650,788</b>	<b>Ps. —</b>	<b>Ps. —</b>	<b>Ps. 2,650,788</b>	<b>Ps. 2,650,788</b>
<b>Total assets at fair value on recurring basis</b>	<b>Ps. 33,476,374</b>	<b>Ps. 12,228,894</b>	<b>Ps. 17,993,886</b>	<b>Ps. 3,253,594</b>	<b>Ps. 33,476,374</b>
<b>Financial assets at amortized cost, net</b>					
<b>Investments in debt securities, net</b>					
Securities issued or secured by other entities of the Colombian Government	3,023,671	—	3,017,040	—	3,017,040
Securities issued or secured by Foreign Government	24,429	24,456	—	—	24,456
Securities issued or secured by other financial entities	3,044	—	3,049	—	3,049
<b>Loan portfolio, net (see literal f for details)</b>	<b>174,429,722</b>				<b>183,595,784</b>
Commercial	98,330,444				
Consumer	55,701,871				
Mortgage	20,073,078				
Microcredit	324,329				
<b>Other accounts receivables, net</b>	<b>8,176,621</b>				
<b>Total financial assets at amortized cost, net</b>	<b>185,657,487</b>				
<b>LIABILITIES</b>					
<b>Trading Derivatives</b>					
Currency forward	617,779	—	617,779	—	617,779

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	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Bond forward	1,025	—	1,025	—	1,025
Bond futures	53	53	—	—	53
Interest rate swap	83,833	—	83,833	—	83,833
Currency swap	85,060	—	85,060	—	85,060
Currency options	44,497	—	44,497	—	44,497
<b>Total trading derivatives</b>	<b>Ps. 832,247</b>	<b>Ps. 53</b>	<b>Ps. 832,194</b>	<b>Ps. —</b>	<b>Ps. 832,247</b>
<b>Hedging derivatives</b>					
Currency forward	Ps. 111,080	Ps. —	Ps. 111,080	Ps. —	Ps. 111,080
Interest rate swap	4,230	—	4,230	—	4,230
<b>Total hedging derivatives</b>	<b>115,310</b>	<b>—</b>	<b>115,310</b>	<b>—</b>	<b>115,310</b>
<b>Total liabilities at fair value on recurring basis</b>	<b>Ps. 947,557</b>	<b>Ps. 53</b>	<b>Ps. 947,504</b>	<b>Ps. —</b>	<b>Ps. 947,557</b>
<b>Financial liabilities at amortized cost</b>					
<b>Customer deposits</b>	<b>Ps. 174,047,965</b>				<b>Ps. 225,511,462</b>
Checking accounts	39,697,097				48,592,450
Time deposits	76,164,222				96,076,204
Savings accounts	57,774,602				80,396,791
Others deposits	412,044				446,017
<b>Financial obligations</b>	<b>53,486,929</b>				<b>56,043,685</b>
Interbank borrowings and overnight funds	5,721,776				5,721,776
Leases contracts	3,136,755				3,055,689
Borrowings from banks and similar	19,496,506				20,705,836
Bonds issued (see literal e for details)	21,457,105				22,858,879
Borrowings from development entities	3,674,787				3,701,505
<b>Total financial liabilities at amortized cost</b>	<b>Ps. 227,534,894</b>				<b>Ps. 281,555,147</b>

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	Carrying Value	Fair Value				Total
		Level 1	Level 2	Level 3		
<b>ASSETS</b>						
<b>Trading investment</b>						
Securities issued or secured by Colombian Government	Ps. 2,270,642	Ps. 2,109,574	Ps. 161,068	Ps. —	Ps. 2,270,642	
Securities issued or secured by other entities of the Colombian Government	128,545	19,606	108,939	—	128,545	
Securities issued or secured by foreign Government	98,155	—	98,155	—	98,155	
Securities issued or secured by central banks	12,914	—	12,914	—	12,914	
Securities issued or secured by other financial entities	1,218,751	—	1,218,751	—	1,218,751	
Securities issued or secured by entities of the non—financial sector	29,122	—	29,122	—	29,122	
Other	4,849	—	4,849	—	4,849	
<b>Total trading investment</b>	<b>Ps. 3,762,978</b>	<b>Ps. 2,129,180</b>	<b>Ps. 1,633,798</b>	<b>Ps. —</b>	<b>Ps. 3,762,978</b>	
<b>Investments in debt securities at fair value through profit or loss</b>						
Other	31,256	—	17,523	13,733	31,256	
<b>Total investments in debt securities at fair value through profit or loss</b>	<b>Ps. 3,794,234</b>	<b>Ps. 2,129,180</b>	<b>Ps. 1,651,321</b>	<b>Ps. 13,733</b>	<b>Ps. 3,794,234</b>	
<b>Investments at fair value through OCI</b>						
Securities issued or secured by Colombian Government	10,525,774	8,208,778	2,316,996	—	10,525,774	
Securities issued or secured by other entities of the Colombian Government	497,635	232,312	265,323	—	497,635	
Securities issued or secured by foreign Government	3,015,556	91,315	2,924,241	—	3,015,556	
Securities issued or secured by central banks	1,131,740	—	1,131,740	—	1,131,740	
Securities issued or secured by other financial entities	3,308,480	279,653	3,028,827	—	3,308,480	
Securities issued or secured by entities of the non-financial sector	209,940	—	209,940	—	209,940	
Other	246,632	—	246,632	—	246,632	
<b>Total investments at fair value through OCI</b>	<b>Ps. 18,935,757</b>	<b>Ps. 8,812,058</b>	<b>Ps. 10,123,699</b>	<b>Ps. —</b>	<b>Ps. 18,935,757</b>	
<b>Total investments in debt securities</b>	<b>Ps. 22,729,991</b>	<b>Ps. 10,941,238</b>	<b>Ps. 11,775,020</b>	<b>Ps. 13,733</b>	<b>Ps. 22,729,991</b>	
<b>Investments in equity securities</b>						
Trading equity securities	2,672,648	3,060	2,212,915	456,673	2,672,648	
Investments in equity through OCI	1,090,601	935,737	51,224	103,640	1,090,601	
<b>Total investments in equity securities</b>	<b>Ps. 3,763,249</b>	<b>Ps. 938,797</b>	<b>Ps. 2,264,139</b>	<b>Ps. 560,313</b>	<b>Ps. 3,763,249</b>	
<b>Held for trading derivatives</b>						
Currency forward	617,799	—	616,116	1,683	617,799	
Bond forward	71	—	71	—	71	
Interest rate swap	43,181	—	43,181	—	43,181	

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	Fair Value				
	Carrying Value	Level 1	Level 2	Level 3	Total
Currency swap	48,546	—	48,546	—	48,546
Currency options	59,089	—	59,089	—	59,089
<b>Total held for trading derivatives</b>	<b>Ps. 768,686</b>	<b>Ps. —</b>	<b>Ps. 767,003</b>	<b>Ps. 1,683</b>	<b>Ps. 768,686</b>
<b>Hedging derivatives</b>					
Currency forward	30,138	—	30,138	—	30,138
<b>Total hedging derivatives</b>	<b>Ps. 30,138</b>	<b>Ps. —</b>	<b>Ps. 30,138</b>	<b>Ps. —</b>	<b>Ps. 30,138</b>
<b>Other account receivables</b>					
Financial assets in concession contracts	2,488,414	—	—	2,488,414	2,488,414
<b>Total other account receivables designated at fair value</b>	<b>Ps. 2,488,414</b>	<b>Ps. —</b>	<b>Ps. —</b>	<b>Ps. 2,488,414</b>	<b>Ps. 2,488,414</b>
<b>Total assets at fair value on recurring basis</b>	<b>Ps. 29,780,478</b>	<b>Ps. 11,880,035</b>	<b>Ps. 14,836,300</b>	<b>Ps. 3,064,143</b>	<b>Ps. 29,780,478</b>
<b>Financial assets at amortized cost, net</b>					
<b>Investments in debt securities, net</b>	<b>2,972,545</b>	<b>32,324</b>	<b>2,952,649</b>	<b>—</b>	<b>2,984,973</b>
Securities issued or secured by other entities of the Colombian Government	2,931,111	—	2,943,498	—	2,943,498
Securities issued or secured by Foreign Governments	32,320	32,324	—	—	32,324
Securities issued or secured by other financial entities	9,114	—	9,151	—	9,151
<b>Loan portfolio, net (see literal f for details)</b>	<b>168,685,654</b>				<b>176,228,181</b>
Commercial	98,051,116				
Consumer	52,006,179				
Mortgage	18,290,839				
Microcredit	337,520				
<b>Other accounts receivables, net</b>	<b>6,812,229</b>				
<b>Total financial assets at amortized cost, net</b>	<b>178,470,428</b>				
<b>LIABILITIES</b>					
<b>Trading derivatives</b>					
Currency forward	589,021	—	583,242	5,779	589,021
Bond forward	2,730	—	2,730	—	2,730
Bond futures	32	32	—	—	32
Interest rate swap	32,380	—	32,380	—	32,380
Currency swap	148,378	—	148,378	—	148,378
Currency options	38,764	—	38,764	—	38,764
<b>Total trading derivatives</b>	<b>Ps. 811,305</b>	<b>Ps. 32</b>	<b>Ps. 805,494</b>	<b>Ps. 5,779</b>	<b>Ps. 811,305</b>
<b>Hedging derivatives</b>					
Currency forward	195,539	—	195,539	—	195,539
<b>Total hedging derivatives</b>	<b>195,539</b>	<b>—</b>	<b>195,539</b>	<b>—</b>	<b>195,539</b>
<b>Total liabilities at fair value on recurring basis</b>	<b>Ps. 1,006,844</b>	<b>Ps. 32</b>	<b>Ps. 1,001,033</b>	<b>Ps. 5,779</b>	<b>Ps. 1,006,844</b>
<b>Financial liabilities at amortized cost</b>					
<b>Customer deposits</b>	<b>Ps. 164,359,451</b>				<b>Ps. 164,682,492</b>
Checking accounts	39,702,878				39,702,878

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	Carrying Value	Fair Value			Total
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Time deposits	66,853,012				67,176,010
Savings accounts	57,221,439				57,221,482
Others deposits	582,122				582,122
<b>Financial obligations</b>	<b>51,211,990</b>				<b>51,811,768</b>
Interbank borrowings and overnight funds	6,814,078				6,814,083
Borrowings from banks and similar	20,610,766				21,020,334
Bonds issued (see literal e for details)	20,140,350				20,152,729
Borrowings from development entities	3,646,796				3,824,622
<b>Total financial liabilities at amortized cost</b>	<b>Ps. 215,571,441</b>				<b>Ps. 216,494,260</b>

**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.

Level 2 financial instruments as those traded in non-active market, the following table provides information about valuation techniques and significant inputs when measuring assets and liabilities.

	Valuation technique for level 2 and 3	Significant inputs <sup>(1)</sup>
<b>ASSETS</b>		
<b>Investments in debt securities at fair value</b>		
<b><u>In Colombian Pesos</u></b>		
Securities issued or secured by the Colombian Government	Discounted cash flow	Estimated Prices (2)
Securities issued or secured by Colombian government entities	Discounted cash flow	Estimated Prices (2)
Securities issued or secured by other financial entities	Discounted cash flow	Estimated Prices (2) Yield and Margin
Securities issued or secured by non-financial sector entities	Discounted cash flow	Estimated Prices (2)
Other	Discounted cash flow	Estimated Prices (2) Yield and Margin Projected cash flow
<b><u>In Foreign Currency</u></b>		
Securities issued or secured by the Colombian Government	Market Price	Quoted Prices
Securities issued or secured by Colombian government entities	Discounted cash flow	Estimated Prices (2)
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

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	<b>Valuation technique for level 2 and 3</b>	<b>Significant inputs <sup>(1)</sup></b>
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	- Discounted cash flow - Internal Model	- Estimated Prices <sup>(2)</sup> - Quoted Price or price calculated based on benchmarks set by price providers methodologies
Securities issued or secured by non-financial sector entities	- Market Price - Market Price	- Bloomberg Generic / Bloomberg Valuation - Average Price - Quoted Price - Bloomberg Generic
Other	- Discounted cash flow - Internal Model  - Market Price	- Estimated Prices <sup>(2)</sup> - Theoretical Price Mutual Funds which by the end of the month capitalize or pay interests - Quoted Price
<b>Investment in equity securities</b>		
Corporate stock	Market Price	Estimated Prices (2)
Investment funds	Market Price	Market value of underlying assets, less management and administrative fees
Pension and severance funds	Market Price	Market value of underlying assets, less management and administrative fees (3)
<b>Trading derivatives</b>		
Foreign currency forward	Discounted cash flow	- Underlying asset price
Debt securities forward		- Currency curve by underlying asset
Interest rate swap		- Forward Exchange rates curve of the operation's currency
Cross currency swap		- Implicit curves of Exchange rates forwards
Swap (others)		- Swap curves by underlying asset
Currency options		- Implicit volatilities matrixes and curves
Currency futures	Initial price	- Quoted Price
<b>Hedging derivatives</b>		
Currency forward	Discounted cash flow	Curves by currency
<b>LIABILITIES</b>		
<b>Derivatives held for trading</b>		
Foreign currency forward		- Underlying asset price
Debt securities forward		- Currency curve by underlying asset
Interest rate swap	Discounted cash flow	- Forward Exchange rates curve of the operation's currency
Currency swap		- Implicit curves of exchange rates forwards
Swap (others)		- Swap curves by underlying asset
Currency options		- Implicit volatilities matrixes and curves
<b>Hedging Derivatives</b>	Discounted cash flow	
Foreign currency forward		- Underlying asset price
Interest rate forward		- Currency curve by underlying asset
Interest rate swap		- 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



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- (1) Quoted market prices (ie obtained from price vendors)
- (2) Estimated Price: A valuation model based on information obtained from a price vendor when it is not able to supply quoted prices (unadjusted) for each security. This model is the basis for the construction of the valuation margin of the securities that is represented on the assigned curve or reference rate. This margin remains constant on the assigned curve or reference rate when calculating the theoretical valuation price.
- (3) The subsidiary Porvenir S.A. according to Colombian rules is required to invest to 1% of its total assets under management from severance and mandatory pension funds.

The following table provides information about valuation techniques and significant unobservable inputs when measuring Level 3 assets and liabilities at recurring fair value.

	<b>Valuation technique for level 2 and 3</b>	<b>Significant inputs</b>
<b>ASSETS</b>		
<b>Investments in debt securities at fair value</b>		
<b><u>In Colombian Pesos</u></b>		
Other	Discounted cash flow	Projected payments flow of mortgage securitizations - Growth in values after 5 years
	Discounted cash flow	- Net Income - Growth in residual values after 5 years - Discount interest rates - EBITDA Value
<b>Investments in equity securities <sup>(1)</sup></b>	Comparable Multiples	- Multiple of EBITDA - Net income value - Multiple of net income
<b>Other financial assets</b>	Net assets value	- Net assets value (NAV)
<b>Assets under concession contracts <sup>(2)</sup></b>	Discounted cash flow	- Free-cash flow from concession contracts - Concession contracts maturity period - Perpetuity value of the year "n" free-cash flow - Present value of the discounted residual value at Weighted Average Cost of Capital ("WACC"). - Financial income: annual adjustment of the financial asset's value.

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**(1) Valuation of equity instruments Level 3**

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

The following table includes a sensitivity analysis of changes in these variables in the equity of Grupo Aval, bearing in mind that the variations in fair value of said investments are recorded in equity because they correspond to investments classified as equity instruments at fair value with changes in equity.

The following table includes a sensitivity analysis of main level 3 equity securities of December 31, 2018:

Methods and Variables	Variation		Favorable impact		Unfavorable impact
<b>Comparable Multiples / Recent Transaction Price</b>					
EBITDA Number of times	+/-1 x	Ps.	1,819	Ps.	(1,823)
<b>Adjusted Net Asset Value</b>					
Most relevant variable in assets	+/-10%		221		(177)
<b>Adjusted discounted cash flow</b>					
Growth in residual values	+/-1% of the gradient		204		(134)
	+/-1%		60		(147)
Growth in residual values after 5 years	+/- 30 bp		135		(101)
	+/-1%		743		(741)
Income	+/-1%		710		(674)
	+/- 1% annual		352		(529)
Discount interest rates	+/- 50 pb		597		(572)
		Ps.	<u>4,841</u>	Ps.	<u>(4,898)</u>

**(2) Valuation of financial assets under concession arrangement rights**

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

The assumptions in the calculation of the financial asset were:

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

The components of the calculations are as follows:

- Free cash flow generated solely by assets under concession.
- Expiration period of the concession.
- Amount in-perpetuity of the Free Cash Flow (FCF) of the year, estimated factoring a growth in the residual amount between 1% and 3% each year.
- Current amount of the residual amount Weighted Average Cost of Capital (WACC), estimated taking into account an interest rate between 8.64 % and 9.09% each year.
- Financial Income: Annual adjustment of the amount of the financial asset to WACC (\*).

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

- Beta Unlevered USA (Oil/Gas Distribution): Damodaran. [Beta unlevered 0.61, 2018]
- Risk Free Rate, Source: Geometric Average 1992-2018 of American bonds “T-Bonds”.
- Marker Return, Source: Geometric Average 1992-2018 Damodaran “Stocks” USA.
- Market Premium: Market Return – Risk Free Rate
- Country Risk Premium: Average last 5 years EMBI (Difference between 10-year Colombian sovereign bonds and 10 year “T-Bonds”). Damodaran

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- Emerging Market: Equity Premium Emerging countries (Lambda - Damodaran)

### Sensitivity analysis

The following table includes a sensitivity analysis of the assumptions used by Promigas and its subsidiaries in the calculation of fair value of unconditional transfer rights of gas pipelines to Government entities at the expiration date of the contracts. The value of the financial asset at September 30, 2019 is Ps. 2,650,788.

Variable	September 30, 2019	
	+100 bps	-100 bps
WACC	Ps. (637,556)	Ps. 979,942
Growth rate	550,652	(387,750)

### c) Transfer of levels

During the current year, due not to changes in market conditions, the following table summarizes the transfer between fair value levels 1 and 2 as of September 30, 2019 and December 31, 2018. In general, transfers between Level 1 and Level 2 in the investment portfolios are due, fundamentally, to changes in the liquidity levels of the securities in the markets.

#### September 30, 2019

	Investments in debt securities at FVTPL		Investments in debt securities at FVOCI	
	Transfers between:		Transfers between:	
	Level 2 to Level 1	Level 1 to Level 2	Level 2 to Level 1	Level 1 to Level 2
<b>Assets</b>				
<b>Investments in debt securities at fair value</b>				
Securities issued or secured by Colombian Government	Ps. —	Ps. —	Ps. 107,890	Ps. —
Securities issued or secured by other Colombian Government entities	—	1	—	37,913
Securities issued or secured by other financial entities	—	—	47,350	127,398
<b>Ps.</b>	<b>—</b>	<b>1</b>	<b>155,240</b>	<b>165,311</b>

#### December 31, 2018

	Investments in debt securities at FVTPL		Investments in debt securities at FVOCI	
	Transfers between:		Transfers between:	
	Level 2 to Level 1	Level 1 to Level 2	Level 2 to Level 1	Level 1 to Level 2
<b>Assets</b>				
<b>Investments in debt securities at fair value</b>				
Securities issued or secured by Colombian Government	Ps. —	Ps. —	Ps. 17,668	Ps. 14,081
Securities issued or secured by other Colombian Government entities	—	—	229,202	—
Securities issued or secured by other financial entities	—	—	—	189,013
<b>Ps.</b>	<b>—</b>	<b>—</b>	<b>246,870</b>	<b>203,094</b>

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There were no transfers of fair values between levels and 2 to or from level 3.

The reconciliation of the balances at the beginning of the period to the closing balances with the fair value measurements classified at Level 3 is shown in the following table.

	<b>Financial assets in debt securities</b>	<b>Equity instruments</b>	<b>Financial assets in concession arrangements</b>
<b>December 31, 2018</b>	Ps. <b>13,733</b>	Ps. <b>560,313</b>	Ps. <b>2,488,414</b>
Valuation adjustment with an effect on income	(3,526)	16,247	162,374
Valuation adjustments with an effect on OCI	—	(2,151)	—
Additions	—	18,803	—
Sales / redemptions	(613)	—	—
Transfer to level 2	—	—	—
<b>September 30, 2019</b>	<b>Ps. 9,594</b>	<b>Ps. 593,212</b>	<b>Ps. 2,650,788</b>

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

The following table present Grupo Aval's assets and liabilities, classified within the fair value hierarchy, which are measured on a nonrecurring basis as of September 30, 2019 and December 31, 2018 at fair value less cost of sale:

**September 30 de 2019**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Impaired collateralized loans	Ps. —	Ps. —	Ps. 522,615	Ps. 522,615
Non- current assets held for sale	—	—	98,588	98,588
	<b>Ps. —</b>	<b>Ps. —</b>	<b>Ps. 621,203</b>	<b>Ps. 621,203</b>

**December 31, 2018**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Impaired collateralized loans	Ps. —	Ps. —	Ps. 896,257	Ps. 896,257
Non- current assets held for sale	—	—	186,714	186,714
	<b>Ps. —</b>	<b>Ps. —</b>	<b>Ps. 1,082,971</b>	<b>Ps. 1,082,971</b>

**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 subsidiaries are non-guaranteed. Detail of issued bonds net of eliminations as of September 30, 2019 and December 31, 2018, by issue date and maturity date was as follows:

**Local Currency**

<b>Issuer</b>	<b>Issue Date</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>	<b>Maturity Date</b>	<b>Interest Rate</b>
Banco de Bogotá S.A.	23/02/2010	134,990	134,736	23/02/2020	CPI + 5.45% and UVR + 5.45%
Banco de Occidente S.A	Between 22/09/2011 and 18/09/2019	3,393,043	3,143,903	Between 26/10/2019 and 14/12/2032	CPI + 1.75% a 4.65%, Fixed between 5.83% to 7.85%
Corporación Financiera Colombiana S.A.	Between 27/08/2009 and 27/08/2019	2,901,628	2,853,685	Between 29/01/2020 and 02/03/2043	CPI +2.16% to 5.99%, Fixed 7.10%

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Issuer	Issue Date	September 30, 2019	December 31, 2018	Maturity Date	Interest Rate
Banco Popular S.A	Between 26/02/2013 and 13/02/2019	1,753,677	1,616,729	Between 14/02/2020 and 12/10/2026	CPI+ 2.90% to 4.13%; Fixed between 6.17% to 8.10%
Grupo Aval Acciones y Valores S.A.	Between 03/12/2009 and 28/06/2017	Ps. 1,108,853	Ps. 1,108,713	Between 03/12/2019 and 28/06/2042	CPI + 2.69% to 5.20%
<b>Peso denominated Total</b>		<b>Ps. <u>9,292,191</u></b>	<b>Ps. <u>8,857,766</u></b>		

### Foreign Currency

Issuer	Issue Date	September 30, 2019	December 31, 2018	Maturity Date	Interest Rate
Banco de Bogotá S.A.	Between 19/02/2013 and 03/08/2017	7,556,839	7,042,678	Between 19/02/2023 and 03/08/2027	Between 4.38% to 6.25%
<b>BAC Credomatic</b>					
El Salvador	Between 11/02/2013 and 19/08/2019	841,307	753,556	Between 22/10/2019 and 19/08/2024	Between 5.20% to 5.85%
Honduras	Between 12/05/2017 and 09/09/2019	339,644	205,017	Between 12/05/2020 and 11/04/2022	Between 0.75% to 9.50%
Guatemala	Between 09/07/2018 and 24/08/2018	—	14,025	Between 09/07/2019 and 26/08/2019	Between 4.25% to 5.50%
<b>BAC Credomatic Total</b>		<b>Ps. <u>1,180,951</u></b>	<b>Ps. <u>972,598</u></b>		
<b>Banco de Bogotá S.A. Total</b>		<b>Ps. <u>8,737,790</u></b>	<b>Ps. <u>8,015,276</u></b>		
Grupo Aval Limited	Between 11/02/2013 and 25/06/2019	3,427,124	3,267,308	26/09/2022	4.75%
<b>Foreign Currency Total</b>		<b>Ps. <u>12,164,914</u></b>	<b>Ps. <u>11,282,584</u></b>		
<b>Total of Bonds</b>		<b>Ps. <u>21,457,105</u></b>	<b>Ps. <u>20,140,350</u></b>		

The amount of issued bonds due over 12 months as of September 30, 2019 is Ps. 19,424,123 and December 31, 2018 is Ps. 18,772,405.

Grupo Aval has not had any defaults of principal or interest or other breaches with respect to its liabilities during the nine-months ended September 30, 2019 and year ended December 31, 2018, and Grupo Aval is complying with the related covenants agreed with investors and debtors.

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**f) Credit risk concentration**

The following is the balance of financial assets by loan portfolio and their provision for impairment as of September 30, 2019 and December 31, 2018:

Portfolio segment	September 30, 2019			December 31, 2018		
	Gross balance	Allowance for impairment	Net balance of credit portfolio	Gross balance	Allowance for impairment	Net balance of credit portfolio
Commercial (1)	Ps. 103,240,208	Ps. 4,909,764	Ps. 98,330,444	Ps. 102,408,977	Ps. 4,357,861	Ps. 98,051,116
Consumer	59,306,025	3,604,154	55,701,871	55,455,064	3,448,885	52,006,179
Mortgage	20,425,343	352,265	20,073,078	18,592,103	301,264	18,290,839
Microcredit	413,491	89,162	324,329	425,697	88,177	337,520
<b>Total</b>	<b>Ps. 183,385,067</b>	<b>Ps. 8,955,345</b>	<b>Ps. 174,429,722</b>	<b>Ps. 176,881,841</b>	<b>Ps. 8,196,187</b>	<b>Ps. 168,685,654</b>

(1) Inter-bank and overnight funds decreased Ps. 3,502,132, ending with a balance of Ps. 4,133,056 as of September 30, 2019 and Ps. 7,635,188 as of December 31, 2018.

Loans are measured at amortized cost on the statement of financial position and are classified as commercial, consumer, mortgages, and microcredit. Due to the significance of the financial leasing portfolio for Grupo Aval, these amounts are also presented separately in all the tables for disclosure purposes:

**September 30, 2019**

Portfolio segment	Gross balance in Statement of financial position	Leasing presentation adjustment	Balance according to disclosure
Commercial	Ps. 103,240,208	Ps. (10,312,963)	Ps. 92,927,245
Consumer	59,306,025	(271,436)	59,034,589
Mortgages	20,425,343	(1,492,701)	18,932,642
Microcredit	413,491	—	413,491
Financial leasing	—	12,077,100	12,077,100
<b>Total portfolio</b>	<b>Ps. 183,385,067</b>	<b>Ps. —</b>	<b>Ps. 183,385,067</b>

**December 31, 2018**

Portfolio segment	Gross balance in Statement of financial position	Leasing presentation adjustment	Balance according to disclosure
Commercial	Ps. 102,408,977	Ps. (9,858,952)	Ps. 92,550,025
Consumer	55,455,064	(254,483)	55,200,581
Mortgages	18,592,103	(1,312,741)	17,279,362
Microcredit	425,697	—	425,697
Financial leasing	—	11,426,176	11,426,176
<b>Total portfolio</b>	<b>Ps. 176,881,841</b>	<b>Ps. —</b>	<b>Ps. 176,881,841</b>

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**(1) Loan portfolio by economic sector**

Below is the gross balance of the loan portfolio distribution of Grupo Aval by economic activity as of September 30, 2019 and December 31, 2018:

Sector	September 30, 2019		December 31, 2018	
	Ps.	%	Ps.	%
Consumer services	85,127,384	46%	78,976,887	45%
Commercial services	38,741,364	21%	41,160,951	23%
Construction	11,654,208	6%	11,093,895	6%
Food, beverage and tobacco	8,581,775	5%	8,128,767	5%
Transportation and communications	6,494,513	4%	7,117,087	4%
Public services	6,028,786	4%	6,123,390	4%
Chemical production	6,060,165	3%	5,614,918	3%
Other industrial and manufacturing products	5,578,802	3%	4,859,538	3%
Agricultural	4,576,063	3%	4,201,518	2%
Government	4,378,100	2%	3,868,987	2%
Trade and tourism	2,503,775	1%	2,353,139	1%
Mining products and oil	1,268,127	1%	1,094,718	1%
Other	2,392,005	1%	2,288,046	1%
<b>Total of each economic sector</b>	<b>Ps. 183,385,067</b>	<b>100%</b>	<b>Ps. 176,881,841</b>	<b>100%</b>

**(2) Portfolio credit by risk level rating**

As of September 30, 2019, and December 31, 2018, the following is a summary of the portfolio credit by risk level rating:

	September 30, 2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Commercial</b>				
“A” Normal risk	Ps. 83,232,887	Ps. 239,359	Ps. 95,642	Ps. 83,567,888
“B” Acceptable risk	345,472	1,904,140	317,408	2,567,020
“C” Appreciable risk	57,053	247,564	2,325,541	2,630,158
“D” Significant risk	196	21,089	2,187,433	2,208,718
“E” Risk of nonrecoverability	603	3,846	1,949,012	1,953,461
<b>Commercial portfolio gross balance</b>	<b>Ps. 83,636,211</b>	<b>Ps. 2,415,998</b>	<b>Ps. 6,875,036</b>	<b>Ps. 92,927,245</b>
<b>Consumer</b>				
“A” Normal risk	Ps. 51,223,509	Ps. 1,962,526	Ps. 11,255	Ps. 53,197,290
“B” Acceptable risk	754,144	990,737	13,884	1,758,765
“C” Appreciable risk	113,335	1,293,383	521,836	1,928,554
“D” Significant risk	26,317	220,368	1,154,482	1,401,167
“E” Risk of nonrecoverability	4,809	38,925	705,079	748,813
<b>Consumer portfolio gross balance</b>	<b>Ps. 52,122,114</b>	<b>Ps. 4,505,939</b>	<b>Ps. 2,406,536</b>	<b>Ps. 59,034,589</b>
<b>Mortgage</b>				
“A” Normal risk	Ps. 16,911,543	Ps. 475,097	Ps. 158	Ps. 17,386,798
“B” Acceptable risk	104,132	446,010	224	550,366
“C” Appreciable risk	17,127	464,348	33,618	515,093
“D” Significant risk	115	14,649	177,766	192,530
“E” Risk of nonrecoverability	61	168	287,626	287,855
<b>Mortgage portfolio gross balance</b>	<b>Ps. 17,032,978</b>	<b>Ps. 1,400,272</b>	<b>Ps. 499,392</b>	<b>Ps. 18,932,642</b>
<b>Microcredit</b>				
“A” Normal risk	Ps. 332,542	Ps. 1,623	Ps. 291	Ps. 334,456
“B” Acceptable risk	223	11,159	—	11,382
“C” Appreciable risk	42	7,793	2	7,837
“D” Significant risk	49	2,421	5,666	8,136
“E” Risk of nonrecoverability	31	1,688	49,961	51,680
<b>Microcredit portfolio gross balance</b>	<b>Ps. 332,887</b>	<b>Ps. 24,684</b>	<b>Ps. 55,920</b>	<b>Ps. 413,491</b>

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	September 30, 2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Financial leasing</b>				
“A” Normal risk	Ps. 10,413,266	Ps. 108,776	Ps. 17,490	Ps. 10,539,532
“B” Acceptable risk	179,190	244,936	64,503	488,629
“C” Appreciable risk	21,933	56,038	208,970	286,941
“D” Significant risk	113	2,454	522,116	524,683
“E” Risk of nonrecoverability	2	—	237,313	237,315
<b>Financial leasing portfolio gross balance</b>	<b>Ps. 10,614,504</b>	<b>Ps. 412,204</b>	<b>Ps. 1,050,392</b>	<b>Ps. 12,077,100</b>
<b>Gross balance of financial assets per credit portfolio</b>	<b>Ps. 163,738,694</b>	<b>Ps. 8,759,097</b>	<b>Ps. 10,887,276</b>	<b>Ps. 183,385,067</b>
	December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
<b>Commercial</b>				
“A” Normal risk	Ps. 83,532,853	Ps. 195,949	Ps. 183,263	Ps. 83,912,065
“B” Acceptable risk	565,266	1,220,838	491,062	2,277,166
“C” Appreciable risk	88,802	227,429	2,680,090	2,996,321
“D” Significant risk	1,290	36,295	1,548,951	1,586,536
“E” Risk of nonrecoverability	3,008	10,350	1,764,579	1,777,937
<b>Commercial portfolio gross balance</b>	<b>Ps. 84,191,219</b>	<b>Ps. 1,690,861</b>	<b>Ps. 6,667,945</b>	<b>Ps. 92,550,025</b>
<b>Consumer</b>				
“A” Normal risk	Ps. 47,782,665	Ps. 1,815,283	Ps. 19,295	Ps. 49,617,243
“B” Acceptable risk	799,326	1,004,173	12,805	1,816,304
“C” Appreciable risk	128,850	1,149,796	458,474	1,737,120
“D” Significant risk	23,896	228,509	1,070,538	1,322,943
“E” Risk of nonrecoverability	6,568	37,819	662,584	706,971
<b>Consumer portfolio gross balance</b>	<b>Ps. 48,741,305</b>	<b>Ps. 4,235,580</b>	<b>Ps. 2,223,696</b>	<b>Ps. 55,200,581</b>
<b>Mortgage</b>				
“A” Normal risk	Ps. 15,478,116	Ps. 563,066	Ps. 20,965	Ps. 16,062,147
“B” Acceptable risk	72,557	337,093	3,059	412,709
“C” Appreciable risk	13,547	418,754	35,318	467,619
“D” Significant risk	151	11,632	101,164	112,947
“E” Risk of nonrecoverability	1,686	5,196	217,058	223,940
<b>Mortgage portfolio gross balance</b>	<b>Ps. 15,566,057</b>	<b>Ps. 1,335,741</b>	<b>Ps. 377,564</b>	<b>Ps. 17,279,362</b>
<b>Microcredit</b>				
“A” Normal risk	Ps. 344,424	Ps. 2,897	Ps. 194	Ps. 347,515
“B” Acceptable risk	162	10,542	—	10,704
“C” Appreciable risk	71	7,519	—	7,590
“D” Significant risk	35	2,980	5,671	8,686
“E” Risk of nonrecoverability	31	1,436	49,735	51,202
<b>Microcredit portfolio gross balance</b>	<b>Ps. 344,723</b>	<b>Ps. 25,374</b>	<b>Ps. 55,600</b>	<b>Ps. 425,697</b>
<b>Financial leasing</b>				
“A” Normal risk	Ps. 9,818,788	Ps. 79,008	Ps. 26,299	Ps. 9,924,095
“B” Acceptable risk	267,541	183,862	61,275	512,678
“C” Appreciable risk	45,418	56,561	217,937	319,916
“D” Significant risk	178	10,403	477,820	488,401
“E” Risk of nonrecoverability	446	114	180,526	181,086
<b>Financial leasing portfolio gross balance</b>	<b>Ps. 10,132,371</b>	<b>Ps. 329,948</b>	<b>Ps. 963,857</b>	<b>Ps. 11,426,176</b>
<b>Gross balance of financial assets per credit portfolio</b>	<b>Ps. 158,975,675</b>	<b>Ps. 7,617,504</b>	<b>Ps. 10,288,662</b>	<b>Ps. 176,881,841</b>



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**(3) Loss allowance for loans, financial assets and others receivable**

The table below shows the loss allowance balances as of September 30, 2019.

		September 30, 2019				
		Stage 1	Stage 2	Stage 3	Simplified	Total
		12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	approach	
<b>Loan portfolio</b>						
Commercial loan portfolio	Ps.	637,078	Ps.	220,876	Ps.	3,612,476
Consumer loan portfolio		1,062,118		924,757	Ps.	1,610,757
Mortgage loan portfolio		44,927		84,873		177,440
Microcredit loan portfolio		24,219		11,728		53,215
Financial leasing loan portfolio		63,672		32,662		394,547
<b>Total loan portfolio</b>	<b>Ps.</b>	<b>1,832,014</b>	<b>Ps.</b>	<b>1,274,896</b>	<b>Ps.</b>	<b>5,848,435</b>
Investments in debt securities at amortized cost		602		—		—
Other accounts receivable		11,047		7,648	177,756	91,450
<b>Total loss allowance financial assets at amortized cost</b>	<b>Ps.</b>	<b>1,843,663</b>	<b>Ps.</b>	<b>1,282,544</b>	<b>Ps.</b>	<b>5,939,885</b>
Investments in debt securities at FVOCI		31,591		9,618		—
Loan commitments and financial guarantee contracts		34,555		3,728		654
<b>Total loss allowance</b>	<b>Ps.</b>	<b>1,909,809</b>	<b>Ps.</b>	<b>1,295,890</b>	<b>Ps.</b>	<b>5,940,539</b>
					<b>177,756</b>	<b>9,323,994</b>

The table below shows the gross amount and loss allowance balances, for loans stage 3 individually assessed for ECL as of September 30, 2019.

**September 30, 2019**

	Gross Amount Registered	Collateral Guarantees (1)	Allowance Recognized
<b>Without recognized provision</b>			
Commercial	121,857	49,489	—
Consumer	—	—	—
Financial Leasing	70,330	—	—
<b>Subtotal</b>	<b>192,187</b>	<b>49,489</b>	<b>—</b>
<b>With recognized provision</b>			
Commercial	6,258,685	614,464	2,863,335
Consumer	3,081	874	2,142
Financial Leasing	764,372	117,886	274,482
<b>Subtotal</b>	<b>7,026,138</b>	<b>733,224</b>	<b>3,139,959</b>
<b>Totals</b>			
Commercial	6,380,542	663,953	2,863,335
Consumer	3,081	874	2,142
Financial Leasing	834,702	117,886	274,482
<b>Total</b>	<b>7,218,325</b>	<b>782,713</b>	<b>3,139,959</b>

(1) Includes only the guarantees used in the individual provision process by the method of making the guarantee minus cost of sales.

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The difference between the value of the loan and the guarantees disclosed on the table above correspond to unsecured loans valued with the discounted cash flow method. When using this method, it is implied that it is possible for the customer to make future payments.

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact of the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for asset denominated in foreign currencies and other movements; and
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period

The following tables show the reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

#### Loan portfolio

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
<b>Loss allowance as of 31 December 2018</b>	Ps. <b>1,824,874</b>	Ps. <b>1,197,046</b>	Ps. <b>5,174,267</b>	Ps. <b>8,196,187</b>
Transfers:				
Transfer from stage 1 to stage 2	(229,747)	229,747	—	—
Transfer from stage 1 to stage 3	(196,217)	—	196,217	—
Transfer from stage 2 to stage 3	—	(508,993)	508,993	—
Transfer from stage 3 to stage 2	—	90,295	(90,295)	—
Transfer from stage 2 to stage 1	271,507	(271,507)	—	—
Transfer from stage 3 to stage 1	109,749	—	(109,749)	—
Net remeasurement of loss allowance <sup>(2)</sup>	(195,035)	518,115	2,719,533	3,042,613
New financial assets originated or purchased	476,981	79,355	137,559	693,895
Financial assets that have been derecognized	(281,001)	(107,820)	(202,451)	(591,272)
Unwind of discount <sup>(1)</sup>	555	2,336	367,938	370,829
FX and other movements	85,383	86,074	(40,731)	130,726
Write—offs	(35,035)	(39,752)	(2,812,846)	(2,887,633)
<b>Loss allowance as of September 30, 2019</b>	Ps. <b>1,832,014</b>	Ps. <b>1,274,896</b>	Ps. <b>5,848,435</b>	Ps. <b>8,955,345</b>

<sup>(1)</sup> The unwind of discount on Stage 3 financial assets is reported within "interest income" so that interest income is recognized on the amortized cost (after deducting the ECL allowance)

<sup>(2)</sup> This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance, the following table shows impact by stage:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
	Ps. (17,182)	Ps. (4,203)	Ps. 76,858	Ps. 55,473

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**Commercial loan portfolio**

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit- impaired	
<b>Loss allowance as of 31 December 2018</b>	Ps. <b>695,728</b>	Ps. <b>190,633</b>	Ps. <b>3,051,088</b>	Ps. <b>3,937,449</b>
Transfers:				
Transfer from stage 1 to stage 2	(33,655)	33,655	—	—
Transfer from stage 1 to stage 3	(27,227)	—	27,227	—
Transfer from stage 2 to stage 3	—	(84,727)	84,727	—
Transfer from stage 3 to stage 2	—	18,068	(18,068)	—
Transfer from stage 2 to stage 1	29,955	(29,955)	—	—
Transfer from stage 3 to stage 1	16,286	—	(16,286)	—
Net remeasurement of loss allowance <sup>(2) (3)</sup>	(140,857)	95,020	972,017	926,180
New financial assets originated or purchased	230,885	14,119	70,613	315,617
Financial assets that have been derecognized	(158,973)	(31,969)	(117,782)	(308,724)
Unwind of discount <sup>(1)</sup>	555	2,320	274,570	277,445
FX and other movements	24,636	14,135	(15,832)	22,939
Write—offs	(255)	(423)	(699,798)	(700,476)
<b>Loss allowance as of September 30, 2019</b>	Ps. <b>637,078</b>	Ps. <b>220,876</b>	Ps. <b>3,612,476</b>	Ps. <b>4,470,430</b>

<sup>(1)</sup> The unwind of discount on Stage 3 financial assets is reported within "interest income" so that interest income is recognized on the amortized cost (after deducting the ECL allowance)

<sup>(2)</sup> The net remeasurement of loss allowance includes Ps. 322,568 by Concesionaria Ruta del Sol.

<sup>(3)</sup> This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance, the following table shows impact by stage:

Stage 1	12-	Stage 2	Lifetime ECL	Stage 3	Lifetime ECL	Total
12-	month	Lifetime ECL	not credit-	Lifetime ECL	credit-	Total
month	ECL	not credit-	impaired	credit-	impaired	Total
Ps.	5,629	Ps.	5,728	Ps.	34,703	Ps. 46,060

**Consumer loan portfolio**

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
<b>Loss allowance as of 31 December 2018</b>	Ps. <b>998,390</b>	Ps. <b>890,556</b>	Ps. <b>1,553,365</b>	Ps. <b>3,442,311</b>
Transfers:				
Transfer from stage 1 to stage 2	(177,390)	177,390	—	—
Transfer from stage 1 to stage 3	(155,936)	—	155,936	—
Transfer from stage 2 to stage 3	—	(377,575)	377,575	—
Transfer from stage 3 to stage 2	—	57,586	(57,586)	—
Transfer from stage 2 to stage 1	210,897	(210,897)	—	—
Transfer from stage 3 to stage 1	83,429	—	(83,429)	—
Net remeasurement of loss allowance <sup>(2)</sup>	(18,779)	374,370	1,573,449	1,929,040
New financial assets originated or purchased	216,083	62,645	51,326	330,054
Financial assets that have been derecognized	(118,278)	(72,078)	(70,244)	(260,600)
Unwind of discount <sup>(1)</sup>	—	16	60,010	60,026
FX and other movements	57,968	61,838	(17,969)	101,837
Write—offs	(34,266)	(39,094)	(1,931,676)	(2,005,036)
<b>Loss allowance as of September 30, 2019</b>	Ps. <b>1,062,118</b>	Ps. <b>924,757</b>	Ps. <b>1,610,757</b>	Ps. <b>3,597,632</b>

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- (1) The unwind of discount on Stage 3 financial assets is reported within "interest income" so that interest income is recognized on the amortized cost (after deducting the ECL allowance)
- (2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance, the following table shows impact by stage:

	<u>Stage 1 12-month ECL</u>		<u>Stage 2 Lifetime ECL not credit- impaired</u>		<u>Stage 3 Lifetime ECL credit- impaired</u>		<u>Total</u>
Ps.	(19,751)	Ps.	(10,415)	Ps.	40,286	Ps.	10,120

**Mortgage loan portfolio**

		<u>Stage 1 12-month ECL</u>		<u>Stage 2 Lifetime ECL not credit- impaired</u>		<u>Stage 3 Lifetime ECL credit- impaired</u>		<u>Total</u>
<b>Loss allowance as of 31 December 2018</b>	<b>Ps.</b>	<b>35,187</b>	<b>Ps.</b>	<b>73,461</b>	<b>Ps.</b>	<b>148,595</b>	<b>Ps.</b>	<b>257,243</b>
Transfers:								
Transfer from stage 1 to stage 2		(7,581)		7,581		—		—
Transfer from stage 1 to stage 3		(1,087)		—		1,087		—
Transfer from stage 2 to stage 3		—		(21,066)		21,066		—
Transfer from stage 3 to stage 2		—		8,414		(8,414)		—
Transfer from stage 2 to stage 1		18,662		(18,662)		—		—
Transfer from stage 3 to stage 1		3,760		—		(3,760)		—
Net remeasurement of loss allowance <sup>(2)</sup>		(13,088)		28,156		79,887		94,955
New financial assets originated or purchased		5,905		290		661		6,856
Financial assets that have been derecognized		1,689		(2,726)		(6,421)		(7,458)
Unwind of discount <sup>(1)</sup>		—		—		4,356		4,356
FX and other movements		1,868		9,530		(5,576)		5,822
Write—offs		(388)		(105)		(54,041)		(54,534)
<b>Loss allowance as of September 30, 2019</b>	<b>Ps.</b>	<b>44,927</b>	<b>Ps.</b>	<b>84,873</b>	<b>Ps.</b>	<b>177,440</b>	<b>Ps.</b>	<b>307,240</b>

- (1) The unwind of discount on Stage 3 financial assets is reported within "interest income" so that interest income is recognized on the amortized cost (after deducting the ECL allowance)
- (2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance, the following table shows impact by stage:

	<u>Stage 1 12-month ECL</u>		<u>Stage 2 Lifetime ECL not credit- impaired</u>		<u>Stage 3 Lifetime ECL credit- impaired</u>		<u>Total</u>
Ps.	(1,600)	Ps.	(560)	Ps.	1,566	Ps.	(594)

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**Microcredit loan portfolio**

	Stage 1		Stage 2		Stage 3		Total	
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired			
<b>Loss allowance as of 31 December 2018</b>	Ps.	<b>23,348</b>	Ps.	<b>11,962</b>	Ps.	<b>52,867</b>	Ps.	<b>88,177</b>
Transfers:								
Transfer from stage 1 to stage 2		(6,895)		6,895		—		—
Transfer from stage 1 to stage 3		(2,478)		—		2,478		—
Transfer from stage 2 to stage 3		—		(18,041)		18,041		—
Transfer from stage 3 to stage 2		—		1,866		(1,866)		—
Transfer from stage 2 to stage 1		4,295		(4,295)		—		—
Transfer from stage 3 to stage 1		668		—		(668)		—
Net remeasurement of loss allowance <sup>(2)</sup>		(1,442)		13,212		16,040		27,810
New financial assets originated or purchased		8,620		365		3		8,988
Financial assets that have been derecognized		(1,798)		(177)		(89)		(2,064)
Unwind of discount <sup>(1)</sup>		—		—		7,618		7,618
FX and other movements		—		—		—		—
Write—offs		(99)		(59)		(41,209)		(41,367)
<b>Loss allowance as of September 30, 2019</b>	Ps.	<b>24,219</b>	Ps.	<b>11,728</b>	Ps.	<b>53,215</b>	Ps.	<b>89,162</b>

<sup>(1)</sup> The unwind of discount on Stage 3 financial assets is reported within "interest income" so that interest income is recognized on the amortized cost (after deducting the ECL allowance)

<sup>(2)</sup> This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance, the following table shows impact by stage:

	Stage 1 12-month ECL		Stage 2 Lifetime ECL not credit-impaired		Stage 3 Lifetime ECL credit-impaired		Total	
	Ps.	353	Ps.	(108)	Ps.	(6)	Ps.	239

**Financial lease loan portfolio**

	Stage 1		Stage 2		Stage 3		Total	
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired			
<b>Loss allowance as of 31 December 2018</b>	Ps.	<b>72,221</b>	Ps.	<b>30,434</b>	Ps.	<b>368,352</b>	Ps.	<b>471,007</b>
Transfers:								
Transfer from stage 1 to stage 2		(4,226)		4,226		—		—
Transfer from stage 1 to stage 3		(9,489)		—		9,489		—
Transfer from stage 2 to stage 3		—		(7,584)		7,584		—
Transfer from stage 3 to stage 2		—		4,361		(4,361)		—
Transfer from stage 2 to stage 1		7,698		(7,698)		—		—
Transfer from stage 3 to stage 1		5,606		—		(5,606)		—
Net remeasurement of loss allowance <sup>(2)</sup>		(20,869)		7,357		78,140		64,628
New financial assets originated or purchased		15,488		1,936		14,956		32,380
Financial assets that have been derecognized		(3,641)		(870)		(7,915)		(12,426)
Unwind of discount <sup>(1)</sup>		—		—		21,384		21,384
FX and other movements		911		571		(1,354)		128
Write—offs		(27)		(71)		(86,122)		(86,220)
<b>Loss allowance as of September 30, 2019</b>	Ps.	<b>63,672</b>	Ps.	<b>32,662</b>	Ps.	<b>394,547</b>	Ps.	<b>490,881</b>

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- (1) The unwind of discount on Stage 3 financial assets is reported within "interest income" so that interest income is recognized on the amortized cost (after deducting the ECL allowance)
- (2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance, the following table shows impact by stage:

	<u>Stage 1</u> <u>12-month ECL</u>		<u>Stage 2</u> <u>Lifetime ECL</u> <u>not credit-</u> <u>impaired</u>		<u>Stage 3</u> <u>Lifetime ECL</u> <u>credit-</u> <u>impaired</u>		<u>Total</u>
Ps.	(1,813)	Ps.	1,152	Ps.	309	Ps.	(352)

On August 6, 2019, An Arbitration Tribunal of the Chamber of Commerce of Bogotá, declared the nullity of the Concession Contract N° 001 of 2010, its amendments and other contractual agreements, entered into by and between the former Instituto Nacional de Concesiones – INCO (now ANI) and Concesionaria Ruta del Sol S.A.S (CRDS) for the construction of Project Ruta del Sol 2.

As a result, the Arbitration Tribunal established an amount of TWO HUNDRED ELEVEN THOUSAND TWO HUNDRED SEVENTY-THREE MILLION PESOS (Ps. 211,273), as the value that ANI shall recognize CRDS for the benefit of its third-party good faith creditors. This amount, added to the two payments received by the creditor banks in December 2017 and January 2019 for a total of Ps. 1.42 trillion pesos, result in a liquidation value of at least Ps. 1.63 trillion pesos for the Concession Contract N° 001 of 2010, for the construction of Project Ruta del Sol 2.

Episol, the banking subsidiaries of Grupo Aval and other parties to these proceeding timely filed appeals for annulment of the award that must be resolved by the Consejo de Estado (Colombia's Supreme Court on for administrative matters)

#### Investments in debt securities at FVOCI

		<u>Stage 1</u> <u>12-month</u> <u>ECL</u>		<u>Stage 2</u> <u>Lifetime</u> <u>ECL not</u> <u>credit-</u> <u>impaired</u>		<u>Stage 3</u> <u>Lifetime</u> <u>ECL credit-</u> <u>impaired</u>		<u>Total</u>
<b>Loss allowance as of 31 December 2018</b>	Ps.	<u>20,757</u>	Ps.	<u>31,980</u>	Ps.	<u>46,280</u>	Ps.	<u>99,017</u>
Transfers:								
Transfer from stage 1 to stage 2		—		—		—		—
Net remeasurement of loss allowance <sup>(2)</sup>		(3,479)		(3,565)		(55)		(7,099)
New financial assets originated or purchased		18,737		—		—		18,737
Financial assets that have been derecognized		(3,385)		(17,990)		(45,602)		(66,977)
Unwind of discount <sup>(1)</sup>		—		—		—		—
FX and other movements		(1,039)		(807)		(623)		(2,469)
<b>Loss allowance as of September 30, 2019</b>	Ps.	<u><u>31,591</u></u>	Ps.	<u><u>9,618</u></u>	Ps.	<u><u>—</u></u>	Ps.	<u><u>41,209</u></u>

- (1) The unwind of discount on Stage 3 financial assets is reported within "interest income" so that interest income is recognized on the amortized cost (after deducting the ECL allowance)

- (2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance, the following table shows impact by stage:

	<u>Stage 1</u> <u>12-</u> <u>month ECL</u>		<u>Stage 2</u> <u>Lifetime ECL</u> <u>not credit-</u> <u>impaired</u>		<u>Stage 3</u> <u>Lifetime ECL</u> <u>credit-impaired</u>		<u>Total</u>
Ps.	(2,174)	Ps.	—	Ps.	—	Ps.	(2,174)

#### Investments in debt securities at amortized cost

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
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	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
<b>Loss allowance as of 31 December 2018</b>	Ps. 71	Ps. —	Ps. —	Ps. 71
Transfers:				
Transfer from stage 1 to stage 2	—	—	—	—
Net remeasurement of loss allowance <sup>(2)</sup>	176	—	—	176
New financial assets originated or purchased	435	—	—	435
Financial assets that have been derecognized	(28)	—	—	(28)
Unwind of discount <sup>(1)</sup>	—	—	—	—
FX and other movements	(52)	—	—	(52)
<b>Loss allowance as of September 30, 2019</b>	<b>Ps. 602</b>	<b>Ps. —</b>	<b>Ps. —</b>	<b>Ps. 602</b>

<sup>(1)</sup> The unwind of discount on Stage 3 financial assets is reported within "interest income" so that interest income is recognized on the amortized cost (after deducting the ECL allowance)

<sup>(2)</sup> This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance, the following table shows impact by stage:

Stage 1 12- month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit- impaired	Total
Ps. 146	Ps. —	Ps. —	Ps. 146

**Other accounts receivable**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Simplified Approach	Total
<b>Loss allowance as of 31 December 2018</b>	Ps. 19,700	Ps. 11,561	Ps. 66,327	Ps. 159,303	Ps. 256,891
Transfers stages	(19,176)	(754)	19,930	—	—
Net remeasurement of loss allowance	2,739	(1,204)	22,481	21,254	45,270
New financial assets originated or purchased	—	—	—	—	—
Financial assets that have been derecognized	—	—	—	—	—
Unwind of discount <sup>(1)</sup>	—	—	—	—	—
FX and other movements	367	—	—	795	1,162
Approach change	8,996	(1,421)	(10,170)	2,595	—
Write—offs	(1,579)	(534)	(7,118)	(6,191)	(15,422)
<b>Loss allowance as of September 30, 2019</b>	<b>Ps. 11,047</b>	<b>Ps. 7,648</b>	<b>Ps. 91,450</b>	<b>Ps. 177,756</b>	<b>Ps. 287,901</b>

<sup>(1)</sup> The unwind of discount on Stage 3 financial assets is reported within "interest income" so that interest income is recognized on the amortized cost (after deducting the ECL allowance)

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**Loan commitments and financial guarantee contracts**

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
<b>Loss allowance as of 31 December 2018</b>	Ps. <u>40,715</u>	Ps. <u>14,358</u>	Ps. <u>4,355</u>	Ps. <u>59,428</u>
Transfers:				
Transfer from Stage 1 to Stage 2	(619)	619	—	—
Transfer from Stage 1 to Stage 3	(223)	—	223	—
Transfer from Stage 2 to Stage 3	—	(172)	172	—
Transfer from Stage 3 to Stage 2	—	42	(42)	—
Transfer from Stage 2 to Stage 1	8,320	(8,320)	—	—
Transfer from Stage 3 to Stage 1	3,542	—	(3,542)	—
Net remeasurement of loss allowance	(28,204)	(3,844)	(587)	(32,635)
New loan commitments and financial guarantees issued	10,003	1,044	67	11,114
FX and other movements	1,021	1	8	1,030
<b>Loss allowance as of September 30, 2019</b>	Ps. <u>34,555</u>	Ps. <u>3,728</u>	Ps. <u>654</u>	Ps. <u>38,937</u>

**g) Credit Commitments**

Following is the detail of the guarantees, letters of credit and credit commitments on non-used credit lines as of September 30, 2019 and December 31, 2018:

**Credit lines commitments not used**

	September 30, 2019	December 31, 2018
	Notional amount	Notional amount
Guarantees	Ps. 3,329,461	Ps. 3,446,601
Unused letters of credit	1,202,018	1,186,691
Unused limits of overdrafts	77,807	306,740
Unused credit card limits	23,674,667	20,816,061
Other	4,799,265	5,169,588
<b>Total</b>	Ps. <u>33,083,218</u>	Ps. <u>30,925,681</u>

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

	September 30, 2019	December 31, 2018
Colombian Pesos	Ps. 15,160,806	Ps. 14,918,915
U.S. dollars	14,482,766	12,885,921
Euro	3,222,871	2,892,670
Other	216,775	228,175
<b>Total</b>	Ps. <u>33,083,218</u>	Ps. <u>30,925,681</u>



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**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 subsidiary Promigas, as follows:

**Hedges of net investment in foreign operations**

Banco de Bogotá and Banco de Occidente are exposed to foreign exchange risk relating to their investments in foreign subsidiaries, whose functional currencies are the US dollar.

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.

To cover this risk, Grupo Aval hedges its exposure through foreign currency financial liabilities expressed in U.S. dollars and forward contracts for the sale of U.S. dollars.

Changes in the fluctuation of the Colombian peso against the U.S. dollar are as follows:

Date	Value of USD 1	Nine-month variation in pesos
September 30, 2019	3,477.45	227.70
December 31, 2018	3,249.75	277.57
September 30, 2018	2,972.18	(11.82)

According to information described above, the following table shows movements of OCI gross of taxes, related to hedges of net investment in foreign operations:

Detail of investment	Translation adjustment of the investments	Exchange difference of financial liabilities	Exchange difference in forward contracts	Net OCI account
Leasing Bogotá Panamá	Ps. 984,240	Ps. (470,678)	Ps. (513,189)	Ps. 373
Other subsidiaries and branches Banco de Bogotá	31,330	—	(31,457)	(127)
Occidental Bank Barbados	7,197	(7,197)	—	—
Banco de Occidente Panamá	9,210	(9,210)	—	—
Sociedad Portuaria El Cayao S.A. E.S.P.	4,736	(4,736)	—	—
Gases del Pacífico S.A.C.	408	(408)	—	—
Gas Natural de Lima y Callao S.A.C. – Calidda	11,919	(11,919)	—	—
<b>Total</b>	<b>Ps. 1,049,040</b>	<b>Ps. (504,148)</b>	<b>Ps. (544,646)</b>	<b>Ps. 246</b>

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

**September 30, 2019**

Detail of investment	Thousands of USD			Ps. millions			
	Investment amount	Amount of hedge by financial liabilities in foreign currency	Amount of hedge by forward contracts	Cumulative translation adjustment of the investments	Exchange difference of financial liabilities (1)	Exchange difference in forward contracts	Net OCI account
Leasing Bogotá Panamá	4,324,048	(2,067,100)	(2,244,198)	Ps. 5,113,621	Ps. (2,065,883)	Ps. (3,183,020)	Ps. (135,282)
Other subsidiaries and branches Banco de Bogotá (2)	137,871	—	(137,446)	157,308	—	(154,855)	2,453
Occidental Bank Barbados	30,415	(30,415)	—	31,803	(31,803)	—	—
Banco de Occidente (Panamá)	38,023	(38,023)	—	44,787	(44,787)	—	—
Sociedad Portuaria El Cayao S.A. E.S.P.	21,214	(21,214)	—	14,808	(14,808)	—	—
Gases del Pacífico S.A.C.	2,500	(2,500)	—	2,802	(2,802)	—	—
Gas Natural de Lima y Callao S.A.C. – Calidda	51,218	(51,218)	—	19,915	(19,915)	—	—
<b>Total</b>	<b>4,605,289</b>	<b>(2,210,470)</b>	<b>(2,381,644)</b>	<b>Ps. 5,385,044</b>	<b>Ps. (2,179,998)</b>	<b>Ps. (3,337,875)</b>	<b>Ps. (132,829)</b>

**December 31, 2018**

Detail of investment	Thousands of USD			Ps. millions			
	Investment amount	Amount of hedge by financial liabilities in foreign currency	Amount of hedge by forward contracts	Cumulative translation adjustment of the investments	Exchange difference of financial liabilities (1)	Exchange difference in forward contracts	Net OCI account
Leasing Bogotá Panamá	3,964,051	(2,067,100)	(1,896,348)	Ps. 4,129,381	Ps. (1,595,205)	Ps. (2,669,831)	Ps. (135,655)
Other subsidiaries and branches Banco de Bogotá (2)	126,380	—	(121,116)	125,978	—	(123,398)	2,580
Occidental Bank Barbados	23,971	(23,971)	—	24,606	(24,606)	—	—
Banco de Occidente (Panamá)	23,439	(23,439)	—	35,577	(35,577)	—	—
Sociedad Portuaria El Cayao S.A. E.S.P.	31,214	(31,214)	—	10,072	(10,072)	—	—
Gases del Pacífico S.A.C.	4,000	(4,000)	—	2,394	(2,394)	—	—
Gas Natural de Lima y Callao S.A.C. – Calidda	31,649	(19,336)	—	7,996	(7,996)	—	—
<b>Total</b>	<b>4,204,704</b>	<b>(2,169,060)</b>	<b>(2,017,464)</b>	<b>Ps. 4,336,004</b>	<b>Ps. (1,675,850)</b>	<b>Ps. (2,793,229)</b>	<b>Ps. (133,075)</b>

(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.

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**a) Hedging of foreign exchange**

Banco de Bogotá designated financial liabilities as hedging instruments on December 21, 2015 these 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. 73,708. 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.

**b) 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.

**c) 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 to this, each hedging was effective at September 30, 2019 and December 31, 2018.

**NOTE 6 – TANGIBLE ASSETS**

<b>Property, plant and equipment</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Properties, plant and equipment for own use	Ps. 5,786,357	Ps. 5,663,743
Right-of-use assets <sup>(1)</sup>	2,175,998	—
Investment properties	937,702	836,324
Biological assets	102,812	84,206
Properties, plant and equipment given in operating lease	7,465	4,210
<b>Total</b>	<b>Ps. 9,010,334</b>	<b>Ps. 6,588,483</b>

(1) The Group has adopted IFRS 16 from January 1, 2019 (See Note 2.)

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**NOTE 7 – GOODWILL**

The following is the roll-forward of goodwill balances during the period ended September 30, 2019 and December 31, 2018:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>Balance at the beginning of the period</b>	Ps. <u>7,318,594</u>	Ps. <u>6,901,056</u>
Foreign exchange adjustment	357,755	417,538
<b>Balance at the end of the period</b>	Ps. <u><u>7,676,349</u></u>	Ps. <u><u>7,318,594</u></u>

**NOTE 8 – CONCESSIONS**

The following are the balances for Grupo Aval for concession contracts for the nine-months periods ended September 30, 2019 and September 30, 2018:

	<b>Gas and energy</b>	<b>Infrastructure</b>	<b>Total</b>
<b>Cost</b>			
<b>At December 31, 2017</b>	Ps. <u>2,546,056</u>	Ps. <u>1,495,628</u>	Ps. <u>4,041,684</u>
Impact of the adoption of IFRS 15	—	569,994	569,994
<b>At January 1, 2018</b>	Ps. <u>2,546,056</u>	Ps. <u>2,065,622</u>	Ps. <u>4,611,678</u>
Additions	301,020	1,237,696	1,538,716
Reclassification to PPE	(4,954)	—	(4,954)
Withdrawals / Sales	(880)	(21,353)	(22,233)
Foreign exchange adjustment	(740)	—	(740)
<b>At September 30, 2018</b>	Ps. <u><u>2,840,502</u></u>	Ps. <u><u>3,281,965</u></u>	Ps. <u><u>6,122,467</u></u>
<b>Accumulated Amortization</b>			
<b>At December 31, 2017</b>	Ps. <u>(369,893)</u>	Ps. <u>(557,624)</u>	Ps. <u>(927,517)</u>
Amortization of the period	(94,025)	(119,873)	(213,898)
Reclassification to PPE	(9)	—	(9)
Withdrawals / sales	102	—	102
Foreign exchange adjustment	(129)	—	(129)
<b>At September 30, 2018</b>	Ps. <u><u>(463,954)</u></u>	Ps. <u><u>(677,497)</u></u>	Ps. <u><u>(1,141,451)</u></u>
<b>Total Intangible Assets</b>			
<b>At December 31, 2017</b>	Ps. <u>2,176,163</u>	Ps. <u>938,004</u>	Ps. <u>3,114,167</u>
Impact of the adoption of IFRS 15	—	569,994	569,994
<b>At January 1, 2018</b>	Ps. <u>2,176,163</u>	Ps. <u>1,507,998</u>	Ps. <u>3,684,161</u>
Cost	294,446	1,216,343	1,510,789
Amortization	(94,061)	(119,873)	(213,934)
<b>At September 30, 2018</b>	Ps. <u><u>2,376,548</u></u>	Ps. <u><u>2,604,468</u></u>	Ps. <u><u>4,981,016</u></u>
	<b>Gas and energy</b>	<b>Infrastructure</b>	<b>Total</b>
<b>Cost</b>			
<b>At December 31, 2018</b>	Ps. <u>3,033,014</u>	Ps. <u>3,732,759</u>	Ps. <u>6,765,773</u>
Additions	494,409	1,160,909	1,655,318
Reclassification to PPE	255	—	255
Withdrawals / Sales	(3,059)	(408)	(3,467)
Foreign exchange adjustment	38,211	—	38,211
<b>At September 30, 2019</b>	Ps. <u><u>3,562,830</u></u>	Ps. <u><u>4,893,260</u></u>	Ps. <u><u>8,456,090</u></u>

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	Gas and energy	Infrastructure	Total
<b>Accumulated Amortization</b>			
<b>At December 31, 2018</b>	Ps. <u>(501,737)</u>	Ps. <u>(749,555)</u>	Ps. <u>(1,251,292)</u>
Amortization of the period	(101,277)	(94,731)	(196,008)
Reclassification to PPE	—	—	—
Withdrawals / sales	2,931	(21,884)	(18,953)
Foreign exchange adjustment	(2,219)	—	(2,219)
<b>At September 30, 2019</b>	Ps. <u><u>(602,302)</u></u>	Ps. <u><u>(866,170)</u></u>	Ps. <u><u>(1,468,472)</u></u>
<b>Impairment losses</b>			
<b>At December 31, 2018</b>	Ps. <u>—</u>	Ps. <u>—</u>	Ps. <u>—</u>
Impairment charge	—	(2,007)	(2,007)
<b>At September 30, 2019</b>	Ps. <u><u>—</u></u>	Ps. <u><u>(2,007)</u></u>	Ps. <u><u>(2,007)</u></u>
<b>Total Intangible Assets</b>			
<b>At December 31, 2018</b>	Ps. <u>2,531,277</u>	Ps. <u>2,983,204</u>	Ps. <u>5,514,481</u>
Cost	529,816	1,160,501	1,690,317
Amortization	(100,565)	(116,615)	(217,180)
Impairment losses	—	(2,007)	(2,007)
<b>At September 30, 2019</b>	Ps. <u><u>2,960,528</u></u>	Ps. <u><u>4,025,083</u></u>	Ps. <u><u>6,985,611</u></u>

#### **NOTE 9 – INCOME TAX**

The current income tax expense and the deferred income tax expense are both recognized based on the best management's estimate for the interim period.

The effective tax rate of the consolidated Grupo Aval, with respect to the continuous operations for the three-month period ended September 30, 2019 was 25.19%, and for the three-month period ended September 30, 2018 was 34.07%.

The effective tax rate with respect to continuous operations for the nine-month period ended September 30, 2019 was 29.0%, and for the nine-month period ended September 30, 2018 was 32.1%.

The 8.88% decrease in the effective tax rate for the third quarter of 2019, compared to the same period of the previous year and the 3.10% decrease for the nine-month period ended September 30, 2019 compared to the same period of the previous year, were mainly caused by the following factors:

- The nominal tax rate decreased by 4% for companies responsible for income tax in Colombia, which are not classified as financial entities, from 37% in 2018 to 33% in 2019, in accordance with Law 1943 of 2018; this effect is mainly driven by the consolidation of Corficolombiana's subsidiaries.
- On August 2019, Banco de Occidente recorded a recovery of deferred tax of Ps. 61,416, due to the update of the fiscal cost of the assets which were subject to fiscal consolidation, in the tax normalization return filed following the provisions of Law 1943 of 2018.
- On September 2019, Banco Popular recorded a recovery of deferred tax of Ps. 30,303, due to the update of the fiscal cost of the assets which were subject to fiscal consolidation, in the tax normalization return filed following the provisions of Law 1943 of 2018.

In addition to the above, the variation of the accumulated effective rate observed for the nine months period being compared is lower than the variation for the quarter being compared, because during the year 2018 Banco de Occidente

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received a CREE tax refund of Ps. 50,860, corresponding to the 2013 and 2014 fiscal years, based on judgment C-10/18.

On October 29, 2019, the Constitutional Court of Colombia determined as unconstitutional the tax surcharge applicable to financial entities. The immediate effect of this resolution resulted in a decrease of the tax rate to determine the current tax provision from 37% to 33%. However, for deferred taxes purposes it was concluded that these should be determined using the same tax rates as those enacted as of September 30, 2019, since tax rates to be in force subsequent to 2019 are expected to be readjusted back at December 31, 2019 if a new law that modifies such rates is approved.

Based on the above, it is expected that the year end consolidated financial statements will include an adjustment for the reversal of the income tax provision registered up to September, which had been calculated at the rate of the rent, surcharge declared unenforceable.

**NOTE 10 – EMPLOYEE BENEFITS**

The detail of the balance of liabilities for employee benefits as of September 30, 2019 and December 31, 2018 is as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Short term	629,707	481,320
Post-employment	546,890	541,226
Long term <sup>(1)</sup>	179,800	242,335
<b>Total</b>	<b>Ps. <u>1,356,397</u></b>	<b>Ps. <u>1,264,881</u></b>

<sup>(1)</sup> The variation includes the effect of a change in a long-term institutional benefit plan at Banco de Bogotá, which went from being a defined benefit plan to a defined contribution plan, through which the bank makes monthly contributions into a fund created for each employee, resulting in an impact of Ps. 73,752.

**NOTE 11 – PROVISIONS**

Below are the balances for legal provisions and other provisions during the periods ended on September 30, 2019 and December 31, 2018:

Concepts	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Legal Provisions	<b>Ps. 135,249</b>	<b>Ps. 125,929</b>
Other provisions	601,154	569,359
<b>Total</b>	<b>Ps. <u>736,403</u></b>	<b>Ps. <u>695,288</u></b>

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**NOTE 12 – OTHER LIABILITIES**

Accounts payable and other liabilities comprised the following for the periods ended on September 30, 2019 and December 31, 2018:

<b>OTHERS</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Suppliers and services payable	Ps. 1,621,607	Ps. 1,846,831
Dividends payable <sup>(1)</sup>	1,165,082	535,311
Income received for third parties <sup>(2)</sup>	857,218	453,450
Cashier checks	637,088	690,195
Non-financial liabilities	520,795	478,833
Resources for third parties anchoring	514,588	535,960
Collection on behalf of third parties <sup>(3)</sup>	489,947	1,514,309
Withholdings taxes and labor contributions	381,637	427,782
Commissions and fees	375,088	430,279
Collection service	283,308	314,785
Transactions ACH and ATH <sup>(4)</sup>	181,632	605,657
Customer loyalty programs	178,610	154,979
Affiliate establishments	171,610	335,078
Anticipated income	27,256	34,605
Cash Surplus	64,644	167,309
Checks drawn and not paid	53,514	48,864
Financial transactions tax	49,516	45,905
Tax levies	49,079	71,691
Canceled accounts	27,735	26,987
Insurance payables	23,092	48,505
Promissory buyers	17,963	18,371
Other liabilities	300,177	222,267
<b>Total</b>	<b>Ps. 7,991,186</b>	<b>Ps. 9,007,953</b>

<b>OTHERS</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Liabilities to be canceled within twelve months	5,664,420	6,970,611
Liabilities to be canceled after twelve months	2,326,766	2,037,342
<b>Total</b>	<b>Ps. 7,991,186</b>	<b>Ps. 9,007,953</b>

- (1) The increase of Ps. 629,771 corresponds to dividends payable that were approved at the shareholders meetings of the different entities of the Group held in March 2019.
- (2) The increase of Ps. 390,514 corresponds to the concessions for the concepts of funding of land costs, networks, environmental issues and toll collection.
- (3) The decrease of Ps. 1,024,362 correspond to collections made in December 2018 for payment of withholding tax the source of outstanding payments to the tax authority.
- (4) The decrease of Ps. 424,025 corresponds to the compensation of electronic ACH and ATH transactions for payment and transfer concepts.

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**NOTE 13 – EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT**

**Declared dividends**

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

	<u>September 30, 2019</u>		<u>December 31, 2018</u>
Profits of the immediately preceding period determined in the separate financial statements of Grupo Aval.	Ps. 2,887,749	Ps.	2,001,178
Release of Occasional Reserves available to the Assembly	6,265,450		5,333,761
<b>Total available to the Assembly</b>	<b>Ps. 9,153,199</b>	<b>Ps.</b>	<b>7,334,939</b>
Cash dividends declared	60 pesos per share payable in twelve installments of 5 pesos per share, from April 2019 to March 2020		48 pesos per share payable in twelve installments of 4 pesos per share, from April 2018 to March 2019
Total shares outstanding	22,281,017,159		22,281,017,159
<b>Total dividends decreed for controlling interests</b>	<b>1,336,861</b>		<b>1,069,489</b>
<b>Total Occasional Reserve available to the Assembly</b>	<b>7,816,338</b>		<b>6,265,450</b>

**Equity transactions**

As of September 30, 2019, some transactions were presented created changes in the interests of Grupo Aval and its subsidiaries have on the following investments:

The Board of Directors of Proyectos de Infraestructura - PISA S.A. authorized the purchase of 290,061,750 minority shares equivalent to 50.50% of Concesiones CCFC S.A.S., for a value of Ps. 67,097 million, with which PISA S.A. increase its ownership from 49.50% to 100% of CCFC S.A.S.

During Corficolombiana's dividend distribution process, Grupo Aval and its subsidiaries received dividends in shares, unlike some minority shareholders who chose to receive the dividend payment in cash, generating a dilution effect at a consolidated level for Grupo Aval, which resulted in a modification of its participation going from 38.25% to 38.63%.



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**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

**Capital expenses commitments**

As of September 30, 2019, and December 31, 2018, Grupo Aval and its subsidiaries had contractual disbursement commitments of capital expenditures for Ps. 412,751 and Ps. 127,367, respectively.

**Contingencies**

As of September 30, 2019, and December 31, 2018, Grupo Aval and its subsidiaries attended administrative and legal proceedings as defendant; the claims of the proceedings were assessed based on analyses and opinion-s of responsible lawyers. The following legal contingencies were determined:

**Labor Proceedings**

As of September 30, 2019, and December 31, 2018, labor complaints had been recognized for Ps. 84,452 and Ps. 80,113 respectively. Historically, many of these proceedings have been resolved in favor of Grupo Aval and its subsidiaries.

**Civil Proceedings**

As of September 30, 2019, and December 31, 2018, the result of the assessment of the claims its of legal proceedings for civil suits, not including those with remote probability, reached an amount of Ps. 747,072 and Ps. 391,310 respectively.

**Administrative, Tax Proceedings and Other Proceedings**

Claims derived from administrative and judicial processes include those of fiscal responsibility over the concession contracts, tax proceedings and other, filed by national and local tax authorities. These authorities may establish, in some cases, sanctions in which Grupo Aval and its subsidiaries affiliates may incur as a result of: (i) the performance of their duty as a withholder or collector of national and local taxes, and/or (ii) the obligation to pay a higher tax amount in their condition of taxpayers. As of September 30, 2019, and December 31, 2018, the amount of the claims amounted to Ps. 158,469 and Ps. 241,092 respectively.

**NOTE 15 – NET INCOME FROM COMMISSIONS AND FEE**

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

**Net income from commissions and fees:**

	<b>For the three-month periods ended</b>				<b>For the nine-month periods ended</b>			
	<b>September 30</b>				<b>September 30</b>			
<b>Income from commissions and fees</b>	<b>2019</b>		<b>2018</b>		<b>2019</b>		<b>2018</b>	
Commissions on banking services	Ps	753,060	Ps	661,498	Ps	2,184,353	Ps	1,989,450
Fees on credit cards		337,846		294,102		967,720		855,357
Pension and severance fund management		279,631		244,106		836,209		732,855
Trust activities		87,126		77,251		252,190		231,503
Storage services		39,825		38,905		120,910		115,242
Commissions on drafts, checks and checkbooks		12,771		12,098		37,539		36,649
Office network services		6,287		5,979		18,447		24,926

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	For the three-month periods ended September 30		For the nine-month periods ended September 30	
Other commissions	2,645	2,121	7,658	7,724
<b>Total</b>	<b>Ps. 1,519,191</b>	<b>Ps. 1,336,060</b>	<b>Ps. 4,425,026</b>	<b>Ps. 3,993,706</b>

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
Commissions and fees expenses	2019	2018	2019	2018
Banking services	Ps (80,092)	Ps (70,904)	Ps (225,225)	Ps (228,334)
Affiliations to pension funds	(26,921)	(18,451)	(71,173)	(55,944)
Information processing services of operators	(4,249)	(4,940)	(13,466)	(17,890)
Offices network services	(2,716)	(3,015)	(9,923)	(19,470)
Administration and intermediation services	(1,051)	(894)	(3,006)	(2,586)
Collection Service of contributions to financial entities	(38)	(1,619)	(1,320)	(5,453)
Banking expenses	(190)	(177)	(518)	(522)
Others	(48,742)	(42,296)	(139,009)	(120,493)
<b>Total</b>	<b>(163,999)</b>	<b>(142,296)</b>	<b>(463,640)</b>	<b>(450,692)</b>
<b>Net income from commissions and fees</b>	<b>Ps. 1,355,192</b>	<b>Ps. 1,193,764</b>	<b>Ps. 3,961,386</b>	<b>Ps. 3,543,014</b>

**Net income from sale of goods and services:**

	For the three-month periods ended September 30		For the nine-month periods ended September 30	
Net income from sale of goods and services:	2019	2018	2019	2018
Income from goods and services from non-financial sector (1)	Ps 2,283,969	Ps 2,435,262	Ps 6,098,073	Ps 5,147,252
Others operating income	96,987	29,895	284,248	149,720
<b>Total income</b>	<b>Ps. 2,380,956</b>	<b>Ps. 2,465,157</b>	<b>Ps. 6,382,321</b>	<b>Ps. 5,296,972</b>
Cost of sales of companies from non-financial sector	Ps (1,342,339)	Ps (1,118,438)	Ps (3,318,812)	Ps (2,721,999)
General and administrative expenses	(134,246)	(130,210)	(424,002)	(405,946)
Personnel expenses	(137,115)	(124,955)	(410,263)	(366,950)
Amortization	(48,042)	(77,235)	(209,495)	(226,403)
Commissions and fees expenses	(8,141)	(3,178)	(22,973)	(12,647)
Depreciation	(18,565)	(23,684)	(72,244)	(69,896)
Bonus payments	(8,985)	(6,667)	(28,375)	(26,067)
Allowance for impairment of loans and receivables	(3,375)	(4,419)	(27,116)	(18,457)
Donations expenses	(2,965)	(3,050)	(8,893)	(9,430)
Depreciation right of use assets	(15,134)	—	(22,168)	—
Labor severances	(556)	(1,017)	(2,198)	(2,035)
<b>Total costs for goods and services</b>	<b>Ps. (1,719,463)</b>	<b>Ps. (1,492,853)</b>	<b>Ps. (4,546,539)</b>	<b>Ps. (3,859,830)</b>
<b>Net, income from non-financial sector</b>	<b>Ps. 661,493</b>	<b>Ps. 972,304</b>	<b>Ps. 1,835,782</b>	<b>Ps. 1,437,142</b>

(1) The increase corresponding to the nine months is mainly due to the progress of work in the Promigas concessions for Ps. 497,861, Concesionaría vial del Pacifico for Ps. 243,893 and Concecol for Ps. 238,006.

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**NOTE 16 – NET TRADING INCOME**

Net trading income includes income from debt and equity securities, cross currency and bond derivatives:

	<b>For the three-month periods ended September 30</b>		<b>For the nine-month periods ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Trading investment income <sup>(1)</sup></b>				
Fixed income securities	Ps. 48,321	Ps. 24,424	Ps. 203,942	Ps. 73,979
Equities	104,697	20,112	284,616	47,982
<b>Total trading investment income</b>	<b>Ps. 153,018</b>	<b>Ps. 44,536</b>	<b>Ps. 488,558</b>	<b>Ps. 121,961</b>
<b>Derivatives income</b>				
Net income (loss) on financial derivatives <sup>(2)</sup>	250,091	24,885	199,254	12,095
Other trading income <sup>(3)</sup>	78,208	40,045	110,255	129,732
<b>Total derivatives income</b>	<b>Ps. 328,299</b>	<b>Ps. 64,930</b>	<b>Ps. 309,509</b>	<b>Ps. 141,827</b>
<b>Total net trading income</b>	<b>Ps. 481,317</b>	<b>Ps. 109,466</b>	<b>Ps. 798,067</b>	<b>Ps. 263,788</b>

(1) Includes net trading income from investment securities held for trading, which 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 trading derivatives, which reflects the gains/losses from mark-to-market valuation on trading derivatives.

(3) Includes gains/losses from: (i) Net changes in the valuation of hedging derivatives from mark-to-market valuations from unhedged, (ii) the ineffective portion of the hedge, and (iii) Transfers of due hedging derivatives from OCI to the statement of income.

**NOTE 17 – OTHER INCOME AND EXPENSE**

Below is the detail of the others income and expense:

<b>Other Income</b>	<b>For the three-month periods ended September 30</b>		<b>For the nine-month periods ended September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Net gain on sale of debt and equity securities	Ps. 118,854	Ps. 5,935	Ps. 189,918	Ps. (13,960)
Share of profit of equity accounted investees, net of tax	64,897	53,816	174,445	142,361
Dividends	3,381	5,107	82,982	61,242
Gain on the sale of non-current assets held for sale	5,601	8,290	18,183	14,462
Net gain on asset valuation	4,754	2,210	1,978	10,022
Foreign exchange gains (losses), net	(207,828)	106,036	(25,174)	371,312
Other income	115,119	116,156	314,428	272,432
<b>Total other income</b>	<b>Ps. 104,778</b>	<b>Ps. 297,550</b>	<b>Ps. 756,760</b>	<b>Ps. 857,871</b>

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Other expense	For the three-month periods ended September 30		For the nine-month periods ended September 30	
	2019	2018	2019	2018
Personnel expenses	Ps. (1,061,648)	Ps. (946,795)	Ps. (3,023,925)	Ps. (2,831,389)
Taxes and fees <sup>(1)</sup>	(286,048)	(183,425)	(690,911)	(538,979)
Affiliation contributions and transfers	(177,432)	(129,564)	(482,771)	(376,397)
Consultancy, audit and other fees	(166,648)	(134,330)	(464,425)	(391,459)
Depreciation and amortization	(156,914)	(137,758)	(452,071)	(398,116)
Maintenance and repairs	(117,849)	(89,748)	(328,411)	(265,034)
Insurance	(96,378)	(94,463)	(282,997)	(279,704)
Marketing	(90,832)	(78,067)	(226,880)	(220,065)
Depreciation right of use assets <sup>(2)</sup>	(74,936)	—	(219,618)	—
Warehouse services	(72,233)	(67,079)	(206,594)	(198,246)
Transportation services	(44,342)	(44,565)	(133,196)	(134,360)
Leases (rent)	(46,226)	(112,443)	(128,044)	(345,838)
Cleaning and security services	(35,028)	(31,153)	(100,693)	(93,785)
Outsourcing services	(37,721)	(30,377)	(97,771)	(93,324)
Supplies and stationary	(23,731)	(19,297)	(71,155)	(57,412)
Electronic data processing	(16,752)	(20,490)	(60,901)	(58,507)
Travel expenses	(14,145)	(12,137)	(40,910)	(37,841)
Adaptation and installation	(13,488)	(11,068)	(36,847)	(37,135)
Loss from sale of non-current assets held for sale	(1,308)	(769)	(3,571)	(2,781)
Other expense	(92,376)	(87,859)	(269,955)	(299,368)
<b>Total other expense</b>	<b>Ps. (2,626,035)</b>	<b>Ps. (2,231,387)</b>	<b>Ps. (7,321,646)</b>	<b>Ps. (6,659,740)</b>

(1) Taxes and fees include the fiscal consolidation carried out in Banco de Occidente for Ps. 45,161 and Banco Popular for Ps. 13,856 recognized in the months of August and September 2019, respectively.

(2) The Group has adopted IFRS 16 from January 1, 2019 (See Note 2.)

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**NOTE 18 – ANALYSIS OF OPERATING SEGMENTS**

Following is the detail of the reportable financial information summarized for each segment as of September 30, 2019 and December 31, 2018:

**Statement of Financial Position  
September 30, 2019**

	<u>Banco de Bogotá S.A.</u>	<u>Banco de Occidente S.A.</u>	<u>Banco Popular S.A.</u>	<u>Banco AV Villas S.A.</u>	<u>Corficolombiana S.A.</u>	<u><sup>(1)</sup> Other Segments</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>								
Trading assets	Ps. 4,081,503	Ps. 2,675,062	Ps. 314,383	Ps. 323,733	Ps. 1,950,387	Ps. 3,173	Ps. (49,860)	Ps. 9,298,381
Investment securities	14,783,092	4,384,248	2,088,835	1,525,936	2,498,948	—	(730,502)	24,550,557
Hedging derivatives assets	27,226	—	—	—	735	—	(169)	27,792
Investments in associates and joint ventures	4,630,302	1,390,278	468,591	3,017	759,075	—	(6,260,997)	990,266
Loans, net	114,078,927	29,250,518	18,955,382	11,671,359	2,132,057	—	(1,658,521)	174,429,722
Other Assets	35,660,282	3,478,881	2,377,954	1,494,791	23,145,346	4,485,757	(6,092,390)	64,550,621
<b>Total Assets</b>	<b>Ps. 173,261,332</b>	<b>Ps. 41,178,987</b>	<b>Ps. 24,205,145</b>	<b>Ps. 15,018,836</b>	<b>Ps. 30,486,548</b>	<b>Ps. 4,488,930</b>	<b>Ps. (14,792,439)</b>	<b>Ps. 273,847,339</b>
<b>Liabilities</b>								
Customer Deposits	Ps. 116,874,990	Ps. 27,763,805	Ps. 17,355,933	Ps. 11,347,540	Ps. 4,188,987	Ps. —	Ps. (3,483,290)	Ps. 174,047,965
Financial Obligations	29,516,720	7,032,304	2,665,018	1,420,133	11,748,750	4,557,979	(3,453,975)	53,486,929
Other Liabilities	5,556,128	1,596,745	1,134,667	536,908	5,020,790	828,559	(724,192)	13,949,605
<b>Total Liabilities</b>	<b>Ps. 151,947,838</b>	<b>Ps. 36,392,854</b>	<b>Ps. 21,155,618</b>	<b>Ps. 13,304,581</b>	<b>Ps. 20,958,527</b>	<b>Ps. 5,386,538</b>	<b>Ps. (7,661,457)</b>	<b>Ps. 241,484,499</b>

(1) Includes Grupo Aval Holding, Grupo Aval Limited, Grupo Aval International Limited and ATH Negocio Conjunto.

**December 31, 2018**

	<u>Banco de Bogotá S.A.</u>	<u>Banco de Occidente S.A.</u>	<u>Banco Popular S.A.</u>	<u>Banco AV Villas S.A.</u>	<u>Corficolombiana S.A.</u>	<u><sup>(1)</sup> Other Segments</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>								
Trading assets	Ps. 3,086,060	Ps. 1,670,934	Ps. 235,283	Ps. 302,226	Ps. 1,987,205	Ps. 212	Ps. (77,608)	Ps. 7,204,312
Investment securities	11,238,754	5,070,964	2,900,778	1,225,551	3,189,297	—	(595,185)	23,030,159
Hedging derivatives assets	32,981	—	—	—	43	—	(2,886)	30,138
Investments in associates and joint ventures	4,157,015	1,247,935	396,289	2,347	759,222	—	(5,580,065)	982,743
Loans, net	111,018,238	26,996,654	18,287,166	11,027,826	2,575,561	—	(1,219,791)	168,685,654
Other Assets	33,769,462	3,935,123	2,829,152	1,649,531	17,729,308	3,924,117	(4,094,546)	59,742,147
<b>Total Assets</b>	<b>Ps. 163,302,510</b>	<b>Ps. 38,921,610</b>	<b>Ps. 24,648,668</b>	<b>Ps. 14,207,481</b>	<b>Ps. 26,240,636</b>	<b>Ps. 3,924,329</b>	<b>Ps. (11,570,081)</b>	<b>Ps. 259,675,153</b>
<b>Liabilities</b>								
Customer Deposits	Ps. 108,404,522	Ps. 25,592,232	Ps. 17,571,388	Ps. 11,425,400	Ps. 3,805,028	Ps. —	Ps. (2,439,119)	Ps. 164,359,451
Financial Obligations	28,560,065	6,881,717	3,139,013	647,872	9,673,342	4,376,021	(2,066,040)	51,211,990
Other Liabilities	6,670,148	1,941,504	1,047,333	514,029	4,643,578	443,591	(710,819)	14,549,364
<b>Total Liabilities</b>	<b>Ps. 143,634,735</b>	<b>Ps. 34,415,453</b>	<b>Ps. 21,757,734</b>	<b>Ps. 12,587,301</b>	<b>Ps. 18,121,948</b>	<b>Ps. 4,819,612</b>	<b>Ps. (5,215,978)</b>	<b>Ps. 230,120,805</b>

(1) Includes Grupo Aval Holding, Grupo Aval Limited, Grupo Aval International Limited and ATH Negocio Conjunto.

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**Statement of Income for the quarter ended September 30, 2019**

	<u>Banco de Bogotá S.A.</u>		<u>Banco de Occidente S.A.</u>		<u>Banco Popular S.A.</u>		<u>Banco AV Villas S.A.</u>		<u>Corficolombiana S.A.</u>		<u><sup>(1)</sup>Other Segments</u>		<u>Eliminations</u>		<u>Total</u>	
<b>External Income</b>																
Interest income	Ps.	3,105,531	Ps.	766,437	Ps.	569,514	Ps.	364,224	Ps.	136,293	Ps.	102	Ps.	—	Ps.	4,942,101
Income from commissions and fees		1,228,442		108,702		67,165		71,058		17,703		26,121		—		1,519,191
Income from sales of goods and services		25,491		15,520		103		(1,616)		2,341,458		—		—		2,380,956
Share of profit of equity accounted investees, net of tax		3,639		1,471		1,907		1,530		56,350		—		—		64,897
Dividends		59		—		516		—		2,806		—		—		3,381
Other Income		423,065		75,150		49,687		9,932		16,953		(1,728)		—		573,059
	<b>Ps.</b>	<b>4,786,227</b>	<b>Ps.</b>	<b>967,280</b>	<b>Ps.</b>	<b>688,892</b>	<b>Ps.</b>	<b>445,128</b>	<b>Ps.</b>	<b>2,571,563</b>	<b>Ps.</b>	<b>24,495</b>	<b>Ps.</b>	<b>—</b>	<b>Ps.</b>	<b>9,483,585</b>
<b>Intersegment Income</b>																
Interest income	Ps.	26,875	Ps.	3,531	Ps.	3,886	Ps.	902	Ps.	13,574	Ps.	18	Ps.	(48,786)	Ps.	—
Income from commissions and fees		1,240		2,260		569		4,744		495		10,752		(20,060)		—
Income from sales of goods and services		571		42,364		—		1,616		1,580		—		(46,131)		—
Share of profit of equity accounted investees, net of tax		118,867		61,227		16,553		(1,566)		445		—		(195,526)		—
Dividends		—		—		—		—		—		—		—		—
Other Income		5,150		700		46		409		90		27,036		(33,431)		—
		<b>152,703</b>		<b>110,082</b>		<b>21,054</b>		<b>6,105</b>		<b>16,184</b>		<b>37,806</b>		<b>(343,934)</b>		<b>—</b>
<b>Total income</b>	<b>Ps.</b>	<b>4,938,930</b>	<b>Ps.</b>	<b>1,077,362</b>	<b>Ps.</b>	<b>709,946</b>	<b>Ps.</b>	<b>451,233</b>	<b>Ps.</b>	<b>2,587,747</b>	<b>Ps.</b>	<b>62,301</b>	<b>Ps.</b>	<b>(343,934)</b>	<b>Ps.</b>	<b>9,483,585</b>
<b>Expenses</b>																
Interest expense	Ps.	(1,241,917)	Ps.	(314,084)	Ps.	(218,750)	Ps.	(105,508)	Ps.	(272,086)	Ps.	(61,350)	Ps.	100,901	Ps.	(2,112,794)
Impairment loss on loan and other accounts receivable		(852,822)		(184,436)		(81,284)		(68,329)		(4,418)		—		2,007		(1,189,282)
Depreciations and amortizations		(160,790)		(29,799)		(20,404)		(16,839)		(1,892)		(2,978)		852		(231,850)
Expenses from commissions and fees		(102,597)		(21,459)		(17,388)		(34,676)		(2,427)		(944)		15,492		(163,999)
Costs and expenses of sales goods and services		(54,209)		(78,868)		(137)		—		(1,570,311)		1,909		(17,847)		(1,719,463)
Administrative Expenses		(865,722)		(212,357)		(166,308)		(101,746)		(27,972)		(63,566)		143,751		(1,293,920)
Other expense		(722,466)		(82,390)		(103,358)		(47,778)		(26,347)		79,604		(97,012)		(999,747)
Income tax expense		(237,475)		14,600		(4,689)		(24,682)		(179,198)		(15,049)		(25)		(446,518)
		<b>(4,237,998)</b>		<b>(908,793)</b>		<b>(612,318)</b>		<b>(399,558)</b>		<b>(2,084,651)</b>		<b>(62,374)</b>		<b>148,119</b>		<b>(8,157,573)</b>
<b>Net income</b>	<b>Ps.</b>	<b>700,932</b>	<b>Ps.</b>	<b>168,569</b>	<b>Ps.</b>	<b>97,628</b>	<b>Ps.</b>	<b>51,675</b>	<b>Ps.</b>	<b>503,096</b>	<b>Ps.</b>	<b>(73)</b>	<b>Ps.</b>	<b>(195,815)</b>	<b>Ps.</b>	<b>1,326,012</b>

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	Banco de Bogotá S.A.		Banco de Occidente S.A.		Banco Popular S.A.		Banco AV Villas S.A.		Corficolombiana S.A.		<sup>(1)</sup> Other Segments	Eliminations	Total			
<b>Revenue from contracts with customers</b>	Ps.	1,255,446	Ps.	168,007	Ps.	67,735	Ps.	75,801	Ps.	2,259,343	Ps.	104,887	Ps.	(31,072)	Ps.	3,900,147
Timing of revenue recognition																
At a point in time		49,861		8,196		6,385		21,617		48,789		104,736		(83,551)		156,033
Over time		1,205,585		159,811		61,350		54,184		2,210,554		151		52,479		3,744,114

(1) Includes Grupo Aval Holding, Grupo Aval Limited, Grupo Aval International Limited and ATH Negocio Conjunto

(2) Income from contracts with customer for commission and fee, see note 15

**Statement of Income for the nine-months periods ended on September 30, 2019**

	Banco de Bogotá S.A.		Banco de Occidente S.A.		Banco Popular S.A.		Banco AV Villas S.A.		Corficolombiana S.A.		<sup>(1)</sup> Other Segments	Eliminations	Total			
<b>External Income</b>																
Interest income	Ps.	9,064,621	Ps.	2,320,982	Ps.	1,736,047	Ps.	1,093,354	Ps.	281,756	Ps.	299	Ps.	—	Ps.	14,497,059
Income from commissions and fees		3,594,614		314,797		196,246		207,059		55,697		56,613		—		4,425,026
Income from sales of goods and services (2)		83,589		49,470		871		(3,841)		6,252,232		—		—		6,382,321
Share of profit of equity accounted investees, net of tax		8,846		3,909		4,704		3,968		153,018		—		—		174,445
Dividends		3,314		279		1,155		1,795		76,439		—		—		82,982
Other Income		929,147		195,012		79,375		46,924		209,300		16		—		1,459,774
	Ps.	<u>13,684,131</u>	Ps.	<u>2,884,449</u>	Ps.	<u>2,018,398</u>	Ps.	<u>1,349,259</u>	Ps.	<u>7,028,442</u>	Ps.	<u>56,928</u>	Ps.	<u>—</u>	Ps.	<u>27,021,607</u>
<b>Intersegment Income</b>																
Interest income	Ps.	68,802	Ps.	9,650	Ps.	9,267	Ps.	2,370	Ps.	112,606	Ps.	68	Ps.	(202,763)	Ps.	—
Income from commissions and fees		3,905		6,358		2,337		14,426		634		57,284		(84,944)		—
Income from sales of goods and services		1,297		116,903		—		3,841		4,131		—		(126,172)		—
Share of profit of equity accounted investees, net of tax		389,548		200,696		54,918		(4,156)		1,284		—		(642,290)		—
Dividends		5,288		2,022		2,925		2,053		101		—		(12,389)		—
Other Income		54,599		4,507		141		1,133		(3,389)		58,056		(115,047)		—
	Ps.	<u>523,439</u>	Ps.	<u>340,136</u>	Ps.	<u>69,588</u>	Ps.	<u>19,667</u>	Ps.	<u>115,367</u>	Ps.	<u>115,408</u>	Ps.	<u>(1,183,605)</u>	Ps.	<u>—</u>
<b>Total income</b>	Ps.	<u>14,207,570</u>	Ps.	<u>3,224,585</u>	Ps.	<u>2,087,986</u>	Ps.	<u>1,368,926</u>	Ps.	<u>7,143,809</u>	Ps.	<u>172,336</u>	Ps.	<u>(1,183,605)</u>	Ps.	<u>27,021,607</u>
<b>Expenses</b>																
Interest expense	Ps.	(3,608,604)	Ps.	(899,707)	Ps.	(659,196)	Ps.	(310,649)	Ps.	(670,063)	Ps.	(177,720)	Ps.	219,008	Ps.	(6,106,931)
Impairment loss on loan and other accounts receivable		(2,120,047)		(635,850)		(243,291)		(227,928)		(10,591)		—		74,317		(3,163,390)
Depreciations and amortizations		(468,062)		(85,560)		(57,867)		(49,065)		(5,916)		(7,591)		2,372		(671,689)

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Expenses from commissions and fees	(283,875)	(60,904)	(49,052)	(101,512)	(8,426)	(3,402)	43,531	(463,640)
Costs and expenses of sales goods and services	(171,521)	(225,412)	(413)	—	(4,157,398)	5,695	2,510	(4,546,539)
Administrative Expenses	(2,399,813)	(539,449)	(453,173)	(290,430)	(79,597)	(184,086)	416,824	(3,529,724)
Other expense	(2,032,956)	(240,207)	(284,930)	(149,218)	(115,463)	279,453	(246,546)	(2,789,867)
Income tax expense	(822,273)	(60,384)	(75,803)	(79,068)	(581,292)	(47,170)	(1,502)	(1,667,492)
<b>Total Expenses</b>	<b>(11,907,151)</b>	<b>(2,747,473)</b>	<b>(1,823,725)</b>	<b>(1,207,870)</b>	<b>(5,628,746)</b>	<b>(134,821)</b>	<b>510,514</b>	<b>(22,939,272)</b>
<b>Net income</b>	<b>Ps. 2,300,419</b>	<b>Ps. 477,112</b>	<b>Ps. 264,261</b>	<b>Ps. 161,056</b>	<b>Ps. 1,515,063</b>	<b>Ps. 37,515</b>	<b>Ps. (673,091)</b>	<b>Ps. 4,082,335</b>

  

	<u>Banco de Bogotá S.A.</u>	<u>Banco de Occidente S.A.</u>	<u>Banco Popular S.A.</u>	<u>Banco AV Villas S.A.</u>	<u>Corficolombiana S.A.</u>	<u><sup>(1)</sup> Other Segments</u>	<u>Eliminations</u>	<u>Total</u>
<b>Revenue from contracts with customers (2)</b>	<b>Ps. 3,682,784</b>	<b>Ps. 484,376</b>	<b>Ps. 198,599</b>	<b>Ps. 221,484</b>	<b>Ps. 6,021,782</b>	<b>Ps. 326,089</b>	<b>Ps. (127,767)</b>	<b>Ps. 10,807,347</b>
Timing of revenue recognition								
At a point in time	150,852	24,307	17,312	61,694	173,776	325,681	(281,422)	472,200
Over time	3,531,932	460,069	181,287	159,790	5,848,006	408	153,655	10,335,147

(1) Includes Grupo Aval Holding, Grupo Aval Limited, Grupo Aval International Limited and ATH Negocio Conjunto

(2) Income from contracts with customer for commission and fee, see note 15

**Statement of Income for the quarter ended September 30, 2018**

	<u>Banco de Bogotá S.A.</u>	<u>Banco de Occidente S.A.</u>	<u>Banco Popular S.A.</u>	<u>Banco AV Villas S.A.</u>	<u>Corficolombiana S.A.</u>	<u><sup>(1)</sup> Other Segments</u>	<u>Eliminations</u>	<u>Total</u>
<b>External Income</b>								
Interest income	Ps. 2,862,568	Ps. 794,953	Ps. 545,353	Ps. 358,551	Ps. 125,639	Ps. 53	Ps. —	Ps. 4,687,117
Income from commissions and fees	1,074,468	99,265	61,615	67,975	20,795	11,942	—	1,336,060
Income from sales of goods and services	31,183	20,173	3,401	—	2,410,400	—	—	2,465,157
Share of profit of equity accounted investees, net of tax	2,410	1,145	1,174	926	48,161	—	—	53,816
Dividends	997	6	281	908	2,915	—	—	5,107
Other Income	267,097	41,754	16,710	13,245	59,253	201	—	398,260
	<b>Ps. 4,238,723</b>	<b>Ps. 957,296</b>	<b>Ps. 628,534</b>	<b>Ps. 441,605</b>	<b>Ps. 2,667,163</b>	<b>Ps. 12,196</b>	<b>Ps. —</b>	<b>Ps. 8,945,517</b>
<b>Intersegment Income</b>								
Interest income	Ps. (47,775)	Ps. (32,210)	Ps. 7,105	Ps. 447	Ps. 5,918	Ps. 31	Ps. 66,484	Ps. —
Income from commissions and fees	335	1,950	1,089	4,712	366	26,540	(34,992)	—
Income from sales of goods and services	226	24,916	—	—	1,343	—	(26,485)	—



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	<u>Banco de Bogotá S.A.</u>	<u>Banco de Occidente S.A.</u>	<u>Banco Popular S.A.</u>	<u>Banco AV Villas S.A.</u>	<u>Corficolombiana S.A.</u>	<u>(1) Other Segments</u>	<u>Eliminations</u>	<u>Total</u>
Share of profit of equity accounted investees, net of tax	193,868	28,597	(1,051)	(1,025)	371	—	(220,760)	—
Dividends	—	—	—	—	—	—	—	—
Other Income	127,687	1,254	32	551	2,402	13,278	(145,204)	—
	<u>274,341</u>	<u>24,507</u>	<u>7,175</u>	<u>4,685</u>	<u>10,400</u>	<u>39,849</u>	<u>(360,957)</u>	<u>—</u>
<b>Total income</b>	<b>Ps. 4,513,064</b>	<b>Ps. 981,803</b>	<b>Ps. 635,709</b>	<b>Ps. 446,290</b>	<b>Ps. 2,677,563</b>	<b>Ps. 52,045</b>	<b>Ps. (360,957)</b>	<b>Ps. 8,945,517</b>
<b>Expenses</b>								
Interest expense	Ps. (1,079,544)	Ps. (279,968)	Ps. (208,896)	Ps. (93,427)	Ps. (176,485)	Ps. (55,229)	Ps. 46,273	Ps. (1,847,276)
Impairment loss on loan and other accounts receivable	(661,070)	(233,860)	(52,063)	(67,633)	721	—	(87,808)	(1,101,713)
Depreciations and amortizations	(93,201)	(19,324)	(13,047)	(8,510)	(1,829)	(1,778)	(69)	(137,758)
Expenses from commissions and fees	(81,154)	(16,050)	(22,723)	(25,287)	(3,220)	(605)	6,743	(142,296)
Costs and expenses of sales goods and services	(60,479)	(61,383)	(3,273)	—	(1,374,755)	867	6,170	(1,492,853)
Administrative Expenses	(762,856)	(165,505)	(134,561)	(105,777)	(31,145)	(49,317)	139,320	(1,109,841)
Other expense	(634,042)	(97,036)	(85,556)	(50,063)	(25,164)	81,659	(99,594)	(909,796)
Income tax expense	(254,781)	(24,965)	(45,027)	(31,486)	(375,440)	(17,958)	(1,169)	(750,826)
<b>Total Expenses</b>	<b>(3,627,127)</b>	<b>(898,091)</b>	<b>(565,146)</b>	<b>(382,183)</b>	<b>(1,987,317)</b>	<b>(42,361)</b>	<b>9,866</b>	<b>(7,492,359)</b>
<b>Net income</b>	<b>Ps. 885,937</b>	<b>Ps. 83,712</b>	<b>Ps. 70,563</b>	<b>Ps. 64,107</b>	<b>Ps. 690,246</b>	<b>Ps. 9,684</b>	<b>Ps. (351,091)</b>	<b>Ps. 1,453,158</b>
	<u>Banco de Bogotá S.A.</u>	<u>Banco de Occidente S.A.</u>	<u>Banco Popular S.A.</u>	<u>Banco AV Villas S.A.</u>	<u>Corficolombiana S.A.</u>	<u>(1) Other Segments</u>	<u>Eliminations</u>	<u>Total</u>
<b>Revenue from contracts with customers</b>	<b>Ps. 1,106,135</b>	<b>Ps. 145,566</b>	<b>Ps. 65,459</b>	<b>Ps. 72,687</b>	<b>Ps. 2,401,949</b>	<b>Ps. 109,212</b>	<b>Ps. (99,791)</b>	<b>Ps. 3,801,217</b>
Timing of revenue recognition								
At a point in time	45,595	5,438	8,295	21,276	43,000	109,097	(18,130)	214,571
Over time	1,060,540	140,128	57,164	51,411	2,358,949	115	(81,661)	3,586,646

(1) Includes Grupo Aval Holding, Grupo Aval Limited, Grupo Aval International Limited and ATH Negocio Conjunto

(2) Income from contracts with customer for commission and fee, see note 15

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**Statement of Income for the nine-months periods ended on September 30, 2018**

	<u>Banco de Bogotá S.A.</u>	<u>Banco de Occidente S.A.</u>	<u>Banco Popular S.A.</u>	<u>Banco AV Villas S.A.</u>	<u>Corficolombiana S.A.</u>	<u><sup>(1)</sup> Other Segments</u>	<u>Eliminations</u>	<u>Total</u>
<b>External Income</b>								
Interest income	Ps. 8,230,589	Ps. 2,338,628	Ps. 1,654,208	Ps. 1,024,290	Ps. 417,176	Ps. 130	Ps. —	Ps. 13,665,021
Income from commissions and fees	3,207,901	296,909	182,097	195,983	58,345	52,471	—	3,993,706
Income from sales of goods and services	94,832	56,614	9,052	—	5,136,474	—	—	5,296,972
Share of profit of equity accounted investees, net of tax	4,044	2,187	2,332	2,185	131,613	—	—	142,361
Dividends	3,572	279	1,567	2,306	53,518	—	—	61,242
Other Income	<u>601,388</u>	<u>116,699</u>	<u>51,123</u>	<u>40,773</u>	<u>283,084</u>	<u>2,201</u>	<u>—</u>	<u>1,095,268</u>
	<b>Ps. 12,142,326</b>	<b>Ps. 2,811,316</b>	<b>Ps. 1,900,379</b>	<b>Ps. 1,265,537</b>	<b>Ps. 6,080,210</b>	<b>Ps. 54,802</b>	<b>Ps. —</b>	<b>Ps. 24,254,570</b>
<b>Intersegment Income</b>								
Interest income	Ps. (9,150)	Ps. (28,222)	Ps. 7,894	Ps. 617	Ps. 23,662	Ps. 110	Ps. 5,089	Ps. —
Income from commissions and fees	1,812	7,449	5,442	15,785	1,145	60,780	(92,413)	—
Income from sales of goods and services	492	69,020	—	—	4,280	—	(73,792)	—
Share of profit of equity accounted investees, net of tax	327,136	86,872	(2,888)	(2,898)	738	—	(408,960)	—
Dividends	12,898	7,834	9,355	707	1,211	—	(32,005)	—
Other Income	<u>192,242</u>	<u>3,247</u>	<u>277</u>	<u>1,324</u>	<u>2,857</u>	<u>31,440</u>	<u>(231,387)</u>	<u>—</u>
	<b>Ps. 525,430</b>	<b>Ps. 146,200</b>	<b>Ps. 20,080</b>	<b>Ps. 15,535</b>	<b>Ps. 33,893</b>	<b>Ps. 92,330</b>	<b>Ps. (833,468)</b>	<b>Ps. —</b>
<b>Total income</b>	<b>Ps. 12,667,756</b>	<b>Ps. 2,957,516</b>	<b>Ps. 1,920,459</b>	<b>Ps. 1,281,072</b>	<b>Ps. 6,114,103</b>	<b>Ps. 147,132</b>	<b>Ps. (833,468)</b>	<b>Ps. 24,254,570</b>
<b>Expenses</b>								
Interest expense	Ps. (3,187,780)	Ps. (854,562)	Ps. (640,965)	Ps. (272,623)	Ps. (579,440)	Ps. (164,613)	Ps. 149,800	Ps. (5,550,183)
Impairment loss on loan and other accounts receivable	(1,703,774)	(630,380)	(133,626)	(211,957)	(22,690)	—	(87,808)	(2,790,235)
Depreciations and amortizations	(268,154)	(57,368)	(36,437)	(24,641)	(5,826)	(5,599)	(91)	(398,116)
Expenses from commissions and fees	(269,421)	(52,985)	(67,231)	(76,157)	(9,669)	(1,809)	26,580	(450,692)
Costs and expenses of sales goods and services	(192,178)	(172,825)	(9,708)	—	(3,517,682)	4,275	28,288	(3,859,830)
Administrative Expenses	(2,241,111)	(533,027)	(402,707)	(296,655)	(67,264)	(145,334)	352,213	(3,333,885)
Other expense	(1,868,805)	(302,420)	(267,799)	(137,581)	(78,235)	219,462	(216,834)	(2,652,212)
Income tax expense	<u>(801,363)</u>	<u>(11,532)</u>	<u>(137,146)</u>	<u>(86,528)</u>	<u>(587,131)</u>	<u>(50,385)</u>	<u>(1,573)</u>	<u>(1,675,658)</u>
<b>Total Expenses</b>	<b>(10,532,586)</b>	<b>(2,615,099)</b>	<b>(1,695,619)</b>	<b>(1,106,142)</b>	<b>(4,867,937)</b>	<b>(144,003)</b>	<b>250,575</b>	<b>(20,710,811)</b>
<b>Net income</b>	<b>Ps. 2,135,170</b>	<b>Ps. 342,417</b>	<b>Ps. 224,840</b>	<b>Ps. 174,930</b>	<b>Ps. 1,246,166</b>	<b>Ps. 3,129</b>	<b>Ps. (582,893)</b>	<b>Ps. 3,543,759</b>

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	<u>Banco de Bogotá S.A.</u>		<u>Banco de Occidente S.A.</u>		<u>Banco Popular S.A.</u>		<u>Banco AV Villas S.A.</u>		<u>Corficolombiana S.A.</u>		<u><sup>(1)</sup> Other Segments</u>		<u>Eliminations</u>		<u>Total</u>	
<b>Revenue from contracts with customers (2)</b>	Ps.	<b>3,304,697</b>	Ps.	<b>427,954</b>	Ps.	<b>194,842</b>	Ps.	<b>211,768</b>	Ps.	<b>5,050,098</b>	Ps.	<b>326,227</b>	Ps.	<b>(224,908)</b>	Ps.	<b>9,290,678</b>
Timing of revenue recognition																
At a point in time		140,561		19,282		22,545		56,420		109,194		325,842		(284,040)		<b>389,804</b>
Over time		3,164,136		408,672		172,297		155,348		4,940,904		385		59,132		<b>8,900,874</b>

(1) Includes Grupo Aval Holding, Grupo Aval Limited, Grupo Aval International Limited and ATH Negocio Conjunto

(2) Income from contracts with customer for commission and fee, see note 15

### 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 subordinate's elimination and record of non- controlling interests.
- Intercompany leasing's 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.

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**NOTA 19 – TRANSFERS OF FINANCIAL ASSETS**

Grupo Aval and its subsidiaries enter 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. 461,299 as of September 30, 2019 and Ps. 1,139,782 as of December 31, 2018; the financial assets at amortized cost that are being used as guarantees in repurchase transactions amounted to Ps. 947,813 as of September 30, 2019 and the debt securities of financial investments at fair value through OCI that are being used as guarantees in repurchase transactions amounted to Ps. 3,737,838 as of September 30, 2019 and Ps. 4,029,816 as of December 31, 2018.

**ii. Securities lending**

As of September 30, 2019, and as of December 31, 2018, Grupo Aval has not recorded securities lending.

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

**I. Securitizations**

As of September 30, 2019, and as of December 31, 2018, Grupo Aval has not transferred financial assets to special purpose vehicles.

**NOTE 20 – UNCONSOLIDATED STRUCTURED ENTITIES**

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

September 30, 2019	<u>Securitizations</u>	<u>Grupo Aval's managed funds</u>	<u>Total</u>
<b>Grupo Aval's interest-assets</b>			
Investments at fair value through profit or loss	Ps. 9,594	Ps. 3,235,834	Ps. 3,245,428
Other account receivables	—	50,070	50,070
<b>Total assets in relation to the Grupo Aval's interests in the unconsolidated structured entities</b>	<b>9,594</b>	<b>3,285,904</b>	<b>3,295,498</b>
<b>Grupo Aval's maximum exposure</b>	<b>Ps. 9,594</b>	<b>Ps. 3,285,904</b>	<b>Ps. 3,295,498</b>

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**NOTE 21 – RELATED PARTIES**

Balances as of September 30, 2019 and December 31, 2018, with related parties, are detailed in the following tables:

	<b>September 30, 2019</b>					
	<b>Individuals</b>		<b>Entity</b>			
	<b>Individuals with control over Grupo Aval</b>	<b>Key management personnel</b>	<b>Associates and joint ventures</b>	<b>Entities controlled by individuals</b>	<b>Entities with significant influence by individuals</b>	
<b>Assets</b>						
Cash and equivalents	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —
Financial assets in investments	—	—	1,000,750	—	—	—
Financial assets in credit operations	4,231	8,898	1,142,936	1,526,405	126,686	—
Accounts receivable	8	12	130,136	5,587	312	—
Other assets	—	—	9,057	2,946	—	—
<b>Liabilities</b>						
Deposits	Ps. 116,602	Ps. 22,413	Ps. 78,486	Ps. 898,999	Ps. 1,306	—
Accounts payables	1,051	454	12,986	745,872	—	—
Financial obligations	—	—	—	—	—	—
Others liabilities	—	2	1,902	256	—	—

	<b>December 31, 2018</b>					
	<b>Individuals</b>		<b>Entity</b>			
	<b>Individuals with control over Grupo Aval</b>	<b>Key management personnel</b>	<b>Associates and joint ventures</b>	<b>Entities controlled by individuals</b>	<b>Entities with significant influence by individuals</b>	
<b>Assets</b>						
Cash and equivalents	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —
Financial assets in investments	—	—	920,170	—	—	—
Financial assets in credit operations	2,680	17,062	1,443,476	1,513,218	102,958	—
Accounts receivable	9	58	8,105	3,329	17	—
Other assets	—	—	20,348	5,030	—	—

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**December 31, 2018**

	Individuals		Entity		
	Individuals with control over Grupo Aval	Key management personnel	Associates and joint ventures	Entities controlled by individuals	Entities with significant influence by individuals
<b>Liabilities</b>					
Deposits	Ps. 100,199	Ps. 21,726	Ps. 70,960	Ps. 570,558	Ps. 23,470
Accounts payables	38	686	10,114	291,328	1
Financial obligations	1	3	102	7	—
Others liabilities	—	—	25,040	194	3

**For the quarter ended September 30, 2019**

	Individuals		Entity		
	Individuals 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. 45	Ps. 64	Ps. 8,044	Ps. 22,190	Ps. 2,001
Fee income and commissions	2	26	7,695	50,062	1
Leases	—	—	(20)	69	—
Other income	1	48	74,670	1,651	265
Financial expenses	(31)	(411)	(213)	(5,767)	(4)
Fee expenses and commissions	—	(405)	(4,750)	21,562	(210)
Operating expenses	—	(2,374)	—	89	—
Other expenses	4	(664)	(337,158)	(12,042)	(9)

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**For the nine months ended September 30, 2019**

	Individuals		Entity		
	Individuals 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. 140	Ps. 536	Ps. 33,349	Ps. 66,826	Ps. 5,855
Fee income and commissions	15	41	25,836	85,019	4
Leases	—	—	—	241	—
Other income	5	147	200,118	4,371	511
Financial expenses	(144)	(782)	(882)	(15,026)	(24)
Fee expenses and commissions	(2)	(1,106)	(15,137)	(1,499)	(300)
Operating expenses	—	(5,893)	—	(2,098)	—
Other expenses	(2)	(1,453)	(355,312)	(30,896)	(9)

**For the quarter ended September 30, 2018**

	Individuals		Entity		
	Individuals with control over Grupo Aval	Key management personnel	Associates and joint ventures	Entities controlled by individuals	Entities with significant influence by individuals
Interest income	Ps. 54	Ps. 278	Ps. (4,420)	Ps. 32,163	Ps. (3,828)
Fee income and commissions	1	16	(3,408)	16,138	(1)
Leases	—	—	(141)	54	—
Other income	—	35	62,804	1,430	—
Financial expenses	(36)	(266)	33,524	(2,270)	423
Fee expenses and commissions	113	833	(5,239)	(423)	(5)
Operating expenses	—	(842)	(12)	522	—
Other expenses	373	760	(8,723)	(5,908)	—

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**For the nine months ended September 30, 2018**

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

Expenses during the current period were recognized with respect to uncollectible or doubtful accounts related to amounts in debt by related parties of Ps. 322,568.

### Compensation of Key Management Personnel

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

	Three-month ended in		Nine-months ended in	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Salaries	Ps. 4,145	Ps. 4,579	Ps. 13,118	Ps. 13,469
Short term benefits for employees	2,381	1,023	3,843	2,480
<b>Total</b>	<b>6,526</b>	<b>5,602</b>	<b>16,961</b>	<b>15,949</b>



Grupo Aval Acciones y Valores S.A. and Subsidiaries  
Notes to the Condensed Consolidated Financial Statements  
(Figures in millions of Colombian pesos)

**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