



Condensed consolidated interim financial statements 2Q 2019

GRUPO AVAL ACCIONES Y VALORES S.A.

VALORES Y ACCIONES



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

	Notes	June 30, 2019 (1)	December 31, 2018
Assets			
Cash and cash equivalents		Ps. 29,824,718	Ps. 28,401,283
Trading assets		7,701,975	7,204,312
Investment securities		24,316,207	23,030,159
Hedging derivatives assets	4	44,352	30,138
Loans, net	4	166,401,327	168,685,654
Other accounts receivable, net		10,343,517	9,300,643
Non-current assets held for sale		104,950	186,714
Investments in associates and joint ventures		937,350	982,743
Tangible assets	6	8,863,397	6,588,483
Goodwill	7	7,249,337	7,318,594
Concessions	8	6,429,427	5,514,481
Other Intangibles		1,066,622	1,033,884
Income tax assets		1,032,747	935,175
Other assets		360,167	462,890
Total assets		Ps. 264,676,093	Ps. 259,675,153
Liabilities and equity			
Liabilities			
Trading liabilities	4	Ps. 568,259	Ps. 811,305
Hedging derivatives liabilities	4	76,701	195,539
Customer deposits	4	166,000,806	164,359,451
Financial obligations	4	54,091,247	51,211,990
Provisions	11	720,258	695,288
Income tax liabilities		2,923,323	2,574,398
Employee benefits	10	1,151,415	1,264,881
Other liabilities	12	8,541,009	9,007,953
Total liabilities		Ps. 234,073,018	Ps. 230,120,805
Equity			
Owners of the parent:			
Subscribed and paid-in capital		Ps. 22,281	Ps. 22,281
Additional paid-in capital		8,445,766	8,472,336
Retained earnings		8,832,419	8,598,319
Other comprehensive income		1,015,608	696,773
Equity attributable to owners of the parent		18,316,074	17,789,709
Non-controlling interest		12,287,001	11,764,639
Total equity		30,603,075	29,554,348
Total liabilities and equity		Ps. 264,676,093	Ps. 259,675,153

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

(1) The Group adopted IFRS 16 as of January 1, 2019 (See Note 2.)

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(See my report of August 14, 2019)

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

	Notes	For the quarter ended June 30		For the six-month periods ended June 30	
		2019 (1)	2018	2019 (1)	2018
Interest income	Ps.	4,885,763	Ps. 4,388,715	Ps. 9,554,958	Ps. 8,977,905
Interest expense		(2,054,433)	(1,841,986)	(3,994,137)	(3,702,907)
Net interest income		2,831,330	2,546,729	5,560,821	5,274,998
Net impairment loss on financial assets		(911,136)	(613,576)	(1,744,260)	(1,486,987)
Net interest income, after impairment losses		1,920,194	1,933,153	3,816,561	3,788,011
Income from commissions and fees		1,500,619	1,345,842	2,905,835	2,657,646
Expenses from commissions and fees		(153,408)	(146,869)	(299,641)	(308,396)
Net income from commissions and fees	15	1,347,211	1,198,973	2,606,194	2,349,250
Income from sales of goods and services		2,077,876	1,455,099	4,001,365	2,831,815
Costs and expenses of sales goods and services		(1,478,135)	(1,196,103)	(2,827,076)	(2,366,977)
Net income from sales goods and services	15	599,741	258,996	1,174,289	464,838
Net trading income	16	208,586	244,655	316,750	154,320
Net income from other financial instruments mandatory at fair value through profit or loss		53,435	75,035	107,132	127,046
Other income	17	266,071	134,504	651,982	560,321
Other expenses	17	(2,409,155)	(2,251,354)	(4,695,609)	(4,428,353)
Net income before tax expense		1,986,083	1,593,962	3,977,299	3,015,433
Income tax expense		(586,401)	(454,706)	(1,220,974)	(924,833)
Net income		Ps. 1,399,682	Ps. 1,139,256	2,756,325	Ps. 2,090,600
Net income attributable to:					
Owners of the parent		813,200	681,515	1,576,062	1,279,260
Non-controlling interest		586,482	457,741	1,180,263	811,340
		Ps. 1,399,682	Ps. 1,139,256	2,756,325	Ps. 2,090,600
Net income per share basic and diluted (in Colombian pesos)		36.50	30.59	70.74	57.41

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

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

	Notes	For the quarter ended June 30		For the six-month periods June 30	
		2019	2018	2019	2018
Net income		Ps. <u>1,399,682</u>	Ps. <u>1,139,256</u>	Ps. <u>2,756,325</u>	Ps. <u>2,090,600</u>
Other comprehensive income					
Items that may be reclassified to profit or loss					
Net gain (loss) on hedges of net investments in foreign operations:					
Foreign currency translation differences from hedged foreign operations	5	137,365	602,867	(172,713)	(193,587)
Hedging derivative instrument	5	(57,489)	(277,054)	89,339	78,189
Hedging non-derivative instrument	5	(80,353)	(325,294)	83,256	115,949
Cash flow hedges		(3,497)	(9,269)	7,445	(3,039)
Foreign currency translation differences from unhedged foreign operations		93,792	(61,004)	112,031	(58,355)
Investments in associates and joint ventures		144	7,494	(6,798)	(7,625)
Unrealized gains (losses) on securities at FVOCI		219,210	(104,674)	389,655	(163,013)
Income tax		(9,786)	210,873	(116,842)	(36,074)
Total, items that may be reclassified to profit or loss		Ps. <u>299,386</u>	Ps. <u>43,939</u>	Ps. <u>385,373</u>	Ps. <u>(267,555)</u>
Items that will not be reclassified to profit or loss					
Revaluation investment properties		4,956	—	4,956	—
Unrealized gains (losses) on equity securities at FVOCI		27,687	(9,261)	185,717	(12,651)
Actuarial gains (losses) from defined benefit pension plans		(30,541)	15,640	(31,198)	17,847
Income tax		(98)	(5,972)	(370)	(7,453)
Total, items that will not be reclassified to profit or loss		Ps. <u>2,004</u>	Ps. <u>407</u>	Ps. <u>159,105</u>	Ps. <u>(2,257)</u>
Total other comprehensive income		<u>301,390</u>	<u>44,346</u>	<u>544,478</u>	<u>(269,812)</u>
Total comprehensive income, net of taxes		Ps. <u>1,701,072</u>	Ps. <u>1,183,602</u>	Ps. <u>3,300,803</u>	Ps. <u>1,820,788</u>
Total comprehensive income for the periods attributable to:					
Owners of the Group		1,012,455	736,871	1,894,897	1,128,056
Non-controlling interest		688,617	446,731	1,405,906	692,732
		Ps. <u>1,701,072</u>	Ps. <u>1,183,602</u>	Ps. <u>3,300,803</u>	Ps. <u>1,820,788</u>

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

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Grupo Aval Acciones y Valores S.A. and Subsidiaries
Consolidated Statement of Changes in Equity for the six-month periods ended at June 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
Balance at December 31, 2018	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 on January 1, 2019 ⁽¹⁾	—	—	(5,101)	—	(5,101)	(21,881)	(26,982)
Balance at January 1, 2019	<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)	(821,136)	(2,157,997)
Other comprehensive income	—	—	—	318,835	318,835	225,643	544,478
Net income	—	—	1,576,062	—	1,576,062	1,180,263	2,756,325
Balance at June 30, 2019	Ps. <u>22,281</u>	Ps. <u>8,445,766</u>	Ps. <u>8,832,419</u>	Ps. <u>1,015,608</u>	Ps. <u>18,316,074</u>	Ps. <u>12,287,001</u>	Ps. <u>30,603,075</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
Balance at December 31, 2017	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 on January 1, 2018	—	(109,254)	(961,993)	610,479	(460,768)	(374,839)	(835,607)
Balance at January 1, 2018	<u>22,281</u>	<u>8,303,431</u>	<u>6,611,919</u>	<u>834,022</u>	<u>15,771,653</u>	<u>9,370,990</u>	<u>25,142,643</u>
Dividends declared	—	—	(1,069,176)	—	(1,069,176)	(624,344)	(1,693,520)
Other comprehensive income	—	—	—	(151,204)	(151,204)	(118,608)	(269,812)
Net income	—	—	1,279,260	—	1,279,260	811,340	2,090,600
Balance at June 30, 2018	Ps. <u>22,281</u>	Ps. <u>8,303,431</u>	Ps. <u>6,822,003</u>	Ps. <u>682,818</u>	Ps. <u>15,830,533</u>	Ps. <u>9,439,378</u>	Ps. <u>25,269,911</u>

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⁽¹⁾ The Group adopted IFRS 16 as of January 1, 2019 (See Note 2.)

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

	Nota	June 30, 2019		June 30, 2018
		(1)		
Cash flows from operating activities:				
Net income before income tax		Ps. 3,977,299		Ps. 3,015,433
Reconciliation of net income before taxes and net cash provided by operating activities:				
Depreciation and amortization	15-17	662,005		455,739
Impairment losses of loans and receivables	4-15	1,997,848		1,702,560
Valuation and interest from concession agreements		(1,558,568)		(127,045)
Net interest income		(5,560,821)		(5,274,998)
Gains on sales of non-current assets held for sale	17	(10,318)		(4,160)
(Gain) losses on sales of property, plant and equipment		(4,338)		23,102
Foreign exchange losses		34,050		26,801
Share of profit of equity accounted investees, net of tax		(109,547)		(88,546)
Other adjustments for reconciliation of net income		(198,164)		58,913
Fair value adjustments on:				
Derivative financial instruments		(89)		160,661
Non-current assets held for sale		5,412		6
Investment property		2,146		(9,114)
Biological assets		(9,067)		(8,349)
Changes in operating assets and liabilities:				
Trading assets		463,644		1,482,446
Accounts receivable		(221,433)		(64,977)
Non-current assets held for sale		15,286		7,625
Other assets		2,721		(41,074)
Other liabilities, provisions and employee benefits		(1,578,269)		(14,408)
Loan portfolio		(753,826)		(2,254,464)
Customer deposits		2,533,754		(2,079,766)
Interbank borrowings and overnight funds		3,647,847		2,138,357
Borrowings from development entities		(364)		(797)
Borrowings from banks		(2,522,602)		(915,900)
Interest received		9,094,576		9,283,509
Interest paid		(3,856,815)		(3,270,608)
Lease interest		(62,757)		—
Income tax payments		(1,029,760)		(872,904)
Net cash provided by operating activities		Ps. 4,959,850		Ps. 3,328,042
Cash flows from investing activities:				
Purchases of amortized cost financial assets		Ps. (2,658,943)		Ps. (1,929,663)
Redemptions of amortized cost financial assets		2,654,845		1,722,098
Purchases of FVOCI		(15,320,903)		(10,873,356)
Proceeds from sales of FVOCI		14,004,414		8,440,476
Purchases tangible assets		(258,689)		(255,781)
Proceeds from sales of property, plant and equipment		57,799		66,247
Proceeds from sales of non-current assets held for sale		92,909		33,029
Additions of concession arrangement rights		(567,645)		(552,451)
Additions of other intangible assets		(127,972)		(151,498)
Proceeds from sales of concession		155		—
Dividends received		158,949		170,695
Effect of loss of control of subsidiaries		—		(3,602)
Net cash (used in) provided by investing activities		Ps. (1,965,081)		Ps. (3,333,806)
Cash flows from financing activities:				
Dividends paid to shareholders		Ps. (600,134)		Ps. (593,884)
Dividends paid to non-controlling interest		(434,923)		(398,606)
Issuance of debt securities		611,084		915,944
Payment of outstanding debt securities		(588,468)		(559,835)
Leases		(147,922)		—
Equity transactions		(67,097)		—
Net cash used in financing activities		Ps. (1,227,460)		Ps. (636,381)
Effect of foreign currency changes on cash and equivalents		(343,874)		(519,528)
Increase (decrease) in cash and cash equivalents		1,423,435		(1,161,673)
Cash and cash equivalents at beginning of period		Ps. 28,401,283		Ps. 22,336,838
Cash and cash equivalents at end of period		Ps. 29,824,718		Ps. 21,175,165

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

(1) The Group adopted IFRS 16 as of January 1, 2019

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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 consolidated condensed interim financial information has been prepared in accordance with International accounting standard IAS 34 Interim Financial Reporting, which is contained in 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 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 financial statements are the same as those applied by Grupo Aval in the financial statements for the year ended December 31, 2018.

A. 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:

- 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.

Grupo Aval Acciones y Valores S.A. and Subsidiaries
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- 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.
- 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.

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

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.
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

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- 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 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:

June 30, 2019

	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
ASSETS					
Trading investment					
Securities issued or secured by Colombian Government	Ps. 2,181,412	Ps. 1,489,876	Ps. 691,536	Ps. —	Ps. 2,181,412
Securities issued or secured by other entities of the Colombian Government	79,357	—	79,357	—	79,357
Securities issued or secured by foreign Governments	109,134	—	109,134	—	109,134
Securities issued or secured by central banks	13,374	—	13,374	—	13,374
Securities issued or secured by other financial entities	1,585,437	—	1,585,437	—	1,585,437
Securities issued or secured by entities of the Non-financial sector	27,571	—	27,571	—	27,571
Other	15,118	—	15,118	—	15,118
Total trading investment	Ps. 4,011,403	Ps. 1,489,876	Ps. 2,521,527	Ps. —	Ps. 4,011,403
Investments in debt securities at fair value through profit or loss					
Other	25,057	—	14,005	11,052	25,057
Total investments in debt securities at fair value through profit or loss	Ps. 4,036,460	Ps. 1,489,876	Ps. 2,535,532	Ps. 11,052	Ps. 4,036,460
Investments at fair value through OCI					
Securities issued or secured by Colombian Government	10,791,461	8,678,834	2,112,627	—	10,791,461
Securities issued or secured by other entities of the Colombian Government	404,389	187,390	216,999	—	404,389
Securities issued or secured by foreign Governments	4,348,183	9,759	4,338,424	—	4,348,183
Securities issued or secured by central banks	931,638	—	931,638	—	931,638
Securities issued or secured by other financial entities	3,146,258	321,878	2,824,380	—	3,146,258

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Fair Value

	Carrying Value	Level 1	Level 2	Level 3	Total
Securities issued or secured by entities of the Non-financial sector	112,901	—	112,901	—	112,901
Other	295,806	—	295,806	—	295,806
Total investments at fair value through OCI	Ps. 20,030,636	Ps. 9,197,861	Ps. 10,832,775	Ps. —	Ps. 20,030,636
Total investments in debt securities	Ps. 24,067,096	Ps. 10,687,737	Ps. 13,368,307	Ps. 11,052	Ps. 24,067,096
Investments in equity securities					
Trading equity securities	3,157,118	5,110	2,684,509	467,499	3,157,118
Investments in equity through OCI	1,275,977	1,113,711	61,816	100,450	1,275,977
Total investments in equity securities	Ps. 4,433,095	Ps. 1,118,821	Ps. 2,746,325	Ps. 567,949	Ps. 4,433,095
Held for trading Derivatives					
Currency Forward	376,631	—	376,631	—	376,631
Bond Forward	434	—	434	—	434
Interest Rate Swap	85,485	—	85,485	—	85,485
Currency Swap	35,751	—	35,751	—	35,751
Currency Options	35,153	—	35,153	—	35,153
Total held for trading derivatives	Ps. 533,454	Ps. —	Ps. 533,454	Ps. —	Ps. 533,454
Hedging Derivatives					
Currency Forward	44,352	—	44,352	—	44,352
Total hedging derivatives	Ps. 44,352	Ps. —	Ps. 44,352	Ps. —	Ps. 44,352
Other account receivables					
Financial assets in concession contracts	2,595,546	—	—	2,595,546	2,595,546
Total other account receivables designated at fair value	Ps. 2,595,546	Ps. —	Ps. —	Ps. 2,595,546	Ps. 2,595,546
Total assets at fair value on recurring basis	Ps. 31,673,543	Ps. 11,806,558	Ps. 16,692,438	Ps. 3,174,547	Ps. 31,673,543
Financial assets at amortized cost, net					
Investments in debt securities, net	2,984,537	22,625	2,951,030	—	2,973,655
Securities issued or secured by other entities of the Colombian Government	2,958,086	—	2,946,968	—	2,946,968
Securities issued or secured by Foreign Governments	22,391	22,625	—	—	22,625
Securities issued or secured by other financial entities	4,060	—	4,062	—	4,062
Loan portfolio, net (see detail literal f)	166,401,327				173,410,733
Commercial	94,122,560				
Consumer	53,216,372				
Mortgage	18,737,238				
Microcredit	325,157				
Other accounts receivables, net	7,747,971				

Grupo Aval Acciones y Valores S.A. and Subsidiaries
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Fair Value

	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
Total financial assets at amortized cost, net	177,133,835				
LIABILITIES					
Trading Derivatives					
Currency Forward	376,183	—	376,183	—	376,183
Bond Forward	2,737	—	2,737	—	2,737
Bond Futures	57	57	—	—	57
Interest Rate Swap	80,619	—	80,619	—	80,619
Currency Swap	73,219	—	73,219	—	73,219
Currency Options	35,444	—	35,444	—	35,444
Total trading derivatives	Ps. 568,259	Ps. 57	Ps. 568,202	Ps. —	Ps. 568,259
Hedging Derivatives					
Currency Forward	Ps. 73,375	Ps. —	Ps. 73,375	Ps. —	Ps. 73,375
Interest Rate Swap	3,326	—	3,326	—	3,326
Total hedging derivatives	76,701	—	76,701	—	76,701
Total liabilities at fair value on recurring basis	Ps. 644,960	Ps. 57	Ps. 644,903	Ps. —	Ps. 644,960
Financial liabilities at amortized cost					
Customer Deposits	Ps. 166,000,806				Ps. 166,590,042
Checking accounts	38,290,758				38,290,758
Time deposits	71,687,731				72,276,966
Savings accounts	55,495,689				55,495,689
Others deposits	526,628				526,629
Financial obligations	54,091,247				55,301,937
Interbank borrowings and overnight funds	10,416,695				10,416,695
Leases contracts	3,106,111				2,994,886
Borrowings from banks and similar	17,172,601				17,445,545
Bonds issued (see detail “e”)	20,105,479				21,126,536
Borrowings from development entities	3,290,361				3,318,275
Total Financial liabilities at amortized cost	Ps. 220,092,053				Ps. 221,891,979

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Fair Value

ASSETS	Carrying Value	Fair Value				Total
		Level 1	Level 2	Level 3		
Trading investment						
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 Governments	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	
Total trading investment	Ps. 3,762,978	Ps. 2,129,180	Ps. 1,633,798	Ps. —	Ps. 3,762,978	
Investments in debt securities at fair value through profit or loss						
Other	31,256	—	17,523	13,733	31,256	
Total investments in debt securities at fair value through profit or loss	Ps. 3,794,234	Ps. 2,129,180	Ps. 1,651,321	Ps. 13,733	Ps. 3,794,234	
Investments at fair value through OCI						
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 Governments	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	
Total investments at fair value through OCI	Ps. 18,935,757	Ps. 8,812,058	Ps. 10,123,699	Ps. —	Ps. 18,935,757	
Total investments in debt securities	Ps. 22,729,991	Ps. 10,941,238	Ps. 11,775,020	Ps. 13,733	Ps. 22,729,991	

Grupo Aval Acciones y Valores S.A. and Subsidiaries
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	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Investments in equity securities					
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
Total investments in equity securities	Ps. 3,763,249	Ps. 938,797	Ps. 2,264,139	Ps. 560,313	Ps. 3,763,249
Held for trading Derivatives					
Currency Forward	617,799	—	616,116	1,683	617,799
Bond Forward	71	—	71	—	71
Interest Rate Swap	43,181	—	43,181	—	43,181
Currency Swap	48,546	—	48,546	—	48,546
Currency Options	59,089	—	59,089	—	59,089
Total held for trading derivatives	Ps. 768,686	Ps. —	Ps. 767,003	Ps. 1,683	Ps. 768,686
Hedging Derivatives					
Currency Forward	30,138	—	30,138	—	30,138
Total hedging derivatives	Ps. 30,138	Ps. —	Ps. 30,138	Ps. —	Ps. 30,138
Other account receivables					
Financial assets in concession contracts	2,488,414	—	—	2,488,414	2,488,414
Total other account receivables designated at fair value	Ps. 2,488,414	Ps. —	Ps. —	Ps. 2,488,414	Ps. 2,488,414
Total assets at fair value on recurring basis	Ps. 29,780,478	Ps. 11,880,035	Ps. 14,836,300	Ps. 3,064,143	Ps. 29,780,478
Financial assets at amortized cost, net					
Investments in debt securities, net	2,972,545	32,324	2,952,649	—	2,984,973
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
Loan portfolio, net (see detail literal f)	168,685,654				176,228,181
Commercial	98,051,116				
Consumer	52,006,179				
Mortgage	18,290,839				

Grupo Aval Acciones y Valores S.A. and Subsidiaries
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	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Microcredit	337,520				
Other accounts receivables, net	6,812,229				
Total financial assets at amortized cost	178,470,428				
LIABILITIES					
Trading Derivatives					
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
Total trading derivatives	Ps. 811,305	Ps. 32	Ps. 805,494	Ps. 5,779	Ps. 811,305
Hedging Derivatives					
Currency Forward	195,539	—	195,539	—	195,539
Interest Rate Swap	—	—	—	—	—
Total hedging derivatives	195,539	—	195,539	—	195,539
Total liabilities at fair value on recurring basis	Ps. 1,006,844	Ps. 32	Ps. 1,001,033	Ps. 5,779	Ps. 1,006,844
Financial liabilities at amortized cost					
Customer Deposits	Ps. 164,359,451				Ps. 164,682,492
Checking accounts	39,702,878				39,702,878
Time deposits	66,853,012				67,176,010
Savings accounts	57,221,439				57,221,482
Others deposits	582,122				582,122
Financial obligations	51,211,990				51,811,768
Interbank borrowings and overnight funds	6,814,078				6,814,083
Leases contracts	—				—
Borrowings from banks and similar	20,610,766				21,020,334
Bonds issued (see detail “e”)	20,140,350				20,152,729
Borrowings from development entities	3,646,796				3,824,622
Total Financial liabilities at amortized cost	Ps. 215,571,441				Ps. 216,494,260

Grupo Aval Acciones y Valores S.A. and Subsidiaries
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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.

ASSETS	Valuation technique for level 2 and 3	Significant inputs ⁽¹⁾
Investments in debt securities at fair value		
<u>In Colombian Pesos</u>		
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
<u>In Foreign Currency</u>		
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
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	- Estimated Prices ⁽²⁾
Securities issued or secured by non-financial sector entities	- Internal Model - Market Price - Market Price	- Quoted Price or price calculated based on benchmarks set by price providers methodologies - Bloomberg Generic / Bloomberg Valuation - Average Price - Quoted Price - Bloomberg Generic
Other	- Discounted cash flow - Internal Model	- Estimated Prices ⁽²⁾ - Theoretical Price Mutual Funds which by the end of the month capitalize or pay interests

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	Valuation technique for level 2 and 3	Significant inputs ⁽¹⁾
Investment in equity securities		
Corporate Stock	Market Price	Quoted Price
Investment Funds	Market Price	Estimated Prices (2)
Pension and severance funds	Market Price	Market value of underlying assets, less management and administrative fees
Trading Derivatives		
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
Hedging Derivatives		
Currency Forward	Discounted cash flow	Curves by currency
LIABILITIES		
Derivatives held for trading		
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
Hedging Derivatives	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

(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.

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

	Valuation technique	Significant inputs
ASSETS		
Investments in debt securities at fair value		
<u>In Colombian Pesos</u>		
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
Investments in equity securities ⁽¹⁾		
	Comparable Multiples	- Multiple of EBITDA - Net income value - Multiple of net income
	Net assets value	- Net assets value (NAV)
Other <u>financial assets</u>		
<u>Assets under concession</u> contracts ⁽²⁾	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 equity securities of December 31, 2018:

Methods and Variables	Variation		Favorable impact		Unfavorable impact
Comparable Multiples / Recent Transaction Price					
EBITDA Number of times	+/-1 x	Ps.	1,819	Ps.	(1,823)
Adjusted Net Asset Value					
Most relevant variable in assets	+/-10%		221		(177)
Adjusted discounted cash flow					
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% anual		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 3% and 1% each year.
- Current amount of the residual amount Weighted Average Cost of Capital (WACC), estimated taking into account an interest rate between 9.34 % and 8.64% 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. [Betaunlevered 0.61, 2018]

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- 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
- 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.

Variable	June 30, 2019	
	+100 bps	-100 bps
WACC	Ps. (674,744)	Ps. 1,030,869
Growth rate	598,723	(421,604)

c) Transfer of levels

The following table summarizes the transfer between fair value levels 1 and 2 as of June 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.

June 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
Assets				
Investments in debt securities at fair value				
Securities issued or secured by Colombian Government	Ps. 537	Ps. 267,621	Ps. 180,361	Ps. 4,959
Securities issued or secured by other Colombian Government entities	—	15,000	—	40,141
Securities issued or secured by other financial entities	—	—	51,488	—
	Ps. <u>537</u>	Ps. <u>282,621</u>	Ps. <u>231,849</u>	Ps. <u>45,100</u>

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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
Assets				
Investments in debt securities at fair value				
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
	Ps. —	Ps. —	Ps. 246,870	Ps. 203,094

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.

	Financial assets in debt securities	Equity instruments	Financial assets in concession arrangements
December 31, 2018	Ps. 13,733	Ps. 560,313	Ps. 2,488,414
Valuation adjustment with an effect on income	(2,068)	10,826	107,132
Valuation adjustments with an effect on OCI	—	(3,192)	—
Additions	—	2	—
Sales / redemptions	(613)	—	—
Transfer to level 2	—	—	—
june 30, 2019	Ps. 11,052	Ps. 567,949	Ps. 2,595,546

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 June 30, 2019 and December 31, 2018 at fair value less cost of sale:

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June 30 de 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Impaired collateralized loans	Ps. —	Ps. —	Ps. 609,745	Ps. 609,745
Non- current assets held for sale	—	—	104,950	104,950
	<u>Ps. —</u>	<u>Ps. —</u>	<u>Ps. 714,695</u>	<u>Ps. 714,695</u>

December 31, 2018

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

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 June 30, 2019 and December 31, 2018, by issue date and maturity date was as follows:

Local Currency

Issuer	Issue Date	June 30, 2019	December 31, 2018	Maturity Date	Interest Rate
Banco de Bogotá S.A.	23/02/2010	132,231	134,736	23/02/2020	CPI + 5.45% and UVR + 5.45%
Banco de Occidente S.A	Between 22/09/2011 and 14/12/2017	3,065,012	3,143,903	Between 26/10/2019 and 14/12/2032	CPI + 2.9% a 4.65%, Fixed between 6.18% to 7.85% and LIBOR6 + 4.75%
Corporación Financiera Colombiana S.A.	Between 23/07/2009 and 02/03/2018	2,691,783	2,853,685	Between 23/07/2019 and 02/03/2043	CPI + 3.15% to 3.54%, Fixed 7.1%
Banco Popular S.A	Between 26/02/2013 and 13/02/2019	1,845,455	1,616,729	Between 12/09/2019 and 12/10/2026	CPI+ 2.72% 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. 1,108,537	Ps. 1,108,713	Between 03/12/2019 and 28/06/2042	CPI + 2.69% to 5.20%
Peso denominated Total		<u>Ps. 8,843,018</u>	<u>Ps. 8,857,766</u>		

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Foreign Currency

Issuer	Issue Date	June 30, 2019	December 31, 2018	Maturity Date	Interest Rate
Banco de Bogotá S.A.	Between 19/02/2013 and 03/08/2017	6,949,268	7,042,678	Between 19/02/2023 and 03/08/2027	Between 4.38% to 6.25%
BAC Credomatic					
El Salvador	Between 11/02/2013 and 25/06/2019	775,681	753,556	Between 31/07/2019 and 25/06/2024	Between 5.20% to 5.85%
Guatemala	Between 09/07/2018 and 24/08/2018	704	14,025	Between 09/07/2019 and 26/08/2019	Between 4.25% to 5.50%
Honduras	Between 12/05/2017 and 11/04/2019	313,818	205,017	Between 12/05/2020 and 11/04/2022	Between 0.75% to 9.50%
BAC Credomatic Total		Ps. 1,090,203	Ps. 972,598		
Banco de Bogotá S.A. Total		Ps. 8,039,471	Ps. 8,015,276		
Grupo Aval Limited	19/09/2012	3,222,990	3,267,308	26/09/2022	4.75%
Foreign Currency Total		Ps. 11,262,461	Ps. 11,282,584		
Total of Bonds		Ps. 20,105,479	Ps. 20,140,350		

The amount of issue bonds due over 12 months as of June 30, 2019 is Ps. 18,195,991 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 six months ended June 30, 2019 and year ended December 31, 2018, and Grupo Aval is complying with the related covenants agreed with investors and debtors.

f) Credit risk concentration

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

Portfolio segment	June 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. 98,599,399	Ps. 4,476,839	Ps. 94,122,560	Ps. 102,408,977	Ps. 4,357,861	Ps. 98,051,116
Consumer	56,705,251	3,488,879	53,216,372	55,455,064	3,448,885	52,006,179
Mortgage	19,060,821	323,583	18,737,238	18,592,103	301,264	18,290,839
Microcredit	411,322	86,165	325,157	425,697	88,177	337,520
Total	Ps. 174,776,793	Ps. 8,375,466	Ps. 166,401,327	Ps. 176,881,841	Ps. 8,196,187	Ps. 168,685,654

(1) The main variation is generated by repos and inter-bank repos, which went from Ps. 7,635,188 in December 2018 to Ps. 4,123,623 in June 30 2019, which represents a decrease of Ps. 3,511,565.

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Loans are recorded 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:

June 30, 2019

Portfolio segment		Balance in Statement of financial position		Leasing presentation adjustment		Balance according to disclosure
Commercial	Ps.	98,599,399	Ps.	(9,958,011)	Ps.	88,641,388
Consumer		56,705,251		(257,658)		56,447,593
Residential mortgage		19,060,821		(1,417,675)		17,643,146
Microcredit		411,322		—		411,322
Financial leasing		—		11,633,344		11,633,344
Total portfolio	Ps.	174,776,793	Ps.	—	Ps.	174,776,793

December 31, 2018

Portfolio segment		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
Residential mortgage		18,592,103		(1,312,741)		17,279,362
Microcredit		425,697		—		425,697
Financial leasing		—		11,426,176		11,426,176
Total portfolio	Ps.	176,881,841	Ps.	—	Ps.	176,881,841

(1) Loan portfolio by economic sector

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

Sector		June 30, 2019	%		December 31, 2018	%
Consumer services	Ps.	80,918,788	46%	Ps.	78,976,887	45%
Commercial services		36,048,743	21%		41,160,951	23%
Construction		11,091,186	6%		11,093,895	6%
Food, beverage and tobacco		8,035,436	5%		8,128,767	5%
Transportation and communications		7,119,738	4%		7,117,087	4%
Public services		5,779,759	4%		6,123,390	4%
Chemical production		5,764,411	3%		5,614,918	3%
Other industrial and manufacturing products		5,297,897	3%		4,859,538	3%
Agricultural		4,108,975	2%		4,201,518	2%
Government		4,094,644	2%		3,868,987	2%
Trade and tourism		2,416,414	1%		2,353,139	1%
Mining products and oil		1,201,228	1%		1,094,718	1%
Other		2,899,574	2%		2,288,046	1%
Total of each economic sector	Ps.	174,776,793	100%	Ps.	176,881,841	100%

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(2) Portfolio credit by risk level rating

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

	June 30, 2019			
	Stage 1	Stage 2	Stage 3	Total
Commercial				
“A” Normal risk	Ps. 79,949,563	Ps. 310,073	Ps. 62,545	Ps. 80,322,181
“B” Acceptable risk	374,594	1,251,135	357,602	1,983,331
“C” Appreciable risk	50,821	211,825	2,616,190	2,878,836
“D” Significant risk	652	21,837	1,632,726	1,655,215
“E” Risk of nonrecoverability	705	6,809	1,794,311	1,801,825
Commercial portfolio gross balance	Ps. 80,376,335	Ps. 1,801,679	Ps. 6,463,374	Ps. 88,641,388
Consumer				
“A” Normal risk	Ps. 48,775,912	Ps. 2,050,782	Ps. 16,971	Ps. 50,843,665
“B” Acceptable risk	753,609	976,769	12,857	1,743,235
“C” Appreciable risk	144,047	1,144,906	481,537	1,770,490
“D” Significant risk	26,278	243,243	1,145,432	1,414,953
“E” Risk of nonrecoverability	4,404	32,660	638,186	675,250
Consumer portfolio gross balance	Ps. 49,704,250	Ps. 4,448,360	Ps. 2,294,983	Ps. 56,447,593
Mortgage				
“A” Normal risk	Ps. 15,845,738	Ps. 468,166	Ps. 15,982	Ps. 16,329,886
“B” Acceptable risk	78,773	410,615	2,401	491,789
“C” Appreciable risk	14,742	371,038	38,989	424,769
“D” Significant risk	174	12,535	135,803	148,512
“E” Risk of nonrecoverability	16	210	247,964	248,190
Mortgage portfolio gross balance	Ps. 15,939,443	Ps. 1,262,564	Ps. 441,139	Ps. 17,643,146
Microcredit				
“A” Normal risk	Ps. 332,061	Ps. 2,207	Ps. 247	Ps. 334,515
“B” Acceptable risk	176	11,247	—	11,423
“C” Appreciable risk	51	7,439	8	7,498
“D” Significant risk	28	2,886	6,267	9,181
“E” Risk of nonrecoverability	39	1,464	47,202	48,705
Microcredit portfolio gross balance	Ps. 332,355	Ps. 25,243	Ps. 53,724	Ps. 411,322
Financial leasing				
“A” Normal risk	Ps. 9,935,079	Ps. 122,049	Ps. 12,013	Ps. 10,069,141
“B” Acceptable risk	185,690	264,494	69,963	520,147
“C” Appreciable risk	18,575	64,836	229,487	312,898
“D” Significant risk	151	3,629	530,974	534,754
“E” Risk of nonrecoverability	3	—	196,401	196,404
Financial leasing portfolio gross balance	Ps. 10,139,498	Ps. 455,008	Ps. 1,038,838	Ps. 11,633,344
Gross balance of financial assets per credit portfolio	Ps. 156,491,881	Ps. 7,992,854	Ps. 10,292,058	Ps. 174,776,793

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		December 31, 2018			
		Stage 1	Stage 2	Stage 3	Total
Commercial					
“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
Commercial portfolio gross balance	Ps.	84,191,219	Ps. 1,690,861	Ps. 6,667,945	Ps. 92,550,025
Consumer					
“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
Consumer portfolio gross balance	Ps.	48,741,305	Ps. 4,235,580	Ps. 2,223,696	Ps. 55,200,581
Mortgage					
“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
Mortgage portfolio gross balance	Ps.	15,566,057	Ps. 1,335,741	Ps. 377,564	Ps. 17,279,362
Microcredit					
“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
Microcredit portfolio gross balance	Ps.	344,723	Ps. 25,374	Ps. 55,600	Ps. 425,697
Financial leasing					
“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
Financial leasing portfolio gross balance	Ps.	10,132,371	Ps. 329,948	Ps. 963,857	Ps. 11,426,176
Gross balance of financial assets per credit portfolio	Ps.	158,975,675	Ps. 7,617,504	Ps. 10,288,662	Ps. 176,881,841

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

The table below shows the loss allowance balances as of June 30, 2019 and December 31, 2018.

		June 30, 2019								
		Stage 1	Stage 2	Stage 3	Simplified	Total				
		12-month	Lifetime	Lifetime	approach					
		ECL	ECL not	ECL						
			credit-	credit-						
			impaired	impaired						
Loan portfolio										
Loan commercial portfolio	Ps.	655,828	Ps.	197,191	Ps.	3,169,066	Ps.	—	Ps.	4,022,085
Loan consumer portfolio		1,023,047		911,869		1,547,564		—		3,482,480
Loan mortgage portfolio		40,113		74,083		160,664		—		274,860
Loan microcredit portfolio		23,452		11,882		50,831		—		86,165
Loan financial leasing portfolio		73,330		40,006		396,540		—		509,876
Total loan portfolio	Ps.	1,815,770	Ps.	1,235,031	Ps.	5,324,665	Ps.	—	Ps.	8,375,466
Investments in debt securities at amortized cost		789		—		—		—		789
Other accounts receivable		10,619		8,530		91,838		168,924		279,911
Total loss allowance financial assets at amortized cost	Ps.	1,827,178	Ps.	1,243,561	Ps.	5,416,503	Ps.	168,924	Ps.	8,656,166
Investments in debt securities at FVOCI		27,788		8,601		—		—		36,389
Loan commitments and financial guarantee contracts		37,298		4,423		3,984		—		45,705
Total loss allowance	Ps.	1,892,264	Ps.	1,256,585	Ps.	5,420,487	Ps.	168,924	Ps.	8,738,260
		December 31, 2018								
		Stage 1	Stage 2	Stage 3	Simplified	Total				
		12—month	Lifetime	Lifetime	approach					
		ECL	ECL not	ECL						
			credit—	credit—						
			impaired	impaired						
Loan portfolio										
Loan commercial portfolio	Ps.	695,728	Ps.	190,633	Ps.	3,051,088	Ps.	—	Ps.	3,937,449
Loan consumer portfolio		998,390		890,556		1,553,365		—		3,442,311
Loan mortgage portfolio		35,187		73,461		148,595		—		257,243
Loan microcredit portfolio		23,348		11,962		52,867		—		88,177
Loan financial leasing portfolio		72,221		30,434		368,352		—		471,007
Total loan portfolio	Ps.	1,824,874	Ps.	1,197,046	Ps.	5,174,267	Ps.	—	Ps.	8,196,187
Investments in debt securities at amortized cost		71		—		—		—		71
Other accounts receivable		19,700		11,561		66,327		159,303		256,891
Total loss allowance financial assets at amortized cost	Ps.	1,844,645	Ps.	1,208,607	Ps.	5,240,594	Ps.	159,303	Ps.	8,453,149
Investments in debt securities at FVOCI		20,757		31,980		46,280		—		99,017
Loan commitments and financial guarantee contracts		40,715		14,358		4,355		—		59,428

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December 31, 2018					
	Stage 1	Stage 2	Stage 3	Simplified	Total
	12—month	Lifetime	Lifetime	approach	
	ECL	ECL not	ECL		
		credit—	credit—		
		impaired	impaired		
Total loss allowance	Ps. <u>1,906,117</u>	Ps. <u>1,254,945</u>	Ps. <u>5,291,229</u>	Ps. <u>159,303</u>	Ps. <u>8,611,594</u>

The table below shows for loans stage 3 individually assessed for ECL the gross amount and loss allowance balances as of June 30, 2019 and December 31, 2018.

June 30, 2019

	Gross Amount Registered	Collateral Guarantees	Allowance Recognized
Without recognized provision			
Commercial	Ps. 109,974	Ps. 39,317	Ps. —
Consumer	—	—	—
Financial Leasing	50,344	—	—
Subtotal	Ps. 160,318	Ps. 39,317	Ps. —
With recognized provision			
Commercial	5,411,943	759,953	2,343,099
Consumer	2,945	685	1,955
Financial Leasing	778,346	199,826	273,088
Subtotal	Ps. 6,193,234	Ps. 960,464	Ps. 2,618,142
Totals			
Commercial	5,521,917	799,270	2,343,099
Consumer	2,945	685	1,955
Financial Leasing	828,690	199,826	273,088
Total	Ps. 6,353,552	Ps. 999,781	Ps. 2,618,142

December 31, 2018

	Gross Amount Registered	Collateral Guarantees	Allowance Recognized
Without recognized provision			
Commercial	85,531	126,642	—
Consumer	—	—	—
Financial Leasing	115,881	320,797	—
Subtotal	Ps. 201,412	Ps. 447,439	Ps. —
With recognized provision			
Commercial	5,788,368	511,605	2,195,263
Consumer	2,604	560	1,813
Financial Leasing	659,499	243,023	231,056
Subtotal	Ps. 6,450,471	Ps. 755,188	Ps. 2,428,132
Totals			
Commercial	5,873,899	638,247	2,195,263
Consumer	2,604	560	1,813
Financial Leasing	775,380	563,820	231,056
Total	Ps. 6,651,883	Ps. 1,202,627	Ps. 2,428,132

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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 than 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			
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Ps.		Ps.		Ps.		Ps.	
Loss allowance as of 31 December 2018		1,824,874		1,197,046		5,174,267		8,196,187
Transfers:								
Transfer from stage 1 to stage 2		(197,662)		197,662		—		—
Transfer from stage 1 to stage 3		(136,881)		—		136,881		—
Transfer from stage 2 to stage 3		—		(405,595)		405,595		—
Transfer from stage 3 to stage 2		—		74,783		(74,783)		—
Transfer from stage 2 to stage 1		226,427		(226,427)		—		—
Transfer from stage 3 to stage 1		78,999		—		(78,999)		—
Net remeasurement of loss allowance (2)		(93,295)		432,772		1,659,101		1,998,578
New financial assets originated or purchased		305,759		47,909		85,711		439,379
Financial assets that have been derecognized		(213,628)		(89,020)		(187,415)		(490,063)
Unwind of discount ⁽¹⁾		341		2,548		234,827		237,716
FX and other movements		36,192		39,238		(86,261)		(10,831)
Write—offs		(15,356)		(35,885)		(1,944,259)		(1,995,500)
Loss allowance as of 30 June 2019	Ps.	1,815,770	Ps.	1,235,031	Ps.	5,324,665	Ps.	8,375,466

⁽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:

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	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

Loan commercial portfolio

		Stage 1 12-month ECL		Stage 2 Lifetime ECL not credit impaired		Stage 3 Lifetime ECL credit- impaired		Total
Loss allowance as of 31 December 2018	Ps.	695,728	Ps.	190,633	Ps.	3,051,088	Ps.	3,937,449
Transfers:								
Transfer from stage 1 to stage 2		(21,417)		21,417		—		—
Transfer from stage 1 to stage 3		(19,380)		—		19,380		—
Transfer from stage 2 to stage 3		—		(59,357)		59,357		—
Transfer from stage 3 to stage 2		—		13,490		(13,490)		—
Transfer from stage 2 to stage 1		22,851		(22,851)		—		—
Transfer from stage 3 to stage 1		15,291		—		(15,291)		—
Net remeasurement of loss allowance (2)		(78,564)		63,612		493,155		478,203
New financial assets originated or purchased		158,795		8,227		39,859		206,881
Financial assets that have been derecognized		(126,179)		(27,156)		(79,385)		(232,720)
Unwind of discount ⁽²⁾		341		2,538		180,013		182,892
FX and other movements		8,814		6,871		(24,051)		(8,366)
Write—offs		(452)		(233)		(541,569)		(542,254)
Loss allowance as of 30 June 2019	Ps.	655,828	Ps.	197,191	Ps.	3,169,066	Ps.	4,022,085

⁽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:

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

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Loan consumer portfolio

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
Loss allowance as of 31 December 2018	Ps. 998,390	Ps. 890,556	Ps. 1,553,365	Ps. 3,442,311
Transfers:				
Transfer from stage 1 to stage 2	(162,172)	162,172	—	—
Transfer from stage 1 to stage 3	(106,245)	—	106,245	—
Transfer from stage 2 to stage 3	—	(313,081)	313,081	—
Transfer from stage 3 to stage 2	—	49,529	(49,529)	—
Transfer from stage 2 to stage 1	178,806	(178,806)	—	—
Transfer from stage 3 to stage 1	57,290	—	(57,290)	—
Net remeasurement of loss allowance (2)	416	329,226	997,472	1,327,114
New financial assets originated or purchased	127,596	38,344	31,166	197,106
Financial assets that have been derecognized	(83,103)	(58,106)	(62,271)	(203,480)
Unwind of discount ⁽¹⁾	—	10	32,895	32,905
FX and other movements	26,521	27,617	(52,118)	2,020
Write—offs	(14,452)	(35,592)	(1,265,452)	(1,315,496)
Loss allowance as of 30 June 2019	Ps. 1,023,047	Ps. 911,869	Ps. 1,547,564	Ps. 3,482,480

⁽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:

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

Loan mortgage portfolio

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
Loss allowance as of 31 December 2018	Ps. 35,187	Ps. 73,461	Ps. 148,595	Ps. 257,243
Transfers:				
Transfer from stage 1 to stage 2	(5,725)	5,725	—	—
Transfer from stage 1 to stage 3	(314)	—	314	—
Transfer from stage 2 to stage 3	—	(15,061)	15,061	—
Transfer from stage 3 to stage 2	—	6,463	(6,463)	—
Transfer from stage 2 to stage 1	15,566	(15,566)	—	—
Transfer from stage 3 to stage 1	2,472	—	(2,472)	—
Net remeasurement of loss allowance (2)	(9,914)	16,033	49,292	55,411
New financial assets originated or purchased	3,547	204	741	4,492
Financial assets that have been derecognized	(692)	(1,615)	(3,360)	(5,667)

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	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
Unwind of discount ⁽¹⁾	—	—	2,663	2,663
FX and other movements	329	4,474	(8,751)	(3,948)
Write—offs	(343)	(35)	(34,956)	(35,334)
Loss allowance as of 30 June 2019	Ps. 40,113	Ps. 74,083	Ps. 160,664	Ps. 274,860

⁽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:

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

Loan microcredit portfolio

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
Loss allowance as of 31 December 2018	Ps. 23,348	Ps. 11,962	Ps. 52,867	Ps. 88,177
Transfers:				
Transfer from stage 1 to stage 2	(4,602)	4,602	—	—
Transfer from stage 1 to stage 3	(1,686)	—	1,686	—
Transfer from stage 2 to stage 3	—	(12,079)	12,079	—
Transfer from stage 3 to stage 2	—	1,173	(1,173)	—
Transfer from stage 2 to stage 1	2,907	(2,907)	—	—
Transfer from stage 3 to stage 1	520	—	(520)	—
Net remeasurement of loss allowance ⁽²⁾	68	9,115	10,888	20,071
New financial assets originated or purchased	4,029	136	3	4,168
Financial assets that have been derecognized	(1,050)	(95)	(82)	(1,227)
Unwind of discount ⁽¹⁾	—	—	4,862	4,862
FX and other movements	—	—	—	—
Write—offs	(82)	(25)	(29,779)	(29,886)
Loss allowance as of 30 June 2019	Ps. 23,452	Ps. 11,882	Ps. 50,831	Ps. 86,165

⁽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:

Stage 1	12- month ECL	Stage 2	Lifetime ECL	Stage 3	Lifetime ECL credit-impaired	Total
	_____		_____		_____	_____

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	not credit-impaired		
Ps.	353	Ps.	(108)
Ps.	(6)	Ps.	239

Loan financial leasing portfolio

	Stage 1		Stage 2		Stage 3		Total
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		
Loss allowance as of 31 December 2018	Ps.	72,221	Ps.	30,434	Ps.	368,352	Ps. 471,007
Transfers:							
Transfer from stage 1 to stage 2		(3,746)		3,746		—	—
Transfer from stage 1 to stage 3		(9,256)		—		9,256	—
Transfer from stage 2 to stage 3		—		(6,017)		6,017	—
Transfer from stage 3 to stage 2		—		4,128		(4,128)	—
Transfer from stage 2 to stage 1		6,297		(6,297)		—	—
Transfer from stage 3 to stage 1		3,426		—		(3,426)	—
Net remeasurement of loss allowance (2)		(5,301)		14,786		108,294	117,779
New financial assets originated or purchased		11,792		998		13,942	26,732
Financial assets that have been derecognized		(2,604)		(2,048)		(42,317)	(46,969)
Unwind of discount ⁽¹⁾		—		—		14,394	14,394
FX and other movements		528		276		(1,341)	(537)
Write—offs		(27)		—		(72,503)	(72,530)
Loss allowance as of 30 June 2019	Ps.	73,330	Ps.	40,006	Ps.	396,540	Ps. 509,876

⁽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:

	Stage 1		Stage 2		Stage 3		Total	
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired			
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 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

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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.

With respect to this decision, article 39 of Law 1563 of 2012 establishes that within five (5) days following its notification, the award may be *clarified*, *amended* and *supplemented* ex-officio or at *request of a party*. In the case of the above-mentioned arbitration award, this term will end on August 14. Likewise, the Arbitration Tribunal set August 16 as the date on which the hearing will take place in order to resolve any clarifications, amendments or supplements that may arise.

In accordance with the above-mentioned, currently it is not possible to state with certainty the final amount of the award or the settlement value of the Concession Contract No. 001 of 2010.

Investments in debt securities at FVOCI

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Loss allowance as of 31 December 2018	Ps. 20,757	Ps. 31,980	Ps. 46,280	Ps. 99,017
Transfers:				
Transfer from stage 1 to stage 2	—	—	—	—
Net remeasurement of loss allowance ⁽²⁾	10,273	(3,852)	(55)	6,366
New financial assets originated or purchased	15,276	—	—	15,276
Financial assets that have been derecognized	(1,771)	(18,022)	(45,602)	(65,395)
Unwind of discount ⁽¹⁾	—	—	—	—
FX and other movements	(16,747)	(1,505)	(623)	(18,875)
Loss allowance as of 30 June 2019	Ps. 27,788	Ps. 8,601	Ps. —	Ps. 36,389

⁽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:

	Stage 1	12- month ECL	Stage 2	Lifetime ECL not credit- impaired	Stage 3	Lifetime ECL credit-impaired	Total
	Ps.	(1,634)	Ps.	—	Ps.	—	Ps. (1,634)

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Investments in debt securities at amortized cost

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Loss allowance as of 31 December 2018	Ps. 71	Ps. —	Ps. —	Ps. 71
Transfers:				
Transfer from stage 1 to stage 2	—	—	—	—
Net remeasurement of loss allowance ⁽²⁾	280	—	—	280
New financial assets originated or purchased	513	—	—	513
Financial assets that have been derecognized	(19)	—	—	(19)
Unwind of discount ⁽¹⁾	—	—	—	—
FX and other movements	(56)	—	—	(56)
Loss allowance as of 30 June 2019	Ps. <u>789</u>	Ps. <u>—</u>	Ps. <u>—</u>	Ps. <u>789</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:

Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Ps. 420	Ps. —	Ps. —	Ps. 420

Other accounts receivable

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Simplified Approach	Total
Loss allowance as of 31 December 2018	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	1,805	(322)	21,695	26,776	49,954
New financial assets originated or purchased	—	—	—	—	—
Financial assets that have been derecognized	—	—	—	—	—
Unwind of discount ⁽¹⁾	—	—	—	—	—
FX and other movements	—	—	—	(407)	(407)
Approach change	8,996	(1,421)	(10,170)	2,595	—
Write—offs	(706)	(534)	(5,944)	(19,343)	(26,527)
Loss allowance as of 30 June 2019	Ps. <u>10,619</u>	Ps. <u>8,530</u>	Ps. <u>91,838</u>	Ps. <u>168,924</u>	Ps. <u>279,911</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)

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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	
Loss allowance as of 31 December 2018	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	(966)	966	—	—
Transfer from Stage 1 to Stage 3	(186)	—	186	—
Transfer from Stage 2 to Stage 3	—	(303)	303	—
Transfer from Stage 3 to Stage 2	—	—	—	—
Transfer from Stage 2 to Stage 1	9,106	(9,106)	—	—
Transfer from Stage 3 to Stage 1	152	—	(152)	—
Net remeasurement of loss allowance	(21,455)	(2,054)	(779)	(24,288)
New loan commitments and financial guarantees issued	9,985	563	76	10,624
FX and other movements	(53)	(1)	(5)	(59)
Loss allowance as of 30 June 2019	Ps. <u>37,298</u>	Ps. <u>4,423</u>	Ps. <u>3,984</u>	Ps. <u>45,705</u>

g) Credit Commitments

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

Credit lines commitments not used

	June 30, 2019	December 31, 2018
	Notional amount	Notional amount
Guarantees	Ps. 3,238,982	Ps. 3,446,601
Unused letters of credit	1,291,698	1,186,691
Unused limits of overdrafts	91,668	306,740
Unused credit card limits	21,674,604	20,816,061
Other	4,829,571	5,169,588
Total	Ps. <u>31,126,523</u>	Ps. <u>30,925,681</u>

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

	June 30, 2019	December 31, 2018
Colombian Pesos	Ps. 14,625,803	Ps. 14,918,915
U.S. dollars	13,357,103	12,885,921
Euro	2,943,656	2,892,670
Other	199,961	228,175
Total	Ps. <u>31,126,523</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 its 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	Six-month variation in pesos
June 30, 2019	3,205.67	(44.08)
December 31, 2018	3,249.75	318.95
June 30, 2018	2,930.80	(53.20)

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. (175,187)	Ps. 91,118	Ps. 84,262	Ps. 193
Other subsidiaries and branches				
Banco de Bogotá	(5,388)	—	5,077	(311)
Occidental Bank Barbados	5,521	(5,521)	—	—
Banco de Occidente Panamá	5,588	(5,588)	—	—
Sociedad Portuaria El Cayao S.A. E.S.P.	(1,787)	1,787	—	—
Gases del Pacífico S.A.C.	(271)	271	—	—
Gas Natural de Lima y Callao S.A.C. – Calidda	(1,189)	1,189	—	—
Total	Ps. (172,713)	Ps. 83,256	Ps. 89,339	Ps. (118)

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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:

June 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	4,226,805	(2,067,100)	(2,147,450)	Ps. 3,954,194	Ps. (1,504,087)	Ps. (2,585,569)	Ps. (135,462)
Other subsidiaries and branches Banco de Bogotá (2)	134,180	—	(132,584)	120,590	—	(118,321)	2,269
Occidental Bank Barbados	29,297	(29,297)	—	30,127	(30,127)	—	—
Banco de Occidente (Panamá)	35,549	(35,549)	—	41,165	(41,165)	—	—
Sociedad Portuaria El Cayao S.A. E.S.P.	24,214	(24,214)	—	8,285	(8,285)	—	—
Gases del Pacífico S.A.C.	2,500	(2,500)	—	2,123	(2,123)	—	—
Gas Natural de Lima y Callao S.A.C. – Calidda	47,835	(47,835)	—	6,807	(6,807)	—	—
Total	4,500,380	(2,206,495)	(2,280,034)	Ps. 4,163,291	Ps. (1,592,594)	Ps. (2,703,890)	Ps. (133,193)

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)	—	—
Total	4,204,704	(2,169,060)	(2,017,464)	Ps. 4,336,004	Ps. (1,675,850)	Ps. (2,793,229)	Ps. (133,075)

(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 from December 21, 2015 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 June 30, 2019 and December 31, 2018.

NOTE 6 – TANGIBLE ASSETS

Property, plant and equipment	June 30, 2019		December 31, 2018	
Properties, plant and equipment for own use	Ps.	5,710,971	Ps.	5,663,743
Right-of-use assets ⁽¹⁾		2,132,109		—
Investment properties		917,382		836,324
Biological Assets		95,705		84,206
Properties, plant and equipment given in operating lease		7,230		4,210
Total	Ps.	8,863,397	Ps.	6,588,483

(1) The Group adopted IFRS 16 as of January 1, 2019 (See Note 2.)

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6.1 Properties, plant and equipment for own use

Following is the detail of the balance at June 30, 2019 and December 31, 2018, by type:

June 30, 2019	Cost	Accumulated depreciation	Impairment loss	Carrying amount
Land	Ps. 1,011,897	Ps. —	Ps. (3,838)	Ps. 1,008,059
Buildings	2,640,976	(609,463)	—	2,031,513
Office equipment and accessories	1,024,818	(710,805)	—	314,013
Information technology equipment	1,945,032	(1,403,288)	—	541,744
Vehicles	131,390	(66,738)	—	64,652
Equipment and machinery	1,375,451	(248,693)	(1,333)	1,125,425
Silos	8,613	(6,229)	—	2,384
Warehouses	61,566	(32,379)	—	29,187
Advanced payments for the acquisition of plant property and equipment	1,786	—	—	1,786
Improvements in leaseholds properties	368,446	(215,359)	—	153,087
Construction in progress	216,532	—	—	216,532
Bearer plants	233,723	(11,134)	—	222,589
Balance as of June 30, 2019	Ps. 9,020,230	Ps. (3,304,088)	Ps. (5,171)	Ps. 5,710,971

December 31, 2018	Cost	Accumulated depreciation	Impairment loss	Carrying amount
Land	Ps. 1,011,018	Ps. —	Ps. (3,742)	Ps. 1,007,276
Buildings	2,652,100	(569,741)	—	2,082,359
Office equipment and accessories	1,013,974	(684,617)	(262)	329,095
Information technology equipment	1,725,795	(1,260,973)	—	464,822
Vehicles	134,417	(70,826)	(35)	63,556
Equipment and machinery	1,354,271	(222,139)	(1,862)	1,130,270
Silos	8,613	(5,739)	—	2,874
Warehouses	44,416	(26,679)	—	17,737
Advanced payments for the acquisition of plant property and equipment	1,284	—	—	1,284
Improvements in leaseholds properties	381,158	(220,939)	—	160,219
Construction in progress	185,264	—	—	185,264
Bearer plants	228,175	(9,188)	—	218,987
Balance as of December 31, 2018	Ps. 8,740,485	Ps. (3,070,841)	Ps. (5,901)	Ps. 5,663,743

6.2 Right of use assets

Following is the detail of the balance at June 30, 2019, by type.

June 30, 2019	Cost	Accumulated depreciation (1)	Impairment loss	Carrying amount
Land	Ps. 9,194	Ps. (594)	Ps. —	Ps. 8,600
Buildings	1,939,528	(109,163)	—	1,830,365
Office equipment and accessories	73	(13)	—	60
Information technology equipment	57,756	(9,549)	—	48,207
Vehicles	64,871	(12,588)	—	52,283
Equipment and machinery	170,722	(60,621)	—	110,101
Warehouses	114,872	(32,379)	—	82,493
Balance as of June 30, 2019	Ps. 2,357,016	Ps. (224,907)	Ps. —	Ps. 2,132,109

(1) Includes: I) Depreciation charged to profit or loss by Ps. (158,023), II) Reclassifications of financial leases to right of use assets for adoption of IFRS 16 by Ps. (70,410), III) Adjustments for exchange differences by Ps. (1,047) and IV) Withdrawals by Ps. 4,573.

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NOTE 7 – GOODWILL

Following is the roll-forward of goodwill balances during the period ended June 30, 2019 and December 31, 2018:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Balance at the beginning of the period	Ps. <u>7,318,594</u>	Ps. <u>6,901,056</u>
Foreign exchange adjustment	(69,257)	417,538
Balance at the end of the period	Ps. <u><u>7,249,337</u></u>	Ps. <u><u>7,318,594</u></u>

NOTE 8 – CONCESSIONS

The following is the balance for Grupo Aval for concession contracts for the semesters at June 30, 2019 and June 30, 2018:

	<u>Gas and energy</u>	<u>Infrastructure</u>	<u>Total</u>
Cost			
Balance at December 31, 2017	Ps. <u>2,546,056</u>	Ps. <u>1,495,628</u>	Ps. <u>4,041,684</u>
Additions	193,147	376,678	569,825
Reclassification to PPE	(22,485)	—	(22,485)
Withdrawals / Sales	(319)	(21,355)	(21,674)
Foreign exchange adjustment	(5,853)	—	(5,853)
At June 30, 2018	Ps. <u><u>2,710,546</u></u>	Ps. <u><u>1,850,951</u></u>	Ps. <u><u>4,561,497</u></u>
Accumulated Amortization			
At December 31, 2017	Ps. <u>(369,893)</u>	Ps. <u>(557,624)</u>	Ps. <u>(927,517)</u>
Amortization of the period	(61,233)	(79,634)	(140,867)
Withdrawals / sales	91	—	91
Foreign exchange adjustment	60	—	60
At June 30, 2018	Ps. <u><u>(430,975)</u></u>	Ps. <u><u>(637,258)</u></u>	Ps. <u><u>(1,068,233)</u></u>
Total Intangible Assets			
Balance at December 31, 2017	Ps. <u>2,176,163</u>	Ps. <u>938,004</u>	Ps. <u>3,114,167</u>
Cost	164,490	355,323	519,813
Amortization	(61,082)	(79,634)	(140,716)
Balance at June 30, 2018	Ps. <u><u>2,279,571</u></u>	Ps. <u><u>1,213,693</u></u>	Ps. <u><u>3,493,264</u></u>

	<u>Gas and energy</u>	<u>Infrastructure</u>	<u>Total</u>
Cost			
Balance at December 31, 2018	Ps. <u>3,033,014</u>	Ps. <u>3,732,759</u>	Ps. <u>6,765,773</u>
Additions	296,568	798,438	1,095,006
Reclassification to PPE	146	—	146
Withdrawals / Sales	(2,979)	(5)	(2,984)
Foreign exchange adjustment	(5,993)	—	(5,993)
At June 30, 2019	Ps. <u><u>3,320,756</u></u>	Ps. <u><u>4,531,192</u></u>	Ps. <u><u>7,851,948</u></u>
Accumulated Amortization			
At December 31, 2018	Ps. <u>(501,737)</u>	Ps. <u>(749,555)</u>	Ps. <u>(1,251,292)</u>
Amortization of the period	(66,966)	(85,446)	(152,412)
Withdrawals / sales	2,918	(21,884)	(18,966)
Foreign exchange adjustment	149	—	149
At June 30, 2019	Ps. <u><u>(565,636)</u></u>	Ps. <u><u>(856,885)</u></u>	Ps. <u><u>(1,422,521)</u></u>
Total Intangible Assets			
Balance at December 31, 2018	Ps. <u>2,531,277</u>	Ps. <u>2,983,204</u>	Ps. <u>5,514,481</u>

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	<u>Gas and energy</u>	<u>Infrastructure</u>	<u>Total</u>
Cost	287,742	798,433	1,086,175
Amortization	(63,899)	(107,330)	(171,229)
Balance at June 30, 2019	Ps. 2,755,120	Ps. 3,674,307	Ps. 6,429,427
	<u>Gas and energy</u>	<u>Infrastructure</u>	<u>Total</u>
Cost			
Balance at March 31, 2018	Ps. 2,584,565	Ps. 1,632,987	Ps. 4,217,552
Additions	126,431	218,089	344,520
Reclassification to PPE	(17,114)	—	(17,114)
Withdrawals / Sales	(242)	(125)	(367)
Foreign exchange adjustment	16,906	—	16,906
At June 30, 2018	Ps. 2,710,546	Ps. 1,850,951	Ps. 4,561,497
Accumulated Amortization			
Balance at March 31, 2018	Ps. (399,017)	Ps. (597,283)	Ps. (996,300)
Amortization of the period	(31,365)	(39,975)	(71,340)
Withdrawals / Sales	74	—	74
Foreign exchange adjustment	(667)	—	(667)
At June 30, 2018	Ps. (430,975)	Ps. (637,258)	Ps. (1,068,233)
Total Intangible Assets			
Balance at March 31, 2018	Ps. 2,185,548	Ps. 1,035,704	Ps. 3,221,252
Cost	125,981	217,964	343,945
Amortization	(31,958)	(39,975)	(71,933)
Balance at June 30, 2018	Ps. 2,279,571	Ps. 1,213,693	Ps. 3,493,264
	<u>Gas and energy</u>	<u>Infrastructure</u>	<u>Total</u>
Cost			
Balance at March 31, 2019	Ps. 3,122,725	Ps. 4,110,475	Ps. 7,233,200
Additions	197,257	420,722	617,979
Reclassification to PPE	113	—	113
Withdrawals / Sales	(2,958)	(5)	(2,963)
Foreign exchange adjustment	3,619	—	3,619
At June 30, 2019	Ps. 3,320,756	Ps. 4,531,192	Ps. 7,851,948
Accumulated Amortization			
Balance at March 31, 2019	Ps. (537,077)	Ps. (821,793)	Ps. (1,358,870)
Amortization of the period	(31,160)	(35,092)	(66,252)
Withdrawals / Sales	2,918	—	2,918
Foreign exchange adjustment	(317)	—	(317)
At June 30, 2019	Ps. (565,636)	Ps. (856,885)	Ps. (1,422,521)
Total Intangible Assets			
Balance at March 31, 2019	Ps. 2,585,648	Ps. 3,288,682	Ps. 5,874,330
Cost	198,031	420,717	618,748
Amortization	(28,559)	(35,092)	(63,651)
Balance at June 30, 2019	Ps. 2,755,120	Ps. 3,674,307	Ps. 6,429,427

NOTE 9 – INCOME TAX

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

The effective tax rate of consolidated Aval Group with respect to continuous operations for the three-month period ended June 30, 2019 was 29.53%, and for the three-month period ended June 30, 2018 was 28.53%.

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There was a non-material variation of 1% in the effective tax rate, which is higher in the first quarter of 2019 compared to the same period of the prior year.

The effective tax rate for continuous operations for the six-month period ended June 30, 2019 was 30.70% (six-month period ended June 30, 2018 30.67%).

There was a non-material variation of 0.03% in the effective tax rate, which is higher in the first half of 2019 compared to the same period of the prior year.

Although the variations in the rate between the periods compared are not material, it is important to specify the following relevant events that affected the recognition of income tax expense in the periods mentioned as presented below:

- The nominal tax rate decreased by 4% for companies responsible for income tax in Colombia that are not classified as financial entities, going from 37% in 2018 to 33% in 2019, in accordance with the Law 1943 of 2018. Taxable income of financial companies in Colombia will continue to be taxed at a rate of 37%.
- During the first half ended on June 30, 2018, Banco de Occidente registered a CREE tax refund of the 2013 and 2014 tax amounts for Ps. 23,258.

Grupo Aval adopted IFRS 16 and made changes in the accounting policies as of January 1, 2019.

With the transition methods, the comparative information is not re-expressed. See note 2.

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NOTE 10 – EMPLOYEE BENEFITS

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

	June 30, 2019 (1)	December 31, 2018
Short term	437,063	481,320
Post-employment	539,120	541,226
Long term	175,232	242,335
Total	Ps. 1,151,415	Ps. 1,264,881

(1) Part of the decrease presented is due to the restructuring of a benefit to employees by one of the subsidiaries of the Group, since it went from having a defined benefit to a defined contribution, the impact of this change was Ps. 73,752.

NOTE 11 – PROVISIONS

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

Concepts	June 30, 2019	December 31, 2018
Legal Provisions	Ps. 112,761	Ps. 125,929
Other provisions	607,497	569,359
Total	Ps. 720,258	Ps. 695,288

NOTE 12 – OTHER LIABILITIES

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

OTHERS	June 30, 2019	December 31, 2018
Suppliers and services payable	Ps. 1,592,803	Ps. 1,846,831
Dividends payable (1)	1,658,361	535,311
Income received for third parties	826,879	453,450
Collection on behalf of third parties (2)	655,320	1,514,309
Cashier checks	521,369	690,195
Resources for third parties anchoring	517,187	535,960
Non-financial liabilities	519,498	478,833
Withholdings taxes and labor contributions	374,703	427,782
Commissions and fees	367,064	430,279
Collection service	280,926	314,785
Transactions ACH and ATH	231,022	605,657
Affiliate establishments	289,300	335,078
Customer loyalty programs	160,864	154,979
Anticipated income	24,975	34,605
Tax levies	78,503	71,691
Checks drawn and not paid	64,452	48,864
Financial transactions	40,492	45,905
Canceled accounts	27,070	26,987
Insurance payables	24,624	48,505
Cash Surplus	21,622	167,309

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OTHERS	June 30, 2019	December 31, 2018
Promissory buyers	10,709	18,371
Other liabilities	253,266	222,267
Total	Ps. 8,541,009	Ps. 9,007,953

OTHERS	June 30, 2019	December 31, 2018
Liabilities to be canceled within twelve months	6,131,933	6,970,611
Liabilities to be canceled after twelve months	2,409,076	2,037,342
Total	Ps. 8,541,009	Ps. 9,007,953

- (1) The increase of Ps. 1,123,050 correspondence to dividends payable that were approved at the shareholders meetings of the different entities of the Group held in March 2019.
- (2) The decrease of Ps. 858,989 correspond to collections made in December for payment of withholding tax at the source of outstanding payments to the tax authority.

NOTE 13 – CONTROLLING INTEREST EQUITY

Declared dividends

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

	June 30, 2019	December 31, 2018
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
Total available to the Assembly	Ps. 9,153,199	Ps. 7,334,939
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
Total dividends decreed for controlling interests	1,336,861	1,069,489
Total Occasional Reserve available to the Assembly	7,816,338	6,265,450

Equity transactions

For the second quarter of 2019, transactions were presented that generated changes in the interests of Grupo Aval and its subsidiaries 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. step of having a 49.50% on CCFC S.A.S to 100%.

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

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Capital expenses commitments

As of June 30, 2019, and December 31, 2018, Grupo Aval and its subsidiaries had contractual disbursement commitments of capital expenditures for Ps. 201,413 and Ps. 127,367, respectively.

Contingencies

As of June 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 June 30, 2019, and December 31, 2018, labor complaints had been recognized for Ps. 76,850 and Ps. 80,113 respectively. Historically, many of these proceedings have been resolved in favor of Grupo Aval and subsidiaries.

Civil Proceedings

As of June 30, 2019, and December 31, 2018, the result of the assessment of the claims of legal proceedings for civil suits, not including those with remote probability, reached an amount of Ps. 691,077 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 others. Filed by national and local tax authorities. These authorities may establish, in some cases, sanctions in which Grupo Aval and its 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) a higher value in their obligations as taxpayers. As of June 30, 2019, and December 31, 2018, the amount of the claims reached the sum of Ps. 185,572 and Ps. 241,092 respectively.

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NOTE 15 – NET INCOME FROM CONTRACTS WITH CUSTOMER

Below is a detail of the income and expenses from commissions and fees of contracts with customers for the next periods:

Net income from commissions and fees:

	For the three-month periods ended				For the six-month periods ended			
	June 30		June 30		June 30		June 30	
<u>Income from commissions and fees</u>	2019	2018	2019	2018	2019	2018	2019	2018
Commissions on banking services	Ps. 733,342	Ps. 691,857	Ps. 1,431,293	Ps. 1,327,953				
Fees on credit cards	320,426	280,048	629,874	561,256				
Pension and severance fund management	301,047	235,164	556,578	488,750				
Trust activities	84,374	77,348	165,064	154,253				
Storage services	40,076	39,009	81,086	76,337				
Commissions on drafts, checks and checkbooks	12,507	11,645	24,769	24,551				
Office network services	6,241	7,759	12,161	18,947				
Other commissions	2,606	3,012	5,010	5,599				
Total	Ps. 1,500,619	Ps. 1,345,842	Ps. 2,905,835	Ps. 2,657,646				

	For the three-month periods ended				For the six-month periods ended			
	June 30		June 30		June 30		June 30	
<u>Expenses from commissions and fees</u>	2019	2018	2019	2018	2019	2018	2019	2018
Banking Services	Ps. (74,130)	Ps. (74,962)	Ps. (145,133)	Ps. (157,430)				
Affiliations to Pension Funds	(25,240)	(19,648)	(44,252)	(37,493)				
Information Processing Services of Operators	(4,552)	(5,468)	(9,217)	(12,950)				
Administration and intermediation services	(939)	(599)	(1,955)	(1,692)				
Offices Network Services	(815)	(3,892)	(7,207)	(16,455)				
Banking expenses	(168)	(181)	(328)	(346)				
Others	(47,564)	(42,119)	(91,549)	(82,030)				
Total	(153,408)	(146,869)	(299,641)	(308,396)				
Net income from commissions and fees	Ps. 1,347,211	Ps. 1,198,973	Ps. 2,606,194	Ps. 2,349,250				

Net income from sale of goods and services:

	For the three-month periods ended				For the six-month periods ended			
	June 30		June 30		June 30		June 30	
<u>Net income from sale of goods and services:</u>	2019	2018	2019	2018	2019	2018	2019	2018
Income from goods and services from non-financial sector (1)	Ps. 1,981,625	Ps. 1,367,698	Ps. 3,814,104	Ps. 2,711,990				
Others operating income	96,251	87,401	187,261	119,825				
Total income	Ps. 2,077,876	Ps. 1,455,099	Ps. 4,001,365	Ps. 2,831,815				
Cost of sales of companies from non-financial sector	Ps. (1,070,426)	Ps. (802,058)	Ps. (1,976,473)	Ps. (1,603,561)				
General and administrative expenses	(152,281)	(144,316)	(289,756)	(275,736)				
Personnel expenses	(140,232)	(124,405)	(273,148)	(241,995)				
Amortization	(71,254)	(76,979)	(161,453)	(149,168)				
Commissions and fees expenses	15,104	(4,478)	(14,832)	(9,469)				
Depreciation	(28,222)	(23,552)	(53,679)	(46,212)				

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Net income from sale of goods and services:	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2019	2018	2019	2018
Bonus payments	(8,878)	(9,825)	(19,390)	(19,400)
Allowance for impairment of loans and receivables	(16,835)	(5,281)	(23,741)	(14,038)
Donations expenses	(1,007)	(4,606)	(5,928)	(6,380)
Depreciation right of use assets	(3,273)	—	(7,034)	—
Labor severances	(831)	(603)	(1,642)	(1,018)
Total costs for goods and services	Ps. (1,478,135)	Ps. (1,196,103)	Ps. (2,827,076)	Ps. (2,366,977)
Net, income from non-financial sector	Ps. 599,741	Ps. 258,996	Ps. 1,174,289	Ps. 464,838

(1) Increase is due to the progress of work in the concessions, corresponding to Concecol, for Ps. 992,440.

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

LOSSES

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2019	2018	2019	2018
Trading investment income ⁽¹⁾				
Fixed income securities	Ps. 69,823	Ps. 17,150	Ps. 155,621	Ps. 49,554
Equities	82,469	47,374	179,918	27,870
Total trading investment income	Ps. 152,292	Ps. 64,524	Ps. 335,539	Ps. 77,424
Derivatives income				
Net income (loss) on financial derivatives ⁽²⁾	31,435	139,287	(50,837)	(12,790)
Other trading income ⁽³⁾	24,859	40,844	32,048	89,686
Total derivatives income	Ps. 56,294	Ps. 180,131	Ps. (18,789)	Ps. 76,896
Total net trading income	Ps. 208,586	Ps. 244,655	Ps. 316,750	Ps. 154,320

(1) Includes net trading income from investment securities held for trading, that reflects the interest from investment in debt securities, gains/losses from mark-to-market valuation from investment in equity and debt securities and net income from trading activities.

(2) Includes net trading income from derivatives, which reflects the gains/losses from mark-to-market valuation on trading derivatives.

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

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NOTE 17 – OTHER INCOME AND EXPENSE

Below is a detail of the others income and expense:

Other Income	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2019	2018	2019	2018
Foreign exchange gains (losses), net	Ps. 16,602	Ps. (24,438)	Ps. 182,654	Ps. 265,276
Share of profit of equity accounted investees, net of tax	62,223	48,356	109,547	88,546
Gain on the sale of non-current assets held for sale	6,585	3,900	12,582	6,173
Net gain on sale of debt and equity securities	65,116	23,670	71,065	(19,895)
Dividends	3,714	2,124	79,601	56,135
Net gain on asset valuation	(7,339)	(433)	(2,776)	7,811
Other income	119,170	81,325	199,309	156,275
Total other income	Ps. 266,071	Ps. 134,504	Ps. 651,982	Ps. 560,321

Other expense	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2019	2018	2019	2018
Personnel expenses	Ps. (997,077)	Ps. (960,466)	Ps. (1,962,277)	Ps. (1,884,593)
Taxes and fees	(209,192)	(185,589)	(404,863)	(355,554)
Depreciation and amortization	(157,590)	(128,646)	(295,157)	(260,359)
Consultancy, audit and other fees	(161,208)	(137,503)	(297,776)	(257,129)
Affiliation contributions and transfers	(152,298)	(120,737)	(305,339)	(246,834)
Maintenance and repairs	(112,252)	(85,566)	(210,562)	(175,286)
Insurance	(95,219)	(91,768)	(186,619)	(185,241)
Warehouse services	(69,283)	(65,742)	(134,361)	(131,166)
Depreciation right of use assets (1)	(74,315)	—	(144,682)	—
Marketing	(71,578)	(82,673)	(136,049)	(141,998)
Transportation services	(44,725)	(46,181)	(88,854)	(89,795)
Leases (rent)	(42,247)	(116,135)	(81,817)	(233,396)
Cleaning and security services	(33,418)	(31,728)	(65,664)	(62,632)
Outsourcing services	(32,776)	(32,739)	(60,050)	(62,947)
Electronic data processing	(24,808)	(20,103)	(44,149)	(38,017)
Supplies and stationary	(26,000)	(19,789)	(47,424)	(38,113)
Travel expenses	(14,386)	(14,374)	(26,766)	(25,704)
Adaptation and installation	(12,110)	(13,420)	(23,358)	(26,067)
Loss from sale of non-current assets held for sale	(699)	(1,792)	(2,264)	(2,013)
Other expense	(77,974)	(96,403)	(177,578)	(211,509)
Total other expense	Ps. (2,409,155)	Ps. (2,251,354)	Ps. (4,695,609)	Ps. (4,428,353)

(1) The Group adopted IFRS 16 as of 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 June 30, 2019 and December 31, 2018:

Statement of Financial Position

June 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>⁽¹⁾ Other Segments</u>	<u>Eliminations</u>	<u>Total</u>
Assets								
Trading assets	Ps. 3,250,796	Ps. 2,201,544	Ps. 346,302	Ps. 291,750	Ps. 1,667,359	Ps. 4,185	Ps. (59,961)	Ps. 7,701,975
Investment securities	13,765,803	4,173,128	3,228,867	1,504,982	2,314,929	—	(671,502)	24,316,207
Hedging derivatives assets	40,143	—	—	—	4,209	—	—	44,352
Investments in associates and joint ventures	4,475,658	1,321,146	444,102	2,194	714,096	—	(6,019,846)	937,350
Loans, net	106,638,348	28,406,491	19,016,291	11,414,839	2,535,758	—	(1,610,400)	166,401,327
Other Assets	35,212,212	4,577,258	3,103,448	1,710,751	21,257,397	4,647,388	(5,233,572)	65,274,882
Total Assets	Ps. 163,382,960	Ps. 40,679,567	Ps. 26,139,010	Ps. 14,924,516	Ps. 28,493,748	Ps. 4,651,573	Ps. (13,595,281)	Ps. 264,676,093
Liabilities								
Customer Deposits	107,408,362	26,706,164	19,096,073	11,307,596	4,006,158	—	(2,523,547)	166,000,806
Financial Obligations	29,970,101	7,825,364	2,880,939	1,400,390	10,060,462	4,354,195	(2,400,204)	54,091,247
Other Liabilities	5,824,002	1,542,894	1,201,799	553,344	5,484,433	1,157,924	(1,783,431)	13,980,965
Total Liabilities	Ps. 143,202,465	Ps. 36,074,422	Ps. 23,178,811	Ps. 13,261,330	Ps. 19,551,053	Ps. 5,512,119	Ps. (6,707,182)	Ps. 234,073,018

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

Statement of Financial Position

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>⁽¹⁾ Other Segments</u>	<u>Eliminations</u>	<u>Total</u>
Assets								
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
Total Assets	Ps. 163,302,510	Ps. 38,921,610	Ps. 24,648,668	Ps. 14,207,481	Ps. 26,240,636	Ps. 3,924,329	Ps. (11,570,081)	Ps. 259,675,153
Liabilities								
Customer Deposits	108,404,522	25,592,232	17,571,388	11,425,400	3,805,028	—	(2,439,119)	164,359,451

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

	Banco de Bogotá S.A.	Banco de Occidente S.A.	Banco Popular S.A.	Banco AV Villas S.A.	Corficolombiana S.A.	⁽¹⁾ Other Segments	Eliminations	Total
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
Total Liabilities	Ps. 143,634,735	Ps. 34,415,453	Ps. 21,757,734	Ps. 12,587,301	Ps. 18,121,948	Ps. 4,819,612	Ps. (5,215,978)	Ps. 230,120,805

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

Statement of Income for the quarter ended June 30, 2019

	Banco de Bogotá S.A.	Banco de Occidente S.A.	Banco Popular S.A.	Banco AV Villas S.A.	Corficolombiana S.A.	⁽¹⁾ Other Segments	Eliminations	Total
External Income								
Interest income	Ps. 3,026,773	Ps. 785,344	Ps. 590,387	Ps. 369,137	Ps. 113,996	Ps. 126	Ps. —	Ps. 4,885,763
Income from commissions and fees	1,224,521	104,411	64,712	69,287	19,530	18,158	—	1,500,619
Income from sales of goods and services	25,933	15,644	94	(1,352)	2,037,557	—	—	2,077,876
Share of profit of equity accounted investees, net of tax	2,466	1,523	1,555	1,717	54,962	—	—	62,223
Dividends	1,626	—	47	1,741	300	—	—	3,714
Other Income	269,170	61,834	18,529	19,256	91,924	1,442	—	462,155
	Ps. 4,550,489	Ps. 968,756	Ps. 675,324	Ps. 459,786	Ps. 2,318,269	Ps. 19,726	Ps. —	Ps. 8,992,350
Intersegment Income								
Interest income	24,293	3,182	3,053	802	3,673	23	(35,026)	—
Income from commissions and fees	1,314	2,029	856	6,353	(167)	20,469	(30,854)	—
Income from sales of goods and services	528	39,997	—	1,352	1,248	—	(43,125)	—
Share of profit of equity accounted investees, net of tax	128,741	69,211	17,903	(1,746)	293	—	(214,402)	—
Dividends	—	345	—	1,965	—	—	(2,310)	—
Other Income	20,649	3,291	43	361	(1,826)	18,537	(41,055)	—
	175,525	118,055	21,855	9,087	3,221	39,029	(366,772)	—
Total income	Ps. 4,726,014	Ps. 1,086,811	Ps. 697,179	Ps. 468,873	Ps. 2,321,490	Ps. 58,755	Ps. (366,772)	Ps. 8,992,350
Expenses								
Interest expense	Ps. (1,208,046)	Ps. (297,406)	Ps. (223,287)	Ps. (104,777)	Ps. (223,545)	Ps. (58,846)	Ps. 61,474	Ps. (2,054,433)
Impairment loss on loan and other accounts receivable	(645,686)	(235,591)	(72,332)	(81,531)	(78,106)	—	72,310	(1,040,936)

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

	<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>
Depreciations and amortizations	(165,270)	(27,835)	(19,337)	(16,131)	(1,669)	(2,290)	627	(231,905)
Expenses from commissions and fees	(92,540)	(21,453)	(16,028)	(36,605)	(2,991)	(1,645)	17,854	(153,408)
Costs and expenses of sales goods and services	(55,138)	(77,108)	(113)	—	(1,359,310)	1,916	11,618	(1,478,135)
Administrative Expenses	(779,585)	(168,207)	(146,826)	(96,825)	(22,294)	(65,539)	129,998	(1,149,278)
Other expense	(657,995)	(76,613)	(89,241)	(49,521)	24,922	96,321	(146,045)	(898,172)
Income tax expense	(308,589)	(26,999)	(37,930)	(26,775)	(167,816)	(16,088)	(2,204)	(586,401)
Total Expenses	(3,912,849)	(931,212)	(605,094)	(412,165)	(1,830,809)	(46,171)	145,632	(7,592,668)
Net income	Ps. 813,165	Ps. 155,599	Ps. 92,085	Ps. 56,708	Ps. 490,681	Ps. 12,584	Ps. (221,140)	Ps. 1,399,682

	<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>
Revenue from contracts with customers	Ps. 1,252,133	Ps. 161,116	Ps. 65,582	Ps. 75,641	Ps. 1,962,214	Ps. 111,388	Ps. (49,579)	Ps. 3,578,495
Timing of revenue recognition								
At a point in time	49,228	8,031	5,435	20,522	88,397	111,224	(97,031)	185,806
Over time	1,202,905	153,085	60,147	55,119	1,873,817	164	47,452	3,392,689

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

Statement of Income for the six-month ended June 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>⁽¹⁾ Other Segments</u>	<u>Eliminations</u>	<u>Total</u>
External Income								
Interest income	Ps. 5,959,090	Ps. 1,554,545	Ps. 1,166,533	Ps. 729,130	Ps. 145,463	Ps. 197	Ps. —	Ps. 9,554,958
Income from commissions and fees	2,366,172	206,095	129,081	136,001	37,994	30,492	—	2,905,835
Income from sales of goods and services (2)	58,098	33,950	768	(2,225)	3,910,774	—	—	4,001,365
Share of profit of equity accounted investees, net of tax	5,206	2,438	2,797	2,438	96,668	—	—	109,547
Dividends	3,255	279	639	1,795	73,633	—	—	79,601
Other Income	506,083	119,862	29,688	36,992	192,347	1,744	—	886,716
	Ps. 8,897,904	Ps. 1,917,169	Ps. 1,329,506	Ps. 904,131	Ps. 4,456,879	Ps. 32,433	Ps. —	Ps. 17,538,022

Intersegment Income

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

	<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>
Interest income	41,927	6,119	5,381	1,468	99,032	50	(153,977)	—
Income from commissions and fees	2,665	4,098	1,768	9,682	139	46,532	(64,884)	—
Income from sales of goods and services	726	74,539	—	2,225	2,551	—	(80,041)	—
Share of profit of equity accounted investees, net of tax	270,681	139,469	38,365	(2,590)	839	—	(446,764)	—
Dividends	5,288	2,022	2,925	2,053	101	—	(12,389)	—
Other Income	49,449	3,807	95	724	(3,479)	31,020	(81,616)	—
	<u>370,736</u>	<u>230,054</u>	<u>48,534</u>	<u>13,562</u>	<u>99,183</u>	<u>77,602</u>	<u>(839,671)</u>	<u>—</u>
Total income	Ps. <u>9,268,640</u>	Ps. <u>2,147,223</u>	Ps. <u>1,378,040</u>	Ps. <u>917,693</u>	Ps. <u>4,556,062</u>	Ps. <u>110,035</u>	Ps. <u>(839,671)</u>	Ps. <u>17,538,022</u>
Expenses								
Interest expense	Ps. (2,366,687)	Ps. (585,623)	Ps. (440,446)	Ps. (205,141)	Ps. (397,977)	Ps. (116,370)	Ps. 118,107	Ps. (3,994,137)
Impairment loss on loan and other accounts receivable	(1,267,225)	(451,414)	(162,007)	(159,599)	(6,173)	—	72,310	(1,974,108)
Depreciations and amortizations	(307,272)	(55,761)	(37,463)	(32,226)	(4,024)	(4,613)	1,520	(439,839)
Expenses from commissions and fees	(181,278)	(39,445)	(31,664)	(66,836)	(5,999)	(2,458)	28,039	(299,641)
Costs and expenses of sales goods and services	(117,312)	(146,544)	(276)	—	(2,587,087)	3,786	20,357	(2,827,076)
Administrative Expenses	(1,534,091)	(327,092)	(286,865)	(188,684)	(51,625)	(120,520)	273,073	(2,235,804)
Other expense	(1,310,488)	(157,817)	(181,572)	(101,440)	(89,116)	199,849	(149,534)	(1,790,118)
Income tax expense	(584,798)	(74,984)	(71,114)	(54,386)	(402,094)	(32,121)	(1,477)	(1,220,974)
	<u>(7,669,151)</u>	<u>(1,838,680)</u>	<u>(1,211,407)</u>	<u>(808,312)</u>	<u>(3,544,095)</u>	<u>(72,447)</u>	<u>362,395</u>	<u>(14,781,697)</u>
Net income	Ps. <u>1,599,489</u>	Ps. <u>308,543</u>	Ps. <u>166,633</u>	Ps. <u>109,381</u>	Ps. <u>1,011,967</u>	Ps. <u>37,588</u>	Ps. <u>(477,276)</u>	Ps. <u>2,756,325</u>

(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

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

For the six-month periods ended June 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>(1) Other Segments</u>		<u>Eliminations</u>		<u>Total</u>	
Revenue from contracts with customers (2)	Ps.	2,427,338	Ps.	316,369	Ps.	130,863	Ps.	145,683	Ps.	3,762,439	Ps.	221,204	Ps.	(96,696)	Ps.	6,907,200
Timing of revenue recognition																
At a point in time		100,991		16,111		10,926		40,077		124,987		220,946		(197,872)		316,166
Over time		2,326,347		300,258		119,937		105,606		3,637,452		258		101,176		6,591,034

(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 June 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>(1) Other Segments</u>		<u>Eliminations</u>		<u>Total</u>	
External Income																
Interest income	Ps.	2,620,822	Ps.	723,528	Ps.	544,602	Ps.	343,029	Ps.	156,732	Ps.	2	Ps.	—	Ps.	4,388,715
Income from commissions and fees		1,071,435		100,903		63,082		64,095		17,531		28,796		—		1,345,842
Income from sales of goods and services		30,674		14,651		2,221		—		1,407,553		—		—		1,455,099
Share of profit of equity accounted investees, net of tax		1,717		807		803		877		44,152		—		—		48,356
Dividends		(3,484)		4		1		1,349		4,254		—		—		2,124
Other Income		224,544		33,615		16,609		13,559		115,926		(539)		—		403,714
	Ps.	<u>3,945,708</u>	Ps.	<u>873,508</u>	Ps.	<u>627,318</u>	Ps.	<u>422,909</u>	Ps.	<u>1,746,148</u>	Ps.	<u>28,259</u>	Ps.	<u>—</u>	Ps.	<u>7,643,850</u>
Intersegment Income																
Interest income		24,864		3,587		559		165		6,692		37		(35,904)		—
Income from commissions and fees		585		3,998		3,346		6,044		487		9,604		(24,064)		—
Income from sales of goods and services		259		26,441		—		—		1,508		—		(28,208)		—
Share of profit of equity accounted investees, net of tax		58,626		31,523		(697)		(916)		441		—		(88,977)		—
Dividends		4,259		—		—		561		—		—		(4,820)		—
Other Income		4,758		1,089		(35)		362		971		9,643		(16,788)		—
		<u>93,351</u>		<u>66,638</u>		<u>3,173</u>		<u>6,216</u>		<u>10,099</u>		<u>19,284</u>		<u>(198,761)</u>		<u>—</u>
Total income	Ps.	<u>4,039,059</u>	Ps.	<u>940,146</u>	Ps.	<u>630,491</u>	Ps.	<u>429,125</u>	Ps.	<u>1,756,247</u>	Ps.	<u>47,543</u>	Ps.	<u>(198,761)</u>	Ps.	<u>7,643,850</u>
Expenses																
Interest expense	Ps.	(1,051,832)	Ps.	(277,831)	Ps.	(211,155)	Ps.	(89,761)	Ps.	(207,469)	Ps.	(53,993)	Ps.	50,055	Ps.	(1,841,986)

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

	<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>
Impairment loss on loan and other accounts receivable	(473,724)	(135,301)	(11,105)	(71,375)	(12,816)	—	52	(704,269)
Depreciations and amortizations	(87,130)	(18,938)	(11,922)	(8,212)	(545)	(1,877)	(22)	(128,646)
Expenses from commissions and fees	(90,206)	(16,703)	(22,327)	(23,898)	(3,242)	(576)	10,083	(146,869)
Costs and expenses of sales goods and services	(67,217)	(56,695)	(2,871)	—	(1,089,852)	1,247	19,285	(1,196,103)
Administrative Expenses	(766,760)	(184,832)	(141,279)	(99,122)	(14,223)	(47,246)	124,202	(1,129,260)
Other expense	(645,471)	(86,004)	(91,718)	(38,864)	(28,973)	65,756	(77,481)	(902,755)
Income tax expense	(262,902)	11,809	(52,512)	(31,698)	(97,141)	(16,745)	(5,517)	(454,706)
Total Expenses	(3,445,242)	(764,495)	(544,889)	(362,930)	(1,454,261)	(53,434)	120,657	(6,504,594)
Net income	Ps. 593,817	Ps. 175,651	Ps. 85,602	Ps. 66,195	Ps. 301,986	Ps. (5,891)	Ps. (78,104)	Ps. 1,139,256

	<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>
Revenue from contracts with customers	Ps. 1,102,866	Ps. 145,383	Ps. 68,411	Ps. 70,139	Ps. 1,339,263	Ps. 109,132	Ps. (34,253)	Ps. 2,800,941
Timing of revenue recognition								
At a point in time	44,922	7,489	7,575	18,223	41,078	108,922	(145,807)	82,402
Over time	1,057,944	137,894	60,836	51,916	1,298,185	210	111,554	2,718,539

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

Statement of Income for the six-month ended June 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>(1) Other Segments</u>	<u>Eliminations</u>	<u>Total</u>
External Income								
Interest income	Ps. 5,368,022	Ps. 1,543,675	Ps. 1,108,855	Ps. 665,739	Ps. 291,537	Ps. 77	Ps. —	Ps. 8,977,905
Income from commissions and fees	2,133,433	197,644	120,482	128,008	37,550	40,529	—	2,657,646
Income from sales of goods and services	63,649	36,441	5,651	—	2,726,074	—	—	2,831,815
Share of profit of equity accounted investees, net of tax	1,635	1,042	1,158	1,259	83,452	—	—	88,546
Dividends	2,575	273	1,286	1,398	50,603	—	—	56,135
Other Income	334,289	74,945	34,413	27,528	223,831	2,000	—	697,006
	Ps. 7,903,603	Ps. 1,854,020	Ps. 1,271,845	Ps. 823,932	Ps. 3,413,047	Ps. 42,606	Ps. —	Ps. 15,309,053
Intersegment Income								

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

	<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>
Interest income	38,625	3,988	789	170	17,744	79	(61,395)	—
Income from commissions and fees	1,477	5,499	4,353	11,073	779	34,240	(57,421)	—
Income from sales of goods and services	266	44,104	—	—	2,937	—	(47,307)	—
Share of profit of equity accounted investees, net of tax	133,268	58,275	(1,837)	(1,873)	367	—	(188,200)	—
Dividends	12,898	7,834	9,355	707	1,211	—	(32,005)	—
Other Income	64,555	1,993	245	773	455	18,162	(86,183)	—
	<u>251,089</u>	<u>121,693</u>	<u>12,905</u>	<u>10,850</u>	<u>23,493</u>	<u>52,481</u>	<u>(472,511)</u>	<u>—</u>
Total income	Ps. 8,154,692	Ps. 1,975,713	Ps. 1,284,750	Ps. 834,782	Ps. 3,436,540	Ps. 95,087	Ps. (472,511)	Ps. 15,309,053
Expenses								
Interest expense	Ps. (2,108,236)	Ps. (574,594)	Ps. (432,069)	Ps. (179,196)	Ps. (402,955)	Ps. (109,384)	Ps. 103,527	Ps. (3,702,907)
Impairment loss on loan and other accounts receivable	(1,042,704)	(396,520)	(81,563)	(144,324)	(23,411)	—	—	(1,688,522)
Depreciations and amortizations	(174,954)	(38,044)	(23,390)	(16,131)	(3,997)	(3,821)	(22)	(260,359)
Expenses from commissions and fees	(188,267)	(36,935)	(44,508)	(50,870)	(6,449)	(1,204)	19,837	(308,396)
Costs and expenses of sales goods and services	(131,699)	(111,442)	(6,435)	—	(2,142,927)	3,408	22,118	(2,366,977)
Administrative Expenses	(1,478,255)	(367,522)	(268,146)	(190,878)	(36,119)	(96,017)	212,893	(2,224,044)
Other expense	(1,234,762)	(205,384)	(182,243)	(87,518)	(53,071)	137,803	(117,240)	(1,742,415)
Income tax expense	(546,583)	13,433	(92,119)	(55,042)	(211,691)	(32,427)	(404)	(924,833)
Total Expenses	(6,905,460)	(1,717,008)	(1,130,473)	(723,959)	(2,880,620)	(101,642)	240,709	(13,218,453)
Net income	Ps. 1,249,232	Ps. 258,705	Ps. 154,277	Ps. 110,823	Ps. 555,920	Ps. (6,555)	Ps. (231,802)	Ps. 2,090,600
	<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>
Revenue from contracts with customers	Ps. 2,198,562	Ps. 282,389	Ps. 129,382	Ps. 139,081	Ps. 2,648,150	Ps. 217,014	Ps. (125,117)	Ps. 5,489,461
Timing of revenue recognition								
At a point in time	94,966	13,844	14,249	35,144	66,195	216,746	(265,910)	175,234
Over time	2,103,596	268,545	115,133	103,937	2,581,955	268	140,793	5,314,227

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

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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.

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. 1,440,209 as of June 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. 1,640,381 as of June 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. 5,228,779 as of June 30,2019 and Ps. 4,029,816 as of December 31, 2018.

ii. Securities lending

As of June 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 June 30,2019, and as of December 31, 2018, Grupo Aval has not transfer financial assets for special purpose vehicles.

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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:

June 30, 2019	Securizations	Grupo Aval's managed funds	Total
Grupo Aval's interest-assets			
Investments at fair value through profit or loss	Ps. 11,052	Ps. 3,119,758	Ps. 3,130,810
Other account receivables	—	81,205	81,205
Total assets in relation to the Grupo Aval's interests in the unconsolidated structured entities	11,052	3,200,963	3,212,015
Grupo Aval's maximum exposure	Ps. 11,052	Ps. 3,200,963	Ps. 3,212,015

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NOTE 21 – RELATED PARTIES

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

	June 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
Assets						
Cash and equivalents	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —
Financial assets in investments	—	—	907,492	—	—	—
Financial assets in credit operations	2,506	11,410	1,168,845	1,572,177	93,908	—
Accounts receivable	8	21	93,882	3,401	407	—
Other assets	—	—	6,386	5,180	—	—
Liabilities						
Deposits	Ps. 109,133	Ps. 21,685	Ps. 50,311	Ps. 811,726	Ps. 1,540	Ps. —
Accounts payables	1,567	568	45,951	1,065,799	22	—
Financial obligations	—	17	57	1	—	—
Others liabilities	—	3	4,199	250	—	—

	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
Assets						
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
Liabilities					
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 June 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. 192	Ps. 18,054	Ps. 14,586	Ps. 1,898
Fee income and commissions	12	(3)	9,330	5,972	3
Leases	—	—	11	80	—
Other income	2	63	65,912	1,511	127
Financial expenses	(57)	(109)	(325)	(2,348)	(7)
Fee expenses and commissions	(1)	(300)	(5,422)	(22,493)	(60)
Operating expenses	—	(1,629)	—	(1,739)	—
Other expenses	(2)	(417)	(5,352)	(10,166)	—

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For the six months ended June 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. 95	Ps. 472	Ps. 25,305	Ps. 44,636	Ps. 3,854
Fee income and commissions	13	15	18,141	34,957	3
Leases	—	—	20	172	—
Other income	4	99	125,448	2,720	246
Financial expenses	(113)	(371)	(669)	(9,259)	(20)
Fee expenses and commissions	(2)	(701)	(10,387)	(23,061)	(90)
Operating expenses	—	(3,519)	—	(2,187)	—
Other expenses	(6)	(789)	(18,154)	(18,854)	—

For the quarter ended June 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. 88	Ps. 79	Ps. (13,885)	Ps. 10,036	Ps. 3,981
Fee income and commissions	1	5	3,264	15,360	(1)
Leases	—	—	67	99	—
Other income	(2)	79	68,199	1,187	—
Financial expenses	99	44	(4,951)	12,673	(437)
Fee expenses and commissions	(115)	(1,292)	(1,429)	(188)	—
Operating expenses	—	(2,539)	(23)	(725)	—
Other expenses	(380)	(1,818)	(10,797)	(7,048)	—

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For the six months ended June 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. 111	Ps. 386	Ps. 34,354	Ps. 65,447	Ps. 4,035
Fee income and commissions	3	29	9,456	30,628	—
Leases	—	—	174	179	—
Other income	2	138	127,941	2,188	—
Financial expenses	(134)	(376)	(34,180)	(10,318)	(440)
Fee expenses and commissions	(116)	(1,736)	(7,273)	(947)	—
Operating expenses	—	(7,216)	(23)	(1,804)	—
Other expenses	(384)	(2,316)	(18,105)	(14,299)	—

Expenses during the current period were recognized with respect to uncollectible or doubtful accounts related to amounts in debt by related parties of Ps. 4,529.

Compensation of Key Management Personnel

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

	Three-month ended in		Six-month ended in	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Salaries	Ps. 4,377	Ps. 4,445	Ps. 8,973	Ps. 8,890
Short term benefits for employees	728	727	1,462	1,458
Total	5,105	5,172	10,435	10,348

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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.