

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

	<u>Notes</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Assets			
Cash and cash equivalents	Ps.	40,109,202 Ps.	30,117,236
Trading assets		11,204,073	9,113,668
Investment securities		33,302,576	26,000,311
Hedging derivative assets	4	128,980	166,598
Loans, net	4	203,303,019	173,942,317
Other accounts receivable, net		13,548,873	11,702,301
Non-current assets held for sale		441,058	206,193
Investments in associates and joint ventures		999,457	987,962
Tangible assets	6	9,437,823	8,950,411
Goodwill	7	8,236,516	7,348,587
Concessions	8	8,154,570	7,521,488
Other intangibles		1,465,786	1,206,491
Income tax assets		2,092,045	1,141,806
Other assets		539,477	427,220
Total assets	Ps.	332,963,455 Ps.	278,832,589
Liabilities and equity			
Liabilities			
Trading liabilities	4 Ps.	1,196,533 Ps.	962,438
Hedging derivative liabilities	4	310,607	94,298
Customer deposits	4	212,216,033	175,491,421
Financial obligations	4	70,507,091	54,844,576
Provisions	11	909,835	868,642
Income tax liabilities		3,055,886	3,258,583
Employee benefits	10	1,250,092	1,234,980
Other liabilities	12	9,356,609	8,729,382
Total liabilities	Ps.	298,802,686 Ps.	245,484,320
Equity			
Owners of the parent:			
Subscribed and paid-in capital	Ps.	22,281 Ps.	22,281
Additional paid-in capital		8,445,070	8,445,766
Retained earnings		9,977,587	10,289,073
Other comprehensive income		1,494,871	1,093,447
Equity attributable to owners of the parent		19,939,809	19,850,567
Non-controlling interest		14,220,960	13,497,702
Total equity		34,160,769	33,348,269
Total liabilities and equity	Ps.	332,963,455 Ps.	278,832,589

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

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

	Notes	For the three-months periods ended June 30		For the six-months periods ended June 30	
		2020	2019	2020	2019
Interest income	Ps.	5,199,949	Ps. 4,885,763	Ps. 10,297,414	Ps. 9,554,958
Interest expense		(2,246,388)	(2,054,433)	(4,418,340)	(3,994,137)
Net interest income		2,953,561	2,831,330	5,879,074	5,560,821
Net impairment loss on financial assets		(1,629,641)	(911,136)	(2,666,142)	(1,744,260)
Net interest income, after impairment losses		1,323,920	1,920,194	3,212,932	3,816,561
Income from commissions and fees		1,268,254	1,500,619	2,803,089	2,905,835
Expenses from commissions and fees		(173,747)	(153,408)	(362,749)	(299,641)
Net income from commissions and fees	15	1,094,507	1,347,211	2,440,340	2,606,194
Income from sales of goods and services		1,528,294	2,077,876	3,991,892	4,001,365
Costs and expenses of sales goods and services		(1,288,916)	(1,478,135)	(2,918,813)	(2,827,076)
Net income from sales goods and services	15	239,378	599,741	1,073,079	1,174,289
Net trading income	16	(93,556)	208,586	1,007,599	316,750
Net income from other financial instruments mandatory at fair value through profit or loss		59,699	53,435	132,958	107,132
Other income	17	853,238	266,071	48,904	651,982
Other expenses	17	(2,621,571)	(2,409,155)	(5,197,948)	(4,695,609)
Net income before tax expense		855,615	1,986,083	2,717,864	3,977,299
Income tax expense		(214,623)	(586,401)	(731,048)	(1,220,974)
Net income	Ps.	640,992	Ps. 1,399,682	1,986,816	Ps. 2,756,325
Net income attributable to:					
Owners of the parent		323,351	813,200	1,023,588	1,576,062
Non-controlling interest		317,641	586,482	963,228	1,180,263
	Ps.	640,992	Ps. 1,399,682	1,986,816	Ps. 2,756,325
Net income per share basic and diluted (in Colombian pesos)		14.51	36.50	45.94	70.74

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

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 semester ended June 30	
		2020	2019	2020	2019
Net income		Ps. 640,992	Ps. 1,399,682	Ps. 1,986,816	Ps. 2,756,325
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	(1,414,677)	137,365	2,382,158	(172,713)
Hedging derivative instrument	5	721,633	(57,489)	(1,289,243)	89,339
Hedging non-derivative instrument	5	635,661	(80,353)	(1,132,162)	83,256
Cash flow hedges		24,915	(3,497)	(17,702)	7,445
Foreign currency translation differences from unhedged foreign operations		(29,014)	93,792	(66,560)	112,031
Investments in associates and joint ventures		1,088	144	11,426	(6,798)
Unrealized gains (losses) on securities at FVOCI		806,916	219,210	74,077	389,655
Income tax		(562,483)	(9,786)	679,676	(116,842)
Total, items that may be reclassified to profit or loss		Ps. 184,039	Ps. 299,386	Ps. 641,670	Ps. 385,373
Items that will not be reclassified to profit or loss					
Revaluation investment properties		1,109	4,956	1,109	4,956
Unrealized gains (losses) on equity securities at FVOCI		55,218	27,687	55,280	185,717
Actuarial gains (losses) from defined benefit pension plans		(2,573)	(30,541)	(2,609)	(31,198)
Income tax		(428)	(98)	(503)	(370)
Total, items that will not be reclassified to profit or loss		Ps. 53,326	Ps. 2,004	53,277	159,105
Total other comprehensive income		237,365	301,390	694,947	544,478
Total comprehensive income, net of taxes		Ps. 878,357	Ps. 1,701,072	2,681,763	3,300,803
Total comprehensive income for the periods attributable to:					
Owners of the Group		466,306	1,012,455	1,425,012	1,894,897
Non-controlling interest		412,051	688,617	1,256,751	1,405,906
		Ps. 878,357	Ps. 1,701,072	Ps. 2,681,763	Ps. 3,300,803

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

Grupo Aval Acciones y Valores S.A. and Subsidiaries
Consolidated Statement of Changes in Equity for the six-month periods ended at June 30, 2020 and 2019
(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	—	—	(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>
Dividends declared	—	—	(1,336,861)	—	(1,336,861)	(821,136)	(2,157,997)
Acquisition of NCI without a change in control	—	(26,570)	—	—	(26,570)	(40,527)	(67,097)
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, 2019	Ps. <u>22,281</u>	Ps. <u>8,445,766</u>	Ps. <u>10,289,073</u>	Ps. <u>1,093,447</u>	Ps. <u>19,850,567</u>	Ps. <u>13,497,702</u>	Ps. <u>33,348,269</u>
Issuance of shares	—	—	0	—	0	47	47
Business combination ⁽¹⁾	—	—	0	—	0	465,902	465,902
Dividends declared	—	—	(1,336,861)	—	(1,336,861)	(952,340)	(2,289,201)
Equity transactions ⁽²⁾	—	(696)	—	—	(696)	(50,200)	(50,896)
Effect of realization of equity instruments	—	—	11	—	11	40	51
Other comprehensive income	—	—	—	401,424	401,424	293,523	694,947
Withholding Tax over dividends	—	—	1,776	—	1,776	3,058	4,834
Net income	—	—	1,023,588	—	1,023,588	963,228	1,986,816
Balance at June 30, 2020	Ps. <u>22,281</u>	Ps. <u>8,445,070</u>	Ps. <u>9,977,587</u>	Ps. <u>1,494,871</u>	Ps. <u>19,939,809</u>	Ps. <u>14,220,960</u>	Ps. <u>34,160,769</u>

(1) The impact of business combination see note 22.

(2) Equity transactions see note 13

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

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

Grupo Aval Acciones y Valores S.A. and Subsidiaries
Condensed Consolidated Statement of Cash Flows for the six-month periods ended June 30, 2020 and 2019
(Figures in millions of Colombian pesos)

	Nota	June 30, 2020	June 30, 2019
Cash flows from operating activities:			
Net income before income tax		Ps. 2,717,864	Ps. 3,977,299
Reconciliation of net income before taxes and net cash provided by operating activities:			
Depreciation and amortization	15-17	663,392	662,005
Impairment losses of loans and receivables, net	4-15	2,773,182	1,997,848
(Income) in concession agreements		(1,756,811)	(1,871,661)
Net interest income		(5,879,074)	(5,560,821)
(Gain) on sales of non-current assets held for sale, net	17	(32,937)	(10,318)
(Gain) on sales of property, plant and equipment		(16,958)	(4,337)
Foreign exchange losses		100,419	34,050
Share of profit of equity accounted investees, net of tax	17	(107,830)	(109,547)
Other adjustments for reconciliation of net income		1,783,599	1,205,471
Fair value adjustments on:			
Derivative financial instruments	16	(894,979)	18,789
Non-current assets held for sale		(26)	5,412
Investment property		(1,620)	2,146
Biological assets		(4,854)	(9,067)
Changes in operating assets and liabilities:			
Derivative financial instruments		(404,369)	(18,878)
Trading assets		(917,606)	799,184
Accounts receivable		5,189,983	5,485,162
Other assets		(108,742)	9,862
Other liabilities, provisions and employee benefits		(8,301,636)	(8,633,999)
Loan portfolio		(7,329,652)	(549,646)
Customer deposits		13,535,578	2,291,181
Interbank borrowings and overnight funds		1,035,658	3,617,437
Borrowings from development entities		(2,642)	(364)
Borrowings from banks		1,325,772	(2,522,602)
Interest received		8,917,778	9,094,576
Interest paid		(4,283,168)	(3,856,815)
Lease interest		(108,535)	(62,757)
Income tax payments		(1,120,567)	(1,029,760)
Net cash provided by operating activities		Ps. 6,771,219	Ps. 4,959,850
Cash flows from investing activities:			
Purchases of amortized cost financial assets		Ps. (2,922,410)	Ps. (2,658,943)
Redemptions of amortized cost financial assets		1,444,059	2,654,845
Purchases of FVOCI		(13,620,410)	(15,320,903)
Proceeds from sales of FVOCI		13,446,169	14,004,414
Purchases tangible assets		(282,038)	(258,689)
Proceeds from sales of property, plant and equipment		51,561	57,799
Proceeds from sales of non-current assets held for sale		20,914	92,909
Additions of concession arrangement rights		(123,238)	(567,490)
Additions of other intangible assets		(207,950)	(127,972)
Dividends received		92,272	158,949
Acquisition of subsidiary, net of cash acquired	22	(1,346,479)	-
Net cash (used in) provided by investing activities		Ps. (3,447,550)	Ps. (1,965,081)
Cash flows from financing activities:			
Dividends paid to shareholders		Ps. (665,686)	Ps. (860,064)
Dividends paid to non-controlling interest		(403,756)	(174,993)
Issuance of debt securities		3,966,656	611,084
Payment of outstanding debt securities		(1,101,928)	(588,468)
Leases		(207,141)	(147,922)
Equity transactions		(50,896)	(67,097)
Net cash used in financing activities		Ps. 1,537,249	Ps. (1,227,460)
Effect of foreign currency changes on cash and equivalents		5,131,048	(343,874)
Increase in cash and cash equivalents		9,991,966	1,423,435
Cash and cash equivalents at beginning of period		Ps. 30,117,236	Ps. 28,401,283
Cash and cash equivalents at end of period		Ps. 40,109,202	Ps. 29,824,718

The accompanying notes are an integral part of the consolidated financial statement

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, contained in the Accounting and Financial Information Standards accepted in Colombia (NCIF) established in Law 1314 of 2009, regulated by the single regulatory decree 2420 of 2015 modified by decree 2496 of 2015, 2131 of 2016, 2170 of 2017, 2483 of 2018 and 2270 of 2019.

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, 2019. All information is presented in millions of pesos and has been rounded to the nearest unit, except in cases here otherwise indicated.

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 understanding the changes in the Group’s financial position and performance since the last annual financial statements.

NOTE 3 – USE OF JUDGEMENTS AND ESTIMATES

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

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation were the same as those described in the last annual financial statements ended on December 31, 2019.

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.

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- 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.

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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.

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, 2020

	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
ASSETS					
Trading investment					
Securities issued or secured by Colombian Government	Ps. 3,338,742	Ps. 2,975,346	Ps. 363,396	Ps. —	Ps. 3,338,742
Securities issued or secured by other entities of the Colombian Government	144,616	—	144,616	—	144,616
Securities issued or secured by foreign Government	218,141	—	136,905	81,236	218,141
Securities issued or secured by central banks	1,671	—	1,671	—	1,671
Securities issued or secured by other financial entities	1,841,802	162,587	1,679,215	—	1,841,802
Securities issued or secured by entities of the Non-financial sector	22,758	—	22,758	—	22,758
Other	33,017	—	33,017	—	33,017
Total trading investment	Ps. 5,600,747	Ps. 3,137,933	Ps. 2,381,578	Ps. 81,236	Ps. 5,600,747
Investments in debt securities at fair value through profit or loss					
Other	8,809	—	—	8,809	8,809
Total investments in debt securities at fair value through profit or loss	Ps. 5,609,556	Ps. 3,137,933	Ps. 2,381,578	Ps. 90,045	Ps. 5,609,556

Grupo Aval Acciones y Valores S.A. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
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	Carrying Value	Fair Value				Total
		Level 1	Level 2	Level 3		
Investments at fair value through OCI						
Securities issued or secured by Colombian Government	12,537,607	9,577,920	2,959,687	—		12,537,607
Securities issued or secured by other entities of the Colombian Government	533,460	224,181	309,279	—		533,460
Securities issued or secured by foreign Government	9,495,053	966,541	8,516,670	11,842		9,495,053
Securities issued or secured by central banks	991,324	—	991,324	—		991,324
Securities issued or secured by other financial entities	2,762,297	176,316	2,582,159	3,822		2,762,297
Securities issued or secured by entities of the non-financial sector	35,802	—	35,802	—		35,802
Other	645,594	159,602	475,310	10,682		645,594
Total investments at fair value through OCI	Ps. 27,001,137	Ps. 11,104,560	Ps. 15,870,231	Ps. 26,346	Ps. 27,001,137	
Total investments in debt securities	Ps. 32,610,693	Ps. 14,242,493	Ps. 18,251,809	Ps. 116,391	Ps. 32,610,693	
Investments in equity securities						
Trading equity securities	4,234,794	6,327	3,457,971	770,496		4,234,794
Investments in equity through OCI	1,384,813	1,226,881	53,252	104,680		1,384,813
Total investments in equity securities	Ps. 5,619,607	Ps. 1,233,208	Ps. 3,511,223	Ps. 875,176	Ps. 5,619,607	
Held for trading Derivatives						
Currency Forward	958,339	—	958,339	—		958,339
Bond Forward	461	—	461	—		461
Interest Rate Swap	250,828	—	250,828	—		250,828
Currency Swap	57,388	—	57,388	—		57,388
Currency Options	101,516	—	101,516	—		101,516
Total held for trading derivatives	Ps. 1,368,532	Ps. —	Ps. 1,368,532	Ps. —	Ps. 1,368,532	
Hedging Derivatives						
Currency Forward	128,980	—	128,980	—		128,980
Total hedging derivatives	Ps. 128,980	Ps. —	Ps. 128,980	Ps. —	Ps. 128,980	
Other account receivables						
Financial assets in concession contracts	2,838,988	—	—	2,838,988		2,838,988
Total other account receivables designated at fair value	Ps. 2,838,988	Ps. —	Ps. —	Ps. 2,838,988	Ps. 2,838,988	
Total assets at fair value on recurring basis	Ps. 42,566,800	Ps. 15,475,701	Ps. 23,260,544	Ps. 3,830,555	Ps. 42,566,800	
Financial assets at amortized cost, net						
Investments in debt securities, net	4,907,817	170,300	4,281,211	442,600	4,894,111	
Securities issued or secured by Colombian Government	1,397,375	143,376	1,260,095	—		1,403,471
Securities issued or secured by other entities of the Colombian Government	3,014,200	—	3,021,116	—		3,021,116
Securities issued or secured by Foreign Government	26,925	26,924	—	—		26,924

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	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Securities issued or secured by other financial entities	253,850	—	—	240,000	240,000
Other	215,467	—	—	202,600	202,600
Loan portfolio, net (see literal f for details)	203,303,019				212,060,719
Interbank and overnight funds	3,577,992				
Commercial	113,412,611				
Consumer	61,278,437				
Mortgage	24,739,008				
Microcredit	294,971				
Other accounts receivables, net	10,709,885				
Total financial assets at amortized cost, net	218,920,721				
LIABILITIES					
Trading Derivatives					
Currency forward	767,073	—	767,073	—	767,073
Bond forward	5,642	—	5,642	—	5,642
Bond futures	—	—	—	—	—
Interest rate swap	264,274	—	264,274	—	264,274
Currency swap	108,947	—	108,947	—	108,947
Currency options	50,597	—	50,597	—	50,597
Total trading derivatives	Ps. 1,196,533	Ps. —	Ps. 1,196,533	Ps. —	Ps. 1,196,533
Hedging derivatives					
Currency forward	Ps. 271,388	Ps. —	Ps. 271,388	Ps. —	Ps. 271,388
Interest rate swap	39,219	—	39,219	—	39,219
Total hedging derivatives	310,607	—	310,607	—	310,607
Total liabilities at fair value on recurring basis	Ps. 1,507,140	Ps. —	Ps. 1,507,140	Ps. —	Ps. 1,507,140
Financial liabilities at amortized cost					
Customer deposits	Ps. 212,216,033				Ps. 217,285,426
Checking accounts	51,776,430				53,063,797
Time deposits	86,638,199				88,341,812
Savings accounts	73,301,641				75,380,056
Other deposits	499,763				499,761
Financial obligations	70,507,091				71,342,002
Interbank borrowings and overnight funds	11,004,490				10,812,069

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	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Leases contracts	3,413,240				3,248,931
Borrowings from banks and similar	23,157,306				24,408,231
Bonds issued (see literal e for details)	28,829,075				28,687,805
Borrowings from development entities	4,102,980				4,184,966
Total financial liabilities at amortized cost	Ps. 282,723,124				Ps. 288,627,428

December 31, 2019

	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
ASSETS					
Trading investment					
Securities issued or secured by Colombian Government	Ps. 2,425,760	Ps. 1,503,708	Ps. 922,052	Ps. —	Ps. 2,425,760
Securities issued or secured by other entities of the Colombian Government	175,794	—	175,794	—	175,794
Securities issued or secured by foreign Government	139,534	3,220	136,314	—	139,534
Securities issued or secured by central banks	13,966	—	13,966	—	13,966
Securities issued or secured by other financial entities	1,850,422	33,179	1,817,243	—	1,850,422
Securities issued or secured by entities of the non—financial sector	33,942	—	33,942	—	33,942
Other	33,695	—	33,695	—	33,695
Total trading investment	Ps. 4,673,113	Ps. 1,540,107	Ps. 3,133,006	Ps. —	Ps. 4,673,113
Investments in debt securities at fair value through profit or loss					
Other	10,102	—	—	10,102	10,102
Total investments in debt securities at fair value through profit or loss	Ps. 4,683,215	Ps. 1,540,107	Ps. 3,133,006	Ps. 10,102	Ps. 4,683,215
Investments at fair value through OCI					
Securities issued or secured by Colombian Government	11,643,942	7,923,409	3,720,533	—	11,643,942
Securities issued or secured by other entities of the Colombian Government	465,678	191,994	273,684	—	465,678
Securities issued or secured by foreign Government	4,997,430	9,954	4,987,476	—	4,997,430
Securities issued or secured by central banks	970,095	—	970,095	—	970,095
Securities issued or secured by other financial entities	3,054,925	237,887	2,817,038	—	3,054,925
Securities issued or secured by entities of the non-financial sector	34,840	—	34,840	—	34,840
Other	442,082	—	442,082	—	442,082
Total investments at fair value through OCI	Ps. 21,608,992	Ps. 8,363,244	Ps. 13,245,748	Ps. —	Ps. 21,608,992
Total investments in debt securities	Ps. 26,292,207	Ps. 9,903,351	Ps. 16,378,754	Ps. 10,102	Ps. 26,292,207

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	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Investments in equity securities					
Trading equity securities	3,523,121	1,679	3,046,048	475,394	3,523,121
Investments in equity through OCI	1,328,092	1,174,959	46,228	106,905	1,328,092
Total investments in equity securities	Ps. 4,851,213	Ps. 1,176,638	Ps. 3,092,276	Ps. 582,299	Ps. 4,851,213
Held for trading derivatives					
Currency forward	765,166	—	765,166	—	765,166
Bond forward	253	—	253	—	253
Interest rate swap	73,481	—	73,481	—	73,481
Currency swap	34,682	—	34,682	—	34,682
Currency options	43,852	—	43,852	—	43,852
Total held for trading derivatives	Ps. 917,434	Ps. —	Ps. 917,434	Ps. —	Ps. 917,434
Hedging derivatives					
Currency forward	166,598	—	166,598	—	166,598
Total hedging derivatives	Ps. 166,598	Ps. —	Ps. 166,598	Ps. —	Ps. 166,598
Other account receivables					
Financial assets in concession contracts	2,706,030	—	—	2,706,030	2,706,030
Total other account receivables designated at fair value	Ps. 2,706,030	Ps. —	Ps. —	Ps. 2,706,030	Ps. 2,706,030
Total assets at fair value on recurring basis	Ps. 34,933,482	Ps. 11,079,989	Ps. 20,555,062	Ps. 3,298,431	Ps. 34,933,482
Financial assets at amortized cost, net					
Investments in debt securities, net	3,053,125	23,042	3,008,313	—	3,031,355
Securities issued or secured by other entities of the Colombian Government	3,029,065	—	3,007,296	—	3,007,296
Securities issued or secured by Foreign Governments	23,043	23,042	—	—	23,042
Securities issued or secured by other financial entities	1,017	—	1,017	—	1,017
Loan portfolio, net (see literal f for details)	171,403,629				176,228,181
Interbank and overnight funds	2,717,975				
Commercial	98,051,116				
Consumer	52,006,179				
Mortgage	18,290,839				
Microcredit	337,520				
Other accounts receivables, net	6,812,229				
Total financial assets at amortized cost, net	181,268,983				
LIABILITIES					

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	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Trading derivatives					
Currency forward	815,393	—	815,393	—	815,393
Bond forward	574	—	574	—	574
Bond futures	52	52	—	—	52
Interest rate swap	64,500	—	64,500	—	64,500
Currency swap	31,982	—	31,982	—	31,982
Currency options	49,937	—	49,937	—	49,937
Total trading derivatives	Ps. 962,438	Ps. 52	Ps. 962,386	Ps. —	Ps. 962,438
Hedging derivatives					
Currency forward	90,726	—	90,726	—	90,726
Interest rate swap	3,572	—	3,572	—	3,572
Total hedging derivatives	94,298	—	94,298	—	94,298
Total liabilities at fair value on recurring basis	Ps. 1,056,736	Ps. 52	Ps. 1,056,684	Ps. —	Ps. 1,056,736
Financial liabilities at amortized cost					
Customer deposits	Ps. 175,491,421				Ps. 176,310,606
Checking accounts	42,449,702				42,449,609
Time deposits	73,225,189				74,044,372
Savings accounts	59,352,760				59,352,854
Other deposits	463,770				463,771
Financial obligations	54,844,576				56,116,678
Interbank borrowings and overnight funds	9,240,479				9,240,478
Leases contracts	3,033,502				3,033,507
Borrowings from banks and similar	16,769,842				16,903,959
Bonds issued (see literal e for details)	21,918,268				23,167,014
Borrowings from development entities	3,882,485				3,771,720
Total financial liabilities at amortized cost	Ps. 230,335,997				Ps. 232,427,284

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.

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	Valuation technique Level 2	Significant inputs
ASSETS		
Investments in debt securities at fair value		
<u>In Colombian Pesos</u>		
Securities issued or secured by the Colombian Government	Discounted cash flow	Theoretical price / estimated price ⁽¹⁾ Average price / market price ⁽²⁾
Securities issued or secured by Colombian government entities	Discounted cash flow	Theoretical price / estimated price ⁽¹⁾ Average price / market price ⁽²⁾
Securities issued or secured by other financial entities	Discounted cash flow	Theoretical price / estimated price ⁽¹⁾ Average price / market price ⁽²⁾ Yield and margin
Securities issued or secured by non-financial sector entities	Discounted cash flow	Theoretical price / estimated price ⁽¹⁾ Average price / market price ⁽²⁾
Other	Discounted cash flow	Theoretical price / estimated price ⁽¹⁾ Average price / market price ⁽²⁾ Yield and margin
<u>In Foreign Currency</u>		
Securities issued or secured by the Colombian Government	Market Price	Market price ⁽²⁾
Securities issued or secured by Colombian government entities	Discounted cash flow	Theoretical price / estimated price ⁽¹⁾ Average price / market price ⁽²⁾
Securities issued or secured by foreign governments	Internal model	Discounted cash flows using yields from similar securities outstanding Negotiation price, if there are not negotiations, it is calculated by groups of debt securities according to the Superintendency of Pensions methodologies.
Securities issued or secured by foreign governments	Market price	Last auction allocation price Market price ⁽²⁾
Securities issued or secured by Central Banks	Internal model	Discounted cash flows using yields from similar securities outstanding
Securities issued or secured by other financial entities	Market price	Market price or price calculated based on benchmarks set by price providers methodologies
Securities issued or secured by other financial entities	Discounted cash flow	Theoretical price / estimated price ⁽¹⁾
	Internal model	Discounted cash flows using yields from similar securities outstanding
	Market price	Market price or price calculated based on benchmarks set by price providers methodologies Bloomberg Generic Market price ⁽²⁾
Securities issued or secured by non-financial sector entities	Market price	Theoretical price / estimated price ⁽¹⁾ Market price ⁽²⁾
Other	Discounted cash flow	Theoretical price / estimated price ⁽¹⁾
	Market price	Market price or price calculated based on benchmarks set by price providers methodologies

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<u>Valuation technique</u> <u>Level 2</u>	<u>Significant inputs</u>
	Negotiation price, if there are not negotiations, it is calculated by groups of debt securities according to the Superintendency of Pensions methodologies.
	Last auction allocation price
	Quoted price
	Market price ⁽²⁾
	Bloomberg Generic
Investment in equity securities	
Corporate stock	Market Price
Investment funds	Market Price
Pension and severance funds ⁽³⁾	Market Price
Trading derivatives	
Foreign currency forward	Discounted cash flow
Debt securities forward	Discounted cash flow
Interest rate swap	Discounted cash flow
Cross currency swap	Discounted cash flow
Swap (others)	Discounted cash flow
Currency options	Discounted cash flow
Foreign currency futures	Market
Debt securities futures	Market
	Initial price
Hedging derivatives	
Currency forward	Discounted cash flow
Foreign currency futures	Market
LIABILITIES	
Derivatives held for trading	
Foreign currency forward	Discounted cash flow
Debt securities forward	Discounted cash flow
Interest rate swap	Discounted cash flow
Currency swap	Discounted cash flow
Swap (others)	Discounted cash flow
Currency options	Discounted cash flow
	Market
	Market
	Market
Hedging Derivatives	
Foreign currency forward	Discounted cash flow
Interest rate swap	Discounted cash flow

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<u>Valuation technique</u> <u>Level 2</u>	<u>Significant inputs</u>
	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
Foreign currency futures	Market price ⁽²⁾

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

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

<u>Valuation technique</u> <u>Level 3</u>	<u>Significant inputs</u>
ASSETS	
Investments in debt securities at fair value	
<u>In Colombian Pesos</u>	
Other	Discounted cash flow Projected payments flow of mortgage securitizations
Equity securities	
Investments in equity securities (1)	Discounted cash flow Growth in values after 5 years Net Income Growth in residual values after 5 years Discount interest rates
	Comparable Multiples EBITDA Value Multiple of EBITDA Net income value Multiple of net income
<u>Other financial assets</u>	
Assets under concession contracts (2)	Discounted cash flow Free-cash flow from concession contracts Concession contract's maturity period Perpetuity value of the year "n" free-cash flow Present value of the discounted residual value at Weighted Average Cost of Capital ("WACC"). The detail of valuation process for financial assets in concession arrangements are outlined in ⁽²⁾
Non-financial assets	
Biological assets	Discounted cash flow The processes used to collect data and determine the fair value of biological assets are described in ⁽³⁾
Investment properties	Discounted cash flow The processes used to collect data and determine the fair value of investment properties are described in ⁽⁴⁾

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(1) Valuation of equity instruments Level 3

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

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

The following table includes a sensitivity analysis of main level 3 equity securities of December 31, 2019:

Methods and Variables	Variation	Favorable impact		Unfavorable impact	
Comparable Multiples / Recent Transaction Price					
EBITDA Number of times	+/-1 x	Ps.	2,860	Ps.	(2,865)
Adjusted Net Asset Value					
Most relevant variable in assets	+/-10%		331		(287)
Adjusted discounted cash flow					
Growth in residual values after 5 years	+/-1%		303		(270)
	+/- 30 bp		220		(223)
Income	+/-1%		858		(1,017)
	+/- 1% annual		371		(378)
Discount rates	+/- 50 bp		604		(607)
Discount interest rates	+/- 50 bp		648		(639)
		Ps.	6,195	Ps.	(6,286)

(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 and inputs in the calculation of the financial asset were:

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

The components of the calculations are as follows:

- Free cash flow generated solely by assets under concession.
- Expiration period of the concession.
- Amount in-perpetuity of the Free Cash Flow (FCF) of the year, estimated factoring a growth in the residual amount between 1% and 3% each year.
- Current amount of the residual amount Weighted Average Cost of Capital (WACC *), estimated taking into account an interest rate between 8.75 % and 9.08% each year.

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

- Beta Unlevered USA (Oil/Gas Distribution): Damodaran. [Beta unlevered 0.61, 2020]
- Risk Free Rate, Source: Geometric Average 1995-2019 of American bonds "T-Bonds".
- Marker Return, Source: Geometric Average 1995-2019 Damodaran "Stocks" USA.
- Market Premium: Market Return – Risk Free Rate

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- 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. The value of the financial asset at June 30, 2020 is Ps. 2,838,988 and Ps. 2,706,030 as of December 31, 2019.

Variable	June 30, 2020	
	+100 pbs	-100 pbs
WACC	Ps. (675,517)	Ps. 1,029,057
Perpetuity growth rate	596,031	(420,953)

Variable	December 31, 2019	
	+100 bps	-100 bps
WACC	Ps. (637,556)	Ps. 979,942
Perpetuity growth rate	550,652	(387,750)

(3) Biological Assets

Fair value of Grupo Aval subsidiaries’ “biological assets”, which correspond to agricultural activities related to biological assets (animals or plants), is estimated based on internal reports prepared by the companies who own such assets. Fair value of biological assets is determined using valuations performed by experienced internal professionals, using discounted cash flow models. Since no comparable market exist for the biological assets, given their nature, their fair value is determined using discounted cash flows models for each biological asset, based on estimated future quantities of crops, prices, harvesting costs, and maintenance and crop yields, among others, discounted using a risk-free rate adjusted by an appropriate risk premium.

The main assumptions used for determining the fair value of the principal biological assets are as follows:

1. Biological assets growing in rubber crops:

The price of natural rubber used to calculate the 2020-2023 cash flows was forecasted based on the average of the last 3 years of the Technically Specified Rubber (TSR20) per ton since December 2016 Ps. 0.47 (USD 1,542/Ton), in order to reflect the behavior of the commodity for an entire economic cycle. Forecasted prices are adjusted annually based on the expected US inflation rate.

Yield per hectare: Based on the crop composition and the planting year of the different clones, we forecasted a stepwise yield per hectare starting in year 7 after plantation and stabilizing after year 10.

Year	Tons of rubber per hectare per year
Year 7	0.60
Year 8	0.90
Year 9	1.40
Year 10 and other	1.90

Costs and administrative expenses: Costs are forecasted considering the different activities incurred during the life of a rubber project. A cost per hectare is forecasted for every key activity such as maintenance and harvest of mature plants.

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Discount rate: Based on the data for the “Farming/Agriculture” sector of Damodaran Online’s Global Markets data base, a cost of equity of 11.98% as of June 30, 2020 and as of December 31, 2019 was defined. Additionally, a cost of debt after taxes 6.64% as of June 30, 2020 and as of December 31, 2019 was defined based on existing debt market conditions. Based on the above, the discount rate, or WACC, was determined to be 10.79% as of June 30, 2020 and as of December 31, 2019.

2. Biological assets growing in African palm crops:

The price of African palm oil (USD per ton) used to calculate the 2020-2022 cash flows was forecasted based on the average price of palm oil since 2017 (USD 690.39/Ton), in order to reflect the behavior of the commodity for an entire economic cycle. Forecasted prices are adjusted annually with the expected US inflation rate.

The source of information for international prices for Colombia’s market are the following:

Crude palm oil: BURSA MALAYSIA DERIVATIVES (BMD) – Crude Palm Oil Futures (FCPO) – Third Position. It is a relevant international market prices, of easy public access, and is provided by transparent and objective source.

For the price forecast, available future prices (FCPO) were also used as reference.

Yield per hectare: Based on the crop composition and the re-planting year of the crops. which started in 2006, we forecasted a stepwise yield per hectare for each plantation as follows:

Year	Tons of fresh fruit per hectare
0 to 3	—
4	4
5	10
6	12
7	22
7 to 18	22
More than 18	36
Weighted average	18

Extraction rate: The oil extraction rate (OER) is a factor that defines the amount of crude palm oil that is produced per tons of fresh fruit. The OER varies depending on the age of the plantation, and was forecasted based on the following table:

Year	Extraction Rate (%)
4	23
5	23
6	23
7	23
7 to 18	23
More than 18	21
Weighted average	23

Costs and administrative expenses: Costs are forecasted considering the different activities that are incurred during the life of an African palm crop. A cost per hectare is forecasted for every key activity such as, maintenance and fertilization, harvest and transport.

Discount rate: Based on the data for the “Farming/Agriculture” sector of Damodaran Online’s Global Markets data base, a cost of equity of 11.98% as of June 30 2020 and December 31, 2019 was defined. Additionally, a cost of debt after taxes

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6.64% as of June 30, 2020 and December 31, 2019 was defined based on existing debt market conditions. Based on the above, the discount rate, or WACC, was determined to be 10.79% as of June 30, 2020 and December 31, 2019.

Sensitivity analysis of Biological Assets at fair value

As a result of its investment in Corficolombiana, Grupo Aval's assets include certain biological assets, that consist primarily of rubber and African palm oil. Grupo Aval does not sell its products in the Rotterdam market or produces/sells African palm oil from Malaysia. However, Grupo Aval has knowledge that the price of rubber and African palm oil traded at both markets is used to determine the price reference of these commodities.

If the average price of technically specified rubber (TSR20) and crude palm oil (CPO) had been 5% higher or lower in 2020 and 2019, with all the other variables remaining constant and excluding the effect of hedging activities, Grupo Aval's profits for the period, before taxes, would have been the following, including only the product growing on bearer plants.

Rubber Plantations

	<u>TSR20 reference price USD/ton</u>	<u>Change in fiscal year- end price</u>	<u>Value of the biological asset</u>	<u>Profits before taxes</u>
	1,619	5%	65,852	8,154
Jun-20	1,542	Baseline scenario	61,605	3,907
	1,465	(5)%	57,358	-341
	1,619	5%	61,736	20,203
Dec-19	1,542	Baseline scenario	57,698	16,165
	1,465	(5)%	53,660	12,127

African Palm Plantations

	<u>CPO reference price USD/ton</u>	<u>Change in fiscal year- end price</u>	<u>Value of the biological Asset</u>	<u>Profits before taxes</u>
	725	5%	34,784	2,275
Jun-20	690	Baseline scenario	33,456	947
	656	(5)%	32,128	(381)
	725	5%	35,990	6,208
Dec-19	690	Baseline scenario	32,509	2,726
	656	(5)%	29,027	(755)

The fair value of biological assets is also affected by different circumstances in the market such as climate, natural disasters and plagues. The subsidiaries that manage biological assets have taken all the necessary precautions to reduce these risks.

An analysis of any situation that could compromise the fulfilment of the company's objectives is carried out by the different technical areas and the potential impact of any deviation is also measured. The result of said analysis is informed to top management to determine, in accordance with the significance of the situation, if they need to be reported to the Board of Directors.

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(4) Investment properties

Investment properties are recognized at fair value, based on a valuation made at each year-end period using, as a basis, independent appraisal expert whose report is obtained and reviewed by management. While in Colombia, the frequency of transactions in the real state sector is low compared to other more developed markets, management believes there are enough references to assess the fair value of investment properties owned by Grupo Aval and its subsidiaries based on comparable market transactions.

Fire-sales are excluded from the comparable transactions used to estimate the fair-value of investment properties. Management has reviewed the main assumptions used by the independent external appraisers (such as inflation, interest rates, etc.) and believes they are consistent with market conditions at each end of period. However, management believes that the estimation of the fair value of investment properties depends on significant judgment from the independent expert appraisers, and as such, there could be a significant probability that the actual price of sale of a property differs from its fair value.

c) Transfer of levels

During the current year, due not to changes in market conditions, the following table summarizes the transfer between fair value levels 1 and 2 as of June 30, 2020 and December 31, 2019. 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, 2020		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.	482,025	Ps. 7,548	Ps. 1,120,122	Ps. 18,283
Securities issued or secured by other Colombian Government entities		—	—	—	—
Securities issued or secured by other financial entities		108,035	—	30,868	—
	Ps.	590,060	Ps. 7,548	Ps. 1,150,990	Ps. 18,283

December 31, 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.	—	Ps. —	Ps. 72,451	Ps. 591,093
Securities issued or secured by other Colombian Government entities		—	1	—	38,324

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Securities issued or secured by other financial entities	—	—	3,301	119,271
	Ps. <u>—</u>	Ps. <u>1</u>	Ps. <u>75,752</u>	Ps. <u>748,688</u>

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

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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	
	Ps.		Ps.		Ps.	
December 31, 2019		10,102		582,299		2,706,030
Valuation adjustment with an effect on income		(1,293)		36,987		132,958
Valuation adjustments with an effect on OCI		—		(2,333)		—
Additions		107,582	(*)	258,115		—
Sales / redemptions		—		—		—
Reclassifications		—		108		—
June 30, 2020		116,391		875,176		2,838,988

(*) Includes investment in NEXUS Real Estate Capital Funds by Banco de Occidente of Ps.233,326, Fiduciaria Occidente of Ps.17,442 and the income of Multibank shares for Ps.7,347.

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, 2020 and December 31, 2019 at fair value less cost of sale:

	Level 1		Level 2		Level 3		Total	
	Ps.		Ps.		Ps.		Ps.	
June 30, 2020								
Impaired collateralized loans	—		—		1,181,423		1,181,423	
Non- current assets held for sale	—		—		441,058		441,058	
	—		—		1,622,481		1,622,481	
December 31, 2019								
Impaired collateralized loans	—		—		870,110		870,110	
Non- current assets held for sale	—		—		206,193		206,193	
	—		—		1,076,303		1,076,303	

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, 2020 and December 31, 2019, by issue date and maturity date was as follows:

Local Currency

Issuer	Issue Date	June 30, 2020	December 31, 2019	Maturity Date	Interest Rate
Banco de Bogotá S.A.	23/02/2010	—	137,598	23/02/2020	CPI + 5.45% and UVR + 5.45%
Banco de Occidente S.A	Between 22/09/2011 and 18/09/2019	3,075,984	3,246,333	Between 16/07/2020 and 14/12/2032	CPI + 4.65% to 8.39%, Fixed between 5.83% to 7.77%
Corporación Financiera Colombiana S.A.	Between 27/08/2009 and 27/08/2019	2,798,224	2,895,156	Between 08/09/2020 and 02/03/2043	CPI +2.16% to 5.99%, Fixed 7.10%

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Local Currency

Issuer	Issue Date	June 30, 2020	December 31, 2019	Maturity Date	Interest Rate
Banco Popular S.A	Between 12/10/2016 and 04/02/2020	1,853,420	1,753,896	Between 12/09/2020 and 04/02/2027	CPI+ 3.08% to 4.13%; Fixed between 5.88% to 8.10%
Grupo Aval Acciones y Valores S.A.	Between 03/12/2009 and 14/11/2019	Ps. 1,130,965	Ps. 1,201,189	Between 14/11/2024 and 28/06/2042	CPI + 3.69% to 5.20% and Fixed 6.42%
Peso denominated Total		Ps. 8,858,593	Ps. 9,234,172		

Foreign Currency

Issuer	Issue Date	June 30, 2020	December 31, 2019	Maturity Date	Interest Rate
Banco de Bogotá S.A. Under rule 144A.	Between 19/02/2013 and 03/08/2017	8,012,446	7,109,822	Between 19/02/2023 and 03/08/2027	Fixed between 4.38% to 6.25%
BAC Credomatic and MFG					
El Salvador	Between 30/07/2015 and 19/08/2019	719,297	726,607	Between 30/07/2020 and 19/08/2024	Between 4.50% to 5.85%
Honduras	Between 12/07/2017 and 05/02/2020	333,326	320,162	Between 12/07/2020 and 11/04/2022	Fixed between 0.75% to 9.50%, Banker Rate between 0.75% and 5.00%
Panamá	Between 21/01/2014 and 15/05/2020	1,958,236	—	Between 20/07/2020 and 04/02/2025	Fixed between 2.00% to 5.00%, LIBOR6 + 2.84% to 5.51%
BAC Credomatic and MFG Total		Ps. 3,010,859	Ps. 1,046,769		
Banco Bogotá and BAC Credomatic and MFG Total		Ps. 11,023,305	Ps. 8,156,591		
Grupo Aval Limited ⁽¹⁾	Between 19/09/2012 and 04/02/2020	7,503,753	3,268,629	Between 26/09/2022 and 04/02/2030	Fixed between 4.38% to 4.75%
Corporación Financiera Colombiana S.A.	16/10/2019	1,443,424	1,258,876	16/10/2029	Fixed 3.75%
Foreign Currency Total		Ps. 19,970,482	Ps. 12,684,096		
Total of Bonds		Ps. 28,829,075	Ps. 21,918,268		

⁽¹⁾ Includes the issuance for USD 1,000,000,000 issued 02/04/2020 and maturing 04/02/2030

The amount of issued bonds due over 12 months as of June 30, 2020 is Ps. 27,454,770 and December 31, 2019 is Ps. 19,908,991.

Grupo Aval has not had any defaults of principal or interest or other breaches with respect to its liabilities during the nine-months ended June 30, 2020 and year ended December 31, 2019, and Grupo Aval is complying with the related covenants agreed with investors and debtors.

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f) Credit risk concentration

The following is the balance of financial assets by loan portfolio and their provision for impairment as of June 30, 2020 and December 31, 2019:

Portfolio segment	June 30, 2020			December 31, 2019		
	Gross balance	Allowance for impairment	Net balance of credit portfolio	Gross balance	Allowance for impairment	Net balance of credit portfolio
Commercial	Ps. 118,617,486	Ps. 5,204,875	Ps. 113,412,611	Ps. 98,936,699	Ps. 4,188,388	Ps. 94,748,311
Consumer	65,122,298	3,843,861	61,278,437	59,840,451	3,555,040	56,285,411
Mortgage	25,168,646	429,638	24,739,008	20,221,683	351,558	19,870,125
Microcredit	384,445	89,474	294,971	410,320	89,825	320,495
Interbank and overnight funds	3,585,378	7,386	3,577,992	2,718,961	986	2,717,975
Total	Ps. 212,878,253	Ps. 9,575,234	Ps. 203,303,019	Ps. 182,128,114	Ps. 8,185,797	Ps. 173,942,317

(1) Includes the amount of the Multibank Financial Group loan portfolio as of June 30, 2020 for Ps. 12,781,086 million, allocated between commercial portfolio: Ps. 7,115,272, consumer portfolio Ps. 3,034,689 and mortgage portfolio Ps. 2,631,125. (see note 22 for a detail of the business combination)

(2) Includes the amount of the Multibank Financial Group loss allowance as of June 30, 2020 for Ps. 11,400 million, allocated between commercial portfolio: Ps. 10,017, consumer portfolio Ps. 1,298 and mortgage portfolio Ps. 85.

For presentation purposes as of March 2020, the loan portfolio is presented as follows: Interbank and overnight funds and the portfolio with clients detailed according to modality: Commercial and its corresponding leasing, consumer and its corresponding leasing, mortgage and residential leasing. and microcredit, until December 2019, operations with repos and interbank funds operations were included as part of the commercial portfolio and financial leasing operations were shown separately.

The following table details the financial leasing portfolio by modality and the Interbank and overnight funds for June 30, 2020 and December 31, 2019.

June 30, 2020

Portfolio segment	Loan Portfolio without financial leasing	Financial Leasing	Loan Portfolio with financial leasing
Commercial	Ps. 111,455,501	Ps. 10,747,363	Ps. 122,202,864
Interbank and overnight funds	3,585,378	-	3,585,378
Client portfolio	107,870,123	10,747,363	118,617,486
Consumer	64,834,974	287,324	65,122,298
Residential mortgage	23,510,123	1,658,523	25,168,646
Microcredit	384,445	-	384,445
Total portfolio	Ps. 200,185,043	Ps. 12,693,210	Ps. 212,878,253

December 31, 2019

Portfolio segment	Loan Portfolio without financial leasing	Financial Leasing	Loan Portfolio with financial leasing
Commercial	Ps. 91,306,719	Ps. 10,348,941	Ps. 101,655,660
Interbank and overnight funds	2,718,961	-	2,718,961
Client portfolio	88,587,758	10,348,941	98,936,699
Consumer	59,587,929	252,522	59,840,451
Residential mortgage	18,661,389	1,560,294	20,221,683
Microcredit	410,320	-	410,320
Total portfolio	Ps. 169,966,357	Ps. 12,161,757	Ps. 182,128,114

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The following is a detail of the portfolio provided as collateral in resource auction operations with Banco Republica as of June 30, 2020

		Total
Commercial	Ps.	417,033
Total	Ps.	417,033

(1) Loan portfolio by economic sector

Below is the gross balance of the loan portfolio distribution of Grupo Aval by economic activity as of June 30, 2020 and December 31, 2019:

Sector		June 30, 2020	%		December 31, 2019	%
Consumer services	Ps.	96,854,031	45%	Ps.	84,790,144	47%
Commercial services		47,298,862	22%		37,925,996	21%
Construction		14,030,198	7%		11,550,042	6%
Food, beverage and tobacco		10,081,968	5%		8,941,375	5%
Transportation and communications		7,500,779	4%		6,504,746	4%
Public services		5,936,616	3%		5,470,918	3%
Chemical production		6,667,630	3%		5,847,362	3%
Other industrial and manufacturing products		7,376,406	3%		5,309,003	3%
Agricultural		5,762,206	3%		4,563,455	2%
Government		4,858,660	2%		4,905,685	3%
Trade and tourism		3,021,274	1%		2,475,550	1%
Mining products and oil		1,215,895	1%		1,520,420	1%
Other		2,273,728	1%		2,323,418	1%
Total of each economic sector	Ps.	212,878,253	100%	Ps.	182,128,114	100%

(2) Portfolio credit by risk level rating

As of June 30, 2020, and December 31, 2019, the following is a summary of the portfolio credit by risk level rating:

PD Range	June 30, 2020				
	Total Exposure				
	Stage 1	Stage 2	Stage 3	Total	
0% - 7.5%	Ps. 177,757,315	Ps. 3,781,108	Ps. 214	Ps. 181,538,637	
7.5% - 15%	8,538,157	1,818,394	23	10,356,574	
15% - 22.5%	833,893	1,165,102	11	1,999,006	
22.5% - 30%	228,884	990,089	67	1,219,040	
30% - 45%	303,056	1,994,172	423	2,297,651	
45% - 60%	42,690	1,928,703	168,550	2,139,943	
60% - 90%	7,474	1,869,110	259,143	2,135,727	
> 90%	3,061	97,208	11,091,406	11,191,675	
TOTAL	Ps. 187,714,530	Ps. 13,643,886	Ps. 11,519,837	Ps. 212,878,253	

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December 31, 2019							
Total Exposure							
PD Range	Stage 1		Stage 2		Stage 3		Total
0% - 7.5%	Ps.	154,874,024	Ps.	1,105,785	Ps.	—	Ps. 155,979,809
7.5% - 15%		7,701,361		944,475		—	8,645,836
15% - 22.5%		561,274		781,685		—	1,342,959
22.5% - 30%		192,483		615,152		—	807,635
30% - 45%		437,563		1,948,824		—	2,386,387
45% - 60%		13,803		1,322,428		146,626	1,482,857
60% - 90%		424,490		1,260,617		210,585	1,895,692
> 90%		1,690		77,841		9,507,408	9,586,939
TOTAL	Ps.	164,206,688	Ps.	8,056,807	Ps.	9,864,619	Ps. 182,128,114

The following tables show the balance of the loan portfolio by class as of June 30, 2020.

Repos, interbank loans portfolio

June 30, 2020							
Total Exposure							
PD Range	Stage 1		Stage 2		Stage 3		Total
0% - 7.5%	Ps.	3,585,264	Ps.	—	Ps.	—	Ps. 3,585,264
7.5% - 15%		—		—		—	—
15% - 22.5%		—		—		—	—
22.5% - 30%		—		—		—	—
30% - 45%		—		—		—	—
45% - 60%		—		114		—	114
60% - 90%		—		—		—	—
> 90%		—		—		—	—
TOTAL	Ps.	3,585,264	Ps.	114	Ps.	—	Ps. 3,585,378

Commercial loan and leasing portfolio

June 30, 2020							
Total Exposure							
PD Range	Stage 1		Stage 2		Stage 3		Total
0% - 7.5%	Ps.	103,662,759	Ps.	2,296,640	Ps.	—	Ps. 105,959,399
7.5% - 15%		890,984		999,314		12	1,890,310
15% - 22.5%		90,363		229,967		—	320,330
22.5% - 30%		62,877		303,494		25	366,396
30% - 45%		45,211		630,874		75	676,160
45% - 60%		21,117		709,788		—	730,905
60% - 90%		3,975		110,221		117	114,313
> 90%		2,570		11,970		8,545,133	8,559,673
TOTAL	Ps.	104,779,856	Ps.	5,292,268	Ps.	8,545,362	Ps. 118,617,486

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Consumer loan and leasing portfolio

June 30, 2020					
Total Exposure					
PD Range	Stage 1	Stage 2	Stage 3	Total	
0% - 7.5%	Ps. 48,591,117	Ps. 1,108,528	Ps. 209	Ps.	49,699,854
7.5% - 15%	7,018,003	543,783	8		7,561,794
15% - 22.5%	705,337	394,449	4		1,099,790
22.5% - 30%	133,700	518,275	36		652,011
30% - 45%	218,306	951,441	343		1,170,090
45% - 60%	5,832	1,059,389	168,533		1,233,754
60% - 90%	2,519	1,557,402	259,021		1,818,942
> 90%	491	82,069	1,803,503		1,886,063
TOTAL	Ps. 56,675,305	Ps. 6,215,336	Ps. 2,231,657	Ps.	65,122,298

Mortgage loan and leasing portfolio

June 30, 2020					
Total Exposure					
PD Range	Stage 1	Stage 2	Stage 3	Total	
0% - 7.5%	Ps. 21,837,423	Ps. 375,891	Ps. 5	Ps.	22,213,319
7.5% - 15%	490,092	275,234	3		765,329
15% - 22.5%	19,156	540,294	7		559,457
22.5% - 30%	303	168,068	6		168,377
30% - 45%	3,166	411,241	5		414,412
45% - 60%	—	158,269	17		158,286
60% - 90%	—	190,257	5		190,262
> 90%	—	3,169	696,035		699,204
TOTAL	Ps. 22,350,140	Ps. 2,122,423	Ps. 696,083	Ps.	25,168,646

Microcredit loan portfolio

June 30, 2020					
Total Exposure					
PD Range	Stage 1	Stage 2	Stage 3	Total	
0% - 7.5%	Ps. 80,752	Ps. 49	Ps. —	Ps.	80,801
7.5% - 15%	139,078	63	—		139,141
15% - 22.5%	19,037	392	—		19,429
22.5% - 30%	32,004	252	—		32,256
30% - 45%	36,373	616	—		36,989
45% - 60%	15,741	1,143	—		16,884
60% - 90%	980	11,230	—		12,210
> 90%	—	—	46,735		46,735
TOTAL	Ps. 323,965	Ps. 13,745	Ps. 46,735	Ps.	384,445

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The following tables show the balance of the loan portfolio by class as of December 31, 2019:

Commercial loan portfolio

December 31, 2019								
Total Exposure								
PD Range	Stage 1		Stage 2		Stage 3	Total		
0% - 7.5%	Ps.	82,094,981	Ps.	310,595	Ps.	—	Ps.	82,405,576
7.5% - 15%		855,476		368,086		—		1,223,562
15% - 22.5%		44,548		178,046		—		222,594
22.5% - 30%		45,596		86,323		—		131,919
30% - 45%		30,026		928,098		—		958,124
45% - 60%		1,437		471,156		—		472,593
60% - 90%		1,495		47,979		—		49,474
> 90%		1,573		1,976		5,839,328		5,842,877
TOTAL	Ps.	83,075,132	Ps.	2,392,259	Ps.	5,839,328	Ps.	91,306,719

Consumer loan portfolio

December 31, 2019								
Total Exposure								
PD Range	Stage 1		Stage 2		Stage 3	Total		
0% - 7.5%	Ps.	45,471,761	Ps.	541,845	Ps.	—	Ps.	46,013,606
7.5% - 15%		6,436,998		311,027		—		6,748,025
15% - 22.5%		469,685		317,644		—		787,329
22.5% - 30%		138,510		334,167		—		472,677
30% - 45%		378,371		649,855		—		1,028,226
45% - 60%		3,457		603,034		146,626		753,117
60% - 90%		422,442		1,065,686		210,585		1,698,713
> 90%		104		70,290		2,015,842		2,086,236
TOTAL	Ps.	53,321,328	Ps.	3,893,548	Ps.	2,373,053	Ps.	59,587,929

Mortgage loan portfolio

December 31, 2019								
Total Exposure								
PD Range	Stage 1		Stage 2		Stage 3	Total		
0% - 7.5%	Ps.	16,666,766	Ps.	155,866	Ps.	—	Ps.	16,822,632
7.5% - 15%		116,157		183,028		—		299,185
15% - 22.5%		16,035		234,666		—		250,701
22.5% - 30%		4,187		162,339		—		166,526
30% - 45%		8,606		254,878		—		263,484
45% - 60%		171		184,340		—		184,511
60% - 90%		65		120,355		—		120,420
> 90%		13		3,687		550,230		553,930
TOTAL	Ps.	16,812,000	Ps.	1,299,159	Ps.	550,230	Ps.	18,661,389

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Microcredit loan portfolio

December 31, 2019							
Total Exposure							
PD Range	Stage 1		Stage 2		Stage 3		Total
0% - 7.5%	Ps.	123,733	Ps.	17	Ps.	—	Ps. 123,750
7.5% - 15%		142,921		34		—	142,955
15% - 22.5%		29,829		—		—	29,829
22.5% - 30%		4,174		704		—	4,878
30% - 45%		20,263		570		—	20,833
45% - 60%		8,666		941		—	9,607
60% - 90%		336		22,535		—	22,871
> 90%		—		—		55,597	55,597
TOTAL	Ps.	329,922	Ps.	24,801	Ps.	55,597	Ps. 410,320

Leasing loan portfolio

December 31, 2019							
Total Exposure							
PD Range	Stage 1		Stage 2		Stage 3		Total
0% - 7.5%	Ps.	10,516,783	Ps.	97,462	Ps.	—	Ps. 10,614,245
7.5% - 15%		149,809		82,300		—	232,109
15% - 22.5%		1,177		51,329		—	52,506
22.5% - 30%		16		31,619		—	31,635
30% - 45%		297		115,423		—	115,720
45% - 60%		72		62,957		—	63,029
60% - 90%		152		4,062		—	4,214
> 90%		—		1,888		1,046,411	1,048,299
TOTAL	Ps.	10,668,306	Ps.	447,040	Ps.	1,046,411	Ps. 12,161,757

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

The table below shows the loss allowance balances as of June 30, 2020.

June 30, 2020									
	Stage 1		Stage 2		Stage 3		Simplified approach	Total	
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired				
Loan portfolio									
Commercial loan portfolio	Ps.	842,005	Ps.	375,449	Ps.	3,987,421	Ps.	—	Ps. 5,204,875
Consumer loan portfolio		1,232,451		1,223,450		1,387,960		—	3,843,861
Mortgage loan portfolio		87,950		114,269		227,419		—	429,638
Microcredit loan portfolio		37,555		5,746		46,173		—	89,474
Interbank and overnight funds		7,363		23		—		—	7,386
Total loan portfolio	Ps.	2,207,324	Ps.	1,718,937	Ps.	5,648,973	Ps.	—	Ps. 9,575,234
Investments in debt securities at amortized cost		3,555		—		—		—	3,555
Other accounts receivable		12,598		15,986		107,355		189,428	325,367
Total loss allowance									
financial assets at amortized cost	Ps.	2,223,477	Ps.	1,734,923	Ps.	5,756,328	Ps.	189,428	Ps. 9,904,156

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	June 30, 2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Simplified approach	Total
Investments in debt securities at FVOCI	93,538	766	—	—	94,304
Loan commitments and financial guarantee contracts	52,281	14,156	2,148	—	68,585
Total loss allowance	Ps. 2,369,296	Ps. 1,749,845	Ps. 5,758,476	Ps. 189,428	Ps. 10,067,045

	December 31, 2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Simplified approach	Total
Loan portfolio					
Commercial loan portfolio	Ps. 642,839	Ps. 190,697	Ps. 2,905,794	Ps. —	Ps. 3,739,330
Consumer loan portfolio	1,076,150	851,651	1,620,779	—	3,548,580
Mortgage loan portfolio	43,492	73,109	189,636	—	306,237
Microcredit loan portfolio	24,794	11,919	53,112	—	89,825
Financial leasing loan portfolio	65,863	31,356	404,606	—	501,825
Total loan portfolio	Ps. 1,853,138	Ps. 1,158,732	Ps. 5,173,927	Ps. —	Ps. 8,185,797
Investments in debt securities at amortized cost	737	—	—	—	737
Other accounts receivable	13,353	13,006	86,797	173,307	286,463
Total loss allowance financial assets at amortized cost	Ps. 1,867,228	Ps. 1,171,738	Ps. 5,260,724	Ps. 173,307	Ps. 8,472,997
Investments in debt securities at FVOCI	34,080	—	—	—	34,080
Loan commitments and financial guarantee contracts	45,509	2,945	1,508	—	49,962
Total loss allowance	Ps. 1,946,817	Ps. 1,174,683	Ps. 5,262,232	Ps. 173,307	Ps. 8,557,039

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

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

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The table below shows for loans stage 3 individually assessed for ECL the gross amount and loss allowance balances as of June 30, 2020 and December 31, 2019.

June 30, 2020

	Gross Amount Registered		Collateral Guarantees (1)		Allowance Recognized
Without recognized provision					
Commercial	Ps. 99,761		Ps. 46,387		Ps. —
Mortgage	—		—		—
Microcredit	—		—		—
Interbank and overnight funds	56,636		—		—
Subtotal	Ps. 156,397		Ps. 46,387		Ps. —
With recognized provision					
Commercial	7,008,728		1,155,228		3,035,357
Consumer	3,532		—		2,617
Mortgage	371		—		138
Microcredit	—		—		—
Interbank and overnight funds	125,347		—		5
Subtotal	Ps. 7,137,978		Ps. 1,155,228		Ps. 3,038,117
Totals					
Commercial	7,108,489		1,201,615		3,035,357
Consumer	3,532		—		2,617
Mortgage	371		—		138
Microcredit	—		—		—
Interbank and overnight funds	181,983		—		5
Total	Ps. 7,294,375		Ps. 1,201,615		Ps. 3,038,117

December 31, 2019

	Gross Amount Registered		Collateral Guarantees (1)		Allowance Recognized
Without recognized provision					
Commercial	Ps. 67,450		Ps. 47,703		Ps. —
Mortgage	—		—		—
Microcredit	—		—		—
Financial Leasing	36,985		—		—
Subtotal	Ps. 104,435		Ps. 47,703		Ps. —
With recognized provision					
Commercial	5,002,372		634,016		2,150,877
Consumer	3,177		832		2,238
Mortgage	—		—		—
Microcredit	—		—		—
Financial Leasing	795,952		137,855		284,496
Subtotal	Ps. 5,801,501		Ps. 772,703		Ps. 2,437,611
Totals					
Commercial	5,069,822		681,719		2,150,877
Consumer	3,177		832		2,238
Mortgage	—		—		—
Microcredit	—		—		—
Financial Leasing	832,937		137,855		284,496
Total	Ps. 5,905,936		Ps. 820,406		Ps. 2,437,611

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

As of June 30, 2020, and December 31, 2019, the following chart sets out the carrying amount and the value of identifiable collateral (mainly commercial property) for commercial loans held by Grupo Aval at a consolidated level:

		June 30, 2020	
		Carrying Amount	Collateral
Stage 1 and 2	Ps.	27,732,083	Ps. 24,930,249
Stage 3		2,110,559	2,010,459
	Ps.	29,842,642	Ps. 26,940,708

		December 31, 2019	
		Carrying Amount	Collateral
Stage 1 and 2	Ps.	20,203,110	Ps. 19,372,921
Stage 3		1,659,725	1,543,378
	Ps.	21,862,835	Ps. 20,916,299

The table below shows the loss allowance on loans assuming each forward-looking scenario (e.g. scenario A, B and C) were weighted 100% instead of applying scenario probability weights across the three scenarios.

		June 30, 2020		
		Scenario A	Scenario B	Scenario C
Gross Exposure				
Commercial	Ps.	118,617,486	Ps. 118,617,486	Ps. 118,617,486
Consumer		65,122,298	65,122,298	65,122,298
Mortgages		25,168,646	25,168,646	25,168,646
Microcredit		384,445	384,445	384,445
Repos, interbank loans portfolio		3,585,378	3,585,378	3,585,378
Total gross exposure	Ps.	212,878,253	Ps. 212,878,253	Ps. 212,878,253
Loss Allowance				
Commercial	Ps.	5,842,017	Ps. 5,902,945	Ps. 5,987,308
Consumer		2,711,739	2,745,663	2,798,036
Mortgages		257,552	258,080	260,807
Microcredit		99,138	106,011	119,703
Repos, interbank loans portfolio		7,347	7,349	7,351
Total Loss Allowance	Ps.	8,917,793	Ps. 9,020,048	Ps. 9,173,205
Proportion of Assets in Stage 2				
Commercial		4.4 %	4.6 %	5.0 %
Consumer		9.2 %	9.4 %	9.9 %
Mortgages		7.6 %	8.3 %	8.9 %
Microcredit		3.6 %	3.6 %	3.6 %
Repos, interbank loans portfolio		0.0 %	0.0 %	0.0 %

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	December 31, 2019					
	Scenario A		Scenario B		Scenario C	
Gross Exposure						
Commercial	Ps.	91,306,719	Ps.	91,306,719	Ps.	91,306,719
Consumer		59,587,929		59,587,929		59,587,929
Mortgages		18,661,389		18,661,389		18,661,389
Microcredit		410,320		410,320		410,320
Financial Leasing		12,161,757		12,161,757		12,161,757
Total gross exposure	Ps.	182,128,114	Ps.	182,128,114	Ps.	182,128,114
Loss Allowance						
Commercial	Ps.	3,682,865	Ps.	3,730,491	Ps.	3,809,884
Consumer		3,487,398		3,530,429		3,583,059
Mortgages		296,025		300,681		310,584
Microcredit		88,461		89,720		91,071
Financial Leasing		505,950		511,754		516,462
Total Loss Allowance	Ps.	8,060,699	Ps.	8,163,075	Ps.	8,311,060
Proportion of Assets in Stage 2						
Commercial		4.1 %		4.1 %		4.2 %
Consumer		8.9 %		9.2 %		9.4 %
Mortgages		7.6 %		8.2 %		8.6 %
Microcredit		6.8 %		6.8 %		6.8 %
Financial Leasing		3.8 %		4.2 %		4.3 %

The following tables show the reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument as of June 30, 2020.

Loan 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 2019	Ps.	1,853,138	Ps.	1,158,732	Ps.	5,173,927	Ps.	8,185,797
Transfers:								
Transfer from stage 1 to stage 2		(384,791)		384,791		—		—
Transfer from stage 1 to stage 3		(64,520)		—		64,520		—
Transfer from stage 2 to stage 3		—		(501,632)		501,632		—
Transfer from stage 3 to stage 2		—		124,944		(124,944)		—
Transfer from stage 2 to stage 1		392,239		(392,239)		—		—
Transfer from stage 3 to stage 1		47,529		—		(47,529)		—
Net remeasurement of loss allowance ⁽²⁾		359,301		716,092		1,498,736		2,574,129
New financial assets originated or purchased		477,572		465,904		219,446		1,162,922
Financial assets that have been derecognized		(549,167)		(308,767)		(150,406)		(1,008,340)
Unwind of discount ⁽¹⁾		—		—		260,918		260,918
FX and other movements		78,795		76,947		78,876		234,618
Write—offs		(2,772)		(5,835)		(1,826,203)		(1,834,810)
Loss allowance as of June 30, 2020	Ps.	2,207,324	Ps.	1,718,937	Ps.	5,648,973	Ps.	9,575,234

⁽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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(2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2019 versus parameters as of June 30, 2020 and the loan portfolio as of June 30, 2020.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Ps.	114,808 Ps.	206,036 Ps.	34,512 Ps.	355,356

The following table further explains changes in the gross carrying amount of the loan portfolio to help explain their significance to the changes in the allowance for the same portfolio as discussed above:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Total portfolio as of December 31, 2019	Ps. 164,206,688	Ps. 8,056,807	Ps. 9,864,619	Ps. 182,128,114
Transfers:				
Transfer from stage 1 to stage 2	(9,749,476)	9,749,476	—	—
Transfer from stage 1 to stage 3	(721,324)	—	721,324	—
Transfer from stage 2 to stage 3	—	(2,424,233)	2,424,233	—
Transfer from stage 2 to stage 1	3,358,982	(3,358,982)	—	—
Transfer from stage 3 to stage 2	—	339,088	(339,088)	—
Transfer from stage 3 to stage 1	144,054	—	(144,054)	—
Increase in loan portfolio and borrowing costs	64,190,087	1,983,138	587,602	66,760,827
Decrease in loan portfolio and borrowing costs	(56,549,819)	(1,827,251)	(798,075)	(59,175,145)
Increase-decrease in interest	675,862	200,010	264,303	1,140,175
Increase-decrease in other receivables associated with loans	76,945	17,225	7,524	101,694
Write-offs	(2,772)	(5,835)	(1,826,203)	(1,834,810)
On business combination ⁽¹⁾	12,161,079	389,684	518,091	13,068,854
FX and other movements ^(*)	9,924,224	524,759	239,561	10,688,544
Total portfolio as of June 30, 2020	Ps. 187,714,530	Ps. 13,643,886	Ps. 11,519,837	Ps. 212,878,253

(*) For the quarter of June 2020, the TRM presented a variation of Ps.479.14 per dollar

(1) See note 22 Business combination details.

Repos, interbank loans 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 2019	Ps. 81	Ps. —	Ps. 905	Ps. 986
Transfers:				
Transfer from stage 2 to stage 1	3	(3)	—	—
Net remeasurement of loss allowance ⁽²⁾	7,315	27	—	7,342
New financial assets originated or purchased	17	—	—	17
Financial assets that have been derecognized	(53)	(1)	(905)	(959)
Unwind of discount ⁽¹⁾	—	—	—	—

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	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
FX and other movements	—	—	—	—
Write—offs	—	—	—	—
Loss allowance as of June 30, 2020	Ps. 7,363	Ps. 23	Ps. —	Ps. 7,386

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

(2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2019 versus parameters as of June 30, 2020 and the loan portfolio as of June 30, 2020.

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
Ps.	1,610	—	—	1,610

The following table further explains changes in the gross carrying amount of the loan portfolio to help explain their significance to the changes in the allowance for the same portfolio as discussed above:

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
Total portfolio as of December 31, 2019	Ps. 2,717,983	Ps. 2	Ps. 976	Ps. 2,718,961
Transfers:				
Transfer from stage 1 to stage 2	—	—	—	—
Transfer from stage 1 to stage 3	—	—	—	—
Transfer from stage 3 to stage 1	—	—	—	—
Increase in loan portfolio and borrowing costs	5,629,511	114	—	5,629,625
Decrease in loan portfolio and borrowing costs	(5,973,177)	(2)	(976)	(5,974,155)
Increase-decrease in interest	13,169	—	—	13,169
Increase-decrease in other receivables associated with loans	(767)	—	—	(767)
On business combination ⁽¹⁾	472,785	—	—	472,785
FX and other movements	725,760	—	—	725,760
Total portfolio as of June 30, 2020	Ps. 3,585,264	Ps. 114	Ps. —	Ps. 3,585,378

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Commercial loan and 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 2019	Ps.	692,037	Ps.	213,103	Ps.	3,283,248	Ps.	4,188,388
Transfers:								
Transfer from stage 1 to stage 2		(48,767)		48,767		—		—
Transfer from stage 1 to stage 3		(10,370)		—		10,370		—
Transfer from stage 2 to stage 3		—		(57,544)		57,544		—
Transfer from stage 3 to stage 2		—		13,425		(13,425)		—
Transfer from stage 2 to stage 1		44,716		(44,716)		—		—
Transfer from stage 3 to stage 1		7,901		—		(7,901)		—
Net remeasurement of loss allowance ⁽²⁾		120,863		190,615		766,459		1,077,937
New financial assets originated or purchased		191,535		63,361		58,085		312,981
Financial assets that have been derecognized		(177,382)		(63,681)		(66,871)		(307,934)
Unwind of discount ⁽¹⁾		—		—		193,955		193,955
FX and other movements		21,809		12,294		19,560		53,663
Write—offs		(337)		(175)		(313,603)		(314,115)
Loss allowance as of June 30, 2020	Ps.	842,005	Ps.	375,449	Ps.	3,987,421	Ps.	5,204,875

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

⁽²⁾ This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2019 versus parameters as of June 30, 2020 and the loan portfolio as of June 30, 2020.

	Stage 1		Stage 2		Stage 3		Total
	12-month ECL		Lifetime ECL not credit- impaired		Lifetime ECL credit- impaired		
Ps.	50,899	Ps.	68,172	Ps.	40,690	Ps.	159,761

The following table further explains changes in the gross carrying amount of the loan portfolio to help explain their significance to the changes in the allowance for the same portfolio as discussed above:

		Stage 1		Stage 2		Stage 3		Total
		12-month ECL		Lifetime ECL not credit- impaired		Lifetime ECL credit- impaired		
Total portfolio as of December 31, 2019	Ps.	89,337,399	Ps.	2,767,147	Ps.	6,832,153	Ps.	98,936,699
Transfers:								
Transfer from stage 1 to stage 2		(3,706,675)		3,706,675		—		—
Transfer from stage 1 to stage 3		(479,104)		—		479,104		—
Transfer from stage 2 to stage 3		—		(1,078,527)		1,078,527		—
Transfer from stage 2 to stage 1		773,964		(773,964)		—		—
Transfer from stage 3 to stage 2		—		68,889		(68,889)		—
Transfer from stage 3 to stage 1		38,012		—		(38,012)		—

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Increase in loan portfolio and borrowing costs	38,268,136	1,219,201	263,461	39,750,798
Decrease in loan portfolio and borrowing costs	(31,237,122)	(904,810)	(448,015)	(32,589,947)
Increase-decrease in interest	154,791	38,374	203,059	396,224
Increase-decrease in other receivables associated with loans	19,673	10,356	4,857	34,886
Write-offs	(337)	(175)	(313,603)	(314,115)
On business combination ⁽¹⁾	6,430,744	92,115	419,924	6,942,783
FX and other movements	5,180,375	146,987	132,796	5,460,158
Total portfolio as of June 30, 2020	Ps. 104,779,856	Ps. 5,292,268	Ps. 8,545,362	Ps. 118,617,486

⁽¹⁾ See note 22 Business combination details.

Consumer loan and leasing 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 2019	Ps. 1,077,840	Ps. 853,414	Ps. 1,623,786	Ps. 3,555,040
Transfers:				
Transfer from stage 1 to stage 2	(320,464)	320,464	—	—
Transfer from stage 1 to stage 3	(52,369)	—	52,369	—
Transfer from stage 2 to stage 3	—	(414,876)	414,876	—
Transfer from stage 3 to stage 2	—	100,499	(100,499)	—
Transfer from stage 2 to stage 1	314,849	(314,849)	—	—
Transfer from stage 3 to stage 1	24,792	—	(24,792)	—
Net remeasurement of loss allowance ⁽²⁾	193,401	458,212	659,683	1,311,296
New financial assets originated or purchased	279,205	399,264	157,629	836,098
Financial assets that have been derecognized	(335,833)	(229,562)	(62,505)	(627,900)
Unwind of discount ⁽¹⁾	—	—	55,426	55,426
FX and other movements	53,386	56,469	52,281	162,136
Write—offs	(2,356)	(5,585)	(1,440,294)	(1,448,235)
Loss allowance as of June 30, 2020	Ps. 1,232,451	Ps. 1,223,450	Ps. 1,387,960	Ps. 3,843,861

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

⁽²⁾ This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2019 versus parameters as of June 30, 2020 and the loan portfolio as of June 30, 2020.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
	Ps. 38,725	Ps. 115,285	Ps. (9,339)	Ps. 144,671

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The following table further explains changes in the gross carrying amount of the loan portfolio to help explain their significance to the changes in the allowance for the same portfolio as discussed above:

	Stage 1		Stage 2		Total
	12-month ECL		Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	
Total portfolio as of December 31, 2019	Ps. 53,555,487	Ps.	3,907,448	Ps. 2,377,516	Ps. 59,840,451
Transfers:					
Transfer from stage 1 to stage 2	(4,664,279)		4,664,279	—	—
Transfer from stage 1 to stage 3	(221,434)		—	221,434	—
Transfer from stage 2 to stage 3	—		(1,138,510)	1,138,510	—
Transfer from stage 2 to stage 1	1,886,493		(1,886,493)	—	—
Transfer from stage 3 to stage 2	—		221,605	(221,605)	—
Transfer from stage 3 to stage 1	62,607		—	(62,607)	—
Increase in loan portfolio and borrowing costs	18,482,779		723,251	310,321	19,516,351
Decrease in loan portfolio and borrowing costs	(18,171,278)		(800,485)	(272,736)	(19,244,499)
Increase-decrease in interest	289,830		135,405	53,749	478,984
Increase-decrease in other receivables associated with loans	42,054		5,413	1,934	49,401
Write-offs	(2,356)		(5,585)	(1,440,294)	(1,448,235)
On business combination ⁽¹⁾	2,852,700		154,499	47,879	3,055,078
FX and other movements	2,562,702		234,509	77,556	2,874,767
Total portfolio as of June 30, 2020	Ps. 56,675,305	Ps.	6,215,336	Ps. 2,231,657	Ps. 65,122,298

⁽¹⁾ See note 22 Business combinations details.

Mortgage loan and 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 2019	Ps. 58,386	Ps.	80,296	Ps.	212,876	Ps.	351,558
Transfers:							
Transfer from stage 1 to stage 2	(13,260)		13,260		—		—
Transfer from stage 1 to stage 3	(546)		—		546		—
Transfer from stage 2 to stage 3	—		(22,523)		22,523		—
Transfer from stage 3 to stage 2	—		10,361		(10,361)		—
Transfer from stage 2 to stage 1	28,259		(28,259)		—		—
Transfer from stage 3 to stage 1	14,628		—		(14,628)		—
Net remeasurement of loss allowance	24,510		65,025		67,669		157,204
New financial assets originated or purchased	6,501		3,273		3,726		13,500
Financial assets that have been derecognized	(34,066)		(15,307)		(19,975)		(69,348)
Unwind of discount ⁽¹⁾	—		—		5,509		5,509
FX and other movements	3,600		8,184		7,035		18,819
Write—offs	(62)		(41)		(47,501)		(47,604)
Loss allowance as of June 30, 2020	Ps. 87,950	Ps.	114,269	Ps.	227,419	Ps.	429,638

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- (1) The unwind of discount on Stage 3 financial assets is reported within "interest income" so that interest income is recognized on the amortized cost (after deducting the ECL allowance)
- (2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2019 versus parameters as of June 30, 2020 and the loan portfolio as of June 30, 2020.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Ps.	17,511 Ps.	22,127 Ps.	3,144 Ps.	42,782

The following table further explains changes in the gross carrying amount of the loan portfolio to help explain their significance to the changes in the allowance for the same portfolio as discussed above:

		Stage 1 12-month ECL		Stage 2 Lifetime ECL not credit- impaired		Stage 3 Lifetime ECL credit- impaired		Total
Total portfolio as of December 31, 2019	Ps.	18,265,897	Ps.	1,357,409	Ps.	598,377	Ps.	20,221,683
Transfers:								
Transfer from stage 1 to stage 2		(1,364,159)		1,364,159		—		—
Transfer from stage 1 to stage 3		(15,259)		—		15,259		—
Transfer from stage 2 to stage 3		—		(193,784)		193,784		—
Transfer from stage 2 to stage 1		684,732		(684,732)		—		—
Transfer from stage 3 to stage 2		—		46,822		(46,822)		—
Transfer from stage 3 to stage 1		42,744		—		(42,744)		—
Increase in loan portfolio and borrowing costs		1,738,669		40,537		7,777		1,786,983
Decrease in loan portfolio and borrowing costs		(1,080,769)		(119,797)		(68,324)		(1,268,890)
Increase-decrease in interest		202,123		24,061		6,047		232,231
Increase-decrease in other receivables associated with loans		15,987		1,456		733		18,176
Write-offs		(62)		(41)		(47,501)		(47,604)
On business combination ⁽¹⁾		2,404,850		143,070		50,288		2,598,208
FX and other movements		1,455,387		143,263		29,209		1,627,859
Total portfolio as of June 30, 2020	Ps.	<u>22,350,140</u>	Ps.	<u>2,122,423</u>	Ps.	<u>696,083</u>	Ps.	<u>25,168,646</u>

⁽¹⁾ See note 22 business combination details.

Microcredit loan portfolio

		Stage 1 12-month ECL		Stage 2 Lifetime ECL not credit- impaired		Stage 3 Lifetime ECL credit- impaired		Total
Loss allowance as of 31 December 2019	Ps.	24,794	Ps.	11,919	Ps.	53,112	Ps.	89,825
Transfers:								
Transfer from stage 1 to stage 2		(2,300)		2,300		—		—
Transfer from stage 1 to stage 3		(1,235)		—		1,235		—

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Transfer from stage 2 to stage 3	—	(6,689)	6,689	—
Transfer from stage 3 to stage 2	—	659	(659)	—
Transfer from stage 2 to stage 1	4,412	(4,412)	—	—
Transfer from stage 3 to stage 1	208	—	(208)	—
Net remeasurement of loss allowance ⁽²⁾	13,212	2,213	4,925	20,350
New financial assets originated or purchased	314	6	6	326
Financial assets that have been derecognized	(1,833)	(216)	(150)	(2,199)
Unwind of discount ⁽¹⁾	—	—	6,028	6,028
FX and other movements	—	—	—	—
Write-offs	(17)	(34)	(24,805)	(24,856)
Loss allowance as of June 30, 2020	Ps. 37,555	Ps. 5,746	Ps. 46,173	Ps. 89,474

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

⁽²⁾ This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2019 versus parameters as of June 30, 2020 and the loan portfolio as of June 30, 2020.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
	Ps. 6,063	Ps. 452	Ps. 17	Ps. 6,532

The following table further explains changes in the gross carrying amount of the loan portfolio to help explain their significance to the changes in the allowance for the same portfolio as discussed above:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Total portfolio as of December 31, 2019	Ps. 329,922	Ps. 24,801	Ps. 55,597	Ps. 410,320
Transfers:				
Transfer from stage 1 to stage 2	(14,363)	14,363	—	—
Transfer from stage 1 to stage 3	(5,527)	—	5,527	—
Transfer from stage 2 to stage 3	—	(13,412)	13,412	—
Transfer from stage 2 to stage 1	13,793	(13,793)	—	—
Transfer from stage 3 to stage 2	—	1,772	(1,772)	—
Transfer from stage 3 to stage 1	691	—	(691)	—
Increase in loan portfolio and borrowing costs	70,992	35	6,043	77,070
Decrease in loan portfolio and borrowing costs	(87,473)	(2,157)	(8,024)	(97,654)
Increase-decrease in interest	15,949	2,170	1,448	19,567
Increase-decrease in other receivables associated with loans	(2)	—	—	(2)
Write-offs	(17)	(34)	(24,805)	(24,856)

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	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
On business combination ⁽¹⁾	—	—	—	—
FX and other movements	—	—	—	—
Total portfolio as of June 30, 2020	Ps. 323,965	Ps. 13,745	Ps. 46,735	Ps. 384,445

⁽¹⁾ See note 22 Business combination details.

Investments in debt securities at FVOCI

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Loss allowance as of 31 December 2019	Ps. 34,080	Ps. —	Ps. —	Ps. 34,080
Transfers:				
Transfer from stage 1 to stage 2	(327)	327	—	—
Net remeasurement of loss allowance ⁽²⁾	28,000	433	—	28,433
New financial assets originated or purchased	31,582	—	—	31,582
Financial assets that have been derecognized	(4,336)	—	—	(4,336)
Unwind of discount ⁽¹⁾	—	—	—	—
FX and other movements	4,539	6	—	4,545
Loss allowance as of June 30, 2020	Ps. 93,538	Ps. 766	Ps. —	Ps. 94,304

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

⁽²⁾ This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2019 versus parameters as of June 30, 2020 and the loan portfolio as of June 30, 2020.

	Stage 1 12- month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit-impaired	Total
	Ps. 5,235	Ps. —	Ps. —	Ps. 5,235

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 2019	Ps. 737	Ps. —	Ps. —	Ps. 737
Transfers:				
Transfer from stage 1 to stage 2	—	—	—	—
Net remeasurement of loss allowance ⁽²⁾	(1,086)	—	—	(1,086)
New financial assets originated or purchased	4,214	—	—	4,214

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	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
Financial assets that have been derecognized	(414)	—	—	(414)
Unwind of discount ⁽¹⁾	—	—	—	—
FX and other movements	104	—	—	104
Loss allowance as of June 30, 2020	Ps. 3,555	Ps. —	Ps. —	Ps. 3,555

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

⁽²⁾ This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2019 versus parameters as of June 30, 2020 and the loan portfolio as of June 30, 2020.

	Stage 1	Stage 2	Stage 3	Total
	12- month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	
	Ps. (93)	Ps. —	Ps. —	Ps. (93)

Other accounts receivable

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Simplified Approach
Loss allowance as of 31 December 2019	Ps. 13,353	Ps. 13,006	Ps. 86,797	Ps. 173,307
Transfers stages	—	—	—	—
Net remeasurement of loss allowance	(814)	2,923	26,110	16,252
New financial assets originated or purchased	—	—	—	—
Financial assets that have been derecognized	—	—	—	—
Unwind of discount ⁽¹⁾	—	—	—	—
FX and other movements	94	57	58	2,332
Gross amount acquire in a business combination	—	—	—	1,263
Write—offs	(35)	—	(5,610)	(3,726)
Loss allowance as of June 30, 2020	Ps. 12,598	Ps. 15,986	Ps. 107,355	Ps. 189,428

⁽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)

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 2019	Ps. 45,509	Ps. 2,945	Ps. 1,508	Ps. 49,962
Transfers:				
Transfer from Stage 1 to Stage 2	(5,314)	5,314	—	—

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	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
Transfer from Stage 1 to Stage 3	(110)	—	110	—
Transfer from Stage 2 to Stage 3	—	(153)	153	—
Transfer from Stage 3 to Stage 2	—	16	(16)	—
Transfer from Stage 2 to Stage 1	615	(615)	—	—
Transfer from Stage 3 to Stage 1	2	—	(2)	—
Net remeasurement of loss allowance	518	3,750	249	4,517
New loan commitments and financial guarantees issued	10,488	2,894	47	13,429
FX and other movements	573	5	99	677
Loss allowance as of June 30, 2020	Ps. 52,281	Ps. 14,156	Ps. 2,148	Ps. 68,585

The following tables show the reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument as of June 30, 2019.

Loan 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. 1,824,874	Ps. 1,197,046	Ps. 5,174,267	Ps. 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 June 30, 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 the impact by stage estimated using all parameters as of December 31, 2018 versus parameters as of June 30, 2019 and the loan portfolio as of June 30, 2019.

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

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Commercial loan portfolio

		Stage 1		Stage 2		Stage 3		Total
		12-month		Lifetime		Lifetime		
		ECL		ECL not		ECL credit-		
				credit-		impaired		
				impaired				
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 ⁽¹⁾		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 June 30, 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 the impact by stage estimated using all parameters as of December 31, 2018 versus parameters as of June 30, 2019 and the loan portfolio as of June 30, 2019.

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

Consumer loan portfolio

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

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	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
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 June 30, 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 the impact by stage estimated using all parameters as of December 31, 2018 versus parameters as of June 30, 2019 and the loan portfolio as of June 30, 2019.

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

Mortgage loan portfolio

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
Loss allowance as of 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)
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 June 30, 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 the impact by stage estimated using all parameters as of December 31, 2018 versus parameters as of June 30, 2019 and the loan portfolio as of June 30, 2019.

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

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Microcredit loan portfolio

		Stage 1		Stage 2		Stage 3		Total
		12-month		Lifetime		Lifetime		
		ECL		ECL not		ECL credit-		
				credit-		impaired		
				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 June 30, 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 the impact by stage estimated using all parameters as of December 31, 2018 versus parameters as of June 30, 2019 and the loan portfolio as of June 30, 2019.

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

Leasing loan portfolio

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

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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⁾	—	—	14,394	14,394
FX and other movements	528	276	(1,341)	(537)
Write—offs	(27)	—	(72,503)	(72,530)
Loss allowance as of June 30, 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 the impact by stage estimated using all parameters as of December 31, 2018 versus parameters as of June 30, 2019 and the loan portfolio as of June 30, 2019.

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

Investments in debt securities at FVOCI

	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. 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⁾	18,837	108	—	18,945
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 June 30, 2019	Ps. 36,352	Ps. 12,561	Ps. 55	Ps. 48,968

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

⁽²⁾ This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2018 versus parameters as of June 30, 2019 and the loan portfolio as of June 30, 2019.

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

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Investments in debt securities at amortized cost

	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.	71	Ps.	—	Ps.	—	Ps. 71
Transfers:							
Transfer from stage 1 to stage 2		—		—		—	—
Net remeasurement of loss allowance ⁽²⁾		290		—		—	290
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 June 30, 2019	Ps.	799	Ps.	—	Ps.	—	Ps. 799

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

⁽²⁾ This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2018 versus parameters as of June 30, 2019 and the loan portfolio as of June 30, 2019.

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

Other accounts receivable

	Stage 1		Stage 2		Stage 3		Simplified Approach	Total
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired			
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 June 30, 2019	Ps.	10,619	Ps.	8,530	Ps.	91,838	Ps. 168,924	Ps. 279,911

⁽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 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.	40,715	Ps.	14,358	Ps.	4,355	Ps.	59,428
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 June 30, 2019	Ps.	37,298	Ps.	4,423	Ps.	3,984	Ps.	45,705

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, 2020 and December 31, 2019:

Credit lines commitments not used

		June 30, 2020		December 31, 2019
		Notional amount		Notional amount
Guarantees	Ps.	3,719,041	Ps.	3,341,641
Unused letters of credit		1,809,379		1,133,385
Unused limits of overdrafts		265,503		67,126
Unused credit card limits		25,569,291		23,125,249
Other		4,038,456		4,487,203
Total	Ps.	35,401,670	Ps.	32,154,604

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

		June 30, 2020		December 31, 2019
Colombian Pesos	Ps.	15,311,364	Ps.	14,914,209
U.S. dollars		19,240,829		13,750,968
Euro		567,097		3,292,845
Other		282,380		196,582
Total	Ps.	35,401,670	Ps.	32,154,604

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NOTE 5 – HEDGE ACCOUNTING

In accordance with its risk management policies, Grupo Aval uses hedge accounting to manage foreign exchange risk relating to investments in foreign operations and in forecasted transactions of its subsidiary Promigas, as follows:

Hedges of net investment in foreign operations

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

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

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

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

Date	Value of USD 1	Three-month variation in pesos	Six-month variation in pesos
June 30, 2020	3,756.28	(298.26)	479.14
December 31, 2019	3,277.14	(200.31)	71.47
June 30, 2019	3,205.67	30.88	(44.08)

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. 2,171,386	Ps. (990,430)	Ps. (1,218,146)	Ps. (37,190)
Other subsidiaries and branches Banco de Bogotá	70,694	—	(71,097)	(403)
Occidental Bank Barbados	24,832	(24,832)	—	—
Banco de Occidente (Panamá)	34,184	(34,184)	—	—
Sociedad Portuaria El Cayao S.A. E.S.P.	14,709	(14,709)	—	—
Gases del Pacífico S.A.C.	904	(2,558)	—	(1,654)
Gas Natural de Lima y Callao S.A.C. – Calidda	65,150	(65,150)	—	—
Gases del Norte del Perú S.A.C.	299	(299)	—	—
Total	Ps. 2,382,158	Ps. (1,132,162)	Ps. (1,289,243)	Ps. (39,247)

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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, 2020

Detail of investment	Thousands of USD			Ps. millions			Net OCI account
	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	
Leasing Bogotá Panamá	4,591,531	(2,067,100)	(1,435,861) Ps.	6,402,323 Ps.	(2,642,253) Ps.	(3,934,360) Ps.	(174,290)
Other subsidiaries and branches Banco de Bogotá (2)	142,248	—	(138,722)	200,310	—	(198,430)	1,880
Occidental Bank Barbados	32,324	(32,324)	—	50,580	(50,580)	—	—
Banco de Occidente (Panamá)	43,462	(43,462)	—	71,560	(71,560)	—	—
Sociedad Portuaria El Cayao S.A. E.S.P.	34,192	(34,192)	—	24,041	(24,041)	—	—
Gases del Pacífico S.A.C.	13,019	(13,019)	—	3,206	(6,048)	—	(2,842)
Gas Natural de Lima y Callao S.A.C. – Calidda							
Gases del Norte del Perú S.A.C.	554	(554)	—	299	(299)	—	—
Total	4,857,330	(2,190,651)	(1,574,583) Ps.	6,752,319 Ps.	(2,794,781) Ps.	(4,132,790) Ps.	(175,252)

December 31, 2019

Detail of investment	Thousands of USD			Ps. millions			Net OCI account
	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	
Leasing Bogotá Panamá	4,475,304	(2,067,100)	(2,391,651) Ps.	4,230,937 Ps.	(1,651,823) Ps.	(2,716,214) Ps.	(137,100)
Other subsidiaries and branches Banco de Bogotá (2)	139,662	—	(137,752)	129,616	—	(127,333)	2,283
Occidental Bank Barbados	31,027	(31,027)	—	25,748	(25,748)	—	—
Banco de Occidente (Panamá)	38,924	(38,924)	—	37,376	(37,376)	—	—
Sociedad Portuaria El Cayao S.A. E.S.P.	26,214	(26,214)	—	9,332	(9,332)	—	—
Gases del Pacífico S.A.C.	2,500	(2,500)	—	2,302	(3,490)	—	(1,188)
Gas Natural de Lima y Callao S.A.C. – Calidda	131,606	(131,606)	—	(3,977)	3,977	—	—
Total	4,845,237	(2,297,371)	(2,529,403) Ps.	4,431,334 Ps.	(1,723,792) Ps.	(2,843,547) Ps.	(136,005)

a) Includes exchange difference hedged

b) Includes Banco de Bogotá Panamá, Banco Bogotá Finance, Ficentro and contributions of foreign branches in Miami, New York and Nassau.

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(1) Hedging of foreign exchange

Banco de Bogotá designated financial liabilities as hedging instruments on December 21, 2015 these included an intra-group liability amounting to US\$ 500 million that Banco de Bogotá had as a hedging instrument of its investment in Leasing Bogotá Panamá. This operation was eliminated in the consolidation process of Grupo Aval and was excluded of the foreign investment hedge accounting. Starting May 1st and up to November 2nd, 2016 Grupo Aval designated financial assets in foreign debt securities amounting to US\$ 500 million as cash flow hedge, the foreign exchange differences of this intra-group liability were not eliminated in the consolidation process and recorded in Other Comprehensive Income in the amount of Ps. 73,708. This value would be realized in the future as income only when the investment in Leasing Bogotá Panamá is sold. On November 2nd, 2016 Banco de Bogotá cancelled the intragroup liability amounting to US\$ 500 million which was replaced in the foreign investment hedge accounting with other obligations in foreign currency with third parties.

(2) 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.

(3) Cash flow and fair value hedging

With the acquisition of the subsidiary Multi Financial Group (see note 22 for the detail of the business combination) in the development of their treasury operations and bond issuance they designated hedge accounting, the derivative instruments designated to hedge cash flows are instruments that hedge exposure to changes in cash flows associated with a previously recognized asset or liability, or to a highly probable forecast transaction. The effective part of any change in the fair value of the hedging instrument is recognized directly in equity and is presented as a reserve for cash flow hedging, while the ineffective part of any change in the fair value is recognized in the Statement of Income. The amounts accumulated in equity are reclassified to income in the periods in which hedging transactions will affect the Statement of Income.

(4) 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, 2020 and December 31, 2019.

NOTE 6 – TANGIBLE ASSETS

The movement of the carrying value amounts of tangible assets for the years ended on June 30, 2020, and December 31, 2019 is as follows:

Property, plant and equipment		June 30, 2020		December 31, 2019
Properties, plant and equipment for own use ⁽¹⁾	Ps.	6,069,966	Ps.	5,783,234
Right-of-use assets ⁽¹⁾		2,328,048		2,125,558
Investment properties ⁽¹⁾		919,336		928,566
Biological Assets		111,992		104,857
Properties, plant and equipment given in operating lease		8,481		8,196
Total	Ps.	9,437,823	Ps.	8,950,411

(1) Impact of business combination for Ps. 359,762, assigned as follows: Property, plant and equipment for Ps. 285,596, assets for rights of use for Ps. 65,096, and investment properties for Ps. 9,070 (see note 22).

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NOTE 7 – GOODWILL

The following is the roll-forward of goodwill balances during the period ended June 30, 2020 and December 31, 2019:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Balance at the beginning of the period	Ps. 7,348,587	Ps. 7,318,594
Acquisitions ⁽¹⁾	132,347	—
Impairment charge	—	(13,041)
Effect of movements in exchange rates	755,582	43,034
Balance at the end of the period	Ps. 8,236,516	Ps. 7,348,587

- Includes recognition of the business combination on Multi Financial Group, Inc., (see note 22).

NOTE 8 – CONCESSIONS

The following are the balances for Grupo Aval for concession contracts for six-months periods ended June 30, 2020 and, 2019:

	<u>Gas and energy</u>	<u>Infrastructure</u>	<u>Total</u>
Cost			
At December 31, 2018	Ps. 3,033,014	Ps. 3,732,759	Ps. 6,765,773
Additions	296,568	798,438	1,095,006
Reclassification to PPE	146	—	146
Withdrawals	(2,979)	(5)	(2,984)
Effect of movements in exchange rates	(5,993)	—	(5,993)
At June 30, 2019	Ps. 3,320,756	Ps. 4,531,192	Ps. 7,851,948
Accumulated Amortization			
At December 31, 2018	Ps. (501,737)	Ps. (749,555)	Ps. (1,251,292)
Amortization of the period	(66,966)	(85,446)	(152,412)
Reclassification to PPE	—	—	—
Withdrawals ⁽¹⁾	2,918	(21,884)	(18,966)
Effect of movements in exchange rates	149	—	149
At June 30, 2019	Ps. (565,636)	Ps. (856,885)	Ps. (1,422,521)
Total Intangible Assets			
At December 31, 2018	Ps. 2,531,277	Ps. 2,983,204	Ps. 5,514,481
Cost	287,742	798,433	1,086,175
Amortization	(63,899)	(107,330)	(171,229)
At June 30, 2019	Ps. 2,755,120	Ps. 3,674,307	Ps. 6,429,427

- (1) In infrastructure, Proyectos de Infraestructura PISA S.A. includes of Ps. 21,884 for 2019, that was offset with a liability outstanding with Agencia Nacional de Infraestructura (ANI), due to the liquidation of the capacity records with the ANI.

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	<u>Gas and energy</u>		<u>Infrastructure</u>		<u>Total</u>	
Cost						
At December 31, 2019	Ps.	3,785,538	Ps.	4,494,254	Ps.	8,279,792
Additions		180,071		461,885		641,956
Reclassification to PPE		322		—		322
Transfer to non-current assets held for sale		(769)		—		(769)
Withdrawals		(1,245)		—		(1,245)
Effect of movements in exchange rates		93,713		—		93,713
At June 30, 2020	Ps.	4,057,630	Ps.	4,956,139	Ps.	9,013,769
Accumulated Amortization						
At December 31, 2019	Ps.	(639,727)	Ps.	(116,545)	Ps.	(756,272)
Amortization of the period		(86,608)		(6,110)		(92,718)
Reclassification to PPE		—		—		—
Transfer to non-current assets held for sale		148		—		148
Withdrawals		155		—		155
Effect of movements in exchange rates		(5,952)		—		(5,952)
At June 30, 2020	Ps.	(731,984)	Ps.	(122,655)	Ps.	(854,639)
Impairment losses						
At December 31, 2019	Ps.	—	Ps.	(2,032)	Ps.	(2,032)
Impairment charge		(2,296)		(232)		(2,528)
At June 30, 2020	Ps.	(2,296)	Ps.	(2,264)	Ps.	(4,560)
Total Intangible Assets						
At December 31, 2019	Ps.	3,145,811	Ps.	4,375,677	Ps.	7,521,488
Cost		272,092		461,885		733,977
Amortization		(92,257)		(6,110)		(98,367)
Impairment losses		(2,296)		(232)		(2,528)
At June 30, 2020	Ps.	3,323,350	Ps.	4,831,220	Ps.	8,154,570

The following are the balances for Grupo Aval for concession contracts for three-months periods ended June 30, 2020 and, 2019:

	<u>Gas and energy</u>		<u>Infrastructure</u>		<u>Total</u>	
Cost						
At March 31, 2019	Ps.	3,122,724	Ps.	4,110,475	Ps.	7,233,199
Additions		197,257		420,722		617,979
Reclassification to PPE		113		—		113
Withdrawals		(2,958)		(5)		(2,963)
Effect of movements in exchange rates		3,619		—		3,619
At June 30, 2019	Ps.	3,320,755	Ps.	4,531,192	Ps.	7,851,947
Accumulated Amortization						
At March 31, 2019	Ps.	(537,077)	Ps.	(821,792)	Ps.	(1,358,869)
Amortization of the period		(31,160)		(35,092)		(66,252)
Reclassification to PPE		—		—		—
Withdrawals		2,918		—		2,918
Effect of movements in exchange rates		(317)		—		(317)
At June 30, 2019	Ps.	(565,636)	Ps.	(856,884)	Ps.	(1,422,520)
Total Intangible Assets						
At March 31, 2019	Ps.	2,585,647	Ps.	3,288,683	Ps.	5,874,330
Cost		198,031		420,717		618,748
Amortization		(28,559)		(35,092)		(63,651)
At June 30, 2019	Ps.	2,755,119	Ps.	3,674,308	Ps.	6,429,427

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	<u>Gas and energy</u>	<u>Infrastructure</u>	<u>Total</u>
Cost			
At March 31, 2020	Ps. 4,066,913	Ps. 4,813,871	Ps. 8,880,784
Additions	51,296	142,268	193,564
Reclassification to PPE	195	—	195
Transfer to non-current assets held for sale	—	—	—
Withdrawals	(691)	—	(691)
Effect of movements in exchange rates	(60,083)	—	(60,083)
At June 30, 2020	Ps. 4,057,630	Ps. 4,956,139	Ps. 9,013,769
Accumulated Amortization			
At March 31, 2020	Ps. (690,023)	Ps. (120,211)	Ps. (810,234)
Amortization of the period	(44,937)	(2,444)	(47,381)
Reclassification to PPE	—	—	—
Transfer to non-current assets held for sale	—	—	—
Withdrawals	103	—	103
Effect of movements in exchange rates	2,873	—	2,873
At June 30, 2020	Ps. (731,984)	Ps. (122,655)	Ps. (854,639)
Impairment losses			
At March 31, 2020	Ps. —	Ps. (2,194)	Ps. (2,194)
Impairment charge	(2,296)	(70)	(2,366)
At June 30, 2020	Ps. (2,296)	Ps. (2,264)	Ps. (4,560)
Total Intangible Assets			
At March 31, 2020	Ps. 3,376,890	Ps. 4,691,466	Ps. 8,068,356
Cost	(9,283)	142,268	132,985
Amortization	(41,961)	(2,444)	(44,405)
Impairment losses	(2,296)	(70)	(2,366)
At June 30, 2020	Ps. 3,323,350	Ps. 4,831,220	Ps. 8,154,570

NOTE 9 - INCOME TAX

Income tax expense, consisting of income tax and its supplementary and deferred tax, is recognized based on the administration's best estimate for the period

The effective tax rate of the consolidated Grupo Aval, with respect to the continuous operations for the six-month period ended June 30, 2020 was 26.90%, and for the six-month period ended June 30, 2019 was 30,70%.

Comparing the effective rates at the end of the first half of the 2020 and 2019s, there is a variation in the effective tax rate of 3.80%, with the rate recorded during the first half of 2020 being lower. The variation is mainly explained by the following factors:

- The nominal tax rate decreased by 1% for the companies responsible for income tax in Colombia, going from 37% in 2020 to 36% in 2020 for entities classified as financial entities, and from 33 % in 2020 to 32% in 2020 for entities that are not classified as financial entities. It is important to note that the 37% rate of the year 2020 for financial institutions is composed of a 4% rent surcharge that was declared non-applicable in October 2020, but it is until the last quarter of 2020 that this effect is reflected in tax spending.
- During the first half of 2020, Corficolombiana generated tax losses on which they did not record deferred tax of Ps. 19,669, while during the first half of 2020 generated tax losses of Ps. 153,630. Because Corficolombiana does not record active deferred tax on these tax losses, the above variation explains the decrease in the effective tax rate by 1.34% in The consolidated Grupo Aval.

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- During the first half of 2020, Banco de Bogotá had a greater effect for the application of differences in income tax rates in subsidiaries affecting the reconciliation of the rate in Ps. 56,142. Rate variations occur mainly by adjusting the consolidated BAC rate to the nominal rate in Colombia from 30% to 36% in 2020. This represents a variation in the effective tax rate of 2.63% in Grupo Aval's consolidated.

The effective tax rate of the consolidated Grupo Aval, with respect to the continuous operations for the three-month period ended June 30, 2020 was 25.08%, and for the three-month period ended June 30, 2019 was 29.53%.

Comparing the effective rates at the end of the second quarter of the 2020 and 2019s, there is a variation in the effective tax rate of 4.44%, with the rate recorded during the second quarter of 2020 being lower. The variation is mainly explained by the following factors:

- The nominal tax rate decreased by 1% for the companies responsible for income tax in Colombia, going from 37% in 2020 to 36% in 2020 for entities classified as financial entities, and from 33 % in 2020 to 32% in 2020 for entities that are not classified as financial entities. It is important to note that the 37% rate of the year 2020 for financial institutions is composed of a 4% rent surcharge that was declared non-applicable in October 2020, but it is until the last quarter of 2020 that this effect is reflected in tax spending.
- During the second quarter of 2020, Grupo Aval reported an effect of Ps. 44,872 on the reconciliation of the effective rate, by the application of differences in income tax rates in subsidiaries. During the same quarter of 2019, Grupo Aval reported an effect of Ps. 42,487 for the same concept. Although the effects are similar during the two comparative periods, Consolidated Aval Group recorded lower profits of Ps. 1,130,468 during the second quarter of 2020, implying a change in the effective tax rate of 3.16% in the consolidated quarter.

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NOTE 10 – EMPLOYEE BENEFITS

The detail of the balance of liabilities for employee benefits as of June 30, 2020 and December 31, 2019 is as follows:

	June 30, 2020		December 31, 2019	
Short term ⁽¹⁾	Ps.	499,653	Ps.	480,489
Post-employment		595,454		590,914
Long term		179,930		186,333
Total	Ps.	1,275,037	Ps.	1,257,736
Plan Asset	Ps.	(24,945)	Ps.	(22,756)
Net employee benefits	Ps.	1,250,092	Ps.	1,234,980

(1) Part of the variation presented corresponds to the business combination on Multi Financial Group, Inc. for Ps. 7,622, (see note 22).

NOTE 11 – PROVISIONS

Below are the balances for legal provisions and other provisions during the periods ended on June 30, 2020 and December 31, 2019:

	June 30, 2020		December 31, 2019	
Legal Provisions	Ps.	180,405	Ps.	194,682
Other provisions		729,430		673,960
Total	Ps.	909,835	Ps.	868,642

NOTE 12 – OTHER LIABILITIES

Accounts payable and other liabilities comprised the following for the periods ended on June 30, 2020 and December 31, 2019:

Items	June 30, 2020		December 31, 2019	
Dividends payable ⁽¹⁾	Ps.	1,850,923	Ps.	631,111
Suppliers and services payable		1,696,890		1,877,694
Income received for third parties		1,447,721		1,338,265
Contract liability related to concessions		540,499		539,584
Non-financial liabilities		517,306		507,513
Cashier checks		535,154		789,680
Withholdings taxes and labor contributions		373,136		471,201
Transactions ACH and ATH		341,699		585,526
Commissions and fees		307,765		290,160
Collection on behalf of third parties		304,723		250,769
Collection service		254,897		282,184
Cash Surplus		230,172		235,840
Customer loyalty programs		190,628		150,846

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Items	June 30, 2020	December 31, 2019
Checks drawn and not paid	91,362	46,220
Affiliate establishments	90,611	169,807
Tax levies	55,383	86,568
Anticipated income	42,699	39,427
Financial transactions tax	34,239	22,280
Insurance payables	32,056	26,767
Canceled accounts	29,309	28,524
Contributions and affiliations	22,383	27,004
Promissory buyers	18,693	8,601
Leases	8,105	5,778
Compensation to customers	4,727	2,102
Deferred credits	1,071	1,075
Other liabilities	334,458	314,856
Total other liabilities ⁽²⁾	Ps. 9,356,609 Ps.	8,729,382

OTHERS	June 30, 2020	December 31, 2019
Liabilities to be canceled within twelve months	Ps. 6,444,445 Ps.	5,946,523
Liabilities to be canceled after twelve months	2,912,164	2,782,859
Total	Ps. 9,356,609 Ps.	8,729,382

- (1) The increase of Ps. 1,219,812 corresponds to dividends payable that were approved at the shareholders meetings of the different entities of the Group held in March 2020.
- (2) Within the total of other liabilities, an impact of business combination for Ps. 241,447 (see note 22).

NOTE 13 – EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

Declared dividends

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

	December 31, 2019	December 31, 2018
Profits of the immediately preceding period determined in the separate financial statements of Grupo Aval.	Ps. 3,031,238	Ps. 2,887,749
Occasional reserve release at the disposal of the General Meeting of Shareholders	7,816,338	6,265,450
Total income available for disposal of the General Meeting of Shareholders	Ps. 10,847,576	Ps. 9,153,199
	60 pesos per share payable in twelve installments of 5 pesos per share, from April 2020 to March 2021	48 pesos per share payable in twelve installments of 4 pesos per share, from April 2019 to March 2020
Total shares outstanding	22,281,017,159	22,281,017,159
Total dividends decreed for controlling interests	1,336,861	1,336,861
To occasional reserve at the disposal of General Meeting of Shareholders	9,510,715	7,816,338

Equity transactions

On June 30, 2020, Leasing Bogotá S.A. Panama (LBP), acquired an additional 2.97% interest in Multi financial Group (MFG) a value of USD \$ 13,346,885 equivalent to Ps. 49,635 increasing its ownership from 96.6% to 99.57%.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Capital expenses commitments

As of June 30, 2020, and December 31, 2019, Grupo Aval and its subsidiaries had contractual disbursement commitments of capital expenditures for Ps. 149,287 and Ps. 311,729, respectively.

Contingencies

As of June 30, 2020, and December 31, 2019, 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, 2020, and December 31, 2019, labor complaints had been recognized for Ps. 87,401 and Ps. 85,663 respectively. Historically, many of these proceedings have been resolved in favor of Grupo Aval and its subsidiaries.

Civil Proceedings

As of June 30, 2020, and December 31, 2019, the result of the assessment of the claims its of legal proceedings for civil suits, not including those with remote probability, reached an amount of Ps. 308,033 and Ps. 305,198 respectively.

Administrative, Tax Proceedings and Other Proceedings

Claims derived from administrative and judicial processes include those of fiscal responsibility over the concession contracts, tax proceedings and other, filed by national and local tax authorities. These authorities may establish, in some cases, sanctions in which Grupo Aval and its subsidiaries affiliates may incur as a result of: (i) the performance of their duty as a withholder or collector of national and local taxes, and/or (ii) the obligation to pay a higher tax amount in their condition of taxpayers. As of June 30, 2020, and December 31, 2019, the amount of the claims amounted to Ps. 56,238 and Ps. 64,077 respectively.

Other matters

The outcomes of the following legal processes are not being categorized as “possible” in accordance with IAS 37, however, they are being disclosed herein in attention to their relevance.

Investigation of the Superintendency of Industry and Commerce in relation to the Ruta del Sol Project Sector 2

By Resolution No. 67837 of September 13, 2018, the Office for the Protection of Competition (“Delegation”) of the Superintendence of Industry and Commerce (“SIC”) ordered the opening of an investigation and filing of charges against a number of natural and legal persons, including Grupo Aval Acciones y Valores S.A. (“Grupo Aval”), its subsidiary, Corporación Financiera Colombiana S.A. (“Corficolombiana”), Estudios y Proyectos del Sol S.A.S. (“Episol”), a company 100% owned by Corficolombiana, and Concesionaria Ruta del Sol (“CRDS”), a company in which Corficolombiana participates with 33%. The Delegation also decided to file charges against some present and former officials of Corficolombiana and Grupo Aval, including José Elías Melo Acosta, Luis Carlos Sarmiento Gutiérrez and Diego Fernando Solano Saravia.

To this effect, the Delegation stated that, within the framework of the bidding process for the award of the Ruta del Sol Project Sector 2, an alleged violation of the Colombian legal regime of free economic competition was made. As a result of the foregoing, it decided to open the aforementioned investigation in which it filed two charges against Corficolombiana, two charges against Episol, one charge against CRDS and one charge against Grupo Aval.

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Grupo Aval, Corficolombiana and Episol, as well as their officials who are the object of the investigation, presented their respective defense briefs accompanied by documentary evidence and a request for evidence. On December 19, 2019, the Delegation decreed the closing of the evidence stage and on July 23, 2020, it released the content "Motivated Report", in which it recommends: (i) archive the investigation with respect to all related investigators to the position called "taking advantage of a conflict of interest", including Grupo Aval and its officials, Corficolombiana and its officials, and Episol based on the expiration of its sanctioning power, and (ii) sanction all legal and natural persons related to the position called "payment of a bribe", including Corficolombiana and Episol, arguing, in the case of the latter, an alleged knowledge of the conduct confessed by Odebrecht.

The Motivated Report is a recommendation of the Delegation to the Superintendent of Industry and Commerce, who will issue the ruling according to his own assessment of the case. Within the term granted by the Law (20 business days from the notification), the pertinent observations will be presented.

In this regard, it is specified that paragraph 15 of article 4 of Decree 2153 of 1992, modified by article 25 of Law 1340 of 2009, provides that "*for the violation of any of the provisions on protection of competition*" the SIC may impose sanctions up to the sum of 100,000 current minimum monthly wages (currently 87,780 million for each position) or, if it turns out to be higher, up to 150% of the profit derived from the conduct by the offender. In the event of an unfavorable decision, the maximum amount of the possible penalty would impact the net income attributable to Grupo Aval by Ps. 234,602.

There is no certainty about the assessment of this contingency, since it will be the result of the analysis of the Superintendent of Industry and Commerce against the Motivated Report, the evidence and the various appeals presented, which will determine the dismissal of the charges or the eventual imposition of a fine and its graduation

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NOTE 15 – NET INCOME FROM COMMISSIONS AND FEES

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

Net income from commissions and fees:

Income from commissions and fees		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2020	2019	2020	2019
Commissions on banking services	Ps	605,192 Ps	733,342 Ps	1,373,167 Ps	1,431,293
Fees on credit cards		277,585	320,426	599,220	629,874
Pension and severance fund management		260,869	301,047	568,610	556,578
Trust activities		78,905	84,374	160,274	165,064
Storage services		34,959	40,076	71,663	81,086
Commissions on drafts, checks and checkbooks		5,567	12,507	16,468	24,769
Office network services		3,056	6,241	8,942	12,161
Other commissions		2,121	2,606	4,745	5,010
Total income from commissions and fees	Ps.	<u>1,268,254 Ps.</u>	<u>1,500,619 Ps.</u>	<u>2,803,089 Ps.</u>	<u>2,905,835</u>

Commissions and fees expenses		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2020	2019	2020	2019
Banking services	Ps	(95,351)Ps	(74,130)Ps	(198,527)Ps	(145,133)
Affiliations to pension funds		(18,902)	(25,240)	(37,998)	(44,252)
Information processing services of operators		(5,386)	(4,552)	(10,555)	(9,217)
Offices network services		(4,329)	(815)	(9,859)	(7,207)
Administration and intermediation services		(899)	(939)	(1,861)	(1,955)
Banking services		(348)	(168)	(794)	(328)
Other		(48,532)	(47,564)	(103,155)	(91,549)
Total Commissions and fees expenses		<u>(173,747)</u>	<u>(153,408)</u>	<u>(362,749)</u>	<u>(299,641)</u>
Net income from commissions and fees	Ps.	<u>1,094,507 Ps.</u>	<u>1,347,211 Ps.</u>	<u>2,440,340 Ps.</u>	<u>2,606,194</u>

Income from sales of goods and services		For the three-month periods ended June 30		For the six-month periods ended June 30	
		2020	2019	2020	2019
Energy and gas E&G ⁽¹⁾	Ps	931,138 Ps	956,621 Ps	2,054,690 Ps	1,800,176
Infrastructure ⁽²⁾		498,630	857,179	1,645,618	1,667,668
Hotels ⁽³⁾		5,254	82,807	88,536	174,003
Agribusiness		35,031	36,541	63,778	62,826
Others Services		25,209	48,477	58,810	109,430
Others operating income		33,032	96,251	80,460	187,262
Total Income from sales of goods and services	Ps.	<u>1,528,294 Ps.</u>	<u>2,077,876 Ps.</u>	<u>3,991,892 Ps.</u>	<u>4,001,365</u>

Costs and expenses of sales goods and services

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Cost of sales of companies from non-financial sector	Ps	(924,832)Ps	(1,070,427)Ps	(2,156,960)Ps	(1,976,474)
General and administrative expenses		(101,772)	(152,281)	(240,347)	(289,756)
Personnel expenses		(118,346)	(140,232)	(258,374)	(273,148)
Amortization		(53,981)	(71,254)	(105,146)	(161,453)
Commissions and fees expenses		(5,912)	15,104	(12,687)	(14,832)
Depreciation		(27,934)	(28,222)	(55,965)	(53,679)
Bonus payments		(2,416)	(8,878)	(13,998)	(19,390)
Allowance for impairment of loans and receivables		(20,722)	(16,835)	(29,749)	(23,741)
Donations expenses		(23,987)	(1,007)	(26,343)	(5,928)
Depreciation right of use assets		(8,632)	(3,273)	(17,812)	(7,034)
Labor severances		(382)	(830)	(1,432)	(1,641)
Total Costs and expenses of sales goods and services	Ps.	(1,288,916)Ps.	(1,478,135)Ps.	(2,918,813)Ps.	(2,827,076)
Net income from sales goods and services	Ps.	239,378 Ps.	599,741 Ps.	1,073,079 Ps.	1,174,289

- The increase in Ps. 254,514 submitted for the semester to June 2020, corresponds to the energy and gas consumption income of Ps. 190,388, mainly from Promigas and progress in the works of concessions by Ps. 58,289, mainly from Promigas Ps. 116,462, and a decrease by Promisol Ps. (58,173).
- The decreased in Ps. 358,549 corresponds to the progress of work, taking into account the effect of the Pandemic of Covid-19, mainly Coviandina PS. 301,741, Covipacífico Ps. 38,214, Coviandes PS. 42,813 for its share Covioriente had an increase in its revenues of Ps. 24,826.
- The decrease corresponds to the effect of the Covid pandemic – 19.

NOTE 16 – NET TRADING INCOME

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

	For the three-month periods ended		For the six-month periods ended	
	June 30		June 30	
	2020	2019	2020	2019
Trading investment income ⁽¹⁾				
Fixed income securities	Ps. 210,138	Ps. 69,823	Ps. 106,815	Ps. 155,621
Equities	106,699	82,468	5,805	179,918
Total trading investment income	Ps. 316,837	Ps. 152,291	Ps. 112,620	Ps. 335,539
Derivatives income				
Net income (loss) on financial derivatives ⁽²⁾	(363,983)	31,435	796,551	(50,837)
Other trading income ⁽³⁾	(46,410)	24,860	98,428	32,048
Total derivatives income	Ps. (410,393)	Ps. 56,295	Ps. 894,979	Ps. (18,789)
Total net trading income	Ps. (93,556)	Ps. 208,586	Ps. 1,007,599	Ps. 316,750

- Includes net trading income from investment securities held for trading, which reflects the interest from investment in debt securities, gains/losses from mark-to-market valuation from investment in equity and debt securities and net income from trading activities.
- Includes net trading income from trading derivatives, which reflects the gains/losses from mark-to-market valuation on trading derivatives.
- Includes gains/losses from: (i) Net changes in the valuation of hedging derivatives from mark-to-market valuations from unhedged, (ii) the ineffective portion of the hedge, and (iii) Transfers of due hedging derivatives from OCI to the statement of income.

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NOTE 17 – OTHER INCOME AND EXPENSE

Below is the 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	
	2020	2019	2020	2019
Foreign exchange gains (losses), net (1)	Ps. 557,731	Ps. 16,602	Ps. (590,102)	Ps. 182,654
Net gain on sale of debt and equity securities	106,224	65,116	200,478	71,064
Share of profit of equity accounted investees, net of tax	35,178	62,223	107,830	109,547
Dividends	8,188	3,714	83,693	79,601
Gain on the sale of non-current assets held for sale	6,619	6,585	35,215	12,582
Gain on sale of assets properties, plant and equipment	3,603	5,409	13,281	7,232
Net gain in assets valuation	(1,833)	(7,339)	1,512	(2,776)
Other income	137,528	113,761	196,997	192,078
Total other income	Ps. 853,238	Ps. 266,071	Ps. 48,904	Ps. 651,982

Other expense	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Personnel expenses	Ps. (1,088,530)	Ps. (997,077)	Ps. (2,175,500)	Ps. (1,962,277)
Taxes and fees	(238,898)	(209,192)	(484,019)	(404,863)
Consultancy, audit and other fees	(160,229)	(161,208)	(322,288)	(297,776)
Insurance	(138,091)	(95,219)	(240,695)	(186,619)
Maintenance and repairs	(128,986)	(112,252)	(238,427)	(210,562)
Affiliation contributions and transfers	(124,198)	(152,298)	(299,902)	(305,339)
Depreciation of tangible assets	(110,599)	(112,790)	(215,854)	(206,435)
Depreciation right of use assets	(83,033)	(74,315)	(160,044)	(144,682)
Warehouse services	(69,394)	(69,283)	(141,423)	(134,361)
Amortization of intangible assets	(55,679)	(44,800)	(108,571)	(88,722)
Marketing	(55,655)	(71,578)	(109,220)	(136,049)
Transportation services	(42,596)	(44,725)	(85,779)	(88,854)
Cleaning and security services	(41,789)	(33,418)	(78,011)	(65,664)
Leases (Rent)	(37,429)	(42,247)	(76,220)	(81,817)
Outsourcing services	(37,167)	(32,776)	(70,088)	(60,050)
Data processing	(32,345)	(24,808)	(49,369)	(44,149)
Supplies and stationary	(24,858)	(26,000)	(46,633)	(47,424)
Adaptation and installation	(11,930)	(12,110)	(25,854)	(23,358)
Travel expenses	(4,381)	(14,386)	(16,466)	(26,766)
Loss from sale of non-current assets held for sale	(438)	(699)	(2,278)	(2,264)
Impairment losses other assets	(394)	(15,380)	(4,120)	(36,271)
Others	(134,952)	(62,594)	(247,187)	(141,307)
Total other expense	Ps. (2,621,571)	Ps. (2,409,155)	Ps. (5,197,948)	Ps. (4,695,609)

(1) For the six-months 2020, the TRM presented a variation of Ps.479.14 per dollar.

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NOTE 18 – ANALYSIS OF OPERATING SEGMENTS

18.1 Information on net income, assets and liabilities of reportable operating segments

Following is the detail of the reportable financial information summarized for each segment as of June 30, 2020 and December 31, 2019:

Statement of Financial Position June 30, 2020

	<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.	5,056,137	Ps.	2,537,533	Ps.	422,645	Ps.	271,542	Ps.	3,001,589	Ps.	57	Ps.	(85,430)	Ps.	11,204,073
Investment securities		20,910,714		4,657,657		3,208,242		1,941,296		3,377,464		—		(792,797)		33,302,576
Hedging derivatives assets		120,103		—		—		—		8,877		—		—		128,980
Investments in associates and joint ventures		4,940,040		1,381,753		514,627		2,661		770,037		933		(6,610,594)		999,457
Loans, net		137,857,034		32,347,056		21,069,576		11,670,522		2,126,864		—		(1,768,033)		203,303,019
Other Assets		49,126,215		5,445,728		3,405,397		1,568,764		26,775,996		8,911,631		(11,208,381)		84,025,350
Total Assets	Ps.	218,010,243	Ps.	46,369,727	Ps.	28,620,487	Ps.	15,454,785	Ps.	36,060,827	Ps.	8,912,621	Ps.	(20,465,235)	Ps.	332,963,455
Liabilities																
Customer Deposits	Ps.	148,550,166	Ps.	30,764,895	Ps.	21,579,584	Ps.	12,821,016	Ps.	4,765,051	Ps.	—	Ps.	(6,264,679)	Ps.	212,216,033
Financial Obligations		40,355,047		9,183,068		2,893,039		394,029		14,574,014		8,647,797		(5,539,903)		70,507,091
Other Liabilities		6,590,578		1,676,548		1,130,553		484,718		6,137,644		1,178,692		(1,119,171)		16,079,562
Total Liabilities	Ps.	195,495,791	Ps.	41,624,511	Ps.	25,603,176	Ps.	13,699,763	Ps.	25,476,709	Ps.	9,826,489	Ps.	(12,923,753)	Ps.	298,802,686

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

December 31, 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.	4,199,830	Ps.	2,730,366	Ps.	284,790	Ps.	295,234	Ps.	1,729,563	Ps.	187	Ps.	(126,302)	Ps.	9,113,668
Investment securities		14,721,063		4,487,707		2,556,181		1,675,897		3,316,757		—		(757,294)		26,000,311
Hedging derivatives assets		163,004		—		—		—		3,594		—		—		166,598
Investments in associates and joint ventures		4,752,358		1,434,246		486,524		3,027		752,060		405		(6,440,658)		987,962
Loans, net		113,110,128		29,374,122		19,260,152		11,671,190		2,115,859		—		(1,589,134)		173,942,317
Other Assets		38,073,197		4,551,257		2,529,930		1,562,189		23,891,745		4,129,975		(6,116,560)		68,621,733
Total Assets	Ps.	175,019,580	Ps.	42,577,698	Ps.	25,117,577	Ps.	15,207,537	Ps.	31,809,578	Ps.	4,130,567	Ps.	(15,029,948)	Ps.	278,832,589
Liabilities																
Customer Deposits	Ps.	117,794,986	Ps.	28,726,381	Ps.	16,988,939	Ps.	11,851,426	Ps.	4,067,504	Ps.	—	Ps.	(3,937,815)	Ps.	175,491,421
Financial Obligations		29,359,125		7,195,231		3,955,801		1,078,588		12,152,007		4,484,293		(3,380,469)		54,844,576
Other Liabilities		6,005,467		1,787,008		1,102,857		482,383		5,622,013		519,887		(371,292)		15,148,323
Total Liabilities	Ps.	153,159,578	Ps.	37,708,620	Ps.	22,047,597	Ps.	13,412,397	Ps.	21,841,524	Ps.	5,004,180	Ps.	(7,689,576)	Ps.	245,484,320

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

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Statement of Income for the three-months ended June 30, 2020

	Bancode BogotáS.A.		Bancode OccidenteS.A.		Banco PopularS.A.		Banco AV VillasS.A.		Corficolombiana S.A.		⁽¹⁾ Other Segments		Eliminations		Total	
External Income																
Interest income	Ps.	3,417,547	Ps.	756,677	Ps.	576,891	Ps.	336,657	Ps.	113,132	Ps.	(955)	Ps.	—	Ps.	5,199,949
Income from commissions and fees ⁽²⁾		1,025,915		91,035		51,482		56,755		19,604		23,463		—		1,268,254
Income from sales of goods and services ⁽²⁾		18,423		50,919		—		—		1,504,021		(45,069)		—		1,528,294
Share of profit of equity accounted investees, net of tax		(974)		(168)		665		374		34,713		568		—		35,178
Dividends		2,350		171		—		—		5,667		—		—		8,188
Net income from other financial instruments mandatory at fair value through profit or loss		—		—		—		—		59,699		—		—		59,699
Net trading income		(252,055)		54,683		13,225		4,912		85,651		28		—		(93,556)
Other Income		685,848		(17,703)		5,008		11,400		79,299		46,020		—		809,872
	Ps.	4,897,054	Ps.	935,614	Ps.	647,271	Ps.	410,098	Ps.	1,901,786	Ps.	24,055	Ps.	—	Ps.	8,815,878
Intersegment Income																
Interest income	Ps.	25,660	Ps.	3,803	Ps.	4,212	Ps.	2,804	Ps.	14,844	Ps.	93	Ps.	(51,416)	Ps.	—
Income from commissions and fees		1,839		2,001		851		4,829		298		12,205		(22,023)		—
Income from sales of goods and services		(37)		—		—		—		381		(45,069)		44,725		—
Share of profit of equity accounted investees, net of tax		55,091		46,278		7,671		(604)		(275)		—		(108,161)		—
Dividends		—		—		—		—		—		—		—		—
Net income from other financial instruments mandatory at fair value through profit or loss		—		—		—		—		—		—		—		—
Net trading income		5,080		—		(1,200)		—		431		—		(4,311)		—
Other Income		870		45,095		58		895		(110)		68,509		(115,317)		—
		88,503		97,177		11,592		7,924		15,569		35,738		(256,503)		—
Total income	Ps.	4,985,557	Ps.	1,032,791	Ps.	658,863	Ps.	418,022	Ps.	1,917,355	Ps.	59,793	Ps.	(256,503)	Ps.	8,815,878
Expenses																
Interest expense	Ps.	(1,344,377)	Ps.	(308,221)	Ps.	(232,578)	Ps.	(96,493)	Ps.	(278,519)	Ps.	(110,603)	Ps.	124,403	Ps.	(2,246,388)
Net impairment loss on financial assets		(1,062,945)		(343,351)		(126,014)		(93,652)		(4,128)		—		449		(1,629,641)
Depreciations and amortizations		(178,864)		(28,763)		(21,308)		(16,716)		(2,410)		(2,468)		1,218		(249,311)
Expenses from commissions and fees ⁽²⁾		(112,881)		(22,315)		(13,958)		(38,610)		(2,684)		(811)		17,512		(173,747)
Costs and expenses of sales goods and services ⁽²⁾		(42,632)		(68,468)		—		—		(1,183,898)		6,320		(238)		(1,288,916)
Administrative Expenses		(808,736)		(151,185)		(156,390)		(99,032)		(21,051)		(80,926)		144,682		(1,172,638)
Income tax expense		(128,303)		33,257		1,512		(2,525)		(115,482)		(3,762)		680		(214,623)
Other expense		(852,462)		(134,610)		(107,801)		(60,967)		(24,119)		125,202		(144,865)		(1,199,622)
Total Expenses		(4,531,200)		(1,023,656)		(656,537)		(407,995)		(1,632,291)		(67,048)		143,841		(8,174,886)
Net income	Ps.	454,357	Ps.	9,135	Ps.	2,326	Ps.	10,027	Ps.	285,064	Ps.	(7,255)	Ps.	(112,662)	Ps.	640,992

- Includes Grupo Aval Holding, Grupo Aval Limited, and ATH Negocio Conjunto
- Income from contracts with customer for commission and fee, see note 15

Grupo Aval Acciones y Valores S.A. and Subsidiaries
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(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>	⁽¹⁾ Other segments	<u>Eliminations</u>	<u>Total</u>
Revenue from contracts with customers ⁽²⁾	Ps. 1,045,584	Ps. 93,036	Ps. 52,333	Ps. 61,584	Ps. 1,444,858	Ps. 107,092	Ps. (7,939)	Ps. 2,796,548
Timing of revenue recognition								
At a point in time	37,824	3,563	2,101	15,657	17,783	106,868	(86,697)	97,099
Over time	1,007,760	89,473	50,232	45,927	1,427,075	224	78,758	2,699,449

(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 three-months ended on 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>	⁽¹⁾ Other Segments	<u>Eliminations</u>	<u>Total</u>
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 ⁽²⁾	1,224,521	104,411	64,712	69,287	19,530	18,158	—	1,500,619
Income from sales of goods and services ⁽²⁾	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
Net income from other financial instruments mandatory at fair value through profit or loss	—	—	—	—	53,435	—	—	53,435
Net trading income	139,553	30,064	8,718	5,942	24,291	18	—	208,586
Other Income	129,617	31,771	9,811	13,314	14,197	1,424	—	200,134
	<u>Ps. 4,550,489</u>	<u>Ps. 968,757</u>	<u>Ps. 675,324</u>	<u>Ps. 459,786</u>	<u>Ps. 2,318,268</u>	<u>Ps. 19,726</u>	<u>Ps. —</u>	<u>Ps. 8,992,350</u>
Intersegment Income								
Interest income	Ps. 24,293	Ps. 3,182	Ps. 3,053	Ps. 802	Ps. 3,673	Ps. 23	Ps. (35,026)	Ps. —
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)	—
Net income from other financial instruments mandatory at fair value through profit or loss	—	—	—	—	—	—	—	—
Net trading income	522	—	—	—	1,628	—	(2,150)	—
Other Income	20,126	3,291	43	361	(3,453)	18,537	(38,905)	—
	<u>175,524</u>	<u>118,055</u>	<u>21,855</u>	<u>9,087</u>	<u>3,222</u>	<u>39,029</u>	<u>(366,772)</u>	<u>—</u>
Total income	<u>Ps. 4,726,013</u>	<u>Ps. 1,086,812</u>	<u>Ps. 697,179</u>	<u>Ps. 468,873</u>	<u>Ps. 2,321,490</u>	<u>Ps. 58,755</u>	<u>Ps. (366,772)</u>	<u>Ps. 8,992,350</u>
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)
Net impairment loss on financial assets	(605,973)	(196,012)	(66,244)	(70,631)	(78,321)	—	106,045	(911,136)

Grupo Aval Acciones y Valores S.A. and Subsidiaries
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	Banco de Bogotá S.A.	Banco de Occidente S.A.	Banco Popular S.A.	Banco AV Villas S.A.	Corficolombiana S.A.	⁽¹⁾ Other Segments	Eliminations	Total
Depreciations and amortizations	(165,270)	(27,835)	(19,337)	(16,131)	(1,669)	(2,290)	627	(231,905)
Expenses from commissions and fees ⁽²⁾	(92,540)	(21,453)	(16,028)	(36,605)	(2,991)	(1,645)	17,854	(153,408)
Costs and expenses of sales goods and services ⁽²⁾	(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)
Income tax expense	(308,589)	(26,999)	(37,930)	(26,775)	(167,816)	(16,088)	(2,204)	(586,401)
Other expense	(697,709)	(116,191)	(95,329)	(60,421)	25,137	96,321	(179,780)	(1,027,972)
Total Expenses	(3,912,850)	(931,211)	(605,094)	(412,165)	(1,830,809)	(46,171)	145,632	(7,592,668)
Net income	Ps. 813,163	Ps. 155,601	Ps. 92,085	Ps. 56,708	Ps. 490,681	Ps. 12,584	Ps. (221,140)	Ps. 1,399,682

	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
Revenue from contracts with customers ⁽²⁾	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

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

Statement of Income for the six months ended June 30, 2020

	Bancode Bogotá S.A.	Bancode 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. 6,695,597	Ps. 1,537,454	Ps. 1,146,153	Ps. 692,398	Ps. 226,763	Ps. (951)	—	Ps. 10,297,414
Income from commissions and fees ⁽²⁾	2,277,260	195,702	115,910	126,182	39,813	48,222	—	2,803,089
Income from sales of goods and services ⁽²⁾	42,238	109,963	—	—	3,927,091	(87,400)	—	3,991,892
Share of profit of equity accounted investees, net of tax	1,400	297	1,857	607	103,140	529	—	107,830
Dividends	3,247	277	1,976	1,700	76,493	—	—	83,693
Net income from other financial instruments mandatory at fair value through profit or loss	—	—	—	—	132,958	—	—	132,958
Net trading income	770,315	235,852	31,493	8,129	(38,235)	45	—	1,007,599
Other Income	(124,513)	(148,090)	15,334	23,696	2,569	88,385	—	(142,619)
	Ps. 9,665,544	Ps. 1,931,455	Ps. 1,312,723	Ps. 852,712	Ps. 4,470,592	Ps. 48,830	—	Ps. 18,281,856
Intersegment Income								
Interest income	Ps. 52,133	Ps. 7,906	Ps. 8,245	Ps. 5,585	Ps. 32,234	Ps. 136	Ps. (106,239)	—
Income from commissions and fees	2,850	4,060	1,571	9,781	712	25,221	(44,195)	—

Grupo Aval Acciones y Valores S.A. and Subsidiaries
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Statement of Income for the six months ended June 30, 2020

	<u>Bancode Bogotá S.A.</u>	<u>Bancode Occidente S.A.</u>	<u>Banco Popular S.A.</u>	<u>Banco AV Villas S.A.</u>	<u>Corficolombiana S.A.</u>	⁽¹⁾ <u>Other Segments</u>	<u>Eliminations</u>	<u>Total</u>
Income from sales of goods and services	644	—	—	—	1,774	(87,400)	84,982	—
Share of profit of equity accounted investees, net of tax	210,574	76,838	30,187	(973)	110	—	(316,736)	—
Dividends	6,192	2,067	3,601	2,195	1,623	—	(15,678)	—
Net income from other financial instruments mandatory at fair value through profit or loss	—	—	—	—	—	—	—	—
Net trading income	3,358	243	(863)	—	543	—	(3,281)	—
Other Income	1,995	88,037	106	897	(655)	135,521	(225,901)	—
	<u>277,746</u>	<u>179,151</u>	<u>42,847</u>	<u>17,485</u>	<u>36,341</u>	<u>73,478</u>	<u>(627,048)</u>	<u>—</u>
Total income	Ps. 9,943,290 Ps.	Ps. 2,110,606 Ps.	Ps. 1,355,570 Ps.	Ps. 870,197 Ps.	Ps. 4,506,933 Ps.	Ps. 122,308 Ps.	Ps. (627,048) Ps.	Ps. 18,281,856

Expenses

Interest expense	Ps. (2,640,199)Ps.	(623,208)Ps.	(459,777)Ps.	(202,513)Ps.	(515,904)Ps.	(200,516)Ps.	223,777 Ps.	(4,418,340)
Net impairment loss on financial assets	(1,732,217)	(573,578)	(176,178)	(178,657)	(6,318)	—	806	(2,666,142)
Depreciations and amortizations	(347,758)	(55,002)	(41,405)	(33,317)	(4,478)	(4,665)	2,156	(484,469)
Expenses from commissions and fees	(237,399)	(47,374)	(28,426)	(76,487)	(6,133)	(1,756)	34,826	(362,749)
Costs and expenses of sales goods and services	(101,206)	(147,255)	—	—	(2,680,576)	11,696	(1,472)	(2,918,813)
Administrative Expenses	(1,652,928)	(329,667)	(317,812)	(189,067)	(42,937)	(152,588)	290,715	(2,394,284)
Income tax expense	(404,389)	64,346	(37,800)	(15,162)	(318,267)	(19,504)	(272)	(731,048)
Other expense	(1,614,651)	(281,637)	(203,972)	(127,460)	(51,353)	218,040	(258,162)	(2,319,195)
Total Expenses	(8,730,747)	(1,993,375)	(1,265,370)	(822,663)	(3,625,966)	(149,293)	292,374	(16,295,040)
Net income	Ps. 1,212,543 Ps.	Ps. 117,231 Ps.	Ps. 90,200 Ps.	Ps. 47,534 Ps.	Ps. 880,967 Ps.	Ps. (26,985) Ps.	Ps. (334,674) Ps.	Ps. 1,986,816

	<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>	⁽¹⁾ <u>Other segments</u>	<u>Eliminations</u>	<u>Total</u>
Revenue from contracts with customers ⁽²⁾	Ps. 2,322,220 Ps.	Ps. 199,762 Ps.	Ps. 117,480 Ps.	Ps. 135,964 Ps.	Ps. 3,724,778 Ps.	Ps. 215,598 Ps.	Ps. 79,179 Ps.	Ps. 6,794,981
Timing of revenue recognition								
At a point in time	94,869	11,408	8,522	36,162	47,213	215,065	(173,611)	239,628
Over time	2,227,351	188,354	108,958	99,802	3,677,565	533	252,790	6,555,353

(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
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Statement of Income for the six months 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.	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⁾		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
Net income from other financial instruments mandatory at fair value through profit or loss		—		—		—		—		107,132		—		—		107,132
Net trading income		169,716		68,552		13,366		11,599		53,486		31		—		316,750
Other Income		336,367		51,310		16,322		25,393		31,729		1,713		—		462,834
	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																
Interest income	Ps.	41,927	Ps.	6,119	Ps.	5,381	Ps.	1,468	Ps.	99,032	Ps.	50	Ps.	(153,977)	Ps.	—
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)		—
Net income from other financial instruments mandatory at fair value through profit or loss		—		—		—		—		—		—		—		—
Net trading income		3,317		—		—		—		363		—		(3,680)		—
Other Income		46,131		3,807		95		724		(3,842)		31,020		(77,935)		—
		370,735		230,054		48,534		13,562		99,183		77,602		(839,670)		—
Total income	Ps.	9,268,639	Ps.	2,147,223	Ps.	1,378,040	Ps.	917,693	Ps.	4,556,062	Ps.	110,035	Ps.	(839,670)	Ps.	17,538,022
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)
Net impairment loss on financial assets		(1,202,944)		(381,036)		(149,852)		(139,481)		(6,386)		—		135,439		(1,744,260)
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)
Income tax expense		(584,798)		(74,984)		(71,114)		(54,386)		(402,094)		(32,121)		(1,477)		(1,220,974)
Other expense		(1,374,770)		(228,194)		(193,727)		(121,558)		(88,903)		199,849		(212,663)		(2,019,966)
Total Expenses		(7,669,152)		(1,838,679)		(1,211,407)		(808,312)		(3,544,095)		(72,447)		362,395		(14,781,697)
Net income	Ps.	1,599,487	Ps.	308,544	Ps.	166,633	Ps.	109,381	Ps.	1,011,967	Ps.	37,588	Ps.	(477,275)	Ps.	2,756,325

Grupo Aval Acciones y Valores S.A. and Subsidiaries
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	Banco de Bogotá S.A.	Banco de Occidente S.A.	Banco Popular S.A.	Banco AV Villas S.A.	Corficolombiana S.A.	⁽¹⁾ Otros Segmentos	Eliminaciones	Total
Ingresos de contratos con clientes ⁽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
Momento del reconocimiento de ingresos								
En un punto del tiempo	100,991	16,111	10,926	40,077	124,987	220,946	(197,872)	316,166
A lo largo del tiempo	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

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:

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

18.2 Analysis of Revenues by Products and Services

Following table is the detail of the reportable Grupo Aval's revenues are analyzed by products and services, in the statement of income.

Income for the three-months ended June 30, 2020	Country										Total income
	Colombia	Panamá	Costa Rica	Guatemala	Honduras	Nicaragua	El Salvador	Perú	Other countries		
Interest income	Ps. 3,169,862	Ps. 447,258	Ps. 593,549	Ps. 346,434	Ps. 318,774	Ps. 102,983	Ps. 203,661	Ps. 3,649	Ps. 13,779	Ps. 5,199,949	
Income from commissions and fees	738,737	51,391	231,534	62,867	75,773	39,510	44,419	—	24,023	1,268,254	
Storage services	34,959	—	—	—	—	—	—	—	—	34,959	
Trust activities	78,905	—	—	—	—	—	—	—	—	78,905	
Pension and severance fund management	250,162	—	8,028	—	2,679	—	—	—	—	260,869	
Fees on credit cards	131,021	8,090	76,592	13,962	19,646	11,548	12,600	—	4,126	277,585	
Office network services	3,056	—	—	—	—	—	—	—	—	3,056	
Commissions on drafts, checks and checkbooks	5,458	109	—	—	—	—	—	—	—	5,567	
Other commissions	2,121	—	—	—	—	—	—	—	—	2,121	
Commissions on banking services	233,055	43,192	146,914	48,905	53,448	27,962	31,819	—	19,897	605,192	
Share of profit of equity accounted investees, net of tax	35,178	—	—	—	—	—	—	—	—	35,178	
Dividends	6,162	1,060	—	751	215	—	—	—	—	8,188	

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Income from sales of goods and services	1,472,429	11	—	—	—	—	—	55,854	—	1,528,294
Energy and gas E&G	877,543	—	—	—	—	—	—	53,594	—	931,138
Infrastructure	498,630	—	—	—	—	—	—	—	—	498,630
Hotels	2,984	11	—	—	—	—	—	2,260	—	5,254
Agribusiness	35,031	—	—	—	—	—	—	—	—	35,031
Others Services	25,209	—	—	—	—	—	—	—	—	25,209
Others operating income	33,032	—	—	—	—	—	—	—	—	33,032
Other income	601,225	78,398	32,874	29,918	10,195	21,951	1,106	(641)	989	776,015
Total income	Ps. 6,023,593	Ps. 578,118	Ps. 857,957	Ps. 439,970	Ps. 404,957	Ps. 164,444	Ps. 249,186	Ps. 58,862	Ps. 38,791	Ps. 8,815,878

Income for the three-months ended June 30, 2019	Country										Total income
	Colombia	Panamá	Costa Rica	Guatemala	Honduras	Nicaragua	El Salvador	Perú	Other countries		
Interest income	Ps. 3,244,936	Ps. 362,618	Ps. 511,499	Ps. 262,168	Ps. 228,920	Ps. 97,535	Ps. 164,642	Ps. 1,005	Ps. 12,440	Ps. 4,885,763	
Income from commissions and fees	881,145	85,977	291,167	67,144	79,922	35,412	52,681	—	7,171	1,500,619	
Storage services	40,077	—	—	—	—	—	—	—	—	40,077	
Trust activities	84,374	—	—	—	—	—	—	—	—	84,374	
Pension and severance fund management	291,396	—	7,430	—	2,221	—	—	—	—	301,047	
Fees on credit cards	143,823	8,719	104,641	14,288	22,894	8,722	12,556	—	4,783	320,426	
Office network services	6,241	—	—	—	—	—	—	—	—	6,241	
Commissions on drafts, checks and checkbooks	12,396	111	—	—	—	—	—	—	—	12,507	
Other commissions	2,606	—	—	—	—	—	—	—	—	2,606	
Commissions on banking services	300,232	77,147	179,096	52,856	54,807	26,690	40,125	—	2,388	733,341	
Share of profit of equity accounted investees, net of tax	62,223	—	—	—	—	—	—	—	—	62,223	
Dividends	2,091	1,097	—	161	365	—	—	—	—	3,714	
Income from sales of goods and services	1,981,307	134	—	—	—	—	—	96,435	—	2,077,876	
Energy and gas E&G	865,526	—	—	—	—	—	—	91,095	—	956,621	
Infrastructure	857,179	—	—	—	—	—	—	—	—	857,179	
Hotels	77,333	134	—	—	—	—	—	5,340	—	82,807	
Agribusiness	36,541	—	—	—	—	—	—	—	—	36,541	
Others services	48,477	—	—	—	—	—	—	—	—	48,477	
Others operating income	96,251	—	—	—	—	—	—	—	—	96,251	
Other income	388,568	11,977	(15,311)	25,732	14,212	27,963	1,176	1,529	6,309	462,155	
Total income	Ps. 6,560,270	Ps. 461,803	Ps. 787,355	Ps. 355,205	Ps. 323,419	Ps. 160,910	Ps. 218,499	Ps. 98,969	Ps. 25,920	Ps. 8,992,350	

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Income for the six-months periods ended June 30, 2020	Country										Total income
	Colombia	Panamá	Costa Rica	Guatemala	Honduras	Nicaragua	El Salvador	Perú	Other countries		
Interest income	Ps. 6,455,492	Ps. 809,434	Ps. 1,155,382	Ps. 652,853	Ps. 596,515	Ps. 200,529	Ps. 389,926	Ps. 6,242	Ps. 31,041	Ps. 10,297,414	
Income from commissions and fees	1,623,587	134,013	535,123	137,354	159,884	82,635	96,728	—	33,765	2,803,089	
Storage services	71,663	—	—	—	—	—	—	—	—	71,663	
Trust activities	160,274	—	—	—	—	—	—	—	—	160,274	
Pension and severance fund management	547,047	—	15,645	—	5,918	—	—	—	—	568,610	
Fees on credit cards	278,740	14,047	175,743	26,946	42,108	24,861	26,913	—	9,862	599,220	
Office network services	8,942	—	—	—	—	—	—	—	—	8,942	
Commissions on drafts, checks and checkbooks	16,247	221	—	—	—	—	—	—	—	16,468	
Other commissions	4,745	—	—	—	—	—	—	—	—	4,745	
Commissions on banking services	535,929	119,745	343,735	110,408	111,858	57,774	69,815	—	23,903	1,373,167	
Share of profit of equity accounted investees, net of tax	107,830	—	—	—	—	—	—	—	—	107,830	
Dividends	80,888	1,350	—	751	704	—	—	—	—	83,693	
Income from sales of goods and services	3,816,580	170	—	—	—	—	—	175,142	—	3,991,892	
Energy and gas E&G	1,885,067	—	—	—	—	—	—	169,623	—	2,054,690	
Infrastructure	1,645,618	—	—	—	—	—	—	—	—	1,645,618	
Hotels	82,847	170	—	—	—	—	—	5,519	—	88,536	
Agribusiness	63,778	—	—	—	—	—	—	—	—	63,778	
Others Services	58,810	—	—	—	—	—	—	—	—	58,810	
Others operating income	80,460	—	—	—	—	—	—	—	—	80,460	
Other income	606,573	75,260	171,790	66,846	26,439	44,662	4,612	(1,624)	3,380	997,938	
Total income	Ps. 12,690,950	Ps. 1,020,227	Ps. 1,862,295	Ps. 857,804	Ps. 783,542	Ps. 327,826	Ps. 491,266	Ps. 179,760	Ps. 68,186	Ps. 18,281,856	

Income for the six-months periods ended June 30, 2019	Country										Total income
	Colombia	Panamá	Costa Rica	Guatemala	Honduras	Nicaragua	El Salvador	Perú	Other countries		
Interest income	Ps. 6,358,321	Ps. 708,230	Ps. 999,506	Ps. 508,018	Ps. 447,248	Ps. 194,481	Ps. 315,365	Ps. 1,680	Ps. 22,109	Ps. 9,554,958	
Income from commissions and fees	1,699,719	166,860	567,160	128,487	155,863	71,861	102,040	—	13,845	2,905,835	
Storage services	81,086	—	—	—	—	—	—	—	—	81,086	
Trust activities	165,064	—	—	—	—	—	—	—	—	165,064	
Pension and severance fund management	538,144	—	14,242	—	4,192	—	—	—	—	556,578	
Fees on credit cards	283,257	19,250	197,859	27,962	46,462	19,160	26,125	—	9,799	629,874	
Office network services	12,161	—	—	—	—	—	—	—	—	12,161	
Commissions on drafts, checks and checkbooks	24,554	215	—	—	—	—	—	—	—	24,769	
Other commissions	5,010	—	—	—	—	—	—	—	—	5,010	
Commissions on banking services	590,443	147,395	355,059	100,525	105,209	52,701	75,915	—	4,046	1,431,293	
Share of profit of equity accounted investees, net of tax	109,547	—	—	—	—	—	—	—	—	109,547	
Dividends	76,960	1,119	—	833	689	—	—	—	—	79,601	
Income from sales of goods and services	3,829,078	381	—	—	—	—	—	171,906	—	4,001,365	

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Income for the six-months periods ended June 30, 2019	Country									Total income
	Colombia	Panamá	Costa Rica	Guatemala	Honduras	Nicaragua	El Salvador	Perú	Other countries	
Energy and gas E&G	1,637,880	—	—	—	—	—	—	162,296	—	1,800,176
Infrastructure	1,667,668	—	—	—	—	—	—	—	—	1,667,668
Hotels	164,012	381	—	—	—	—	—	9,610	—	174,003
Agribusiness	62,826	—	—	—	—	—	—	—	—	62,826
Others Services	109,430	—	—	—	—	—	—	—	—	109,430
Others operating income	187,262	—	—	—	—	—	—	—	—	187,262
Other income	729,392	18,973	(6,169)	50,216	26,747	55,240	2,540	3,630	6,147	886,716
Total income	Ps. 12,803,017	Ps. 895,563	Ps. 1,560,497	Ps. 687,554	Ps. 630,547	Ps. 321,582	Ps. 419,945	Ps. 177,216	Ps. 42,101	Ps. 17,538,022

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NOTA 19 – TRANSFERS OF FINANCIAL ASSETS

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

- **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. 1,859,037 as of June 30, 2020 and Ps. 620,920 as of December 31, 2019; the financial assets at amortized cost that are being used as guarantees in repurchase transactions amounted to Ps. 556,823 as of June 30, 2020 and Ps. 323,954 as of December 31, 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. 8,290,371 as of June 30, 2020 and Ps. 6,662,608 as of December 31, 2019.

- ii. **Securities lending**

As of June 30, 2020, and as of December 31, 2019, Grupo Aval has not recorded securities lending.

- **Transfer of financial assets that are derecognized in their entirety**

- I. **Securitizations**

As of June 30, 2020, and as of December 31, 2019, Grupo Aval has not transferred financial assets to special purpose vehicles.

NOTE 20 – UNCONSOLIDATED STRUCTURED ENTITIES

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

June 30, 2020	Securitizations	Grupo Aval's managed funds	Total
Grupo Aval's interest-assets			
Investments at fair value through profit or loss	Ps. 8,809	Ps. 4,181,258	Ps. 4,190,067
Other account receivables	—	28,583	28,583
Total assets in relation to the Grupo Aval's interests in the unconsolidated structured entities	8,809	4,209,841	4,218,650
Grupo Aval's maximum exposure	Ps. 8,809	Ps. 4,209,841	Ps. 4,218,650

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NOTE 21 – RELATED PARTIES

Balances as of June 30, 2020 and December 31, 2019 with related parties, are detailed in the following tables:

	June 30, 2020									
	Individuals with control over Grupo Aval		Key management personnel		Associates and joint ventures		Entity Entities controlled by individuals		Entities with significant influence by individuals	
Assets										
Cash and equivalents	Ps.	—	Ps.	—	Ps.	—	Ps.	—	Ps.	—
Financial assets in investments		—		—		1,029,744		35,446		—
Financial assets in credit operations		1,090		7,799		559,399		1,889,930		149,193
Accounts receivable		9		25		17,296		56,785		16
Other assets		—		25		5,350		17,237		—
Liabilities										
Deposits	Ps.	302,331	Ps.	28,633	Ps.	75,367	Ps.	1,559,291	Ps.	6,249
Accounts payables		1,952		839		10,145		1,262,157		1
Financial obligations		—		—		—		—		—
Others liabilities		—		—		359		38,225		—

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	December 31, 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. —	Ps. —	Ps. —
Financial assets in investments	—	—			1,006,340	—		
Financial assets in credit operations	2,936	7,775			1,148,522	1,513,287	122,964	
Accounts receivable	9	14			12,243	2,958	241	
Other assets	—	—			14,118	3,232		
Liabilities								
Deposits	Ps. 273,224	Ps. 27,000			Ps. 97,097	Ps. 1,290,574	Ps. 7,032	
Accounts payables	561	347			9,165	514,976	21	
Financial obligations	3	15			72	30,000	—	
Others liabilities	—	—			1,937	714	—	

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	For the Six - months ended June 30, 2020				
	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. 106	Ps. 285	Ps. 15,223	Ps. 65,029	Ps. 4,198
Fee income and commissions	2	24	14,235	50,854	2
Leases	—	—	22	92	—
Other income	1	3	136,868	5,807	8
Financial expenses	(1,382)	(411)	(721)	(17,817)	(31)
Fee expenses and commissions	(2)	(840)	(10,362)	(1,287)	(70)
Operating expenses	—	(4,023)	(120)	(1,752)	—
Other expenses	3	(889)	(33,194)	(24,967)	—

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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, 2020									
	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.	52	Ps.	146	Ps.	7,633	Ps.	41,823	Ps.	2,113
Fee income and commissions		0		12		6,790		26,351		1
Leases		—		—		11		20		—
Other income		0		(7)		48,301		3,385		8
Financial expenses		71		(141)		(447)		(10,592)		(26)
Fee expenses and commissions		(1)		(519)		(5,080)		(696)		(30)
Operating expenses		4		(1,966)		(120)		(875)		—
Other expenses		—		(446)		(24,965)		(16,113)		—

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	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)	—

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, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Salaries	Ps. 9,095	Ps. 10,284	Ps. 18,113	Ps. 20,301
Short term benefits for employees	463	6,003	1,500	7,587
Long term benefits for employees	321	13	521	242
Fee	581	430	1,049	866
Total	10,460	16,730	21,183	28,996

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NOTE 22 BUSINESS COMBINATION

In May 22, 2020, Banco de Bogotá S.A., through its subsidiary Leasing Bogotá S.A. Panama (LBP), acquired 96.6% of the common shares of the Panamanian company Multi Financial Group, Inc. (MFG), parent of Multibank (Panama) bank, for an amount of US\$ 433, million, this acquisition was completed with LBP's own resources.

MFG provides a wide variety of financial services, primarily corporate, investment, mortgage and consumer banking, as well as insurance, securities brokerage, factoring, leasing and real estate services.

The following table summarizes the purchase price and recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

	Fair value in (US\$)	Equivalent to millions of Colombian pesos
Purchase price	433,849,700	1,613,409
Assets acquired and liabilities assumed		
Assets		
Cash and cash equivalents	US\$ 71,778,013 Ps.	266,930
Investments	984,618,818	3,661,620
Loans	3,514,247,510	13,068,854
Other accounts receivable	71,341,122	265,305
non-current assets held for sale	28,391,303	105,582
Properties and equipment	76,797,452	285,596
Right-of-use-assets	17,504,549	65,096
Intangible Assets	2,439,059	9,070
Investment properties	22,704,857	84,435
Other intangible assets	40,486,358	150,561
Other Assets	10,829,699	40,276
Total Assets Acquired	4,841,138,741	18,003,325
Liabilities		
Customer deposits	2,867,655,253	10,664,294
Financial obligations	866,131,061	3,220,986
Bonds issued	515,803,082	1,918,179
Suppliers and services payable	64,925,605	241,447
Provisions	1,030,579	3,833
Employee benefits	2,049,540	7,622
Total Liabilities Assumed	4,317,595,120	16,056,361
Non-controlling interests	125,282,341	465,902
Identifiable assets acquired and liabilities assumed in Multi Financial Group	US\$ 398,261,280 Ps.	1,481,062
Goodwill	US\$ 35,588,420 Ps.	132,347

NOTE - 23 OTHERS EVENTS

COVID-19

The outbreak of COVID-19 and its rapid spread across the world during the second quarter of 2020 has resulted in circumstances with adverse effects on the social and economic environment of the countries in which the Group carries out its operations and businesses. Governments have seen the need to implement controls aimed at mitigating the rapid spread of the virus, such as decreeing lock-down measures, restricting mobility and transportation, regulating the provision of services considered non-essential, encouraging stricter sanitary measures and promoting changes in the traditional work schemes, all of which imply major changes in the usual dynamics in which the Group has commonly provided its services to the public. This also translates into a continuous need for the Group to evaluate the areas that may be impacted in as the pandemic continues and as governments respond to it. The global impact includes economic slowdown, which is being closely monitored by the Group, constantly evaluating the effects it can have on its operations and businesses.

During the second quarter of the year 2020, the Group's management continues monitoring and assessing any adverse effect that the situation may have on the results of operations, the financial situation and the Group's liquidity, taking appropriate and timely measures to reduce the unfavorable impacts that may arise during the financial year 2020.

As of June 30, 2020, the matters mentioned below have been assessed, some of which have had impacts on the Group's financial statements and operations. During the period after the date of these financial statements and until the date of their issue, they continue to be monitored by management to address their effects on the Group's operations and those of its customers.

Impairment of financial instruments - Loan portfolio, other accounts receivable and others

Financial instruments that are in the scope of IFRS 9's Expected Credit Loss model (loans, trade accounts other accounts receivable, debt instruments not measured at fair value through profit or loss, contract assets including concession agreements under financial asset model, lease receivables, financial guarantees and loan commitments) have been evaluated considering the impacts that COVID-19 is having on the ECL, due to measures adopted by the Governments in each of the countries and territories where the Group operates.

The impacts in relation to impairment of financial instruments in the Group entities are based on the following aspects:

- (1) Measurement of the ECL, due to changes in the credit risk allocation of financial instruments, incorporating analysis of COVID's effects and having an impact on the provision, going from a 12-month measurement (stage 1) to a measurement for the remaining life of the instrument (stages 2 and 3), for those assets in which it was determined that there was an increase in credit risk since their initial measurement.
- (2) Credit risk (risk of default), which behavior observed by the Group entities has varied in accordance to the economic segments that comprise their loan portfolios, increasing in the case of clients whose businesses have been negatively affected by COVID-19.
- (3) The amount at risk (exposure at default), as it has been seen that some of the affected debtors of some of the Group entities have stopped making payments or are taking longer than usual to pay, mainly in the context of relief schemes enacted by different governments.
- (4) The estimated credit loss for those loans assessed individually, as a result of the reduced expected recovery of cash flows, in consideration of the COVID-19 impact.
- (5) Macroeconomic factors considered in the development of scenarios and models for calculating the ECL, where some of the variables have weakened in the face of the effects that COVID-19 has had on the economy.

From the second quarter of 2020, the ECL calculation incorporated updated projections of forward-looking information, in line with the effects of decisions that Governments continue taking in relation to COVID-19

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and considering the high level of uncertainty around their intensity and duration. The projections have been based on the best available information that has been obtained, considering the geographical areas where the Group operates, and the effects on the entities' segments and portfolios which are exposed to different risks and situations.

When considering the forward-looking information based on macroeconomic variables, the Group updated the scenarios used and the probabilities assigned to them as of June 30, 2020, the effects are shown in the following tables:

Macroeconomic variables used in the ECL calculation (one-year projection)

Colombia

	<u>2019</u>			<u>2020 before COVID-19</u>			<u>2020 after COVID-19</u>		
	Stage A	Stage B	Stage C	Stage A	Stage B	Stage C	Stage A	Stage B	Stage C
Inflation	2.5%	3.4%	4.1%	2.1%	3.3%	4.8%	2.6%	3.3%	3.8%
Interest rate	3.5%	4.3%	5.3%	3.5%	4.5%	5.3%	1.8%	2.0%	2.8%
GDP Growth	2.2%	3.2%	4.2%	2.2%	3.1%	3.8%	(0.5%)	0.8%	1.7%
Used home prices	(2.3%)	1.4%	5.5%	2.8%	1.3%	5.1%	(2.9%)	0.1%	3.2%
Unemployment rate	11.1%	10.2%	9.3%	12.8%	12.0%	11.1%	18.5%	16.7%	14.8%

Guatemala

	<u>2019</u>			<u>2020 before COVID-19</u>			<u>2020 after COVID-19</u>		
	Stage A	Stage B	Stage C	Stage A	Stage B	Stage C	Stage A	Stage B	Stage C
Inflation	3.7%	3.5%	3.3%	3.2%	2.5%	2.3%	2.9%	0.9%	0.4%
Interest rate	0.3%	(0.0%)	(0.3%)	0.2%	(0.3%)	(0.3%)	0.2%	(0.2%)	(0.4%)
GDP Growth	2.2%	3.2%	3.7%	2.6%	3.3%	4.1%	0.5%	1.5%	3.0%
Exchange rate	1.5%	(0.5%)	(1.0%)	1.9%	(0.3%)	(2.8%)	3.8%	(0.5%)	(2.9%)

Honduras

	<u>2019</u>			<u>2020 before COVID-19</u>			<u>2020 after COVID-19</u>		
	Stage A	Stage B	Stage C	Stage A	Stage B	Stage C	Stage A	Stage B	Stage C
Inflation	5.1%	4.6%	3.3%	5.0%	3.3%	1.8%	3.4%	3.1%	1.5%
Interest rate	(0.3%)	(1.5%)	(3.3%)	(0.6%)	(1.3%)	(1.8%)	0.1%	(0.1%)	(0.3%)
GDP Growth	2.0%	3.0%	4.0%	1.9%	2.9%	3.9%	0.1%	1.3%	2.9%
Exchange rate	4.5%	3.3%	0.7%	2.8%	2.0%	0.5%	3.5%	1.8%	1.0%

El Salvador

	<u>2019</u>			<u>2020 before COVID-19</u>			<u>2020 after COVID-19</u>		
	Stage A	Stage B	Stage C	Stage A	Stage B	Stage C	Stage A	Stage B	Stage C
Inflation	2.1%	1.0%	0.0%	2.0%	1.0%	0.2%	1.8%	(2.8%)	(3.3%)
Interest rate	0.3%	0.0%	(0.1%)	0.3%	0.1%	(0.2%)	1.6%	(0.8%)	(1.1%)
GDP Growth	1.8%	2.4%	2.8%	1.8%	2.5%	2.9%	(2.4%)	0.4%	2.1%

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Nicaragua

	<u>2019</u>			<u>2020 before COVID-19</u>			<u>2020 after COVID-19</u>		
	Stage A	Stage B	Stage C	Stage A	Stage B	Stage C	Stage A	Stage B	Stage C
Inflation	8.9%	6.6%	3.3%	6.0%	5.1%	1.5%	4.0%	1.7%	0.0%
Interest rate	4.9%	1.7%	(1.0%)	3.9%	0.6%	(2.3%)	3.4%	2.0%	(0.0%)
GDP Growth	(5.6%)	(3.1%)	(1.3%)	(5.9%)	(1.1%)	0.6%	(6.9%)	(3.1%)	(0.4%)

Costa Rica

	<u>2019</u>			<u>2020 before COVID-19</u>			<u>2020 after COVID-19</u>		
	Stage A	Stage B	Stage C	Stage A	Stage B	Stage C	Stage A	Stage B	Stage C
Inflation	4.0%	1.9%	1.8%	2.8%	2.0%	1.4%	0.2%	(0.1%)	(1.3%)
Interest rate	(1.0%)	(1.6%)	(1.8%)	0.6%	0.1%	(1.3%)	(0.8%)	(1.6%)	(3.0%)
GDP Growth	1.8%	2.6%	3.0%	1.3%	2.3%	3.4%	(1.1%)	0.5%	2.3%
Exchange rate	3.4%	0.2%	(1.1%)	2.8%	0.0%	(4.0%)	2.2%	(0.8%)	(3.0%)

Panamá

	<u>2019</u>			<u>2020 before COVID-19</u>			<u>2020 after COVID-19</u>		
	Stage A	Stage B	Stage C	Stage A	Stage B	Stage C	Stage A	Stage B	Stage C
Inflation	1.7%	0.8%	0.5%	1.3%	0.3%	(0.2%)	0.2%	(0.5%)	(1.3%)
Interest rate	0.6%	0.1%	(0.4%)	0.7%	0.2%	(0.3%)	0.9%	(0.6%)	(1.3%)
GDP Growth	3.0%	3.8%	4.9%	2.6%	4.1%	4.9%	0.0%	1.1%	3.1%

The scenario probability weightings applied in measuring ECL are as follows:

Colombia

	Stage A	Stage B	Stage C
As of December 31, 2019	23.3%	60.0%	16.6%
As of March 31, 2020	35.0%	53.3%	11.6%
As of June 30, 2020	28.3%	53.3%	18.3%

Guatemala

	Stage A	Stage B	Stage C
As of December 31, 2019	10.0%	70.0%	20.0%
As of March 31, 2020	10.0%	50.0%	40.0%
As of June 30, 2020	15.0%	75.0%	10.0%

Honduras

	Stage A	Stage B	Stage C
As of December 31, 2019	10.0%	65.0%	25.0%
As of March 31, 2020	10.0%	60.0%	30.0%
As of June 30, 2020	20.0%	70.0%	10.0%

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El Salvador

	Stage A	Stage B	Stage C
As of December 31, 2019	15.0%	70.0%	15.0%
As of March 31, 2020	20.0%	60.0%	20.0%
As of June 30, 2020	30.0%	65.0%	5.0%

Nicaragua

	Stage A	Stage B	Stage C
As of December 31, 2019	15.0%	70.0%	15.0%
As of March 31, 2020	20.0%	70.0%	10.0%
As of June 30, 2020	30.0%	65.0%	5.0%

Costa Rica

	Stage A	Stage B	Stage C
As of December 31, 2019	20.0%	60.0%	20.0%
As of March 31, 2020	10.0%	65.0%	25.0%
As of June 30, 2020	15.0%	75.0%	10.0%

Panamá

	Stage A	Stage B	Stage C
As of December 31, 2019	15.0%	60.0%	25.0%
As of March 31, 2020	15.0%	70.0%	15.0%
As of June 30, 2020	15.0%	70.0%	15.0%

As observed in the previous tables, the macroeconomic variables and scenarios were adjusted to reflect the impacts of COVID-19. The weighted probabilities assigned to each scenario were also recalibrated based on the expectations resulting from the information available at the date of the projections.

The Group continues monitoring information which allows it to identify potential impacts on ECL in a timely manner.

Loss allowance balances as of March 31 and June 30, 2020:

Loss allowance portfolio in balance sheet

	As of June 30, 2020		As of March 31, 2020		Variation
Commercial	Ps.	5,204,875	Ps.	4,599,522	Ps. (605,353)
Consumer		3,843,861		3,783,484	(60,377)
Mortgage		429,638		406,490	(23,148)
Microcredit		89,474		92,082	2,608
Interbank and overnight funds		7,386		2,305	(5,081)
Total	Ps.	9,575,234	Ps.	8,883,883	Ps. (691,351)

The table above summarizes the total loss allowance for each portfolio and for each quarter of 2020. The loss allowance reconciliation, transfers between stages, impacts of measurement due to model changes, among others, are presented in note 4 f) (3).

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Loss allowance expense as of March 31 and June 30, 2020:

Net portfolio provision impact on income statement as of March 31 and June 30:

	As of June 30, 2020	As of March 31, 2020	Variation
Commercial	Ps. 700,142	Ps. 382,842	Ps. (317,300)
Consumer	865,131	654,363	(210,768)
Mortgage	57,303	44,053	(13,250)
Microcredit	7,885	10,592	2,707
Interbank and overnight funds	5,058	1,342	(3,716)
Total	Ps. 1,635,519	Ps. 1,093,192	Ps. (542,327)

The table above summarizes the loss allowance expense per portfolio for each quarter of the year 2020.

Clients credit reliefs

The measures taken or suggested by the governments of the countries in which the Group operates encouraged companies to provide reliefs to customers (companies or individuals) between the months of April and June 2020, in relation to current loans or loan agreements. The reliefs have consisted mainly in the renegotiation of the credit terms and conditions including, among others, the granting of payment holidays, deferral of payments to a later date, the extension of credit terms and increase of borrowing facilities. The following table summarizes the volume of reliefs granted per portfolio and their effects on the Group's results:

	<u>Commercial</u>	<u>Consumer</u>	<u>Mortgage</u>	<u>Microcredit</u>	<u>Interbank and overnight funds</u>	<u>Total</u>
Amount of credits with relief granted	91,964	1,788,012	71,044	38,324	-	1,989,344
Impact on income statement	Ps. (11,167)	Ps. (50,137)	Ps. (10,788)	Ps. (1,958)	Ps. -	Ps. (74,050)

The governments of the countries in which the Group operates have not decreed direct relief for banks to date.

Leases from the lessee's perspective

Lessors and lessees have carried out renegotiations of some term of their lease agreements from April 2020, as a result of which some lessors granted concessions of some kind in relation to lease payments.

Some Group entities that have leased assets have renegotiated the terms of their lease agreements as a direct consequence of the crisis due to COVID-19. As lessees, the Group entities have taken into consideration the applicable guidelines to determine the appropriate accounting of the concessions granted, assessing whether they meet the contract modifications criteria; this analysis resulted in the recognition of gains in the income statement and in the remeasurement of the lease liabilities, the effect recognized in results was for Ps.1,831 due to a decrease in the lease fee for a number of months for 205 contracts.

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Impairment of assets - Goodwill, Property, Plant and Equipment and Intangibles (including concession agreements under the intangible asset model)

As of June 30, 2020, the timing of the halt in the operations of certain Group businesses resulted in the appearance of impairment indicators, in accordance with which it became necessary to update the impairment test that had been carried out at the end of 2019; in some cases this also meant the performance out additional tests that had not been carried out before, where there had been no indicators.

As part of the updating process of the impairment tests of goodwill, property, plant and equipment and intangibles, budgets, forecasts and other assumptions have been adjusted to incorporate the economic conditions that are being observed, addressing where necessary the increase of risk and uncertainty.

The value ranges of the main variables taken as the basis for the impairment assessment of goodwill carried out for the different cash-generating units are shown below:

	As of June 30, 2020
Lending rate on the loan portfolio and investments	Between 11.% and 12.7%
Lending rate on the investments	Between 4.97% and 6.71%
Borrowing rate	Between 2.8% and 7.42%
Growth in income from commissions	Between (26.16%) in 2020 and 17.7%
Growth in expenses	Between (7.84%) in 2020 and 13.04 %
Inflation	Between 2.2% and 3.7%
Discount rate after taxes	Between 11.6% and 12.08%
Growth rate between five and more than ten years	3%

Considering that the procedures to determine the cash-generating units recoverable amounts include, in some cases, projections for more than ten years, the table above shows value ranges of the lowest and highest points for each assumption during said period.

According to the results of the impairment tests carried out for goodwill, no additional impairment has been identified to that already recognized as of December 31, 2019. The following table summarizes the amounts observed in the analyzes carried out as of June 30, 2020 over principals Cash-Generating Units (CGU) that comprise Goodwill:

CGU	As of June 30, 2020		
	CGU's carrying amount	Recoverable amount	Excess
Leasing Bogotá Panamá	17,652,566	25,523,612	7,871,046
Banco de Bogotá over Banco de Crédito y Desarrollo Social – MEGABANCO S.A.	9,335,589	10,425,193	1,089,604
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.	2,213,576	5,046,556	2,832,980

The factors used to determine the discount rates were revised to reflect the impact of the measures taken by governments to control the spread of the virus (risk-free rate, country risk, and asset risk).

Other matters

Between the months of April and June 2020, some Group entities which met the requirements to access support programs led by the Government to address the effects of COVID-19 received funds that were recognized in the financial statements under the premises defined for government grants, for a value of Ps. 1,087.

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As of June 30, 2020, no impairment was identified in other non-financial assets such as investments measured using the equity method or inventories, nor were situations identified that resulted in the appearance of present obligations arising from the effects of COVID-19 and that at that date had a high probability of an outflow of resources.

NOTE 24 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