2Q2021 CONSOLIDATED EARNINGS RESULTS CALL TRANSCRIPT

GRUPO AVAL ACCIONES Y VALORES S.A.

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Operator: Welcome to Grupo Aval's second quarter 2021 consolidated results conference call. My name is Jenny and I'll be your operator for today's call.

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The consolidated financial information included in this document is presented in accordance with IFRS as currently issued by the IASB. Details of the calculations of non-GAAP measures such as ROAA and ROAE, among others, are explained when required in this report.

This report includes forward-looking statements. In some cases, you can identify these forward-looking statements by words such as "may", "will", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue", or the negative of these and other comparable words. Actual results and events may differ materially from those anticipated herein as a consequence of changes in general, economic and business conditions, changes in interest and currency rates and other risks described from time to time in our filings with the Registro Nacional de Valores y Emisores and the SEC.

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The content of this document and the figures included herein are intended to provide a summary of the subjects discussed rather than a comprehensive description.

When applicable, in this document, we refer to billions as thousands of millions.

At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session. I'll now turn the call over to Mr. Luis Carlos Sarmiento Gutierrez, Chief Executive Officer. Mr. Sarmiento, you may begin.

Luis Carlos Sarmiento Gutierrez: Good morning and thank you all for joining our second quarter 2021 conference call. I

trust that all of you and your families are keeping healthy.

Today, it is my pleasure to present our strongest quarter ever. In doing so, I will cover the following: an update on the macroeconomic environment of the regions where we operate, the status of the loan reliefs granted to our clients, the progress of our digital efforts, and the main highlights of our financial performance.

Let's start with the macroeconomic scenario of the last few months. During the second quarter of the year, the global economy continued to recover. There are, however, material differences in the recoveries of countries depending on the effectiveness of these countries' vaccination programs.

Additionally, new variants of the virus such as the delta-plus and, more recently, the gamma variant continue to appear. For now, it is apparent that the vaccinations being administered are effective against these new variants. However, were this not the case, economic recoveries would be curtailed. In any case, clear evidence of the effectiveness of the vaccination programs resides in the fact that, although people continue to get infected, the lethality of the virus has drastically dropped. Colombia has not been the exception to the economic recovery or to a well-administered vaccination program. To date, more than 30 million doses have been administered and more than 13 million people have been fully immunized.

This progress in the vaccination program, along with better external conditions, have boosted the recovery of the Colombian economy. This recovery has not been devoid of headwinds, specifically the violent demonstrations and strikes that plagued the country mostly during the months of April and May. However, after a drop in consumer confidence, not surprisingly during April and May, as of July, this indicator has recovered and is now at its highest level since the start of the pandemic, supported by the progress of the vaccination campaign, better unemployment numbers, renewed commercial activity and higher prices of export commodities such as coffee and oil. High-frequency data, such as energy demand, suggests that business activity is advancing towards its pre-pandemic level.

As a result, analysts have continued to raise their estimates of the GDP growth forecast for Colombia during 2021. The OECD now forecasts a GDP growth of 7.6% for 2021, and the IMF is expected to raise its projections in August given the positive outcome of recent months. In its latest meeting, the Central Bank revised its own growth forecast from 6.5% to 7.5% and in Aval, we now forecast that the economy will grow approximately 7% in 2021.

Moving on to the labor market, in June, the unemployment rate fell to 14.4% and the number of jobs increased by 161,000. The average unemployment rate during the second quarter was 15% compared to 15.8% during the first quarter and 20.3% a year earlier. Of course, there is still a long way to go on this front. Despite the mentioned improvement, there are still approximately 1.4 million jobs that still need to be recovered to bring us back to the pre-pandemic levels of employment. If these jobs were recovered, the country would experience a drop of between 6%

and 7% in unemployment. For now, as the recovery process continues, we expect a further decline in the unemployment rate to 12% by year's end, reaching an average of 14.8% for 2021.

In June, 12-month inflation reached 3.63%, 204 basis points higher when compared to inflation during 2020. This year's number has been driven mainly by supply factors and by a statistical base effect. In fact, the surge of food prices of 5.5% in May was triggered by the disruptions of supply and logistics that arose from the strikes. As of July, 12-month inflation had risen by 34 basis points versus June to 3.97%. This increase was driven by food prices, which rose by 40 basis points and by higher prices in service sectors as a result of higher activity in leisure industries, such as restaurants, hotels, recreation and culture. We expect that inflation for 2021 will reach 4% as food prices revert, offset by the pass-through of higher commodity prices and the shipping costs.

Although medium-term inflation expectations remain well anchored at 3%, given the recent surge in consumer prices, the weaker peso and the growth prospects, we expect that the Central Bank will start a monetary policy tightening cycle in the last quarter with a high probability of two 25 basis point hikes before the end of the year. In that scenario, the repo rate will increase to 2.25% from its current 1.75% level.

Regarding the exchange rate, in the last few weeks, the peso has weakened to as high as COP 4,000 per dollar due to the strengthening of the dollar in international markets as investors seek shelter in safe assets caused by the renewed uncertainty owing to the spread of the Delta variant and also due to the increase in Colombia's risk premium. However, with the projection that the Central Bank will start a new monetary tightening cycle and if, as expected, Congress approves the proposed tax reform to which I will refer in a minute, it is likely that the Colombian peso will seek a level close to COP 3,700 per dollar in the next few months.

The Government has presented a new tax reform that seeks to increase tax revenues by COP 15 trillion or 1.2% of GDP. The additional revenue would mainly originate from increasing the corporate tax rate to 35% starting in 2022, instead of reducing it to 30% as approved in the 2019 tax reform. The financial sector, however, will continue to pay a 3% surcharge over the corporate rate until 2025. This surcharge was expected to cease by 2023.

Other components of the tax reform include reducing tax deductible expenses, strengthening legal measures to fight tax evasion and freezing government spending. This new tax reform has greater political support and is expected to be approved in Congress in the next few months.

In the meantime, the Government expects the fiscal deficit to reach 2021 at 8.6% of GDP with a primary deficit of 5.3% of GDP.

Regarding the Current Account deficit, it is expected to widen to 4.4% of GDP by year's end, up from the 3.3% of GDP observed at the end of 2020. Pent-up demand should translate into a larger trade deficit that will be partially offset by

larger and better priced oil and coffee exports.

With respect to Central America, the IMF expects a 5.7% growth of the region's economy in 2021. As discussed in the past, Central America greatly benefits from the recovery of the U.S. economy as certain Central American countries are highly dependent on cash remittances incoming from the United States.

Economic growth of the region should be positively impacted by the infrastructure sector as these countries that were affected by storms Eta and Iota need to invest heavily in the reconstruction works.

During the first two months of the second quarter, Panama estimated an annual GDP growth of 16.5% and during the same period, Costa Rica estimated GDP growth of 12.3%. Panama benefits from the reactivation of global trade and foreign investment, given its role as a global maritime transportation hub and the consequential increase in canal activity. In Costa Rica, six out of 15 economic sectors reached pre-pandemic production levels.

Remittances have surged year-on-year 55% in El Salvador, 43% in Guatemala and 44% in Honduras. Annual economic growth estimated for the first two months of the second quarter was 28.1% in El Salvador, 15.8% in Guatemala and 28.4% in Honduras. Guatemala and Honduras growths will be boosted, as I said before by increases in fiscal spending to reconstruct damaged infrastructure after the mentioned storms.

Finally, based on leading indicators, year-on-year economic estimated growth reached 15.2% in Nicaragua during the first two months of the second quarter. Despite internal and external favorable economic conditions, growth in Nicaragua could be limited by the challenging political context.

Moving on to the status of our loan relief programs, as of June we had active reliefs representing approximately 11.5% of our total consolidated loan portfolio or approximately COP 24.5 trillion in loans. In Colombia, as of June 30th, active reliefs amounted to COP 8 trillion or 5.9% of the Colombian loan portfolio, including COP 7.7 trillion in structural agreements. In Central America, reliefs amounted to COP 16.5 trillion, representing 20.9% of the region's portfolio. These reliefs in Central America were driven by Panama, which accounted for more than half of the region's active reliefs.

Of all loans in both geographies that have concluded the relief periods, those currently past due 90 days or more represent only 1% of our total consolidated loan portfolio, and those currently past due 30 days or more represent 1.8% of our total consolidated loan portfolio. Our cost of risk reflects our estimation of losses related to the complete unwinding of these relief programs.

We continue to execute our digital strategy in accordance with our expectations. Allow me to elaborate.

As I have mentioned before, we have prioritized the transformation of our core products into digital solutions and the digitalization of core processes in our banks. We believe that both those efforts will yield additional net income via additional sales revenues and cost savings.

We have successfully concluded the digitalization of most of our retail bank products and are now in the process of rolling those out to all our banks. This has led us to increase our digital retail sales substantially. In Colombia, 60% of all sales of retail products for which a digitalized solution has been developed are currently conducted through the digital applications and 40% of those are end-to-end digital sales without human intervention. These sales represent almost 40% of our total digitalized and non-digitalized retail products sold. In Central America, approximately 25% of total sales are sales of digitalized products.

As part of our IT transformation process, our digitalization effort is cloud-based, allowing us to scale up faster and cheaper than with traditional IT infrastructure models.

Allow me to explain. First, all of our digital products are already 100% in the cloud or cloud native. As a result, we do not need to further invest to migrate the infrastructure of our digital products to the cloud because we're already there.

Secondly, our centralized data platforms in our Digital Lab, such as Augusta and Mathilde are also in the cloud, allowing us to be more efficient in our processes, reduce operational costs and increase our client penetration. Mathilde is a marketing platform, which has allowed us to acquire new digital clients at what we currently believe is the lowest acquisition cost in the market. This adds to the capabilities of our data platform, Augusta, which has allowed us to improve our cost of client acquisition, cross-selling, customer retention and risk mitigation, among others, through advanced analytical models.

As of June 2021, our active digital clients totaled 5.2 million, increasing approximately 31% in the last 12 months. Even though adding active digital clients is a necessary step for digital transformation, obtaining long-term sustainable value as a result of this effort is the primary objective. High acquisition costs of digital clients have led us to be watchful of what we have denominated *net loss growth* associated with one-transaction users or those that lack potential to be monetized.

In Colombia, a country with very strict usury rate restrictions, transactional platforms with low or no fees will find it difficult to sell profitable banking products regardless of their number of digital customers.

We have been working in alternative ways to acquire new digital clients that meet our profitability criteria, leveraging ecosystems that provide services that are valuable to our clients, and where profitable products of our banks are part of the solution.

Among those, first, in Colombia, Aval Digital Labs has been working to redesign popular existing websites such as carroya, metrocuadrado, and elempleo.com, and to add to those ecosystems additional products, including banking digital products, to further our goal of adding profitability to digital growth. Being part of these ecosystems afford our banks the opportunity to increase digital clients through auto loans, mortgages, payroll loans and other products. These

ecosystems currently serve over 10 million users.

In Central America, we recently launched Kash, with a K, a transactional app available across the region, that already has 100,000 digital clients, 70% of which are not BAC clients, with more than 350,000 transactions to date. Soon, family remittances will be available through our Kash app. This will allow us not only to acquire at least 500,000 additional profitable digital clients by year-end but also to increase our remittances' fee income and to make our app profitable.

Finally, in Colombia, we're improving our digital channels to better fit our customers' needs. Banco Popular launched recently its new mobile banking app at the beginning of the year, and we expect Banco de Occidente and Banco AV Villas to launch their new apps in the next couple of months. These apps have a more modern, intuitive and secure design that will contribute to a better customer experience.

In Central America, our focus has been primarily on customer service. In 2021, 54% of client interactions have been conducted through digital channels and 46% through our call centers and others. Customers have quickly adopted the mobile channel as their preferred means to make their requests. Almost 20% of those queries are picked up and handled by chat bots and resolved without human intervention.

To finish, regarding our financial results, Diego will refer next in detail to our financial performance during the second quarter of 2021. However, allow me to I would highlight the following.

To start with, Grupo Aval registered its best results ever for a quarter with attributable net income of approximately COP 950 billion. Aval's attributable net income for the first half of 2021 was COP 1.74 trillion. This resulted in a ROAE for the quarter of 18.2% and of 16.7% during the semester.

Among the principal reasons for these results, I would include the following:

First, 2021 has been a year with excellent results in the pure banking business, where we have been able to defend our intermediation spread mainly through pricing discipline while successfully growing our loan book.

Our loan portfolio has been behaving better than expected, resulting in better cost of risk. In fact, cost of risk has moved to near pre-pandemic levels.

Thirdly, we have benefited from a well-structured fixed income portfolio in terms of durations and yields.

Fourthly, our non-financial sector was able to quickly regain momentum and return to pre-pandemic activity within a very short period, resulting in the recovery of significant income contribution to our bottom line.

Next, our pension fund manager has been successful in defending its market leadership, in managing costs, and in obtaining healthy yield from the portfolios it administers.

Lastly, throughout all our companies, we continue to stress the importance of a cost containment and/or cost reduction culture.

I do thank you for your attention, and now I'll pass on the presentation to Diego, who

will explain in detail our business results. Have a good day.

Diego Fernando Solano Saravia: Thank you, Luis Carlos. I will now move to the consolidated results of Grupo Aval under IFRS.

Before covering the following pages, bear in mind that, as of June 2021, MFG no longer affects the comparison of our volumes relative to a year earlier, given that its acquisition was completed on May 2020. However, the year-on-year comparisons of our P&L lines are still affected given that the second quarter of 2020 only included one month of MFG's operations.

Now, starting on page nine, our assets grew 2.2% over the quarter and 3.4% year-on-year. Colombian asset growth continued strengthening, recording 2.3% increase during the quarter and 3.4% year-on-year, while Central American assets recorded a 0.1% quarterly and a 3.6% year-on-year growth in dollar terms. Quarterly depreciation of 1.9% and a 12-month appreciation of 0.2% take quarterly and annual growth in pesos of Central America to 2% and 3.4%, respectively. The share of Central America in our book remained at 36%.

Moving to page ten, loan growth continued to show a positive trend that now includes a rebound in Central America. In Colombia, the sustained growth of high-quality retail lending products was partially dampened by a still sluggish growth of commercial loans. The social unrest experienced during April and May in Colombia temporarily held back loan origination.

Our total loans grew 2.1% over the quarter and 2.2% year-on-year. Colombian gross loan portfolio increased 1% during the quarter, slightly slower than a quarter earlier, while 12-month growth was 1.5%.

Demand of consumer loans remained high in Colombia, resulting in a 1.7% increase during the quarter and 11.3% year-on-year. Competition remains high in low-risk products, such as payroll loans. However, as a new development, unsecured products have started to regain traction over the past couple months. This may signal an increase in the risk appetite of banks.

Payroll lending, that accounts for 61% of our Colombian consumer portfolio, grew 3.1% over the quarter and 21.3% year-on-year.

In contrast, although performing better than a quarter earlier, credit cards contracted 1.6% and personal loans remained relatively stable. These products account for 12% and 20% of our Colombian consumer portfolio, respectively.

As seen in other secured retail products in Colombia, mortgages remained dynamic, expanding 3.1% over the quarter and 12% year-on-year.

Our Colombian corporate portfolio continued its mild recovery, growing at a still shy 0.4%. Our growth versus that of our peers continues to be affected by our pricing discipline where we privilege profitable customer relations over market share. Cumulative 12-month growth was negative at minus 4.4% with a still high comparison base a year ago.

Moving to Central America, our gross loan portfolio increased 2% over the quarter and 3.6% year-on-year in dollar terms. Quarterly performance in Central America, the strongest since fourth quarter 2019, was driven by a 2.9% growth of consumer loans. This performance resulted from a 4.4% growth in credit cards and a 1.3% growth in payroll loans. Quarterly growth in credit cards took the year-on-year growth to 5.8%, the first positive figure since second quarter 2020. Commercial loans and mortgages grew 1.7% and 1.1%, respectively, during the quarter, in Central America.

Looking forward, fundamentals for loan growth continue to strengthen in both geographies. We expect commercial loan growth to be supported by improvements in economic activity and business confidence. On the retail lending front, we expect that the improvement in employment outlook will continue to allow an increase in our bank's risk appetite in products that were de-emphasized during the shock.

On pages 11 and 12, we present several loan portfolio quality ratios. The COVID-19 credit juncture continued unwinding favorably for our banks during the second quarter, driven by a stronger and faster recovery in both economies than initially forecasted, that has translated into a better evolution of reliefs and a stronger performance of the rest of our portfolio. This has resulted in a lower cost of risk than initially forecasted.

Loan reliefs continued to expire and returned to active payment schedules. As expected, these loans have higher delinquency ratios than the average. In contrast, the remainder of our loan portfolio, 88.5%, continues to improve in line with a stronger economy offsetting the burden of the relief loans.

As of June 30, we had 3% of our total gross loans under payment holidays and 8.5% under structural payment programs, together accounting for 11.5% of our loan portfolio.

In Colombia, 5.9% of our loans have some type of relief. Only 0.2% of our Colombian gross loans are still under payment holidays. The remaining reliefs are under structural payment programs.

In Central America, 20.9% of our loans still have some type of relief with 7.8% of gross loans under payment holidays and 13.2% under structural payment programs. Payment holidays persist mainly in Panama, that account for 94% of those in the region.

At end of period, 4.2% of our total loans that in the past had benefited either from payment holidays or were restructured and that had returned to active payment schedules were past due more than 90 days. These past due loans represent 1% of our total gross loans. These numbers were 7.3% and 1.8% for loans past due more than 30 days.

In Colombia, 5.7% of loans previously relieved that had resumed active payment schedules were 90-days past due, representing 1.1% of gross loans. For 30-days past due loans, these numbers were 9.3% and 1.8%.

In Central America, 2.6% of loans previously relieved that had returned to active payment schedules were 90-days past due, representing 0.9% of gross

loans. For 30-days PDLs, these numbers were 5.3% and 1.8%.

As mentioned before, the deterioration in relieved loans was partially offset by the improvement of the rest of our loan portfolio. This resulted in the overall metrics for 30-days and 90-days PDLs remaining relatively stable during the quarter. Our allowance coverage of 30 days and 90 days PDLs remained flat as well as over the quarter.

The ratio of charge-offs to average 90-day PDLs stood at pre-COVID levels. Regarding 30-day PDL formation, 76% was explained by retail products, with credit cards and personal installment loans contributing 28% and 20% of PDL formation, respectively, despite representing only 8% and 5% of our gross loans. This behavior was mainly driven by relief loans that became delinquent.

The quality of our loan portfolio was materially stable quarter-on-quarter at 4.76% on a 30-day basis and 3.42% at 90-day PDL basis. Our 30-day and 90-day PDLs were 71 basis points and 42 basis points higher than those a year earlier.

The composition of our loan portfolio in term of stages shows an improvement in the share of Stage 1 loans, compensated by a decrease in Stage 2 loans. As anticipated, part of the Stage 2 loans migrated to Stage 3.

This improvement was mainly driven by our consumer loan portfolio in both geographies, which recorded a 146 basis points increase in the share of Stage 1 loans and a 155 basis points decrease in Stage 2. Coverage of each stage remains relatively stable compared to a quarter earlier.

Cost of risk, net of recoveries, was 2%, 23 basis points lower than the 2.2% in the previous quarter and 111 basis points lower than the 3.1% a year earlier. The quarterly improvement incorporates 58 basis points decrease in retail loans and a 5 basis points increase in commercial loans.

Quarterly cost of risk improved by 34 basis points in Colombia and 4 basis points in Central America. In Colombia, the cost of risk of retail loans improved 84 basis points while that for commercial loans remained stable. In Central America, the cost of risk of retail loans fell 22 basis points and increased 17 basis points for commercial loans.

On page 13, we present funding and deposit evolution. Funding growth during the quarter continued to reflect a high liquidity environment. Our deposits to net loans ratio and our cash-to-deposit ratio remained stable over the quarter at 110% and 15.8%, respectively. Our funding structure remained materially unchanged, with deposits accounting for 78% of total funding.

Deposits increased 1.7% during the quarter and 6.4% year-on-year. Colombia grew 1.4% during the quarter, while Central America grew 0.2% in dollar terms. Over the 12-month period, Colombia grew 3.3% and Central America 11.6% in dollar terms. Annual growth of deposits above that of loans, reflects a conservative liquidity standing particularly in Central America.

On page 14, we present the evolution of our total capitalization, our attributable shareholders' equity, and the capital adequacy ratios of our banks. Our Total

Equity grew 5% over the quarter and 8.2% year-on-year, while our attributable equity increased 5.3% and 7.6%, respectively, mainly driven by our earnings.

Solvency ratios under Basel III remained relatively stable as net income provides the support for risk-weighted assets growth over the quarter.

On page 15, we present our yield on loans, cost of funds, spread and NIM. NIM performance during the quarter was driven by a stable NIM on loans and an improvement of NIM on investments.

NIM on loans remained at 5.8% during the quarter as the spread between yield on loans and cost of funds remained flat at 6%. Yields on loans continued decreasing, However, it was compensated by a similar decrease in cost of funds.

NIM on investments was 1.4% during the quarter, returning to positive ground from the minus 0.4% recorded last quarter. The excess liquidity associated with the prudent liquidity standing continued to weigh on our NIM.

On page 16, we present net fees and other income. On this page and the following, we will present several P&L lines and metrics. Please bear in mind that two factors limit the comparability of our results year-on-year. First, a low base line considering that the strongest effect of the pandemic and commercial activity was suffered during that quarter. And second, only one month of MFG operations was part of our second quarter 2020 P&L.

Now moving to the content of this page. First half gross fee income increased 8.7% year-on-year while quarterly year-on-year growth was 17.9%. Gross fees fell 3.6% during the quarter, affected by a temporary pause in recovery associated with the demonstrations held in Colombia during April and May. In addition, performance-based pension management fees in Colombia and bank assurance-related expenses in Central America affected this quarter's performance.

Income from the non-financial sector reflects the strong performance of the infrastructure and energy and gas sectors.

Our infrastructure sector grew 17.5% over the quarter, mainly due to a strong performance in the construction in some of our toll roads. First half contribution from the infrastructure sector grew 48% year-on-year. Quarterly income from infrastructure was 3.8 times that a year earlier, when the stringent lockdowns experienced March through May halted construction.

The energy and gas sector contribution increased 14.4% over the quarter due to positive results in gas distribution and pipeline construction. First half income from the energy and gas sector grew 60.3% year-on-year while quarterly income was 2.1 times compared to a year earlier when a decrease on industrial gas demand during the lockdowns affected our results.

On the bottom of the page, the quarterly decrease in other income is explained by lower contribution of OCI realization on our fair value fixed-income portfolios and by a seasonally high income from dividends during the first quarter.

On page 17, we present some efficiency ratios. First half other expenses increased 2.4% year-on-year, while quarterly

expenses grew 4.5% year-on-year. Year-to-date expenses grew 0.6% in Colombia and fell 0.2% in dollar terms in Central America, excluding the effect of MFG. Quarterly expenses increased year-on-year, 3.3% in Colombia and 6.7% in dollar terms in Central America, excluding the effect of MFG.

Compared to first quarter, other expenses increased 6.1% with Colombia growing at 6.8% and Central America growing at 1.3% in dollar terms.

In addition to an increase in costs associated with higher activity, this quarter included provisions of the remaining 50% of the penalty imposed to Corficolombiana by the Colombian Superintendency of Industry and Commerce in relation to the Concesionaria Ruta del Sol II investigation. Compared to a year earlier, cost to assets remained stable at 3.2% and improved 45.4%, down from 51.3% on a cost-to-income basis.

Finally, on page 18, we present our net income and profitability ratios. Attributable net income for second quarter 2021 was COP 950 billion or COP 42.6 per share, its best result ever for a quarter. This result was 19.9% higher than the previous quarter and 2.9 times that a year earlier. Our return on average assets for the quarter was 2% and 1.9% year-to-date. Our return on average equity for the quarter was 18.2% and 16.7% year-to-date.

I will summarize our guidance for 2021. We expect:

- Loan growth to be in the 9% to 10% area.
- NIM on loans to be 5.8%, and total net interest margin to be in the 4.8% to 5% range.
- Cost of risk to be in the 2.1% to 2.2% range
- Net fees to grow in the 8% area.
- Our non-financial sector to grow in the 5% area.
- Expenses growth to be in the 4% area.
- ROAE to be in the 15% to 15.5% range.

We are now available to address your questions.

Operator: Thank you. If you have a question, please press star (*) then one (1) on your touchtone phone. If you wish to be removed from the queue, please press the pound sign or the hash key (#). If you are using a speakerphone, you may need to pick up the handset first before pressing the numbers.

And our first question comes from Sebastian Gallego, from Credicorp Capital. Please go ahead.

Sebastian Gallego: Good morning. Thank you for the presentation and congratulations on very strong results. I have several questions today.

First of all, Mr. Diego mentioned an ROE guidance of 15% to 15.5% in 2021. Can you discuss on how sustainable are these types of returns going into 2022 and on a long-term sustainability basis?

Second, it caught my attention Mr. Luis Carlos' comments on potential competition on digital platforms and how those platforms could have trouble monetizing their users. Can you discuss a little bit more the competitive environment

on that front? And why are you so confident that other players may not be able to monetize those users?

And finally, if you could provide an outlook for loan growth, breaking down per region and breaking down per segments, given the 9% to 10% guidance. Thank you very much.

Luis Carlos Sarmiento Gutierrez: Okay. Let me start with your question on digital. What I meant is the following. What we see around the region with fintech platforms that have been able to turning net income is basically via not charging fees, but charging substantial interest rates, in one way or another.

In Colombia, as I said, it's a little bit more complicated because we have very strict usury rate regulation. So, here when you bring on digital clients, you have to consider how you're going to monetize them.

And you can massively increase your digital clients in those sorts of platforms. But if, in that massification, you acquire a lot of digital clients that will probably not transact too much, life for example, clients that just become so to receive subsidies from the government or other types of clients that will probably not be subject to becoming debtors in via loans, it might be a little bit harder to monetize them.

So, I don't have the solution and I am sure that everybody who is coming up with a digital platform has thought about this. And obviously, most of it is going to depend on what your cost of funds is, if you are planning to take in funds to then try to make those customers into borrowers. It also depends on your cost structure. And obviously, some of these fintech's which are starting from the beginning as solely digital platforms with no legacy of other types of costs have an easier time of keeping costs down.

But all that I'm saying is, in our case, when we think about massification of digital clients, we always think in terms of what's that going to produce with respect to net income for the company. So in that respect, we usually say, let's start with those actions that we know are going to result in valuation, and valuation via additional net income, because, as you know, we are basically valued based on a price-to-earnings ratio and so we have to produce the earnings.

And that's why we're saying in our strategy, we first decided we would put a lot of emphasis on being able to offer our own legacy products in a digital manner so that new clients could acquire them that way. And secondly, we've been going through the digitalization of processes and operations in the banks, and that has resulted in cost savings.

We will obviously not discard in any shape the idea of massifying digital clients, but we have to make sure that those clients have some future in terms of producing additional revenues for the company. So that's what I was referring to when I talked about our digital strategy.

Diego Fernando Solano Saravia: And moving to your guidance questions. Regarding return on equity, even though we are not giving guidance on 2022 on this call, just to give you a framework to think around it. We have a few things that are still to continue improving into the future, particularly cost of risk still has room to improve throughout the year and into next

year, that has been part of what has helped us in sustaining our stronger results than market, and we expect to continue seeing that improvement into the future.

The other part that will be helping us as well is related to increased macro activity in Colombia regarding stronger growth, regarding increases in rates that, as you know, for banks, a slight increase in rates is always positive, increase in fee income associated with activity.

What could dampen the kind of positive numbers that I'm pointing into? It is the tax reform, it is building in what comes out from that reform still to be seen. At this point with the tax reform that is currently in Congress, the numbers might not change substantially compared to this year, but the expectation of having lower taxes into the future somehow has faded away. So we have a combination of improvement on the operational front. And then almost on the last line, we have the impact of taxes. That's a long way to tell you that even though we are not giving guidance, these kinds of numbers are numbers that we could expect to continue seeing into the future.

Then, regarding the breakdown of what is going to happen with loan growth, as mentioned, we have a much better performance from the growth perspective on the consumer front. We could expect to see something in the 12% to 14% area growth. And on the commercial front, it should be somewhere between 6% and 7%.

If you break down that by regions, Colombia should be in the 6% to 8% area growth and Central America should be at a similar rate if you look at it in dollar terms, but you have to build in that, we have already run through around an 11% depreciation, I mean, not as up to date, but up to the numbers that we believe could be numbers at the end of the year. So that will help and that will propel what is happening with Central America.

Operator: Our next question comes from Adriana de Lozada. Please go ahead.

Adriana de Lozada: Hi, and congratulations on the results. I wanted to see if you can help us have a better sense of fee income growth. I know in the quarter there was a slight impact from the protests. But if you can help us with that, it would be great.

Diego Fernando Solano Saravia: I'm sorry, were you referring to fee income or to income growth? I didn't hear you properly.

Adriana de Lozada: Well, it could be talking about normalized levels of growth, but however you think it's best to formulate it.

Diego Fernando Solano Saravia: Okay. Well, regarding the loan side, I just mentioned it before, volume-wise, we have the dynamics I just covered when referring to Sebastian's question.

Regarding margins, we're actually moving into a better ground for margins given that we expect to see the Central Bank increasing rates.

On the fees side, we mentioned we are slightly short from loan growth because loan growth is starting to come stronger. Therefore, if loans are growing in the 9% to 10% area, we could see a couple of

percentage points below that on the fee side.

Fees still has some room to increase, particularly for two reasons. Number one, on the pension side, we had some impact during this quarter of volatility that implied that some of our fees that are related to our profitability and the funds was affected. Bear in mind that there is a lag between how we get those into our P&L and how they happen in the market because we charge fees after the returns have been obtained. So we have some delay there.

But then I would say the main driver will be economic activity. We're seeing a strong pickup. We're seeing a pickup in products that are very rich in fees, such as credit cards and other consumer products that, in the past, we have deemphasized and at this point we're ready to start to open our risk appetite. So that will come with fees as well. I don't know if I covered what you were referring to, but those are the main drivers.

Operator: Thank you. As a reminder, if you have a question, please press star (*) then one (1) on your touchtone phone.

Our next question comes from Brian Flores, from ASA Investments. Please go ahead.

Brian Flores: Hi, thank you for the opportunity to ask a question. Can you please confirm, what was the guided figure for cost of risk? And then I'll give a second question. Thank you.

Diego Fernando Solano Saravia: Ok. Regarding cost of risk, you might have noticed that we lowered our guidance we had previously given. Initially, we started out with 2.5%, lowered it to 2.3% to 2.4%. And this time around, we're lowering it to 2.1% to 2.2%. The reason for that is we're seeing a much better performance on our loan portfolio, particularly on the retail side. And then, given the much stronger economy that we're looking into in Colombia and Central America, the remainder of the portfolio beyond what was benefited from reliefs is also performing much better. So that's the reason we're doing that.

Something there that we're still holding back from being more aggressive is provisions in Central America, particularly in Panama, given that they're later in the process of finishing reliefs. In absence of that, we might have had a positive bias on the numbers that I mentioned.

Brian Flores: My second question would be on 2022. I know it's still a bit early, but we're getting closer to it. So just thinking about your guidance, if you have any idea of how any of these lines would look like and what are you aiming for in terms of sustainable ROE? Thank you very much.

Diego Fernando Solano Saravia: I would prefer to stick to the answer to Sebastian regarding guidance and what to expect on ROE. At this point, I would say we would be very happy to be able to transfer our optimism on the economy and performance into guidance, but we prefer to be prudent at this point.

Operator: Thank you. Our next question comes from Yuri Fernandes, from JP Morgan.

Yuri Fernandes: Hi all. First, congrats on the results. Very good quarter. I have a question on margins. Actually, on the liability side, I guess we are seeing loan

book accelerating in Colombia, right? But my question is regarding the funding. Do you think you'll be able to keep growing deposits at a healthy pace? Because over the last one, two years, we saw you and Colombian banks in general having a very good funding structure, like demand deposits growing, deposit costs coming down. So my question is should we see an inflection point for funding costs and we start to see funding costs slightly moving up? And how that could affect margins? Because that could be negative. If that's correct, if that assumption that maybe funding costs will be higher, that can penalize a little bit the NIMs. But on the other hand, maybe Stage 3 loans will peak and that will help a little bit, you have higher rates in Colombia. So I guess the bottom line here is what should we expect for NIMs in the coming quarters for you? Thank you.

Diego Fernando Solano Saravia: Yeah. I'm going to give you first the short answer and then I can go into detail. The short answer is deposit growth, we should expect to continue sustaining that. However, I mentioned somehow or I hinted twice that we've had excess liquidity that has been a burden on our net interest margin. That's been a prudent way to manage it, particularly in Central America, where there's no central banks. We've taken excess deposits to what would be the normal way to run the bank. So at deposit growth, we will have at least some time where we have the leisure of having excess deposits, so we can be picky on prices and that will help us over several quarters.

Regarding margins, we suffer when rates come down, particularly those from the Central Bank, and we benefit when those go up. Something that we have already started to feel is that the IBR, that basically is the inter-banking rate in Colombia, has already started to pick up, reflecting expectations on increase of profits. If you'll recall, what we have in our commercial portfolio in Colombia is substantially floating loans based on IBR. So we've started to feel that already benefiting us and expect to see that in the future.

Then, the other side of deposits is our retail franchise, where those deposits are not as elastic to what is happening with the Central Bank. And that's the main source of improvement in margin when rates go up. There are two different types of cycles, some cycles where rates are going up because risk is going up, therefore, the cost of risk is built into the pricing of the banks. However, this time around, we're looking into a cycle where rates are going up with an improvement in cost of risk. So I would say that will be benefiting our margins and more so our margins after cost of risk.

Yuri Fernandes: If I may ask just a quick follow-up. Do you have sensitivity on rates that you can provide? I know the NIM is not the reference rate, but just as a proxy, like if the rates move up 100 bps, what should we see for your NIMs?

Diego Fernando Solano Saravia: Well, yes, you have to build in cost of risk into that. In the past, we used to disclose some sort of sensitivity around the 20 basis points or the COP 0.20 per dollar sensitivity, but that was pure interest rate sensitivity. However, pricing has become growingly intelligent in Colombia and you have to build in as well the cost of risk into those so that has made a difference and

perhaps that was what I was pointing out before. And if there's cycles where you're seeing increases in rates, combined with improvement in cost of risk are perhaps the most positive and most sensitive or elastic cycles to interest rates. However, we have ceased to do that because of that last factor, and it depends very much on the speed at which the risk premiums are built into pricing.

Yuri Fernandes: Perfect. Thank you. And again, congrats on the quarter.

Operator: And our next question comes from Julian Ausique, from Davivienda. Please go ahead.

Julian Ausique: Hi, everyone. And first of all, congratulations for the results. I would like to know if you can give us a little bit more color on your expectation for the second half of 2021, if you think the earnings are going to behave the same as the first half of the year.

And also, I would like to know if you can give us a little bit more color about what are your expectations on loan growth, if you can give us the consumption, the consumer, the mortgage segments, how they will grow, if you have this detail. Thank you.

Diego Fernando Solano Saravia: I think we covered many of those before. The guidance for 2021 incorporates what is going to happen over the second half of the year. We are quite positive on how the second half of the year will behave. As I mentioned, still prudent on the cost of risk side. That's the reason why we're guiding into 15% to 15.5% ROE for the year in spite of having already overperformed those numbers. So we are prudent on that side because the cycle is not over yet, but we are quite positive on the core banking side of how things are behaving.

And regarding loan growth, just to repeat what I answered Sebastian at the beginning, we're looking into commercial lending growing somewhere in the 6% to 8% area: the consumer side, the retail side, growing more in the 12% to 14% area.

Operator: Perfect. Our next question comes from Andres Soto, from Santander. Please go ahead.

Andres Soto: Good morning and thank you for the presentation. My question is related to expenses. When I compare expenses this quarter with the second quarter of 2019, there is a 14% growth. Obviously, you have inorganic growth in the middle, but still you have a real expense growth over the period. So I would like to understand if there is any strategy to achieve efficiency. In the past, you mentioned that this could be one of the opportunities that the digital transformation could bring to Grupo Aval via a backend integration of the different brands. So I would like to understand your thoughts about your expense performance.

Diego Fernando Solano Saravia: Well, I will start first with the quantitative discussion here, and then we can move into the more strategic one.

Regarding expense growth, I would say '19 is also a tricky year. It's a tricky year because we had cost growth throughout the year. It was also affected by depreciation of the U.S. dollar, and therefore, we saw some effect coming from Central America that started to weigh much more in our costs and also had the

conversion. The numbers, when you run them ex FX impact, are more positive than what you're looking into and I think that's perhaps the way to look at those.

Then you're absolutely right, the MFG acquisition also has some impact there because we're talking of a larger bank. Therefore, perhaps the best way to look at it is more on the cost to assets or cost to income base to try to have that. Having said so, part of what are the positive takeaways from the pandemic is we had to go back and rethink a lot the costs that we had. The digital front that you rightly mentioned is something that has allowed us to bring costs down but we have a lot of work still to do and the pandemic evidenced that we have still a lot of potential to improve costs. So we will continue working on that, and the mandate for our banks is basically on those lines. Digital helps as an enabler to lower costs, and that's part of what we've been using.

Operator: Okay. Thank you, ladies and gentlemen. I will now return the call to Mr. Sarmiento for closing remarks.

Luis Carlos Sarmiento Gutierrez: Thank you very much. I thank you for everybody's questions. Thank you for the attendance. We hope to keep delivering, and we hope to start giving guidance for 2022 in our next call. Other than that, I hope to see you. I hope all of you can attend next call as well. And thank you, Jenny, and thank you, everybody else.

Operator: This concludes today's conference. Thank you for participating. You may now disconnect.

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