2Q16 Consolidated Earnings Results

IFRS

AVAL
LISTED
NYSE

Banco de Bogotá
Banco de Occidente
banco popular
Banco AV Villas
BAC | CREDOMATIC
Corficolombiana
porvenir

Grupo AVAL

Disclaimer

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As an issuer of securities in Colombia, Grupo Aval is required to comply with periodic reporting requirements and corporate governance, however, it is not regulated as a financial institution or as a holding company of banking subsidiaries and, thus, is not required to comply with capital adequacy regulations applicable to banks and other financial institutions. All of our banking subsidiaries, Banco de Bogotá, Banco de Occidente, Banco Popular, Banco AV Villas, Porvenir and Corficolombiana, are subject to inspection and surveillance as financial institutions by the Superintendency of Finance.

Although we are not a financial institution, until December 31, 2014 we prepared the unaudited consolidated financial information included in our quarterly reports in accordance with the regulations of the Superintendency of Finance for financial institutions and generally accepted accounting principles for banks to operate in Colombia, also known as Colombian Banking GAAP because we believe that presentation on that basis most appropriately reflected our activities as a holding company of a group of banks and other financial institutions.

However, in 2009 the Colombian Congress enacted Law 1314 establishing the implementation of IFRS in Colombia. As a result, since January 1, 2015 financial entities and Colombian issuers of publicly traded securities such as Grupo Aval must prepare financial statements in accordance with IFRS. IFRS as applicable under Colombian regulations differs in certain aspects from IFRS as currently issued by the IASB.
The unaudited 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.

Because of our recent migration to IFRS and recent implementation of IFRS accounting principles, the unaudited consolidated financial information for the first and second quarter 2016, and the comparative information for the relevant unaudited consolidated periods of 2015 presented herein, may be subject to further amendments.

This report may include forward-looking statements, which actual results may vary from those stated herein as a consequence of changes in general, economic and business conditions, changes in interest and currency rates and other risks factors as evidenced in our Form 20-F available at the SEC webpage. Recipients of this document are responsible for the assessment and use of the information provided herein. Grupo Aval will not have any obligation to update the information herein and shall not be responsible for any decision taken by investors in connection with this document. The content of this document and the unaudited figures included herein are not intended to provide full disclosure on Grupo Aval or its affiliates.

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

Highlights

The following are the main highlights of our 2Q2016 results under IFRS: (1/2)

- Attributable Net Income for the quarter was 601.1 billion pesos or 27 pesos per share, showing a 6% increase versus the comparable 2Q2015 result of 569.0 billion pesos or 26 pesos per share.
- Total net loan portfolio grew by 13.3% in the last twelve months and by 1.6% in the quarter. In absence of exchange rate movements of the period, the net loan portfolio would have grown by 2.4% in the quarter.
- Deposits grew by 11.8% in the last twelve months and by 0.1% in the quarter. In absence of exchange rate movements of the period, the deposits would have grown by 0.8% in the quarter.
- The ratio of Deposits to Net Loans closed at 0.96x in June 30, 2016.
- In line with a continued increase in the DTF rate following several increases in the Central Bank discount rate, average yield on loans has increased by 140 basis points in the last twelve months and 41 basis points between 1Q2016 and 2Q2016 closing at 11.3% for this quarter. Cost of funds, on the other hand, increased by 110 basis points in the last twelve months and 47 bps in the quarter closing at 4.5%. Therefore, the spread between average yield on loans and average cost of funds has expanded by 30 basis points in the last twelve months.
- NIM on loans was 6.5% for the quarter showing a slight increase versus the NIM on loans twelve months back and in line with this ratio for 1Q2016. NIM on total investments was 0.8%, in line with this ratio during 2Q2015 and 50 basis points less than the 1.3% reported in 1Q2016. Total NIM was 5.6% in 2Q2016 showing a 30 basis points increase versus this same number during 1Q2015 and a slight decrease versus the Total NIM of 5.7% in 1Q2016.

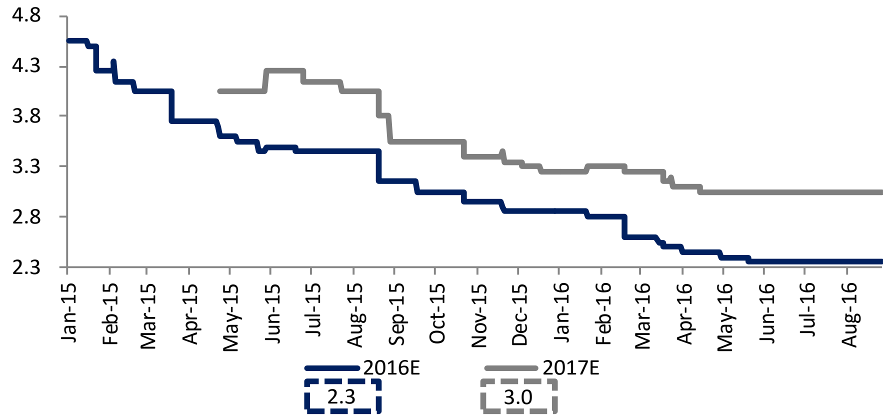
Highlights

<u>The following are the main highlights of our 2Q2016 results under IFRS: (2/2)</u>

- Cost of risk for 2Q2016 was 2.1% before recoveries of provisions and 1.9% after recoveries of allowances for loan losses. These ratios were affected by significant non-recurrent provisions made during the quarter and by the decrease in the size of the loan portfolio, which was mainly caused by F/X effects. In absence of non-recurrent provisions, cost of risk before recoveries would have been 1.9% and 1.7% after recoveries of allowances for loan losses.
- Our consolidated efficiency ratio, measured as cost to income, was 47.2% for the quarter, in line with our expected efficiency for this year, 100 basis points better than our efficiency for FY2015 and similar to our FY2014 efficiency. Despite a moderate growth in operating expenses during 2Q2016, the ratio shows a deterioration versus 1Q2016 driven mainly by a decrease in Net Interest Income.
- As of June 30, 2016, all our banks will show Tier 1 capital ratios in excess of 9.35% and as high as 10.1%. Banco de Bogota is shown on an actual and pro-forma basis as this Tier 1 ratio will be materialized after the bank holds its shareholders' meeting on September 13, 2016 in which it will capitalize a substantial portion of its 1S 2016 earnings including a $2.2 trillion non-recurrent gain from the deconsolidation of Corficolombiana.
- During 2Q2016, our return on average assets was 1.7%, and our return on average equity was 16.3%.
- Since June 30th, 2016 Grupo Aval controls and directly consolidates Corficolombiana.

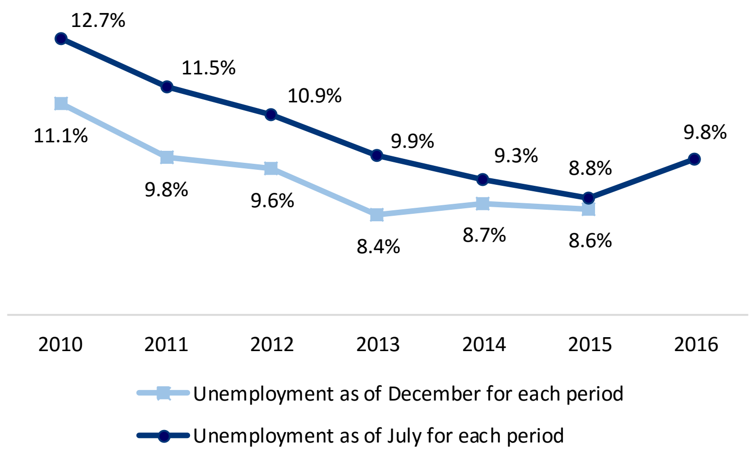
Macroeconomic context - Colombia

GDP Growth Expectations (%)



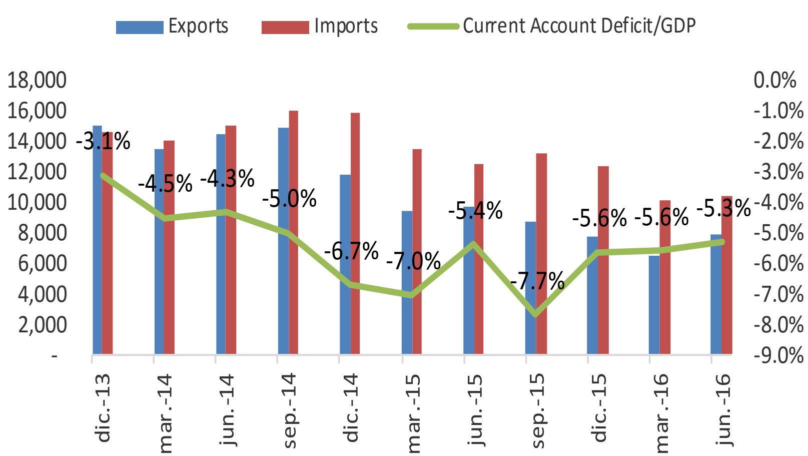
Source: Bloomberg Consensus

Unemployment (%)



Source: DANE.

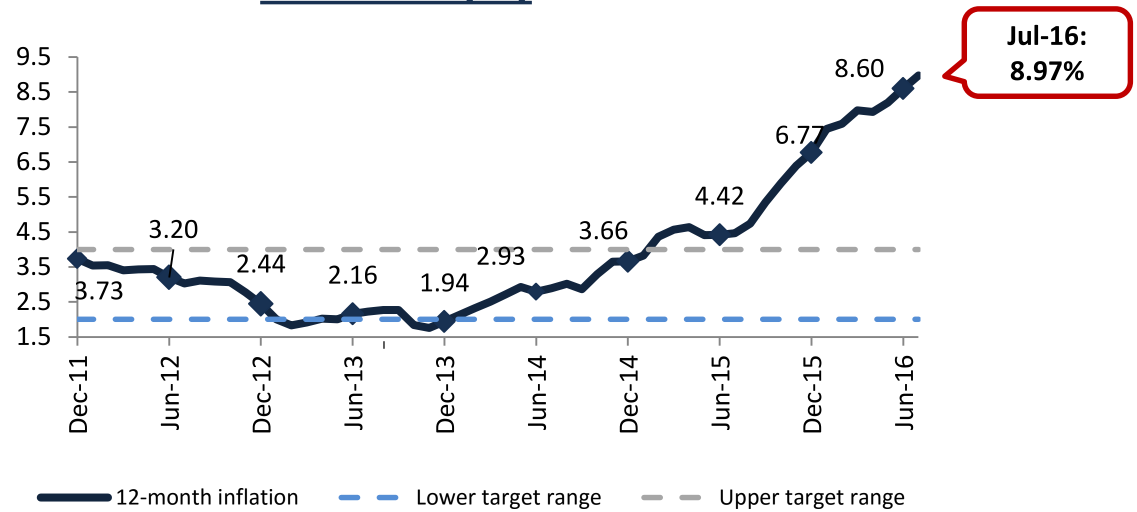
Current Account balance (USD mm)



Source: Banrep and DANE.

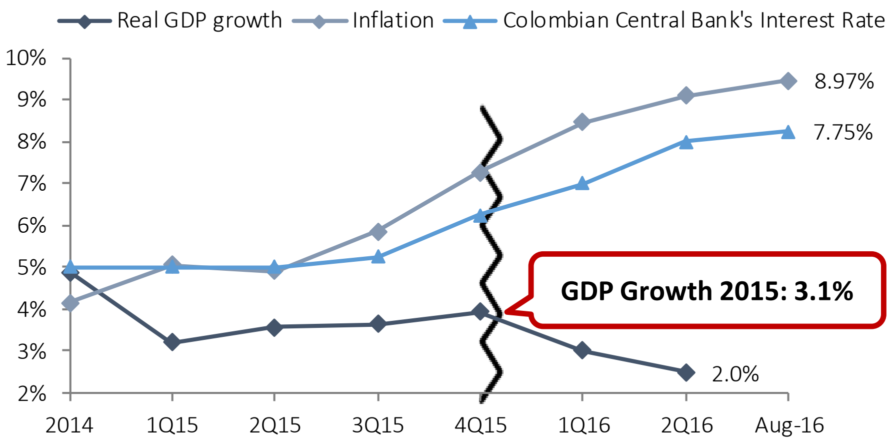
Macroeconomic context - Colombia

Inflation (%)

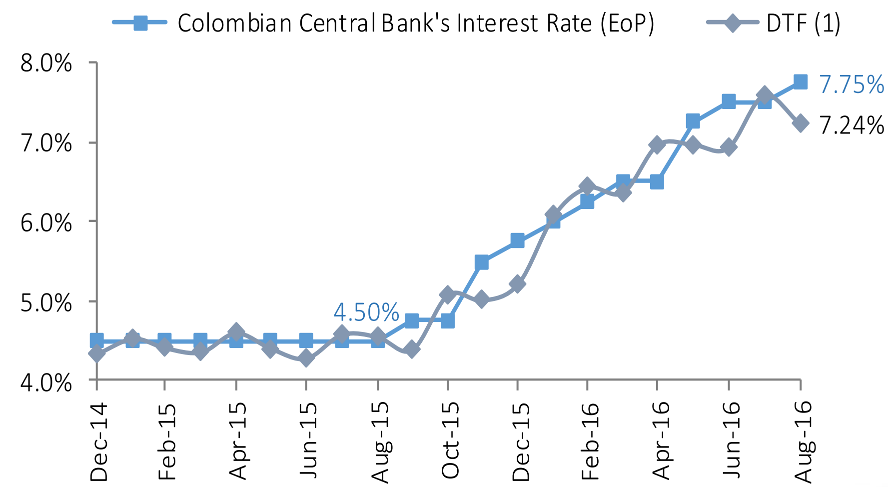


Source: DANE

Central Bank's Monetary Policy



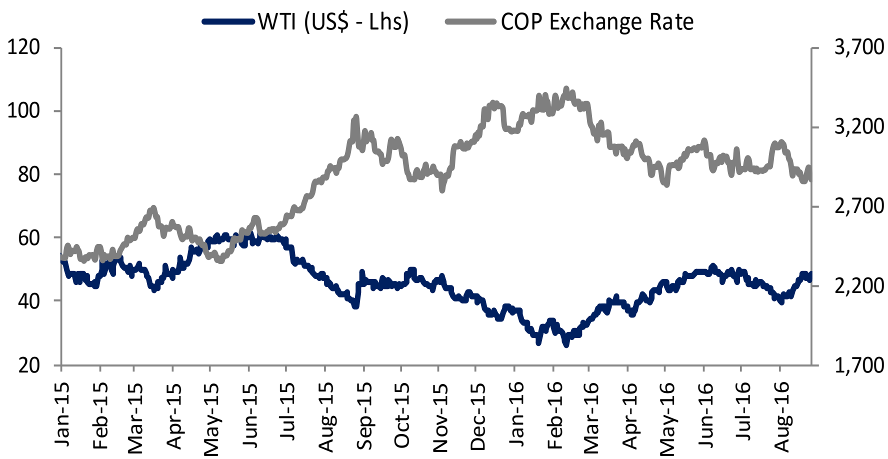
Source: Banrep and DANE



Source: Banrep. (1)End of period DTF rate.

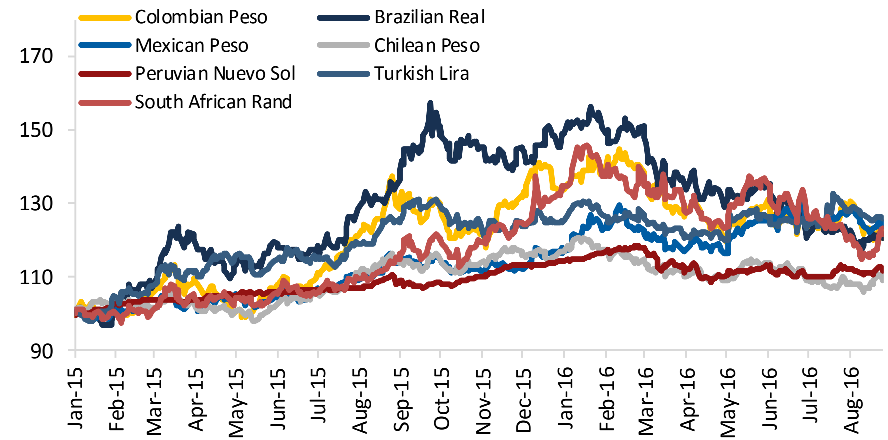
Macroeconomic context - Colombia

Colombian Peso vs WTI US$/barrel



Source: Bloomberg

COP vs Emerging markets' currencies



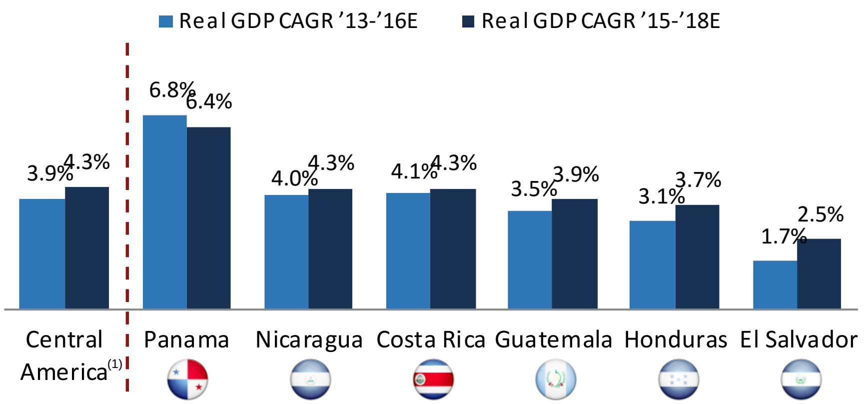
Source: Bloomberg. (100=Jan 31, 2015)

Colombian Peso Exchange Rate

	2Q15	1Q16	2Q16	2Q16 vs. 1Q15	2Q16 vs. 2Q15
Average	2,496.45	3,263.49	2,993.00	-8.3%	19.9%
End of period	2,598.68	3,000.63	2,919.01	-2.7%	12.3%

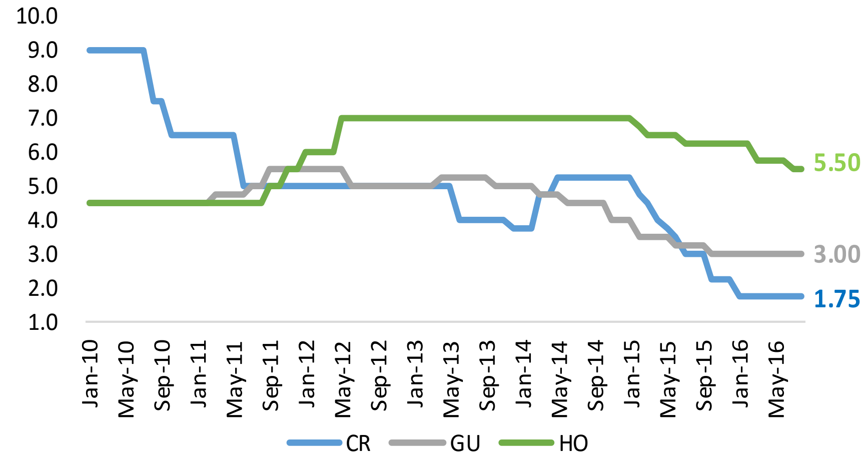
Macroeconomic context – Central America

Real GDP CAGR Evolution



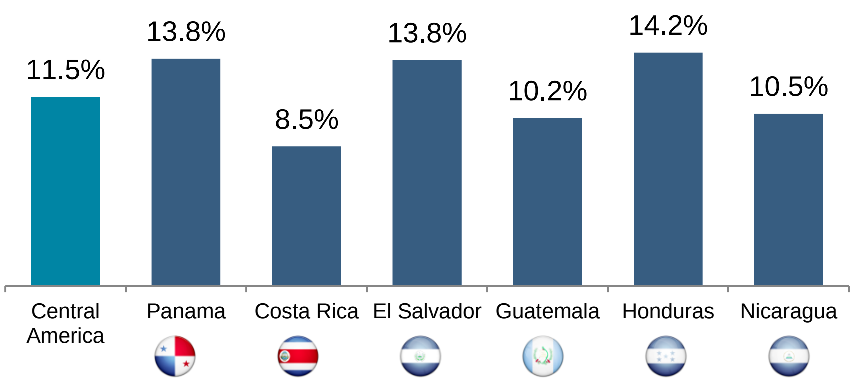
Source: IMF; (1) Average growth of all the Central American countries

Central Banks' Monetary Policies



Source: SECMCA

Oil & gas imports / Total imports (%)

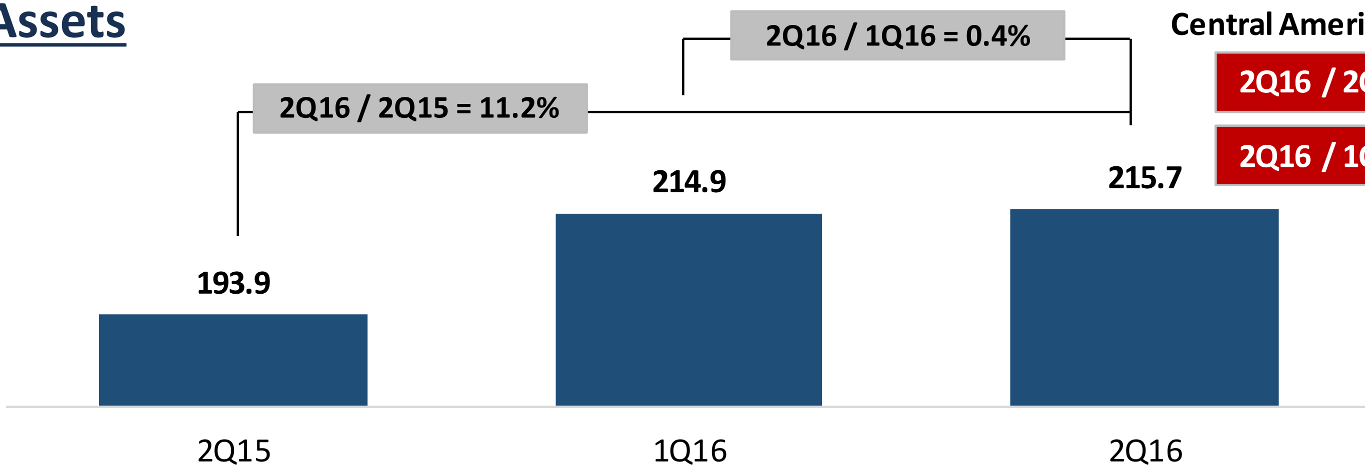


Source: SECMCA, Central Banks, as of September 2015

Assets

Figures in Ps. Trillions

Total Assets

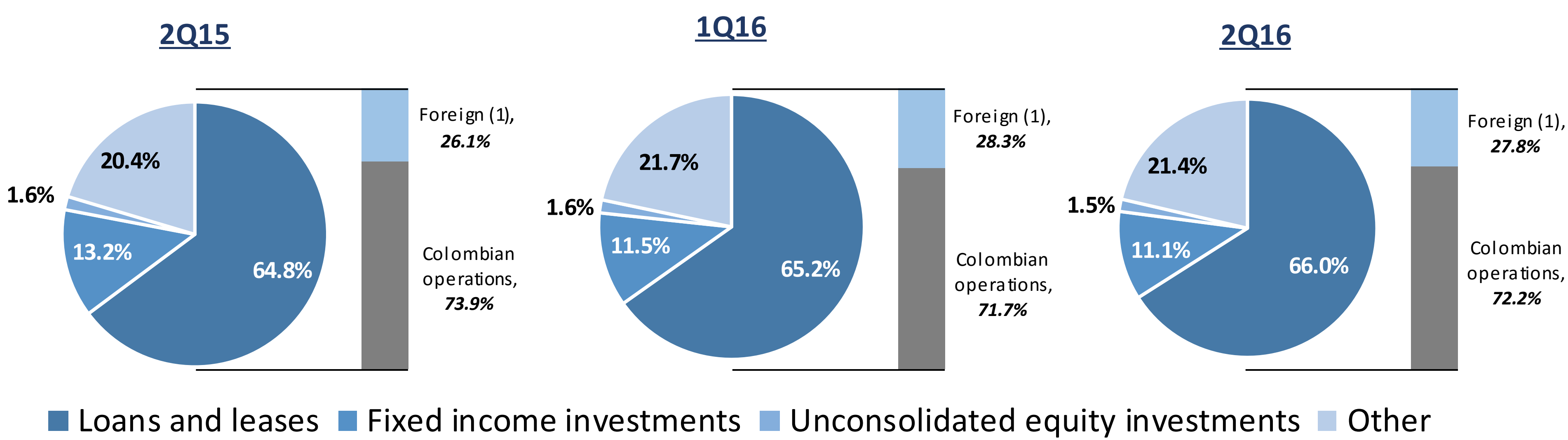


Growth excl. FX movement of Central American Operations

2Q16 / 2Q15 = 7.8%

2Q16 / 1Q16 = 1.2%

Assets Breakdown

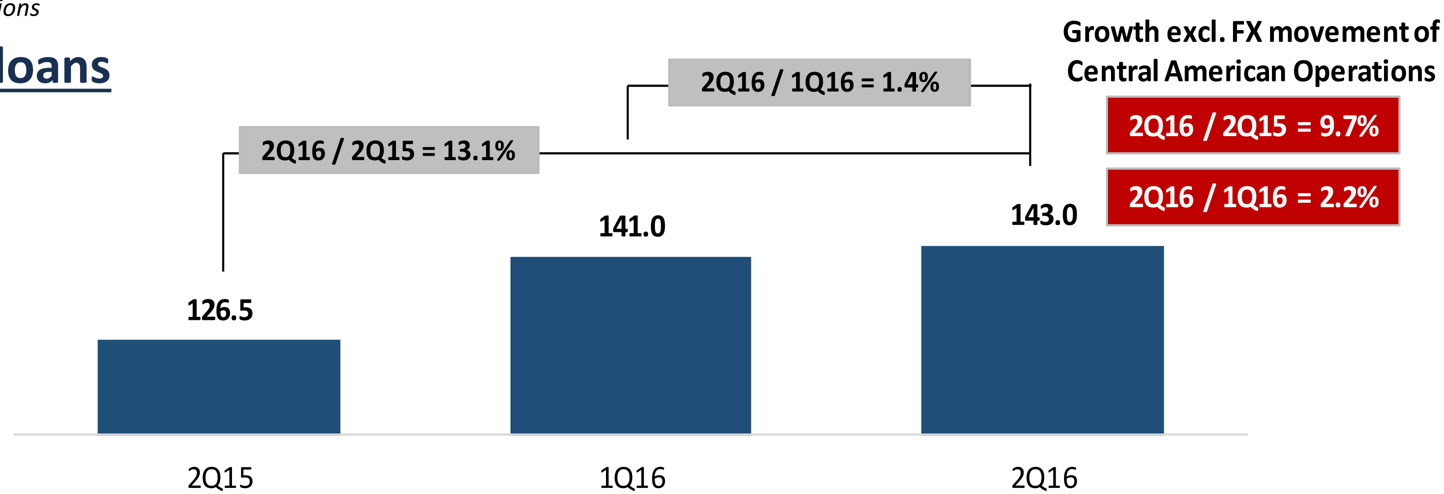


(1) Foreign operations reflect Central American operations.

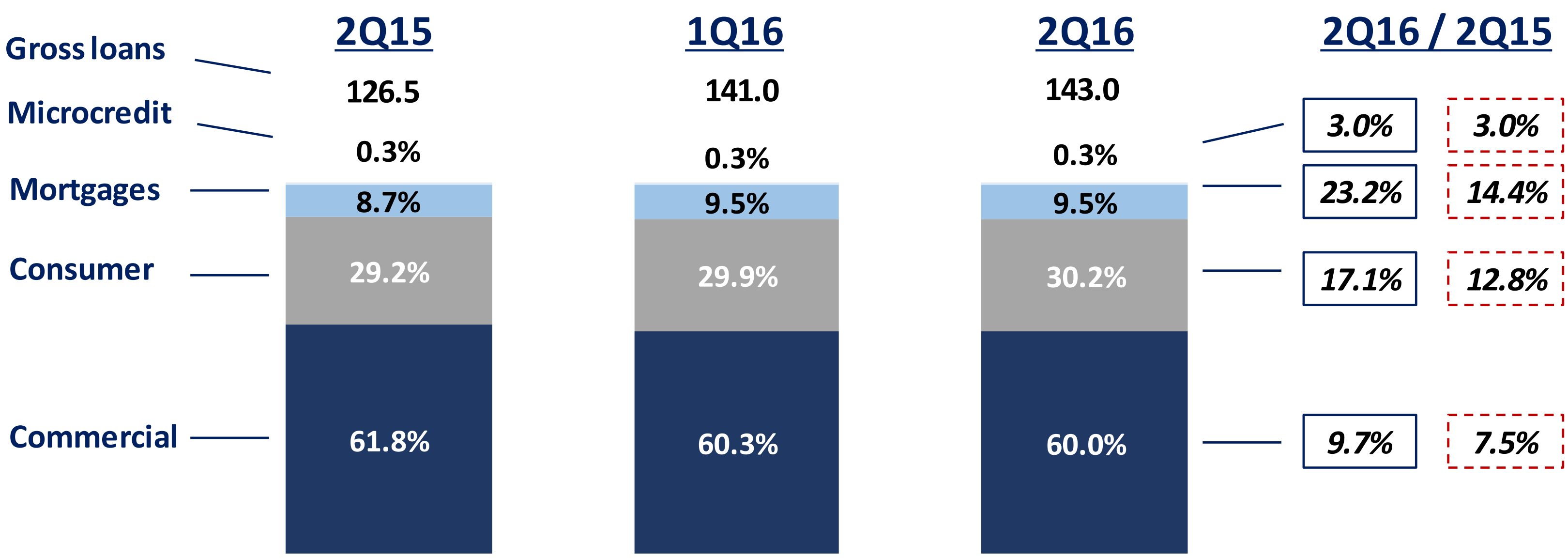
Loans

Figures in Ps. Trillions

Gross loans

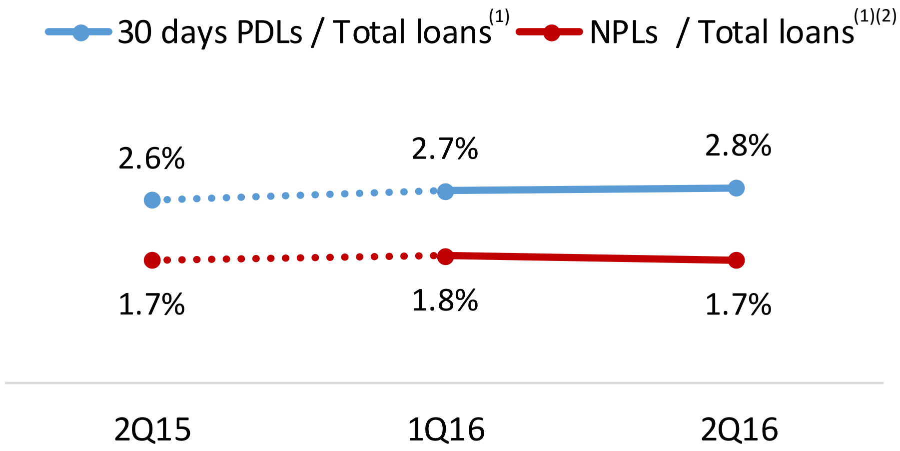


Gross loans Breakdown

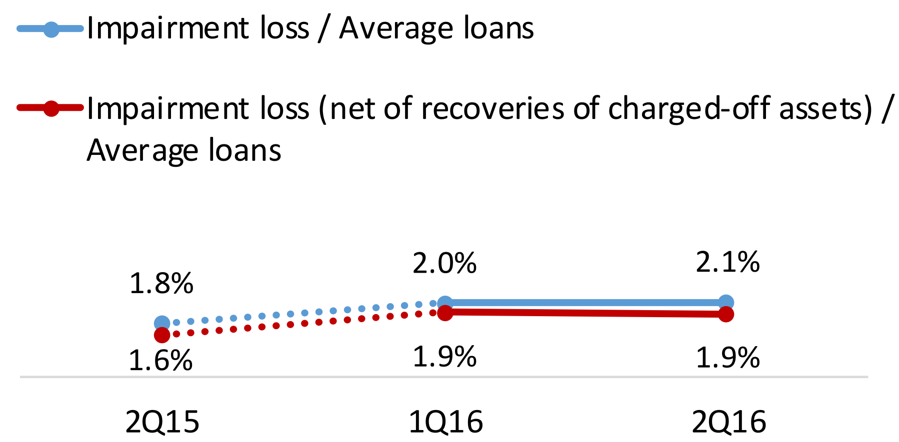


% Growth excluding FX movement of Central American Operations

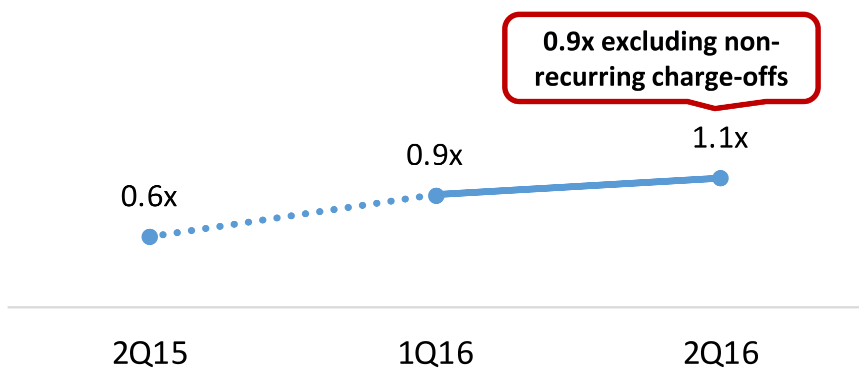
Loan portfolio quality



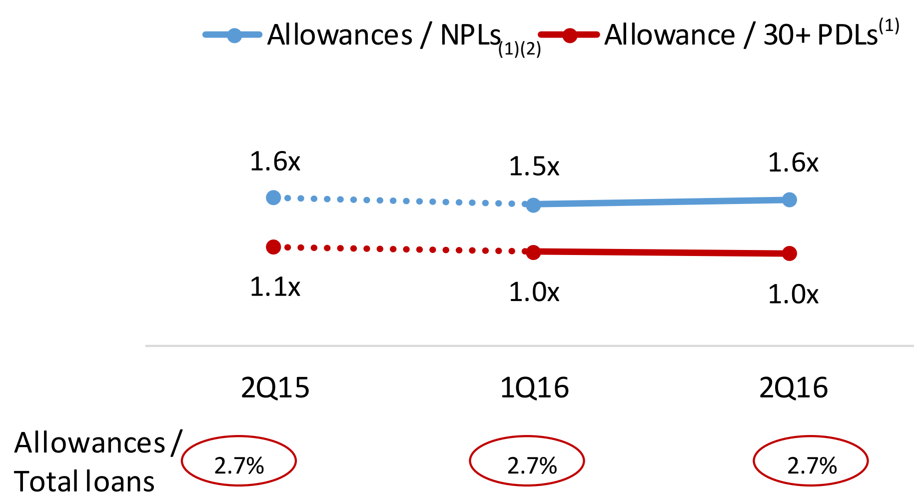
(1) 30 days PDLs and NPLs exclude interest account receivables.



Charge offs / Average NPLs[(1)(2)]



(2) NPL defined as microcredit loans more than 30 days past due, consumer more than 60 days past due, mortgage more than 120 days past due and commercial loans more than 90 days past due



(1) 30 days PDLs and NPLs exclude interest account receivables.

Loan portfolio quality

	Past due loans [1][*]			Non-performing loans [2][*]		
	2Q15	1Q16	2Q16	2Q15	1Q16	2Q16
Commercial	1.8%	2.0%	2.1%	1.3%	1.4%	1.3%
Consumer	4.1%	4.1%	4.1%	2.8%	2.7%	2.7%
Mortgages	2.8%	2.9%	2.7%	1.2%	1.2%	1.1%
Microcredit	10.1%	10.1%	10.5%	10.1%	10.1%	10.5%
Total loans	**2.6%**	**2.7%**	**2.8%**	**1.7%**	**1.8%**	**1.7%**

(*) PDL + 30 days: including interest account receivables, is 2.9% for 2Q15, 3.0% for 1Q16 and 2.9% for 2Q16
(*) NPLs: including interest account receivables, is 1.8% for 2Q15, 2.0% for 1Q16 and 1.9% for 2Q16

[1] Past Due Loans + 30 / Total Loans.
[2] NPL defined as microcredit loans more than 30 days past due, consumer and financial leases more than 60 days past due, mortgage more tan 120 days past due and commercial loans more than 90 days past due.

Funding

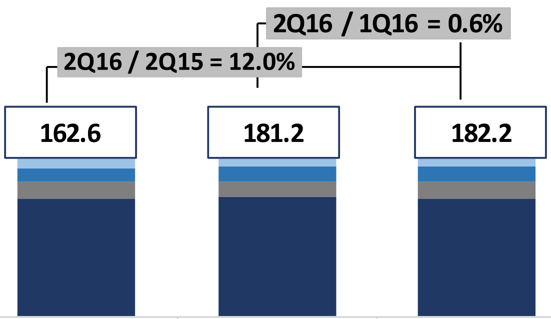
Figures in Ps. Trillions

Total Funding

Growth excl. FX movement of Central American Operations

2Q16 / 2Q15 = 8.6%

2Q16 / 1Q16 = 1.4%



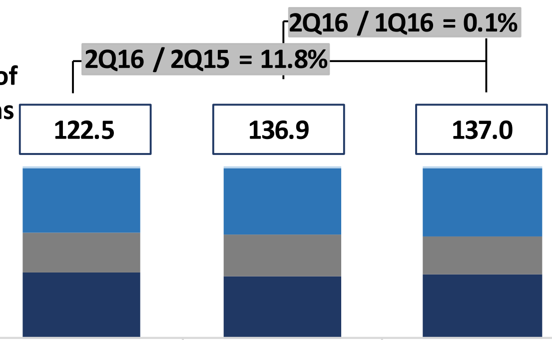
Funding composition	2Q15	1Q16	2Q16
Interbank borrowings	5.7%	5.1%	4.8%
Long term bonds	9.2%	8.7%	9.5%
Banks and others	9.8%	10.6%	10.6%
Deposits	75.3%	75.6%	75.2%

Total Deposits

Growth excl. FX movement of Central American Operations

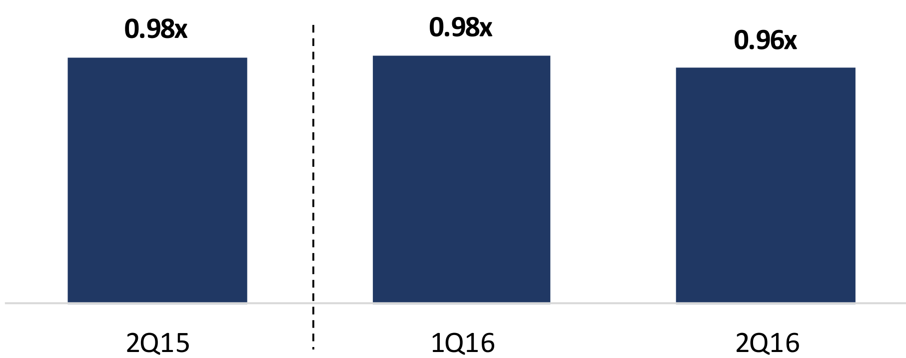
2Q16 / 2Q15 = 8.5%

2Q16 / 1Q16 = 0.9%



Deposit composition	2Q15	1Q16	2Q16
Others	0.3%	0.3%	0.3%
Time deposits	38.5%	39.1%	40.5%
Checking accounts	23.1%	24.0%	21.9%
Savings accounts	38.2%	36.7%	37.3%

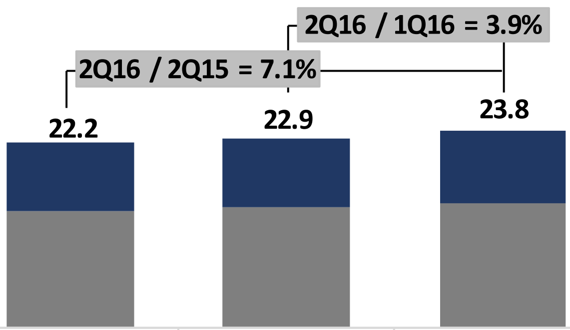
Deposits / Net loans (%)



Capital

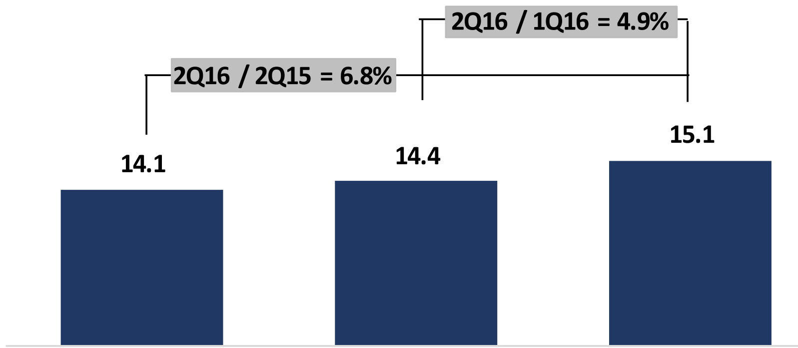
Figures in Ps. Trillions

Attributable Equity + Minority Interest



	2Q15	1Q16	2Q16
Minority interest	8.1	8.5	8.7
Attributable equity	14.1	14.4	15.1

Attributable Shareholders Equity



	2Q15	1Q16	2Q16
Total Equity / Assets	11.5%	10.7%	11.0%
Tangible capital ratio (1)	8.3%	7.4%	7.9%

Consolidated Capital Adequacy of our Banks (%)

	Banco de Bogotá 2Q15	1Q16	2Q16	2Q16 (2)	Banco de Occidente 2Q15	1Q16	2Q16	Banco Popular 2Q15	1Q16	2Q16	Banco AV Villas 2Q15	1Q16	2Q16
Primary capital (Tier 1)	7.8	10.0	6.8	9.3	10.4	9.9	9.8	10.5	10.7	9.4	10.1	10.2	10.1
Solvency Ratio	11.1	13.7	13.0	14.3	12.4	11.2	12.4	12.0	11.4	9.7	10.7	10.7	11.2

(1) Tangible Capital Ratio is calculated as Total Equity minus Goodwill and other Intangibles divided by Total Assets minus Goodwill and other Intangibles.
(2) Reflects an estimation on Banco de Bogotá's pro-forma solvency ratio after the general shareholders meeting approves the capitalization of the extraordinary $2.2 trillion gain derived from the deconsolidation of Corficolombiana plus the capitalization of at least 50% of the recurring net income of the first semester of 2016.

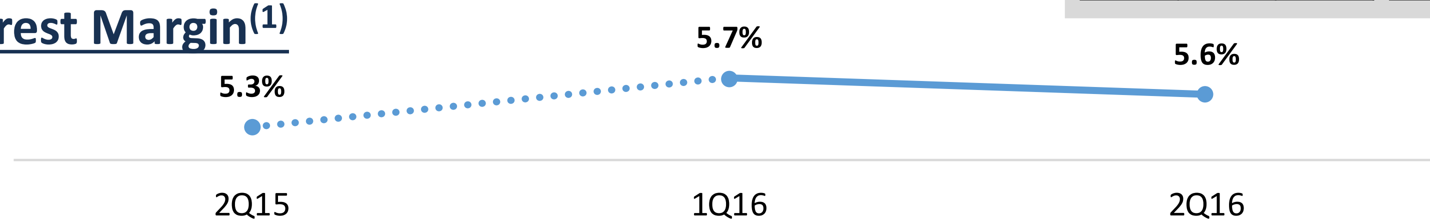
Grupo AVAL

NIM – Net Interest Margin

Net interest income[1] (trillions)

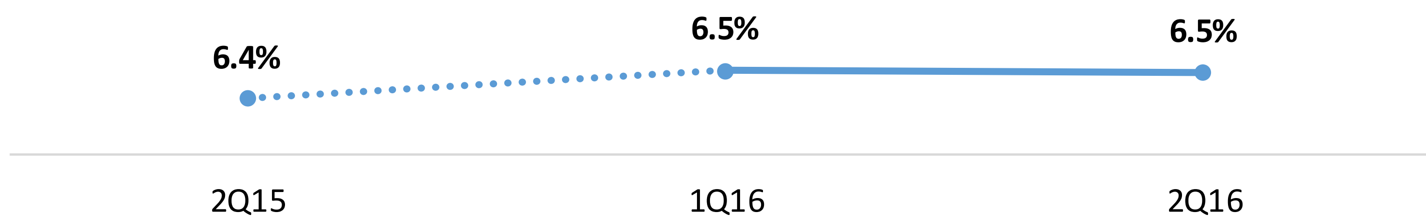
2Q15	1Q16	2Q16	2Q16 / 2Q15	2Q16 / 1Q16
2.0	2.4	2.4	16.7%	-1.1%

Net Interest Margin[1]



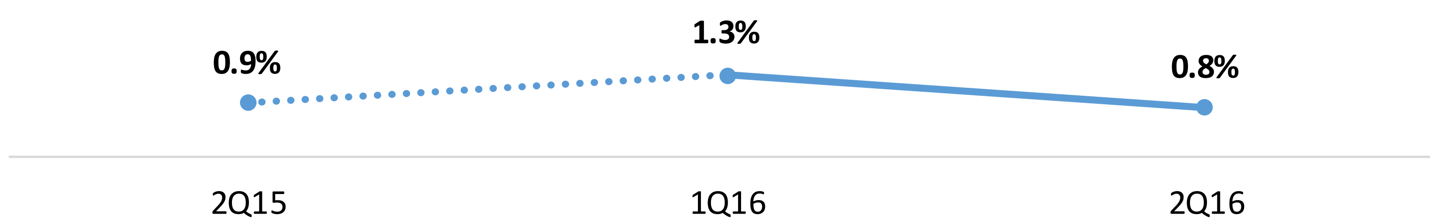
Avg.cost of total funds[2] **3.4%** **4.1%** **4.5%**

Loans Interest Margin[3]



Avg. yield on loans **9.9%** **10.9%** **11.3%**

Net Investments Margin[4]



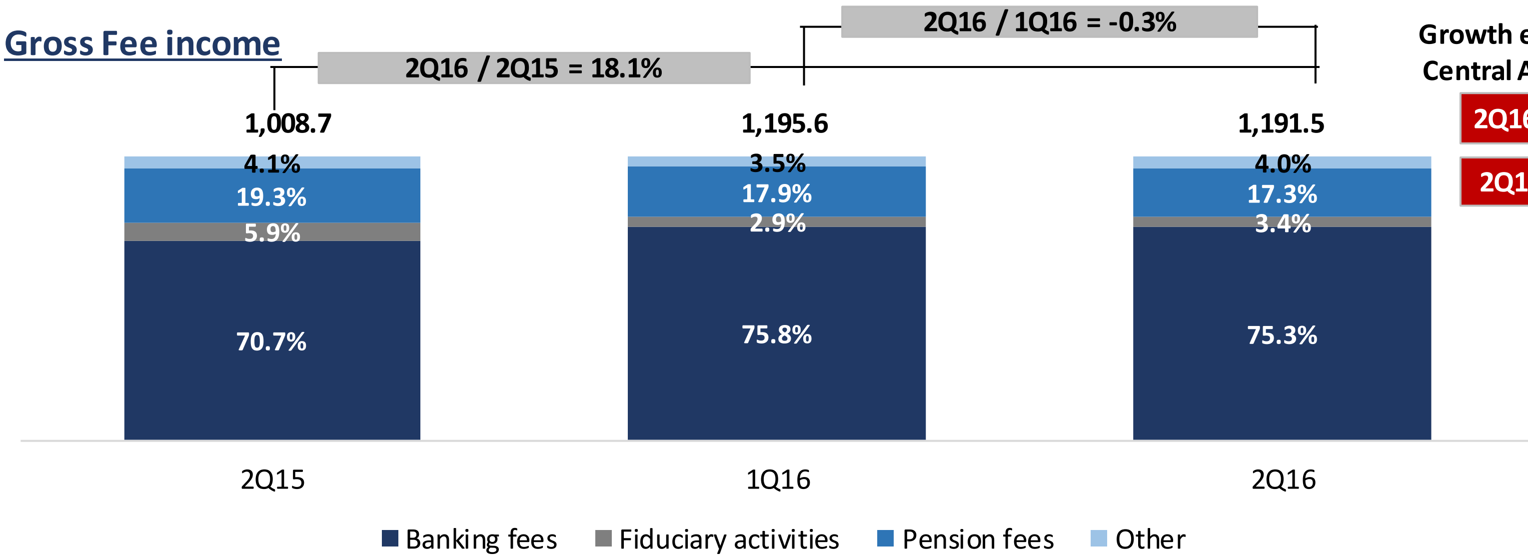
Avg. yield on fixed income **4.4%** **5.7%** **5.6%**

(1) Net Interest Income and Net Interest Margin: Includes net interest income plus net trading income from investment securities held for trading through profit or loss divided by total average interest-earning assets.
(2) When excluding the non-interest bearing funding the average cost of funds would have been 3.7% for 2Q15, 4.5% for 1Q16 and 4.9% for 2Q16.
(3) Loans Interest Margin: Net Interest Income on Loans to Average loans and financial leases.
(4) Net Fixed Income Margin: Net Interest income on fixed income securities, net trading income from equity and fixed income investment securities held for trading through profit and on interbank and overnight funds to Average securities and Interbank and overnight funds.

Fees and other operating income

Figures in Ps. Billions

Gross Fee income



Growth excl. FX movement of Central American Operations

2Q16 / 2Q15 = 10.8%

2Q16 / 1Q16 = 3.2%

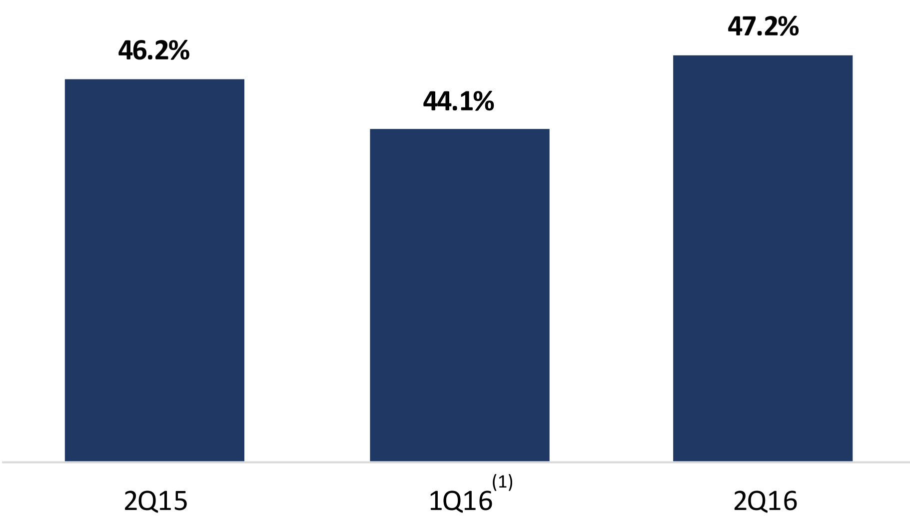
Other operating income

	2Q15	1Q16	2Q16
Income from non-financial sector, net	190.1	212.9	213.0
Net income from financial instruments designated at fair value	38.3	41.7	45.3
Derivatives and foreign exchange gains (losses), net (1)	156.3	251.2	223.2
Income from non-consolidated investments and other (2)	306.4	338.9	288.9
Total other operating income	**691.1**	**844.6**	**770.4**

(1) Includes income from trading and hedging derivatives reflected as part of the net trading income on the Statement of Profit or Loss.
(2) Includes equity method income, dividend income and other income.

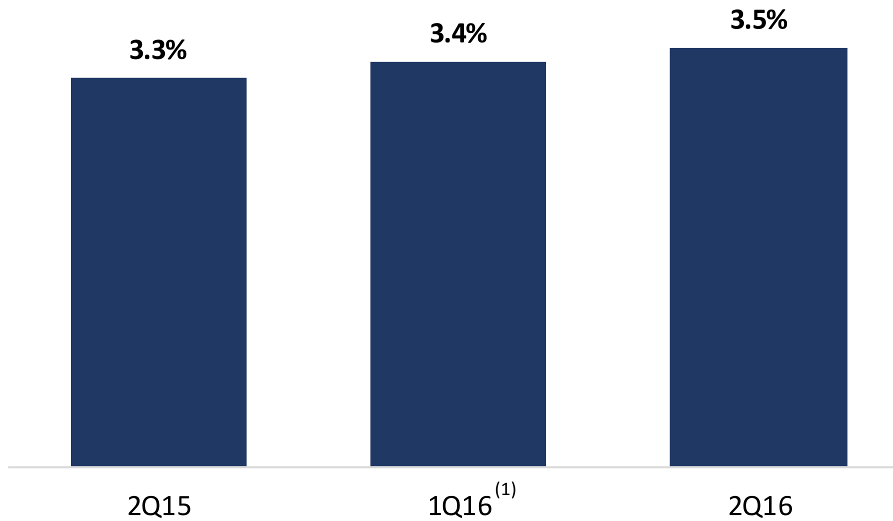
Efficiency ratio

Operating expenses / Total Income



Efficiency Ratio is calculated as personnel plus administrative and other expenses divided by net interest income plus net trading income, other income and fees and other services income, net (excluding others).

Operating expenses / Average Assets



Efficiency Ratio is calculated as annualized personnel plus administrative and other expenses divided by average of total assets.

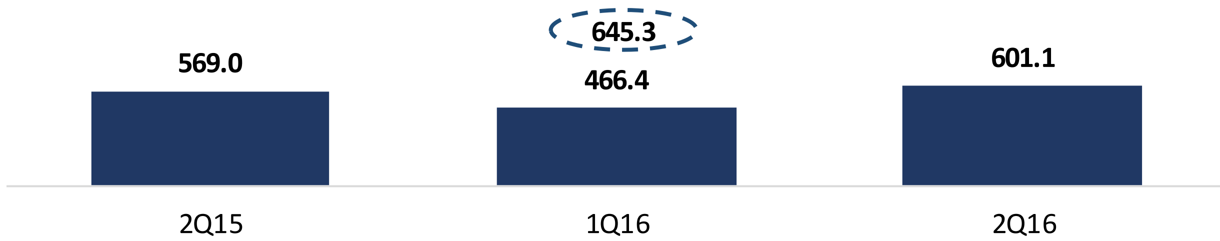
(1) Efficiency for 1Q16 was calculated excluding the effect of Ps 267.7 billion of wealth tax paid during each period, respectively. When included, efficiency would have been 50.4% and 3.9% as calculated relative to Grupo Aval's assets.

Profitability

Figures in Ps. Billions

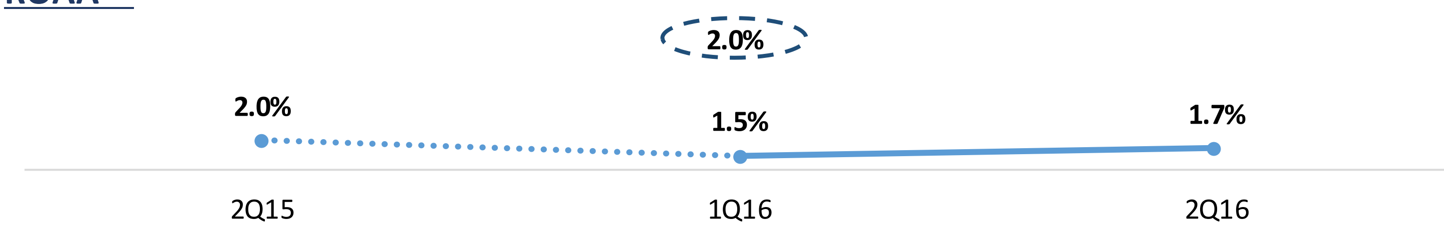
Net income attributable to controlling interest

Figures excluding wealth tax X.X

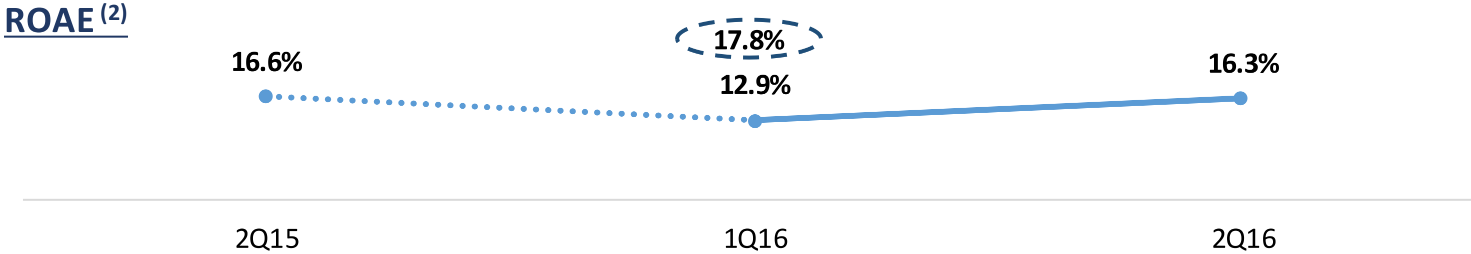


	2Q15	1Q16	2Q16
EPS	$25.5	$20.9 ($29.0)	$27.0
Shares outstanding (MM Avg)	22,281	22,281	22,281

ROAA (1)



ROAE (2)



(1) ROAA for each quarter is calculated as annualized Net Income divided by average of total assets. ROAA for 1Q16 excludes the effect of Ps 267.7 billion of wealth tax paid during the period.
(2) ROAE for each quarter is calculated as annualized Net Income attributable to Aval's shareholders divided by average attributable shareholders' equity. ROAE for 1Q16 excludes the effect of Ps 178.9 billion of attributable wealth tax paid during the period.

Grupo AVAL

Grupo AVAL