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# 2Q17 Consolidated Earnings Results

IFRS



Grupo Aval Acciones y Valores S.A. (“Grupo Aval”) is an issuer of securities in Colombia and in the United States, registered with Colombia’s National Registry of Shares and Issuers (Registro Nacional de Valores y Emisores) and the United States Securities and Exchange Commission (“SEC”). As such, it is subject to the control of the Superintendency of Finance and compliance with applicable U.S. securities regulation as a “foreign private issuer” under Rule 405 of the U.S. Securities Act of 1933. Grupo Aval is not a financial institution and is not supervised or regulated as a financial institution in Colombia.

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 and 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 these 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 quarters of 2017, and the second quarter of 2016, 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.

## The following are the main highlights of our 2Q2017 results under IFRS:

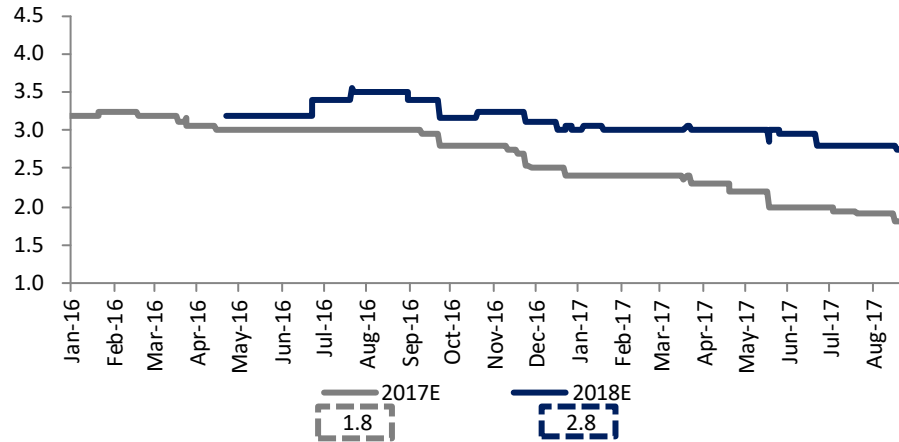
- Contrary to our expectations, the Colombian economy did not reactivate in the first semester of this year and instead showed only marginal growth at 1.2% and 1.3% during the first two quarters, significantly less than the 2.25% to 2.50% growth expected. A collateral damage of this lackluster economic performance is a deterioration in urban unemployment, which increased by 60 bps. in the last year and by 100 bps. since 2015.
- A slow moving economy always results in lesser commercial credit demand. It also tends to exacerbate credit problems, such as Electricaribe, and to magnify the effect of these problems in the cost of risk ratios of the financial system. A rising unemployment rate tends to accelerate consumer loan delinquencies and the booking of provisions for foreseeable loan losses. Aval has not been impervious to these impacts as can be seen in this semester's results.
- As predictable, the economy has also had consequences in the performance of the non-financial sector in which we participate through Corficolombiana. Additionally, 4G infrastructure construction – and financing - is off to a slow start as the financial sector awaits anxiously the resolution of the Ruta del Sol debacle and with it the first payment that the Government offered to make for approximately half of the US\$800 million outstanding financial debt owed by CRDS to the largest Colombian banks.
- In the midst of this economic scenario, our Total Gross Loans, excluding interbank and overnight funds, grew by 2.7% in the first semester (+2.2% excluding the impact of FX movement in our Central American operation), as a result of a contraction of 0.7% in the first quarter (+0.4% excluding the impact of FX) and growth of 3.4% in the second quarter (+1.8% excluding FX impacts); in the last twelve months Gross Loans grew by 8.9% (+7.6% excluding FX movements), evidencing a deceleration during 2017 in sync with the economy.
- During the second quarter, our 30 day PDLs and NPLs deteriorated by 17 bps and 27 bps up to 3.8% and 2.5% respectively, driven primarily by a deterioration in our consumer and microcredit portfolios. Consumer loan 30day PDLs and NPLs deteriorated by 40 bps and 37 bps during the quarter. This worrisome deterioration, although generalized in the colombian financial system, is currently our main area of focus. On the other hand, most of the deterioration in our Commercial Loan PDLs and NPLs in the last year has been driven by Electricaribe where our exposure amounts to approx. US\$200 million.
- As a result of the deterioration mentioned above, our consolidated cost of risk increased by almost 80 bps during the quarter to 2.9% before recoveries and 2.7% after recoveries. Provisions in connection with Electricaribe accounted for approximately 30 pbs. of the increase and the general deterioration of the mentioned loan portfolios contributed with the rest.
- Total Deposits grew by 4.3% in the first semester (+3.9% excluding the impact of FX movement in our Central American operation), as a result of growth of 2.0% in the first quarter (+3.1% excluding the impact of FX) and growth of 2.3% in the second quarter (+0.7% excluding the impact of FX); in the last twelve months Deposits grew by 9.6% (+8.3% excluding FX movements), once again evidencing a deceleration during 2017 in sync with the economy.

## Highlights (2/2)

- Partly as a consequence of the growth slowdown, the second quarter was one in which our consolidated equity ratios improved. Our total equity to total assets ratio improved from 10.4% in March 31, 2017 to 10.7% in June 30, 2017 and our tangible capital ratio improved from 7.4% to 7.6%.
- Furthermore, as of June 30, 2017 all our banks continued to show strong Tier 1 and full solvency levels (between 9.4% and 11.2% and between 11.2% and 14.2%, respectively).
- Recently, the strength in our capital position drove two Rating Agencies to change their outlook of both Banco de Bogotá and Grupo Aval's ratings from negative to stable. This is a great accomplishment after multiple years of discussions with both of them.
- The NIM of our consolidated operation improved by 22 bps to 6.1% during the quarter and by 52 basis points versus this same ratio as during 2Q16. Our consolidated NIM on loans expanded by 14 bps to 7.0% during the quarter and by 46 bps versus 2Q16. Our consolidated NIM on total investments expanded by 72 bps to 1.4% during the quarter and by 57 bps versus 1Q17. These increases were mainly driven by a 28bps decrease in our average cost of funds during 2Q17 and 21 bps vs 2Q16.
- Our gross fee Income grew by 1.3% in the quarter when compared to the first quarter of 2017. This growth was supported on a strong performance of our banking fees (73% of total fees) which increased 3.4% in the quarter.
- Our other operating income for the period was Ps. 493.1 billion for the quarter versus Ps. 533.1 billion in the previous quarter. This result was mainly affected by the performance of Corficolombiana's investments in the infrastructure sector, delays in the 4G infrastructure concessions and by the effect of the general slowdown of the economy in the performance of other non-financial sectors in which Corficolombiana holds equity positions.
- Our consolidated efficiency ratio, measured as cost to income, was 46.9% in 2Q17, versus 45.9% during 1Q17 and 47.2% during 2Q16. This quarter's deterioration is partially explained by a seasonality of the expenses.
- Attributable net income for the quarter was Ps 470.8 billion or 21 pesos per share, compared to Ps. 587 billion in 1Q17. As mentioned before, the result for the quarter was negatively affected by a 42% increase (Ps. 313 billion) in provision expenses, a third of which is explained by provisions associated with Electricaribe and also by greater provisions required in our consumer portfolio and our SME portfolio.

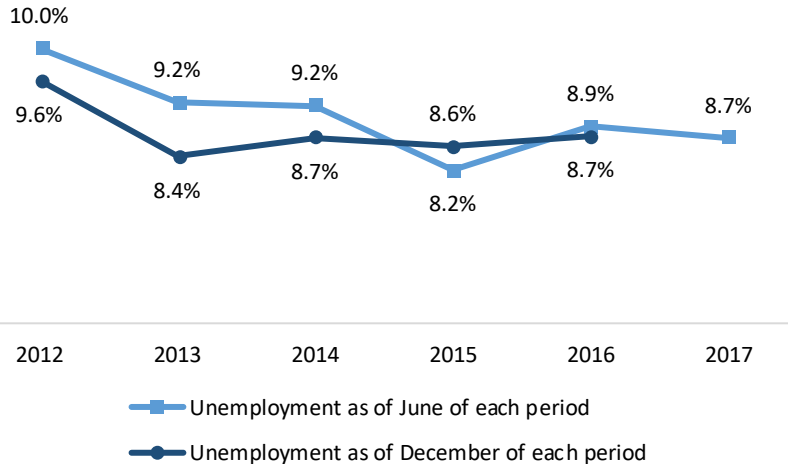
# Macroeconomic context – Colombia (1/3)

## GDP Growth Expectations (%)



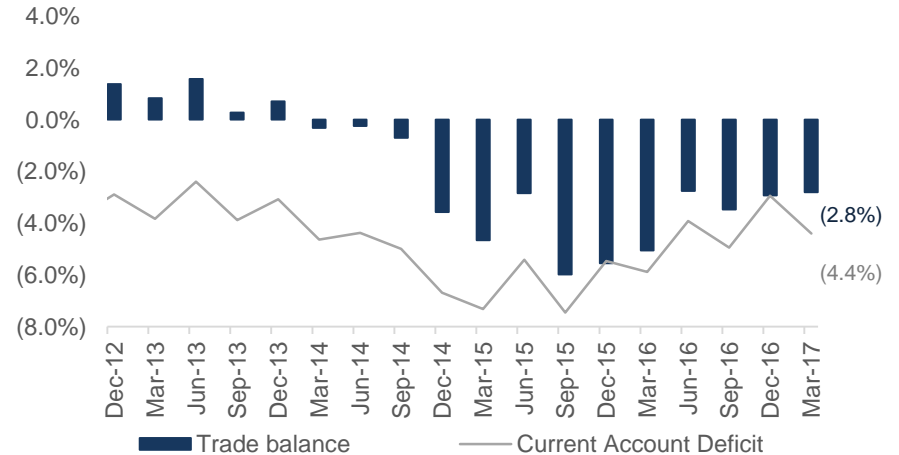
Source: Bloomberg Consensus

## Unemployment (%)



Source: DANE.

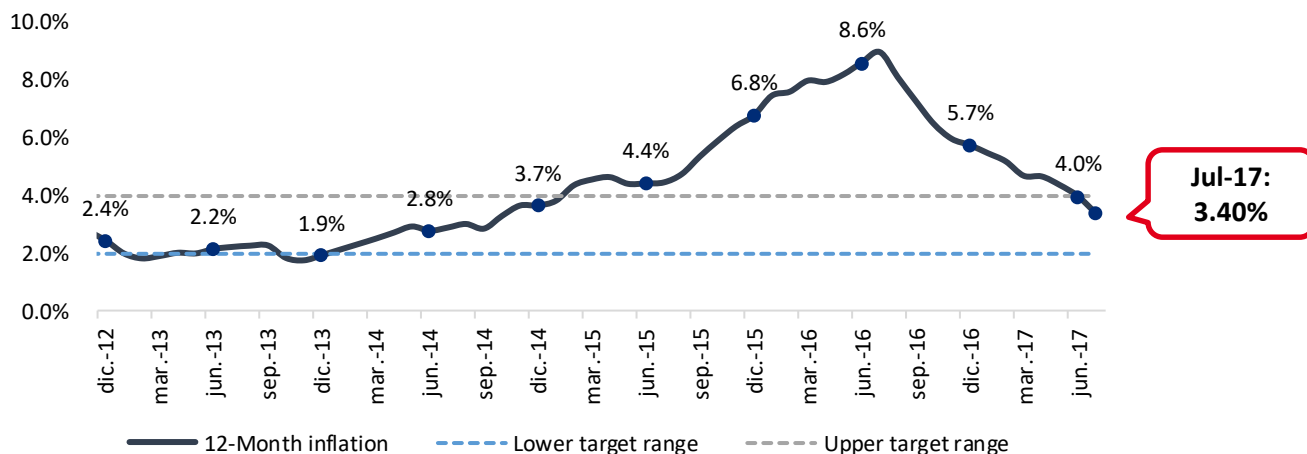
## Current Account (% of GDP, quarterly)



Source: Banrep and DANE.

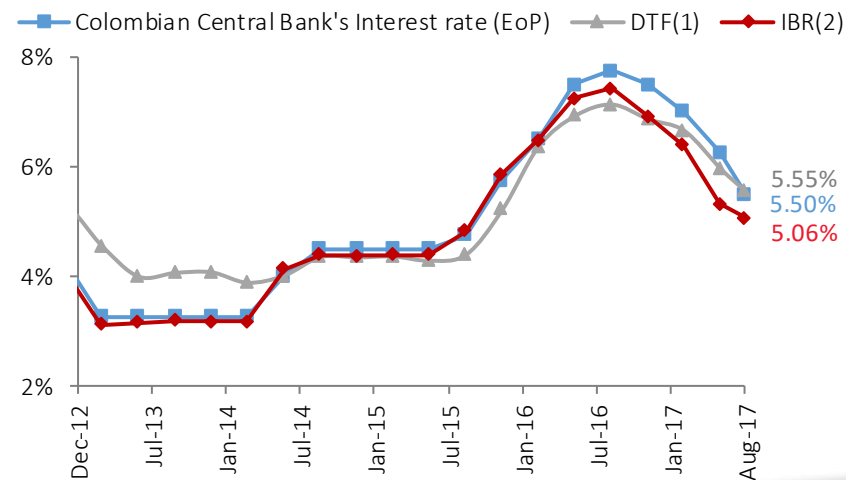
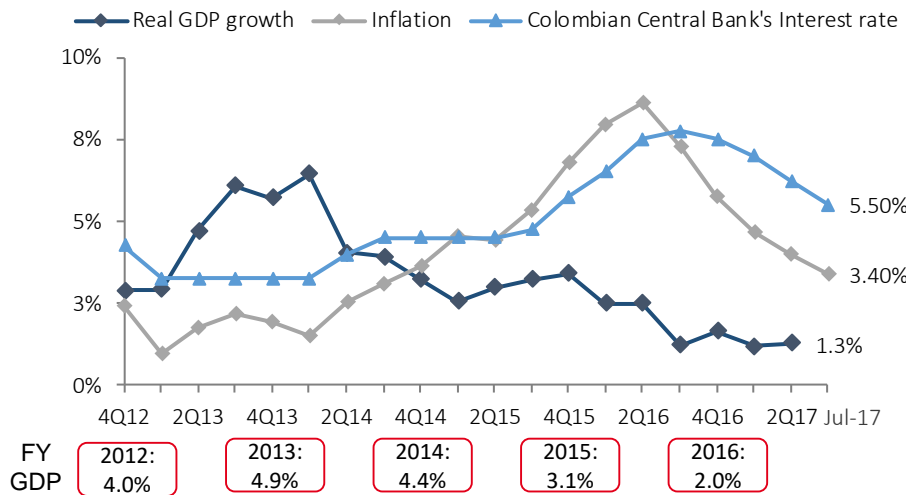
# Macroeconomic context – Colombia (2/3)

## Inflation (%)



Source: Banrep

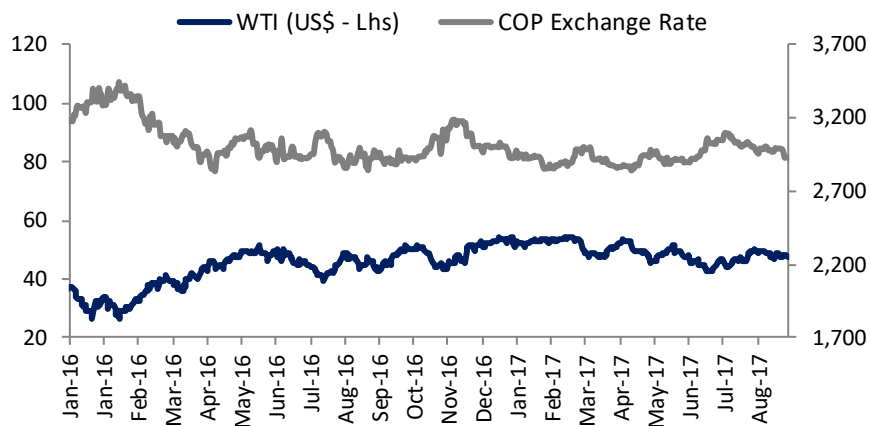
## Central Bank's Monetary Policy



Source: Banrep. <sup>(1)</sup>End of period DTF rate <sup>(2)</sup> End of period 3-month interbank (IBR) rate

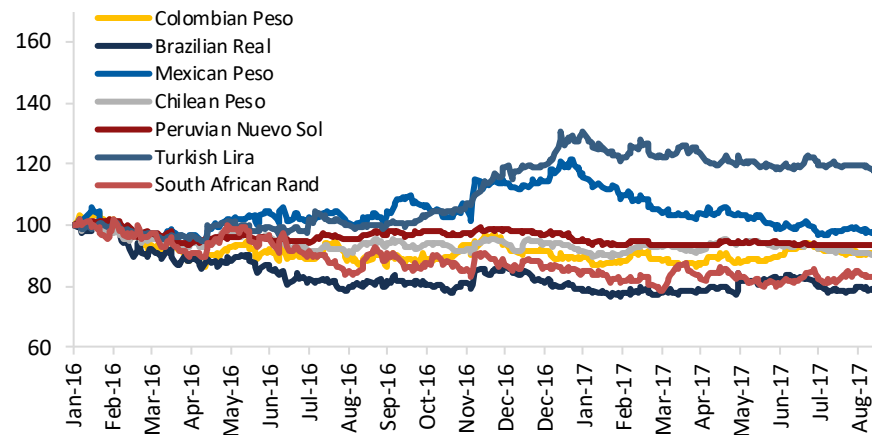
Source: Banrep and DANE

## Colombian Peso vs WTI US\$/barrel



Source: Bloomberg

## COP vs Emerging markets' currencies



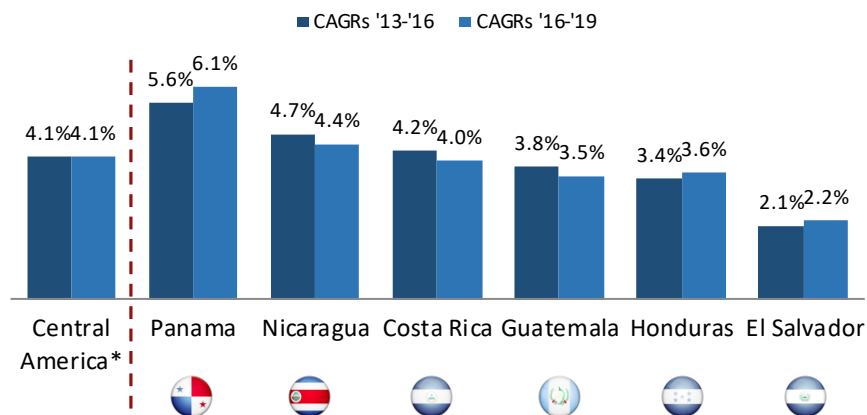
Source: Bloomberg. (100=Jan 31, 2016)

## Colombian Peso Exchange Rate

	2Q16	1Q17	2Q17	2Q17 vs. 2Q16	2Q17 vs. 1Q17
Average	2,993.00	2,924.26	2,920.25	-2.43%	-0.14%
End of Period	2,919.01	2,885.57	3,050.43	4.50%	5.71%

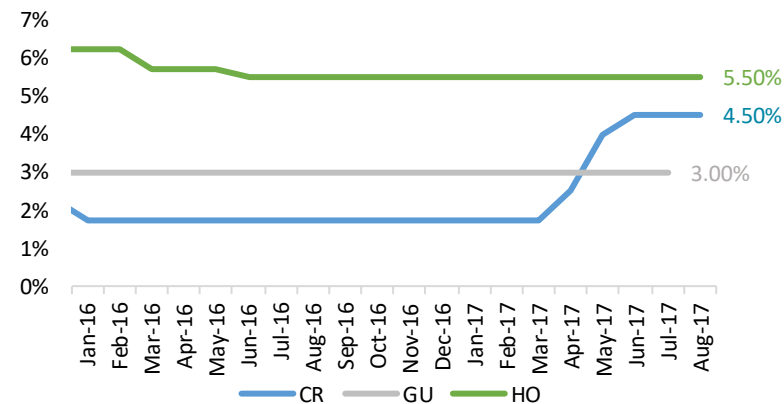
# Macroeconomic context – Central America

## Real GDP CAGR Evolution



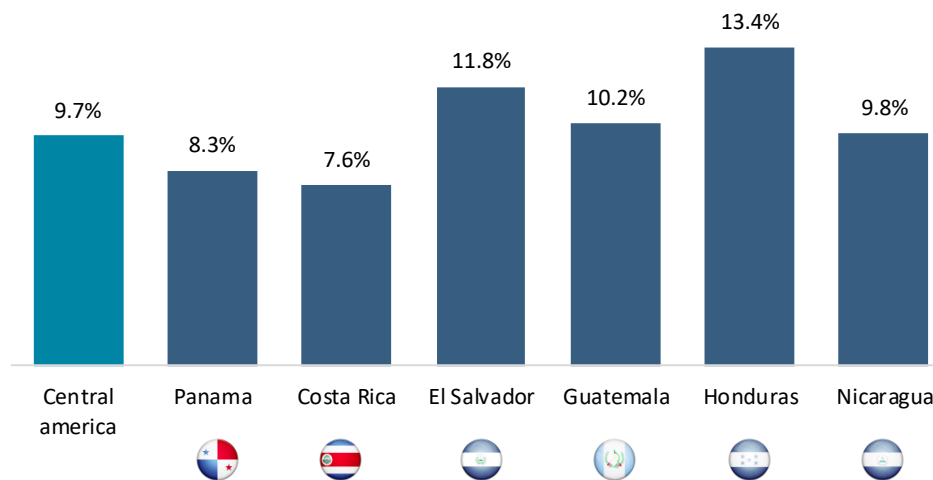
Source: IMF; (\*) Average growth of all the Central American countries

## Central Banks' Monetary Policies



Source: SECMCA

## Oil & gas imports / Total imports (%)

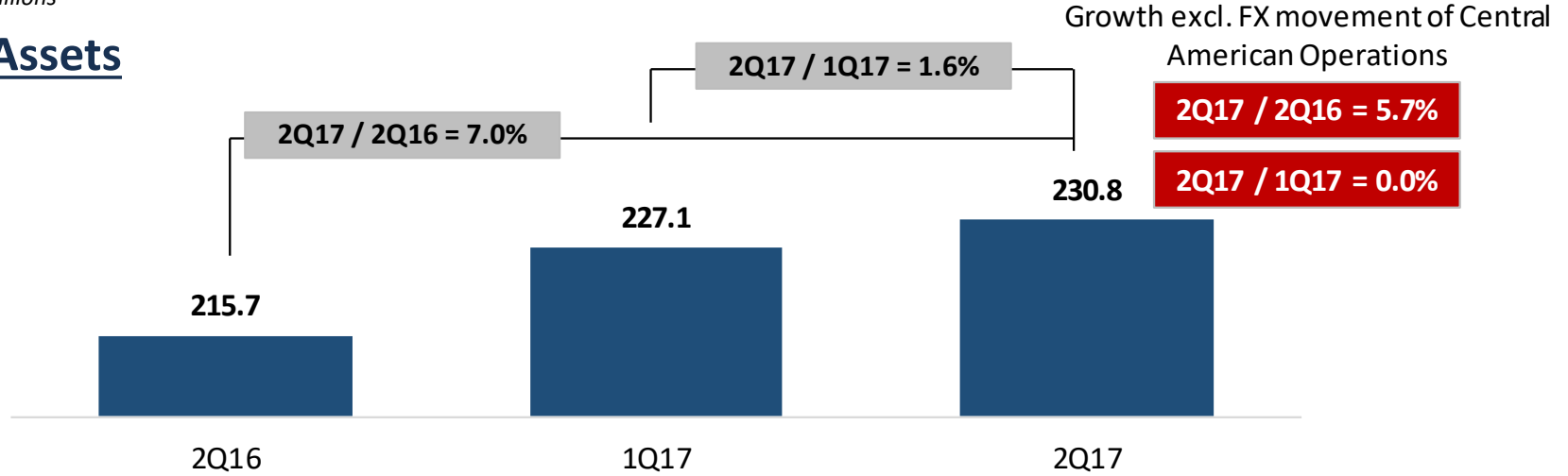


Source: SECMCA, last twelve months as of May 2017

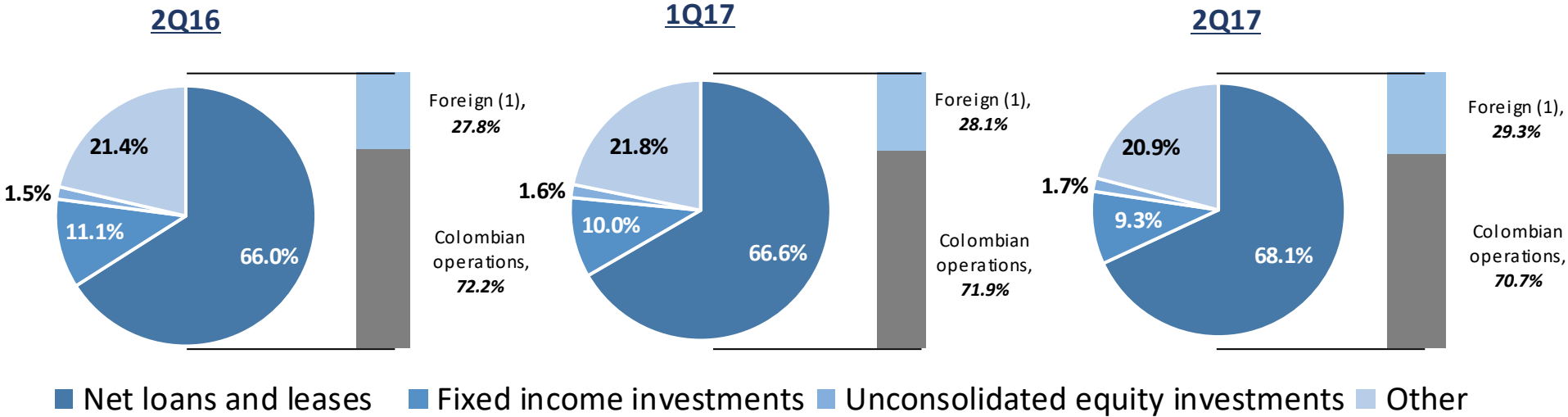


Figures in Ps. Trillions

## Total Assets



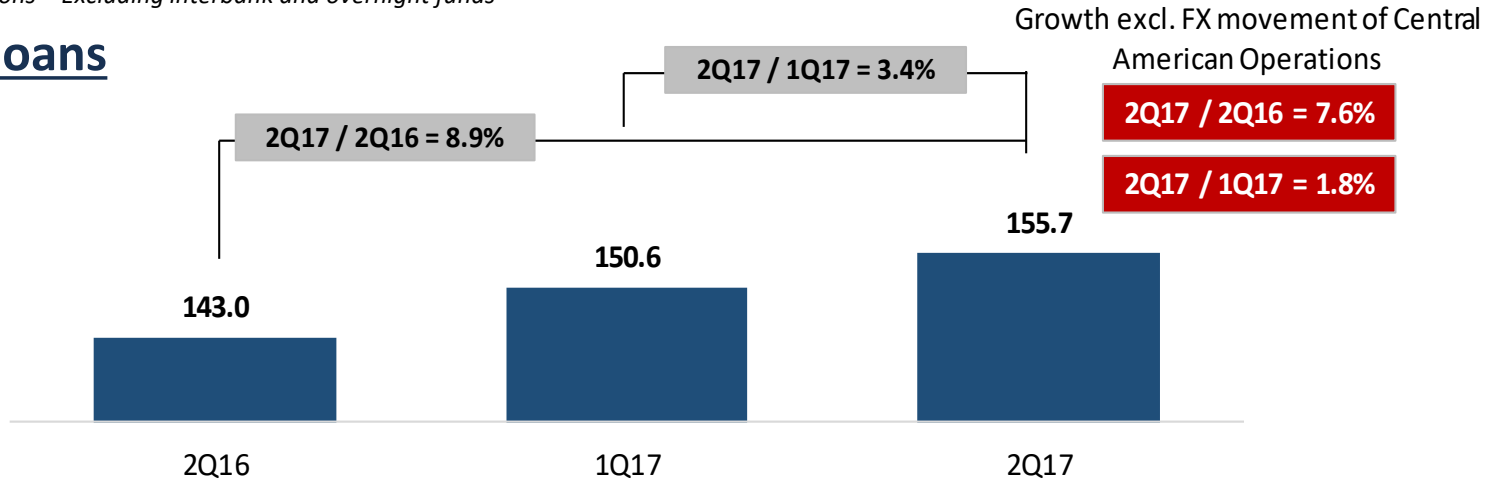
## Assets Breakdown



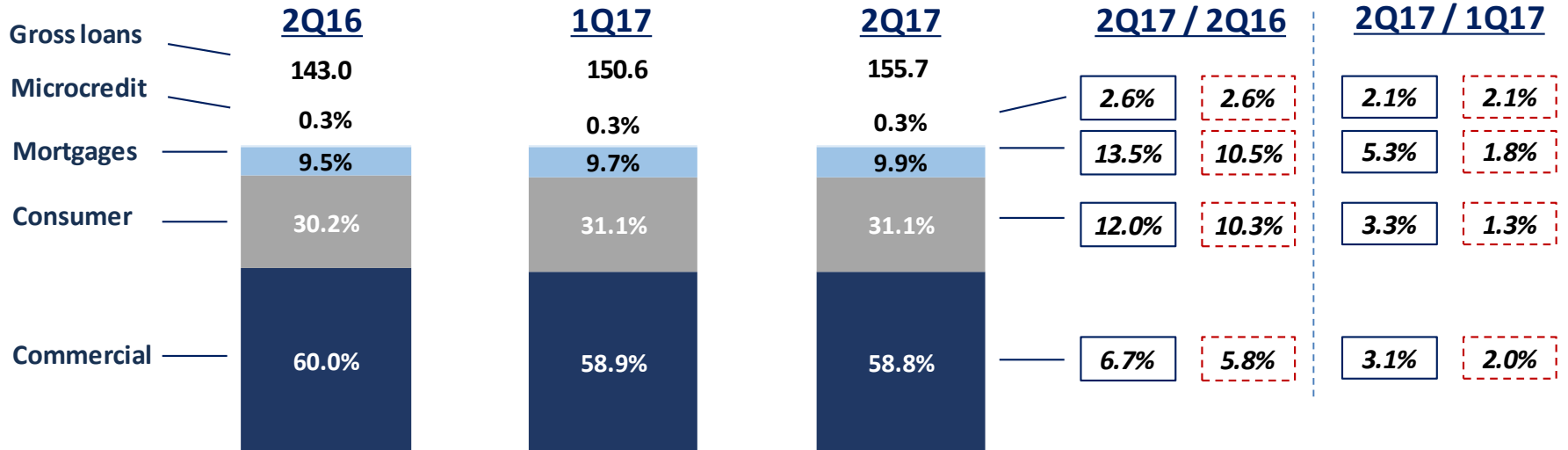
(1) Foreign operations reflect Central American operations. (2) Net loans and leases include interbank and overnight funds.

Figures in Ps. Trillions – Excluding interbank and overnight funds

## Gross loans

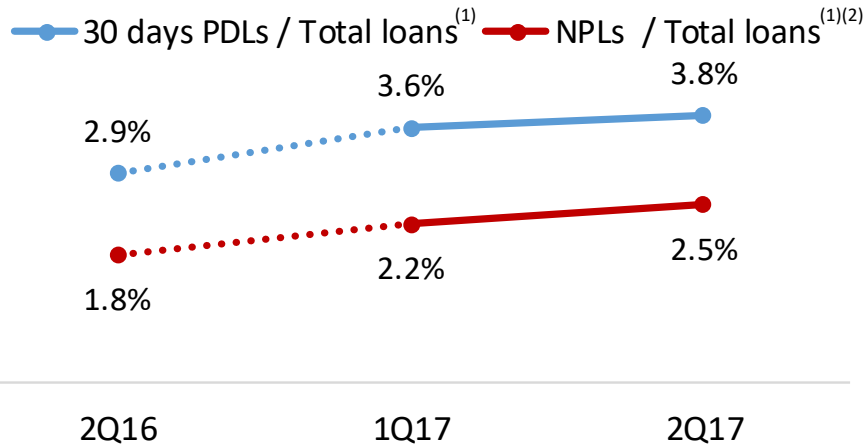


## Gross loans Breakdown

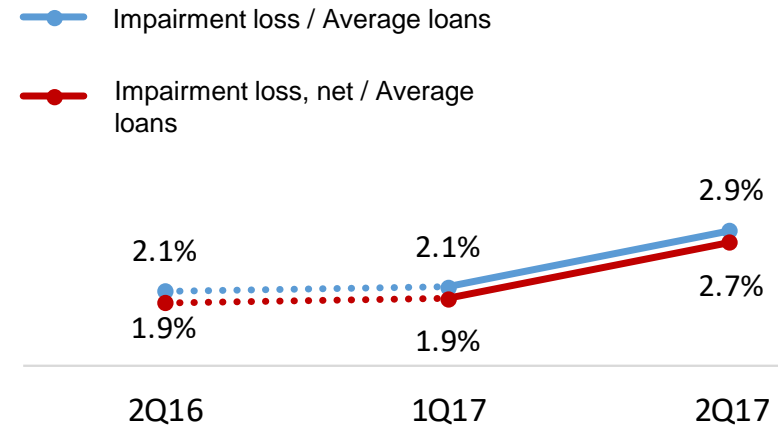


% Growth excluding FX movement of Central American Operations

# Loan portfolio quality

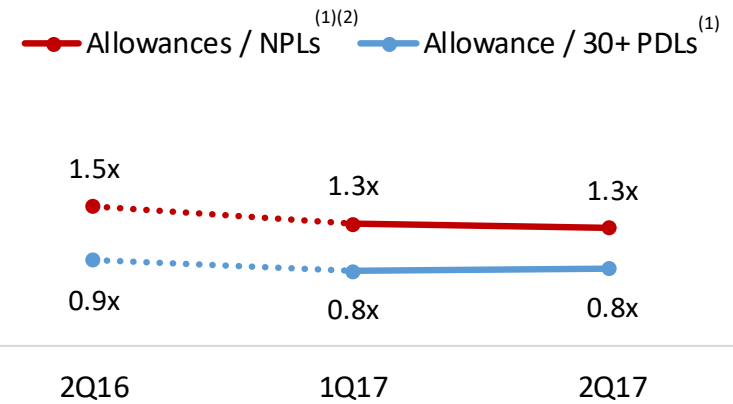
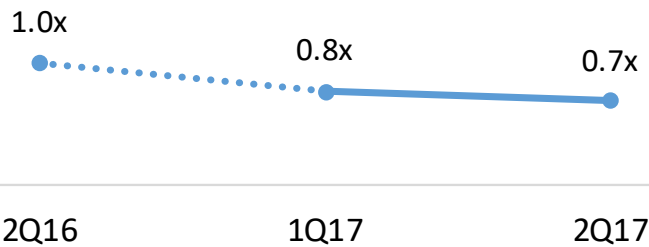


## Cost of Risk



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

## Charge offs / Average NPLs<sup>(1)(2)</sup>



Allowance / Gross loans: 2.7% (2Q16), 2.9% (1Q17), 3.1% (2Q17)

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

(2) NPL defined as loans more than 90 days past due

# Loan portfolio quality

Figures in Ps. Billions

## Past due loans (1)

## Non-performing loans (2)

	2Q16	1Q17	2Q17	2Q16	1Q17	2Q17
Commercial	2.2%	2.9%	3.0%	1.6%	2.2%	2.5%
Consumer	4.4%	4.8%	5.2%	2.1%	2.3%	2.7%
Mortgages	3.1%	3.4%	3.5%	1.7%	1.7%	1.9%
Microcredit	12.6%	14.5%	15.4%	8.0%	10.0%	10.7%
<b>Total loans</b>	<b>2.9%</b>	<b>3.6%</b>	<b>3.8%</b>	<b>1.8%</b>	<b>2.2%</b>	<b>2.5%</b>

	2Q16	3Q16	4Q16	1Q17	2Q17
Initial PDLs	4,252	4,203	4,432	4,484	5,393
New PDLs	620	716	678	1,537	1,090
Charge-offs	(669)	(487)	(627)	(629)	(640)
<b>Final PDLs</b>	<b>4,203</b>	<b>4,432</b>	<b>4,484</b>	<b>5,393</b>	<b>5,843</b>

(1) Past Due Loans + 30 / Total Loans including interest accounts receivable

(2) NPL defined as loans more than 90 days past due including interest accounts receivable

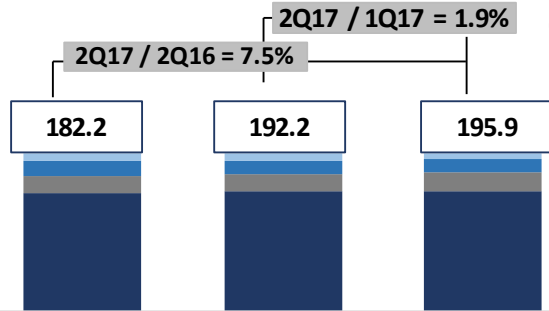
Figures in Ps. Trillions

## Total funding

Growth excl. FX movement of Central American Operations

2Q17 / 2Q16 = 6.2%

2Q17 / 1Q17 = 0.4%



Funding composition

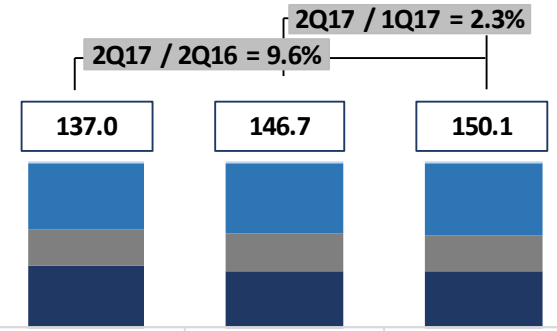
	2Q16	1Q17	2Q17
Interbank borrowings	4.8%	4.2%	3.4%
Long term bonds	9.5%	8.5%	8.8%
Banks and others	10.6%	11.0%	11.2%
Deposits	75.2%	76.4%	76.6%

## Total deposits

Growth excl. FX movement of Central American Operations

2Q17 / 2Q16 = 8.3%

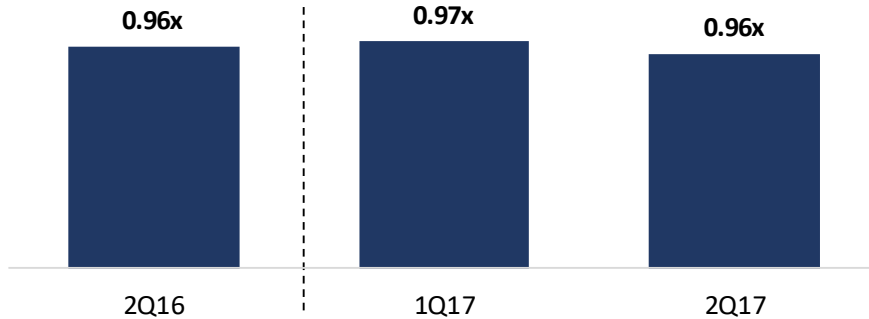
2Q17 / 1Q17 = 0.7%



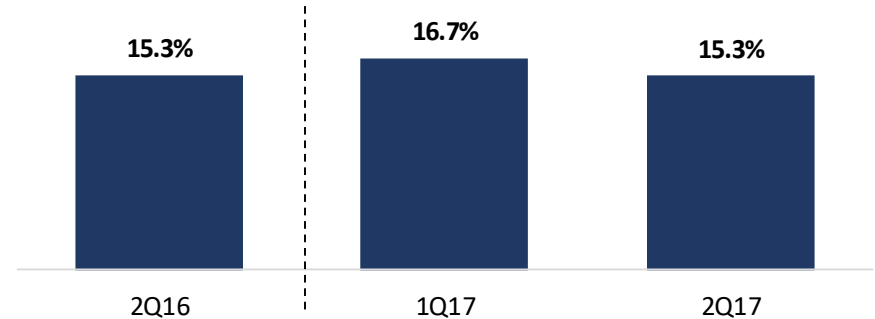
Deposit composition

	2Q16	1Q17	2Q17
Others	0.3%	0.4%	0.3%
Time deposits	40.5%	42.4%	43.2%
Checking accounts	21.9%	22.9%	22.0%
Savings accounts	37.3%	34.4%	34.5%

## Deposits / Net loans (%)

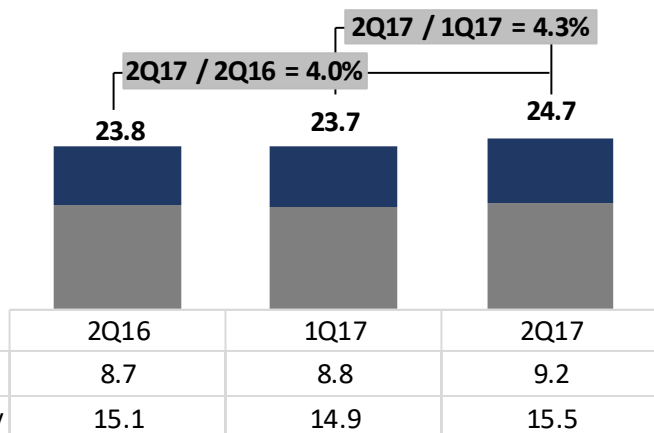


## Cash / Deposits (%)

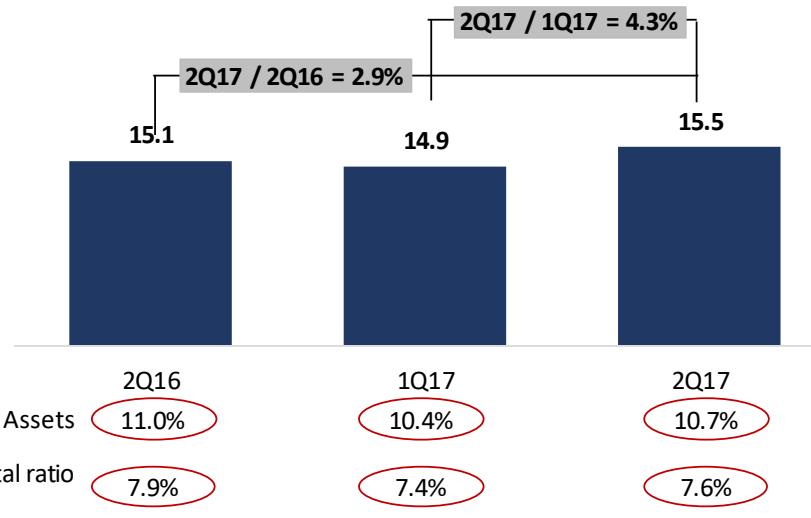


Figures in Ps. Trillions

## Attributable Equity + Minority Interest



## Attributable Shareholders Equity



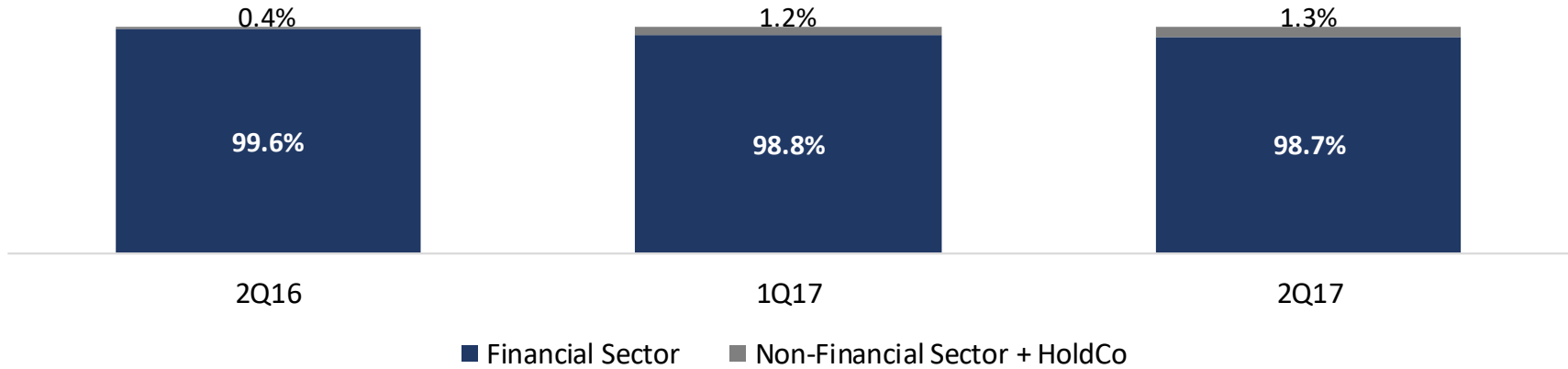
## Consolidated Capital Adequacy of our Banks (%)



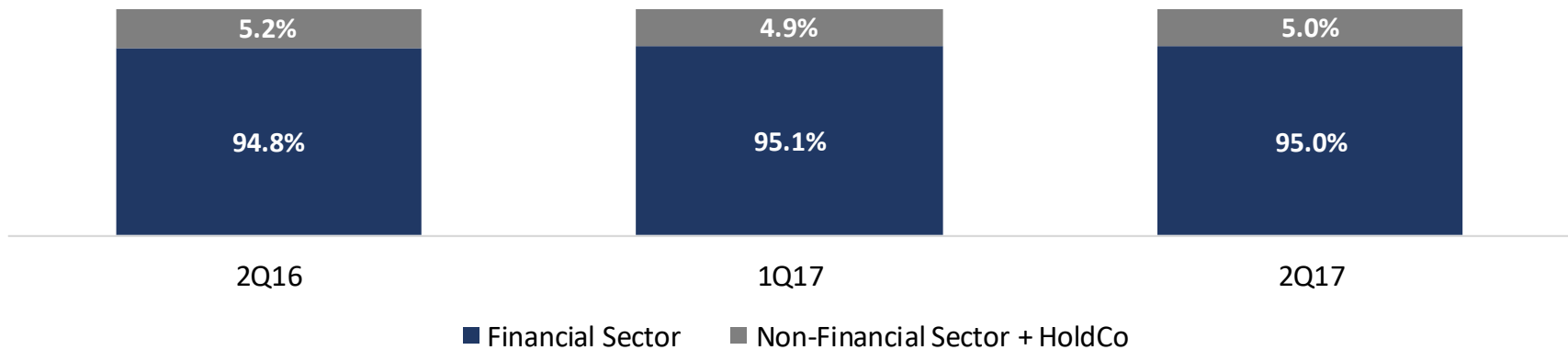
	Banco de Bogotá			Banco de Occidente			banco popular			Banco AV Villas		
	2Q16	1Q17	2Q17	2Q16	1Q17	2Q17	2Q16	1Q17	2Q17	2Q16	1Q17	2Q17
Primary capital (Tier 1)	6.8	9.2	9.4	9.8	10.6	10.5	9.4	9.5	9.6	10.1	11.3	11.2
Solvency Ratio	13.0	13.9	14.2	12.4	12.9	12.7	9.7	11.3	11.2	11.2	12.4	12.4

(1) Tangible Capital Ratio is calculated as Total Equity minus Goodwill and other Intangibles divided by Total Assets minus Goodwill and other Intangibles.

## Composition of Interest Earning Assets



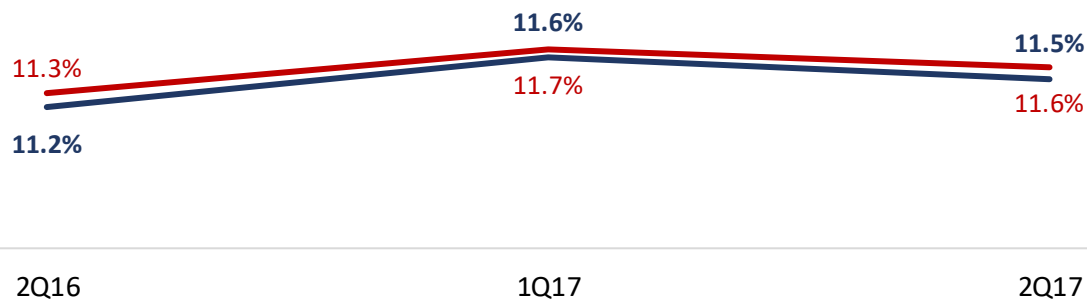
## Composition of funding



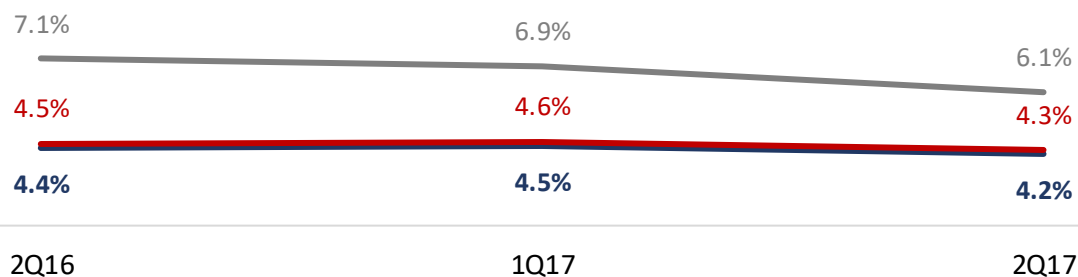
Calculated as composition of average balance for the period. Non-Financial Sector + HoldCo refers to companies from the non financial sector and the sum of Grupo Aval Acciones y Valores S.A. + 100% owned and guaranteed subsidiaries, net of eliminations.

# ➤➤➤ NIM – Net Interest Margin (2/3)

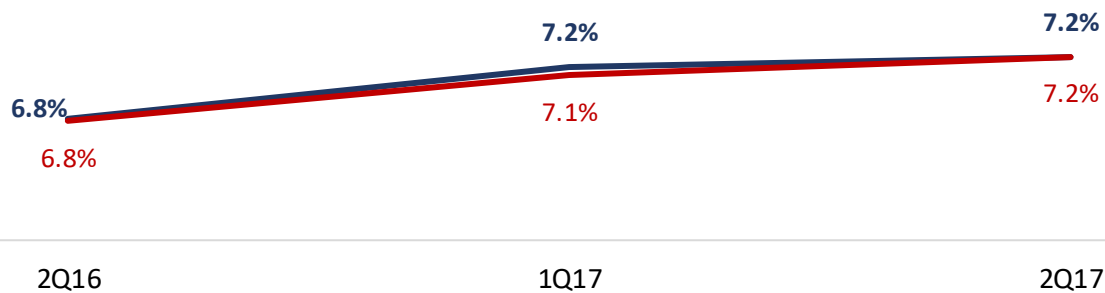
## Average Yield on Loans



## Average Cost of Funds



## Average Spread (Yield on Loans – Cost of Funds)



— Financial Sector    — Consolidated    — Non-Financial Sector + HoldCo

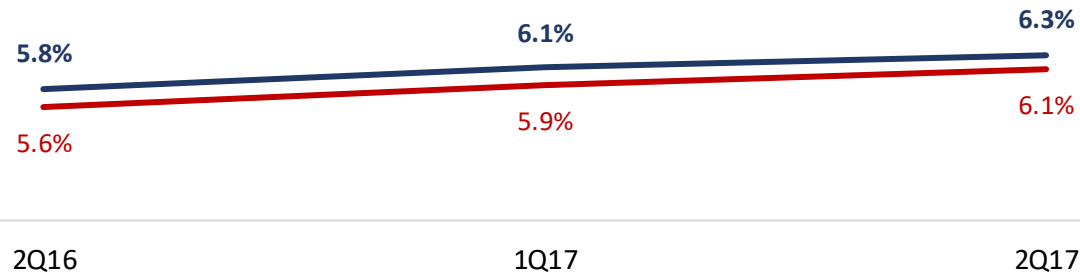


# ➤➤➤ NIM – Net Interest Margin (3/3)

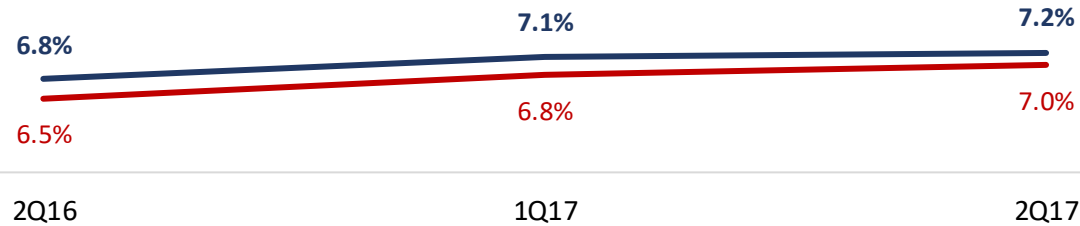
Net interest income(1) (trillions)

2Q16	1Q17	2Q17	2Q17 / 2Q16	2Q17 / 1Q17
2.4	2.6	2.8	16.9%	5.5%

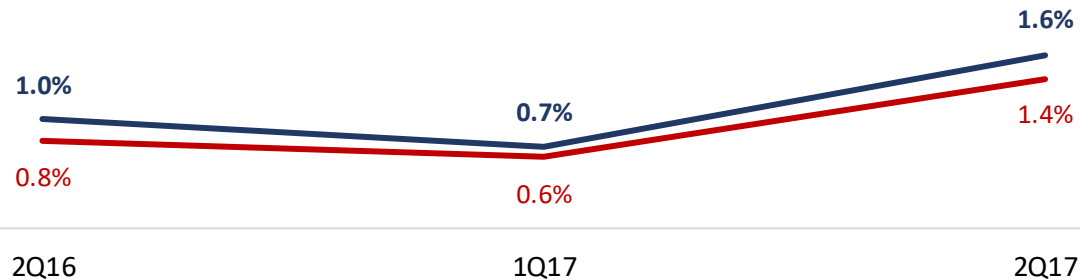
## Net Interest Margin<sup>(1)</sup>



## Loans Interest Margin<sup>(2)</sup>



## Net Investments Margin<sup>(3)</sup>



— Financial Sector — Consolidated

(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.

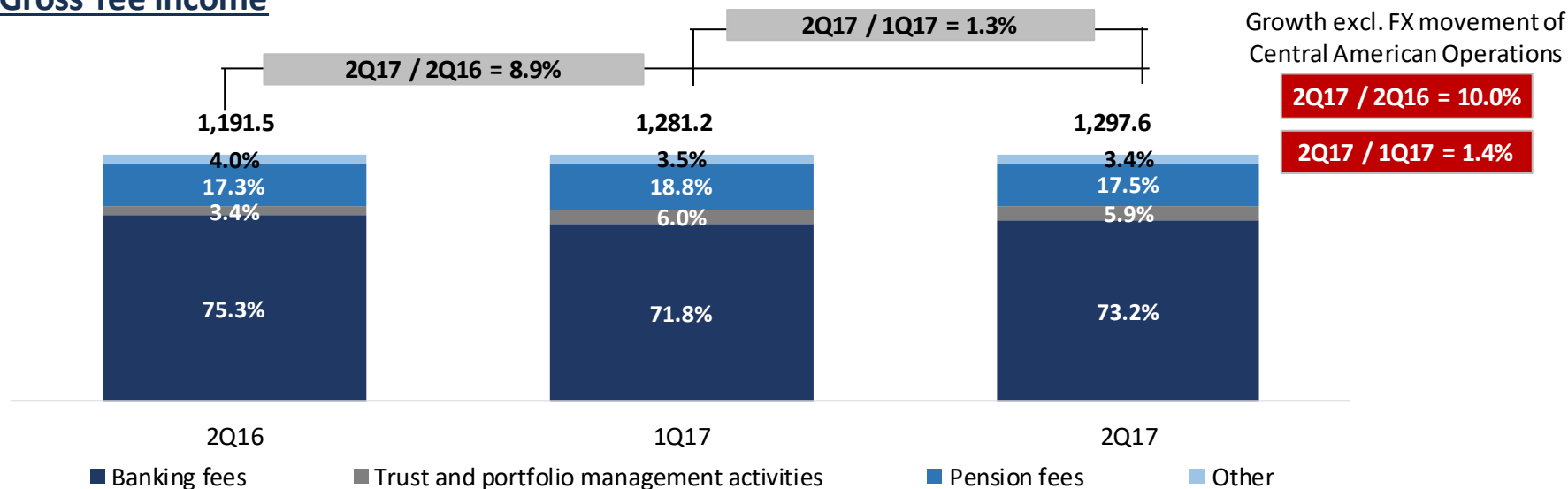
(2) Loans Interest Margin: Net Interest Income on Loans to Average loans and financial leases.

(3) Net Investments 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



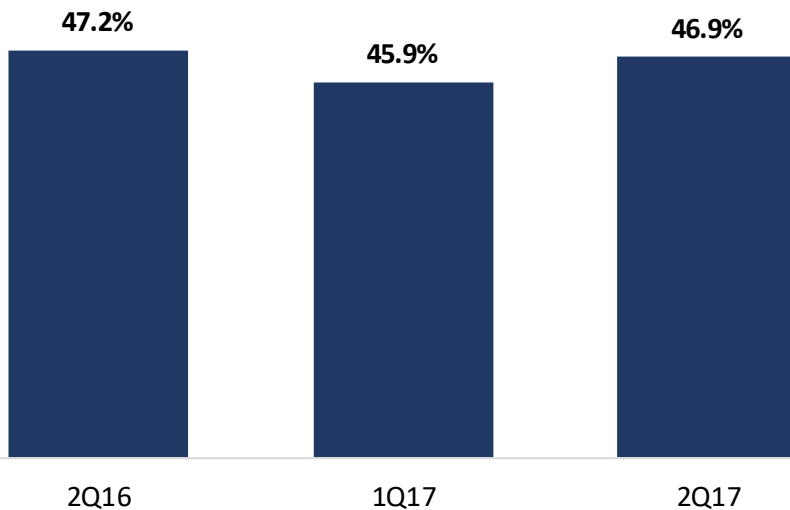
## Other operating income

	2Q16	1Q17	2Q17
Income from non-financial sector, net	212.6	172.1	127.9
Gains on valuation of assets	0.4	-1.0	12.8
Net income from financial instruments designated at fair value	45.3	44.2	58.0
Derivatives and foreign exchange gains (losses), net (1)	223.2	138.5	144.4
Income from non-consolidated investments and other (2)	288.9	179.4	150.0
<b>Total other operating income</b>	<b>770.4</b>	<b>533.1</b>	<b>493.1</b>

(1) Includes income from trading and hedging derivatives reflected as part of the net trading income on the Statement of Profit or Loss.

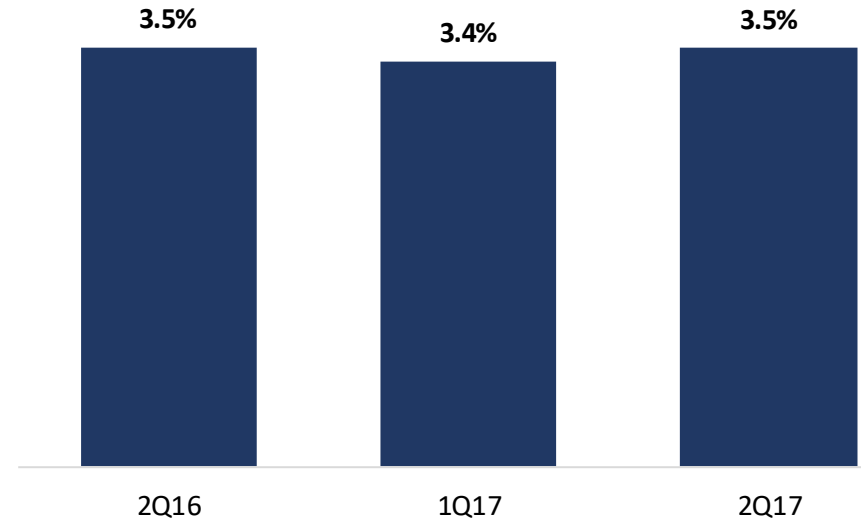
(2) Includes equity method income, dividend income and other income.

Operating expenses /  
Total Income



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

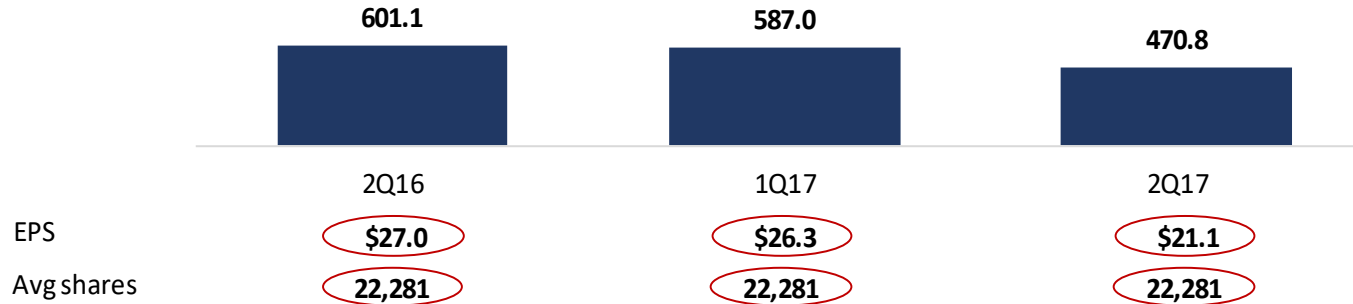
Operating expenses /  
Average Assets



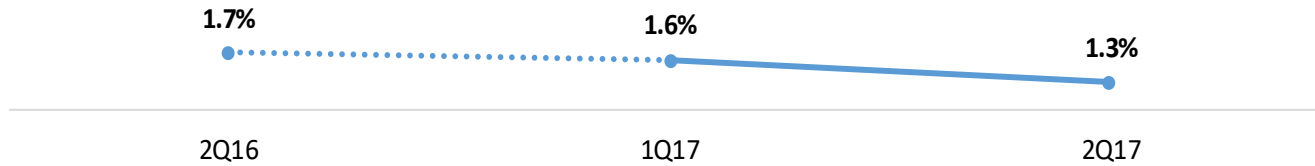
Efficiency Ratio is calculated as annualized personnel plus administrative and other expenses excluding wealth tax divided by average of total assets.

Figures in Ps. Billions

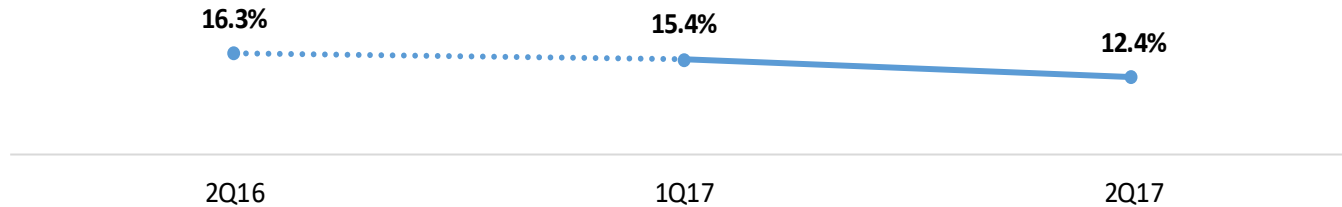
## Net income attributable to controlling interest



## ROAA <sup>(1)</sup>



## ROAE <sup>(2)</sup>



<sup>(1)</sup>ROAA for each quarter is calculated as annualized Net Income divided by average of total assets.

<sup>(2)</sup>ROAE for each quarter is calculated as annualized Net Income attributable to Aval's shareholders divided by average attributable shareholders' equity.

Grupo

