4Q2019 CONSOLIDATED EARNINGS RESULTS CALL TRANSCRIPT

GRUPO AVAL ACCIONES Y VALORES S.A.

4Q2019 CONSOLIDATED EARNINGS RESULTS CALL TRANSCRIPT

Operator: Welcome to Grupo Aval's fourth quarter 2019 Consolidated Results Conference Call. My name is Hilda and I will be your operator for today. Grupo Aval Acciones y Valores S.A. – Grupo Aval is an issuer of securities in Colombia and in the United States. As such, it is subject to compliance with securities regulation and Colombia and applicable U.S. securities regulation. Grupo Aval is also subject to the inspection and supervision of the Superintendency of Finance as holding company of the Aval financial conglomerate. 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", "expect", "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.

Recipients of this document are responsible for the assessment and use of the information provided herein. Matters described in this presentation and our knowledge of them may change extensively and materially over time but we expressly disclaim any obligation to review, update or correct the information provided in this report, including any forward-looking statement, and do not intend to provide any update for such material developments prior to our next earnings report.

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 will now turn the call over to Mr. Luis Carlos Sarmiento Gutiérrez, Chief Executive Officer. Mr. Sarmiento Gutiérrez, you may begin.

Luis Carlos Sarmiento Gutiérrez

Chief Executive Officer

Thank you Hilda. Good morning and thank you all for joining our fourth quarter 2019 conference call. Although it is my pleasure to share with you our strong financial results for the year 2019 and I'm also happy to say that the first two months of 2020 have us on track to meet our budgets, I can't minimize the concerns that we have over what is going on globally with a COVID-19, and the oil dispute between Saudi Arabia and Russia. From our perspective, because we haven't seen the full impact of this global pandemic and because we feel that there is still a lot to happen in the oil war, we believe that it is far too early and even imprudent to venture a revised prediction for Colombia's and Central America's economies, let alone a revision of our own 2020 guidance. We will, therefore, leave unchanged our 2020 guidance until we have a better grasp and more research on which to support any changes.

Today, we will address the macro economic performance during 2019 of those countries where we predominantly operate, as well as our own financial results. We will refer to the billion dollar bond that we recently issued and, as usual, we will provide an update regarding the legal processes of Ruta del Sol.

I will just take an additional moment to stress that we are putting forth all possible and necessary efforts to protect the health of our employees via home office programs, health advice, and the elimination of practically all business traveling and live meetings, and we're also protecting our clients by placing at their disposal and emphasizing the use of all possible ways to digitally access their products and services.

Moving on to the macro scenario. Colombia's economy, where almost 70% of our consolidated business resides, continued its path of acceleration during 2019. GDP growth during the fourth quarter was 3.4%, bringing GDP growth for the year to 3.3%, up from 2.5% in 2018. This welcomed level of growth was not evidenced since before 2015. It was precisely in 2015 that the Colombian economy had to adjust to the shock from a 70% decrease in oil prices.

Just as importantly, Colombia's GDP growth during 2019 happened during the broad economic slowdown that especially affected all other Latin American economies.

Additionally, last time they were measured in February, Colombia's fundamentals were still going strong and high-frequency data showed positive momentum in consumer spending and private investment. However, as approximately 40% of Colombia's total exports are represented by oil and because Ecopetrol is a very significant taxpayer, a persistent decline in oil prices would most likely widen the country's trade and current account deficits, worsen next year's fiscal outlook, have an adverse effect on domestic demand, and curtail growth below 3%.

Having said that, if one was to find differences between the oil shock of 2015 and the one we're living through these days, two are perhaps of relative importance. One: one must recall that an oil barrel was priced in excess of US $110 in mid-2014. By February 2016, right before oil prices started to rebound, oil had last US $78 per barrel. This time around, the price of an oil barrel was around US $55, just before Saudi Arabia and Russia refused to agree on production cuts. Simple math indicates that the 2015 scenario can't be relived. Two, around September of 2014, the exchange rate in Colombia hovered around COP 1,900 per dollar. By December of 2015, the peso had devalued by almost 75% to almost 3,300 per dollar. We see a remote chance that on this occasion, the peso will devalue another 75% towards an exchange rate of COP 6,000 pesos per dollar in the next 12 months.

Those two differences alone might signify that this time the economy will hardly be impacted as much as in the previous 2014 to 2016 shock. Having said that, certain industries, especially the airlines, hotels, and other tourism dependent sectors are disproportionately getting hurt.

Coming back to the country's GDP growth in 2019, this result was mainly driven by stronger private consumption and investment from the demand side, which increased by 4.6% and 4.3% respectively, compared to 1.2% and 1% a year earlier. The increase in private consumption was driven by one, the stability in monetary policy; two, the increase in remittances from abroad; three, the increase in expenditure of Venezuelan migrants; and fourth, a growth higher than the inflation in formal employee wages. From the supply side, GDP growth was driven by sectors such as commerce, which grew 4.9%; financial services, that grew 7%, and professional services that grew 7.7%. All of these which grew at a stronger pace than average GDP, while sectors such as construction, which decreased by 2.7%, and communications that grew by 1.5%, grew at a slower pace.

The country's trade deficit continued to be the weakest component from the demand side, increasing to 3.8% in 2019 from 2.7% in 2018, driven by weaker exports, which decreased by 5.7%, as Colombia has not been able to significantly increase exports of non-traditional products. Instead, imports increased by 2.7%, driven by strong private consumption. These factors explain the widening of the current account deficit that reached 4.3% of GDP in 2019 from 3.9% in 2018.

Employment continued to deteriorate in 2019 and the average 10.5% for the year, up from 9.7% in 2018. The average unemployment rate in the 13 metropolitan areas rose from 10.8% in 2018 to 11.2% in 2019. Lack of enough job creation and the impact of the migration of millions of Venezuelans to this country seemed to be the main causes for the resilience in unemployment.

It must be noted, however, that during January of this year, average unemployment in the 13 principal cities in the country saw improvement, as it dropped year-on-year by 80 basis points from 13.7% to 12.9%, the lowest there has been for the month of January in the last five years.

Annual inflation rose to 3.8% by the end of 2019 from 3.2% in 2018. Inflation started the year on a downward path, reaching 3% in February of 2019. However, in the second and third quarters, inflation increased mainly driven by pressures on food prices, which increased by 5.2% in 2019 versus 2.4% in 2018. We expect that for the most part, the transitory shocks that affected food prices in 2019 will dissipate in 2020. Additionally, the consumption basket, upon which inflation numbers are built, was recently redefined to decrease the share of tradable goods and increase the share of services. This implies that consumer prices are now less prone to fluctuations in the exchange rate. If inflation stays under 4% in 2020, we see no need for a change in monetary policy. However, the economic backlash from the dual shock mentioned before might result in a significant rise in consumer prices. Consequently, and although we do not expect to see inflation rise as much as it did in 2015, the Central Bank might be forced to restate its policy in the upcoming weeks, as we have already seen in the USA and other countries.

The country's fiscal deficit was reduced from 3.1% in 2018 to 2.5% in 2019, even lower than the 2.7% limit established by the fiscal rule for the year. This positive behavior was driven by strong tax collections and higher than expected dividends paid by Ecopetrol. As mentioned in our previous calls, meeting 2020's target up to 2.3% will be challenging without relying on one-off revenues. Additionally, current pressures from the recent oil price environment might significantly decrease Ecopetrol's profitability and with it its ability to pay taxes and dividends, which will in turn pose additional challenges to this year's fiscal rule target.

During 2019, the exchange rate was highly volatile, ranging between COP 3,072 per dollar and COP 3,522 per dollar. Although devaluation of the peso between December of 2018 and December of 2019 was only 0.8% on average, the exchange rate depreciated 11% during the year, as a result of two very different trends. First, in the first months of the year, there was a strengthening of the peso against the dollar, mainly associated with the recovery of the price of oil, and in contrast, starting in the month of May, the dollar strengthened globally driven by the scaling of the trade war between the United States and China. At year-end 2019, an exchange rate of approximately COP 3,400 per dollar seems to be the new norm. However, the current shock to the economy has already driven it closer to COP 4,100 per dollar. It's tough to imagine that it will yield in the upcoming weeks.

Moving on to Central America, during 2019 the region's GDP grew 2.7%, less than it had grown in 2018, when it grew at 3.1%, associated to the worldwide economic growth slowdown. It should be noted that growth was better in the second half of the year at 3%, then in the first half at 2.6%. Within the region, as of September 2019, date for which information by country is available, Guatemala was the best performer, with GDP growth of 3.6%, followed by Panama, with 2.9%; Honduras and El Salvador with 2.4%; Costa Rica at 1.7%, and Nicaragua at minus 5%.

2020 should see somewhat better growth, derived from the operation of a new copper mine, Cobre Panama, and other infrastructure projects in Panama, a better performance from agriculture in Honduras, and the first year of a new government in El Salvador. The implementation of the 2019 fiscal reform in Costa Rica will remove the fiscal uncertainty that the country lived under last year. In Nicaragua, the economy is expected to moderately recover in 2020, but still contract around 1%. We therefore expect that regional growth for 2020 will be around 3%.

Moving on to financial highlights. Although Diego will refer in detail to our financial performance, these are a few highlights. In general, our results for 2019 where driven by: one, a better performance of the Colombian economy; two, better loan portfolio quality, which resulted in lower cost of risk; three, strong returns in our fixed income and equity portfolios; four, solid performance in commissions and fees; five, successful continuation of our digitalization and cost optimization efforts, and six, solid contribution from our non-financial entities.

As a result, 2019 marked the first year in our history that our net income exceeded COP 3 trillion. In fact, Aval's total net income among amounted to COP 3.03 trillion or Ps 136 per share, an increase of 4.2% versus 2018. Consequently, the return on average equity for the year was 16.4%.

Non-recurrent expenses for the year affected the bottom line by approximately COP 190 billion, mainly driven by provision expenses booked in relation to CRDS and SITP. For illustration purposes only, recurrent net income between 2018 and 2019 grew by more than 11%. By December, we had fully provisioned all the problem commercial loans that we have been talking about for the last three years. We also wrote off all loans to Electricaribe. At December, Aval's tangible capital ratio had risen to 9.2%. Consolidated assets grew by 7.4% and consolidated loans grew by 6%, driven by an 8% increase in consumer loans, a 9% increase in mortgage loans, and a 4% increase in the commercial loan portfolio.

The 2019 net interest margin was 5.7% versus 5.67% in 2018, as a result of a 6.4% NIM on loans and a 2.3% NIM on investments.

30- and 90-day past due loans were increased by the inclusion of COP 762 billion in PDLs, as a result of the CRDS loans becoming due and unpaid during the year. However, these indicators ended the year at 4.36% and 3.26% respectively, only 10 and 19 basis points higher than in 2018. Allowances for 90-day PDLs reached 140% at year-end.

Cost of risk for 2019 was 2.2% versus 2.4% a year earlier. Importantly, cost of risk for the fourth quarter was 2.1% compared to 2.5% in the previous quarter and 3.1% in the fourth quarter of 2018.

Due mainly to strong banking and pension fund fees, net fee income for the year increased by approximately 13% or 15% in the fourth quarter versus the same quarter in 2018 and 10% versus the third quarter of 2019.

Although income from Corficolombiana's non-financial sector investments declined, due mostly to the non-recurring income from these investments during 2018, Corficolombiana continued to contribute with the strong results during 2019, especially derived from its investments in toll road concessions.

Personnel, including severance costs and SG&A expenses, grew by 6.1% during the year, but only 2% when excluding FX.

Finally, complementing our balance sheet, strong funding and liquidity positions, the deposits-to-loan loans ratio finished 2019 at 1.01x times and the cash-to-deposits ratio at approximately 17.2%.

Moving on to the progress we made during 2019 in our digital efforts, these are a few highlights.

Our consolidated digital clients increased to 3.5 million.

We now offer 22 a 100% digital products through our banks, up from 15 at 2018.

We now use advanced analytics in 31 of the most important operating processes in our banks, up from 14 in 2018.

Our digital sales increased from 230,000 in 2018 to 940,000 during 2019.

We continued to increase penetration of digital sales as a percentage of total sales and are now up to 35%, while 60% of total bank transactions are now digital in nature.

Our digital strategy is based on three objectives. First and foremost, we have been and will continue to digitalize all possible existing products and operations of our banks and pension fund manager. The execution of this first objective allows us to be more efficient and to offer a better service by improving customer journeys. However, we realize that this same effort is being undertaken by other banks around the world and by the top banks in Colombia. Accomplishing this objective is the bank's ticket to play for the future and therefore, we are currently focusing most of our digitalization effort on this first objective.

The second objective to develop is new digital business models. This is the creation of new products and services such as Dale, a 100% digital platform which we launched a few weeks ago. Accomplishing this objective should allow us to serve new segments and markets, which we couldn't previously serve mainly due to cost. Although these platforms should make clients out of people who have not wanted to work with traditional banks, younger generations is more inclined to maintain exclusively digital relations with their banks and people who have not been sought out by banks and therefore are still to become bank clients.

Third and final objective is to generate or participate in ecosystems. Accomplishing this objective entails offering our digital financial products and services as a complement and a way to generate added value to ecosystems through which other non-banking products and services are offered.

Moving on to legal. Regarding ongoing legal matters related to Ruta del Sol, I will briefly share with you an update on the most relevant developments. The main development is related to the Tribunal Administrativo de Cundinamarca or TAC. As you may recall, on December 2018, a class-action suit was ruled in first instance against CRDS, its shareholders, including Episol, and other individuals and entities not related to Aval or its affiliates, jointly and severally to pay damages to the nation for approximately COP 715 billion. An appeal was filed on February 2019 and consequently, the first instance ruling was suspended until the appeal is decided by a higher court, the Consejo de Estado.

However, on October 24, 2019 the Consejo de Estado, which has not yet ruled on the appeal, modified the suspensive effect of the appeal. Changing the effect could be construed to mean that the fine must be paid and other components of the ruling would take effect even before the appeal has been decided. All the parties involved submitted legal requests to get that decision overturned. On February 14, 2020 the Consejo de Estado ruled in relation to the effects of the appeal, stating that the decision of the first instance ruling will only become effective in the case that the appeal is lost. Consequently, the first instance ruling will continue on standby until the appeal is decided by the Consejo de Estado.

In the antitrust investigation conducted by the Superintendency of Industry and Commerce. in the next months or so, an *Informe Motivado* should be presented to the superintendent. This is a document prepared by the antitrust area within the SIC recommending a course of action in reference to the investigation, including confirming the charges, imposing fines, and or discharging one or all of the defendants.

Finally, on January 28th we issued a senior bond and the international capital markets for a total value of US $1 billion, with a tenure of 10 years and a coupon of 4.375%. The demand for the notes, which reached three times the amount issued, came from more than 200 investors from the United States, Europe, Asia, and Latin America. The bonds were issued by Grupo Aval Limited, a subsidiary of Grupo Aval, guaranteed by Grupo Aval in accordance with Rule 144A and Reg. S, issued under the Securities Act of 1933 of the United States of America. In line with the use of proceeds included in the offering memorandum, part of the net proceeds, approximately half, will be used to wholly subscribe a Basel III compliant AT1 at BAC Credomatic. The rest of the proceeds will be kept in highly liquid short-term investments and/or loans to some of our operating subsidiaries.

And with that, I'll pass it on to Diego, who will now explain in detail our business results.

Diego Fernando Solano Saravia

Chief Financial Officer

Thank you, Luis Carlos.

I will now move to the consolidated results of Grupo Aval under IFRS. 2019 has been our best year in net income so far. Four elements drove our performance. Number one: positive results in interest income, driven both by a pickup in loan growth and a strong valuation in OCI realization in our fixed-income investment portfolios. Second, 20 bps decrease in cost of risk. Third, strong contribution of net income from commissions and fees, particularly in pension fund management and banking fees from Central America. And fourth, a favorable impact of tax reform on our statutory tax rate.

We achieved these positive results amidst a still lowgrowth scenario of our loan portfolio. Although we were positive on growth for 2020, given the recent developments we're conscious and guiding on performance in this highly fluid environment. The global economy is expected to lose traction due to the interruptions in trade and production as well as overall lower consumption that results from COVID-19. We're thus expecting a moderation in economic activity in Colombia as a result of the global scenario that could be exacerbated by the impact of low oil prices.

Moving to page 10, assets 7.4% over the year and 1.8% during the quarter. Colombian assets grew by 8.2% over the year and 3.7% during the quarter driven by cash, fixed-income investments and net loans. Central America, which weighs close to 30% of our book, saw a 4.7% and 3.5% growth in dollar terms over the year and the quarter respectively, driven as well by increasing investment portfolios and net loans. Excluding the 4.6% annual contraction of Nicaragua, total assets of Central American operations grew 5.3% in dollar terms. Finally, an annual 0.8% depreciation and quarterly appreciation of 5.8% of the Colombian peso, brought annual growth up to 5.6% and led to a 2.5% quarterly contraction when translated into Colombian pesos.

Moving to page 11, loans excluding repos grew at 6% over the year and 0.1% during the quarter. Although improving, compared to a year earlier, commercial loans continued to drive the dynamics of Colombian banking system. This low performance was partially compensated by a stronger growth of the consumer portfolio, supported on a positive trend in quality, especially in Colombia.

Our Colombian consumer and mortgage business continues to be dynamic, expanding 9.8% and 14.1% respectively over the 12 months. Quarterly growth was consistent with this performance, at 3% and 3.4% respectively. Our Colombian corporate loan portfolio, excluding repos, grew by 0.8% during the quarter and 4.3% over the year.

Gross loan portfolios in Central America increased 3.7% in dollar terms over the year and 2.6% during the quarter. Nicaragua, that weighs 6% of our Central American assets, dampened the 12-month performance, contracting 19.8%, while the rest of the region expanded at 5.4%. We gained market share in every country except Nicaragua and Panama.

On pages 12 and 13, we present several loan portfolio quality ratios. Delinquency metrics continued to improve during the quarter, both in Colombia and in Central America. In the fourth quarter, we charged off the full exposure to Electricaribe and Tranzit, one of the SITP companies, that combined amounted for 908 billion. In addition, Ruta del Sol impacted new PDL formation as it became past due on a 30- and a 90-day basis with 762 billion exposure. This loan was fully provisioned by year- end.

Despite an improvement over the last quarter, delinquencies of Central America loan portfolio increased over the year. This was primarily driven by macro in Costa Rica and sociopolitical events in Nicaragua. As IFRS 9 reflects expected credit losses, this performance had been incorporated into our cost of risk during the second half of 2018 and the first quarter of 2019.

Our commercial loan portfolio showed an improvement of 31 bps in 30 days PDLs and 10 bps in 90-day PDLs over the quarter. We recorded a 26 bps improvement in 30-days commercial loan PDLs and 3 bps in 90-day PDLs in Colombia. In Central America, 30-day commercial PDLs improved by 60 bps and by 42 bps, with 90-day PDLs driven by Guatemala and Panama. Delinquency ratio for consumer loans showed an improvement on a 30-day basis, more substantially stable on a 90-day basis over the quarter. In Colombia, the improving trend in delinquency of consumer loans persisted, with 30-day PDLs falling 27 bps to 4.9% over the year and remaining stable over the quarter. 90-day PDLs were stable at 3.1% over the year and were 8 bps higher over the quarter. In Central America, 30-day PDLs consumer loans improved 21 bps to 4.7% over the quarter, while 90-day PDLs remained stable at 2.1%. Early deterioration of consumer in Central America was primarily driven by Costa Rica. Our mortgage PDLs increased during the quarter, driven by Central America. Cost of risk improved by 42 bps in the quarter due to a 46 bps improvement in Colombia and a 32 bps improvement in Central America.

Full-year cost of risk improved by 17 bps, driven by 23 bps improvement in Colombia and 3 bps improvement in Central America. Our PDL coverage of 90-day PDLs remained at 1.4%

On page 14, we present funding and deposit evolution. Funding dynamics were consistent with loan growth. Funding structure remained materially stable with deposits representing 76% of total funding and our deposit to net-loan ratio reaching 101%. Our liquidity position continues to be strong with cash-to- deposit ratio at 17%. Deposits grew 0.8% in the quarter, accumulating 6.8% over the 12 months. Colombia grew at 1.3% in Colombian peso terms and Central America at 5.9% in dollar terms during the quarter. For the 12-month period, Central America grew at 10.2% in dollar terms, while Colombia grew at 4.8% in peso terms.

On page 15 we present the evolution of our total capitalization, our attributable shareholders' equity and capital adequacy ratio of our banks. During the year, our total equity grew by 12.8%, while our attributable equity grew at 11.6%, mainly driven by our earnings and our OCI growth related to valuation of our investment portfolio. Total equity and attributable equity grew 3.0% and 2.8% respectively over the quarter.

As of December 2019, our banks show appropriate Tier I one and total solvency ratios. On February 2020, we reported for the first time the Grupo Aval conglomerate adequacy capital to the Superintendency of Finance, showing an excess over minimum adequacy capital.

On page 16, we present our yield on loans, cost of funds, spread and net interest margin. Our yearly net interest margin increased 3 bps to 5.7% during 2019, mainly driven by higher net interest margin on investments that was partially offset by a tighter net interest margin on loans. Quarterly net interest margin slightly decreased as a result of lower net interest margin on investments and a stable net interest margin on loans.

As anticipated, pricing in Colombia continued to be aggressive during the last quarter due to improvements in consumer loan quality and better outlook in the corporate portfolio resulting from a stronger GDP. This led to a 20 bps compression in quarterly NIM on loans in Colombia and was partially offset by a higher net interest margin on loans in Central America, as some of the higher yielding countries grew faster in our portfolio. We continue to expect some pressure on net interest margin on loans, as growth increases the share of newly priced loans in our mix.

On page 17, we present net fees and other income. Gross fee income for 2019 grew 11.6% when compared to 2018 with gross fees in Colombia increasing 8.2% in pesos and by 5% in Central America in dollar terms. Growth in Colombia was driven by a particularly strong performance in pension fund management fees. The year 2018 was a strong year in other income from operations due to a property plant and equipment optimization in Banco de Bogota and Banco Popular.

Also, the non-financial sector registered during 2018 a particularly high income, explained by the initiation of construction of two our toll road concessions. The decreasing income from these transactions was partially offset by an increase in OCI realization from investments in debt securities, equity method and dividends in 2019.

Our infrastructure income decreased by 12.8% during 2019, mainly driven by income related to the initiation of construction of Covioriente and Pacifico 1 concessions during 2018. In addition, work in process during 2019 was lower than during 2018 due to various weather conditions that slowed progress reached when building bridges and tunnels vs roads. Our gas and energy sector maintained its strong contribution and our agro business returned to a positive contribution to the non-financial sector income during 2019.

On page 18 we present some efficiency ratios. Personnel and SG&A expenses grew 6.1% with a 1.7% increase in Colombia and 2.4% in Central America in dollar terms during 2019. Personnel increased 5.4% driven by a depreciation of peso on our Central American operation. In fact, personnel expense remained flat in Colombia and grew 2.0% in dollar terms in Central America.

G&A expenses increased 3.0% in 2019 compared to a year earlier. This figure was 8.6% for Colombia and 4.9% for Central America in dollar terms when adding IFRS-16 related depreciation and amortization to administrative expenses. G&A includes an extraordinary non-income tax expense in order to raise the fiscal cost of certain fixed assets, which amounted to 1.9% growth in the Colombian operation. However, this was offset by a positive effect on income tax recovery that resulted in a net positive effect of COP 57.6 billion in net income. Depreciation and amortization expense increased by 67% mainly due to the adoption of IFRS 16 during 2019, which changed the accounting methodology of leases, now accounting the rights of use, under depreciation and amortization. Finally, other expenses increased by 44% in 2019 compared to 2018, mainly explained by provisions of Porvenir for expenses related to pension clients transfer from the private to the public pension fund system.

Finally, on page 19 we present our net income and profitability ratios. Our attributable net income for 2019 was COP 3,034 billion or COP 136 per share, COP 5.5 higher than 2018 accumulated results. Attributable net income for the quarter was 715 billion or COP 32 per share. The non-recurring events that affected our net income during 2019 were the specific provision expenses in relation to Ruta del Sol and SITP that added COP 328 billion on our cost of risk with a post-tax attributable net income negative effect of COP162 billion. Other non-recurring events had a COP 25 billion negative effect on attributable net income. Our return on average assets and our return on average equity for the year were 2% and 16.4% respectively. We are now available to address your questions.

Q&A

Operator: Thank you. We will now begin the question and answer session. If you have a question, please press * then 1 on your touch tone phone. If you wish to be removed from the question queue, please press the # key. If you are using a speaker phone, you may need to pick up the handset first before pressing the numbers. Once again, if you have a question, please press * 1.

We have a question from Gabriel Nobrega, from Citibank.

Gabriel Nobrega (Citibank): Hi everyone. Good morning and thank you for the opportunity to ask questions. I'd actually like to ask a question looking at all of this uncertainty we are going through, these are very volatile times as well. I would just like to maybe understand what is the first immediate strategy that the bank has been implementing to sort of guide through these very uncertain times. And then I also have another question on your asset quality. You say in your press release that you fully wrote off Electricaribe and Tranzit, which represents more than 2% of your loans. However, your NPL ratio for the commercial line, they only decreased by 9 bps. So is there something here that has been deteriorated more than you were expecting? Also, is there may be a segment you were looking to more closely in the midst of all of this uncertainty as well? Thank you.

Luis Carlos Sarmiento Gutiérrez: All right. Thank you Gabriel. I'll take your first question. And regarding what the banks are doing right now with the dual shock we're living through, that everybody is living through, the banks are concentrating basically on three aspects predominantly. On employees, on clients and on the continuous operations of the banks. As far as employees, what we're doing is we are keeping out of the office every employee that we possibly can. We've enabled a lot of home office working. We've even established shifts for employees to come at different times than rush hours and the peak hours so they don't have to use mass transportation at peak hours. And obviously we're keeping ourselves very, very aware of what's going on with the health of all of our employees. For now, I'm happy to say that there's only been one case reported of all of our a +100,000 employees, and that is a person that traveled to Spain and on the way back never made it to the bank but showed symptoms and it's now in quarantine.

As far for our clients, as I said before, we are being very proactive in offering them and encouraging them to use all digital aspects of our platforms and we have seen a dramatic decrease in client usage of our branch network so it seems that it's working.

In terms of the operations of the banks, obviously, what we're doing in each bank is going through a deep analysis of all the clients, especially the credit clients that we have, to make sure that we anticipate any loan problems and we're being proactive in contacting those clients and making sure that they have the proper circumstances under which they can still look after their credits and obviously there are industries that we know are being hit harder than others. Any tourism-related industry is being hit with the latest announcement of countries canceling flights to other countries. Obviously the airlines are getting very much impacted and also independent workers, those that don't have a steady stream of cash coming in but rather depend on daily or monthly performance are obviously seeing their businesses decrease.

So we are on top of that. We haven't seen, and it's one of the reasons that we don't change our guidance, we haven't seen any real impact in delinquencies or in non-payment or in cash withdrawals or in decrease in deposits. So basically what we're doing is we're trying to be proactive and to predict anything that might be coming that way and as I said, to act before it actually happens.

Diego Solano: Regarding your second question on NPLs, you're absolutely right. There is something that did affect the numbers and it is that, at the same time that Electricaribe and Tranzit were leaving our book because they were written off, Ruta del Sol entered the book. This loan was actually fully provisioned but hasn't been written off as of year-end. When this loan gets written off, you're going to get the exactly the numbers that you're looking into.

Operator: Thank you. Our next question comes from Andres Soto from Santander.

Andres Soto (Santander) : Good morning. Thank you for the presentation. My question is related to current market volatility. Obviously, there are multiple uncertainties at this point, but considering recent movements in FX and Colombian rates, it would be great if you can provide some color on the potential short-term impact, not only in your banking business but also for the results in your pension management and infrastructure segments.

Diego Solano Saravia: Sure Andres. Yeah, as you say, first of all, it's tough to say where the FX might end up to -- might end up, whether it might even come back or stay at 4,100 or even keep rising. But as you say, obviously, the impacts derived from FX are several. If you look at our pension fund, our pension fund –while some of the investments of the pension funds are dollar-related investments and those will obviously tend to increase in value, but on the other hand, most of the dollar investments of the pension funds are covered with derivatives and that obviously when the exchange starts rising, that needs more liquidity to cover the derivatives, the hole that comes about when the exchange rate rises and obviously that has the pension fund using up some of the liquidity that it had set aside so we see that. Not only FX, obviously that -- while you might have even a positive effect, uncovered FX exposure in the value of the pension funds, obviously that's being offset by the drop in the prices in the stock markets, and obviously the prices of shares have dropped and with it the value of those investments in pesos in the local and foreign markets.

With regards to our banking operations, well, obviously you also have different effects, because you translate the balance sheets and income statements of our foreign to us --

of our Central American operations. Then you see, on the one hand, you see better contribution in pesos from the dollar result of our Central American operation. But on the other hand, you also see, since we made that investment in dollars and that investment is covered by half a natural coverage by dollar-denominated bonds, and then half by derivatives in the book of Banco de Bogota. Then you also see an effect on liquidity of the bank, as the bank has to cover some of those derivatives.

Also, there is obviously a foreign exchange account in the OCI of the equity of the bank that moves as the FX increases. So there are, as I said It's tough to put it all in a nutshell. There's probably -- with every peso that moves, probably eight or nine accounts move and what we're doing is we're staying on top of them and making sure that we understand where each peso is going and we are obviously also in constant conversations with the Superintendence of Finance to make sure that the regulations that they pass are -- give the market and give the banks flexibility as to their coverage strategies, so that we can change our strategies if need be.

Operator: Thank you. Our next question comes from Adriana de Lozada from Scotiabank.

Adriana de Lozada: Good morning and congratulations on your results. At the beginning of the presentation, you mentioned that you do not expect the current oil price war shock to have such a big impact as 2015 and you also discussed the spike in inflation then. So maybe you can remind us what inflation you consider in your 2020 guidance. And if you can give us a few words about consumer loan evolution and cost of risk this year. Thank you.

Luis Carlos Sarmiento Gutiérrez: In 2015, if you recall, by September 2015 on a 12-month basis, inflation had risen to 9.2%. So when I said that I didn't expect this dual shock to take inflation to levels similar to those observed in 2015, what I was referring to was that I don't foresee inflation doubling or tripling as a consequence of what's going on.

Diego Solano: And if I understood right your question, what inflation was incorporated into our previous guidance, the number was 3.5%. And then what cost of risk evolution did we expect before this shock? We were expecting to see a 20 bps improvement from 2.2% to 2.0%. That was what was incorporated in our guidance. And as Luis Carlos mentioned, at this point we will refrain from giving you guidance because we see a panic effect at this point and many of these key variables might change, not only in magnitude by directionally. Discussion on interest rates has many possible scenarios. Some of those could imply interest rates falling, therefore our fixed income investments not only recovering but actually gaining value. And the exchange rate side, I think it's anybody's bet what can happen at this point. We're just bystanders to what is happening between Arabia and Russia at this point.

Operator: Thank you. Our next question comes from Nicolas Riva from Bank of America.

Mr. Riva, your line is open.

Nicolas Riva (Bank of America): Yes. I was on mute, sorry. Thanks for the chance to ask questions and I wanted to ask on three topics, if I may. The first one, on some of your current exposures, you mentioned some subsectors, which of course, are going to be impacted like oil and gas, tourism and hotels. If you could maybe talk to us about your exposure to oil and gas companies, how much it is of your loan portfolio?. If it's basically exposure to Ecopetrol or some oil and gas exploration and production companies. You are thinking of increasing loan loss reserves for these in the first quarter. And the same thing also for airlines and if airlines can reach out to you to get lines of credit or additional liquidity. So that will be my first question on the exposure to oil and gas and airlines.

The second one, on this corporate clients that you talked about in the press release and you mentioned in the call. Just to make sure I got it right. So you have already fully provisioned Ruta del Sol, Electricaribe, Tranzit and also some -- any other mass transportation companies, which have already been fully provisioned. I know also -- So that's one thing. And then in terms of which of these have been completely written off from the balance sheet so we shouldn't see any impact on NPLs on the balance sheet. That would be Electricaribe and Tranzit but Ruta del Sol I understand has not been written off.

And then the third topic, if I may, on Multibank, if you can provide us with an update on the transaction. I would assume that all of what happened hasn't changed. I mean, you're still going to go through with the transaction. I remember the pricing was a bit more than US $700 million and you can give us an update on when BAC Credomatic is going to issue this AT1 bond and when do you expect to get approvals or all of this stuff to be done. Thanks you.

Diego Solano: Okay. Regarding the credit side, you were asking on exposures. We are pretty diversified in our portfolio from the sectors that you went through. Oil and gas might be the larger one, and at this point it is around 1.2% of our loan portfolio, and a very substantial portion of that is the gas pipelines that we're exposed to. Therefore, we are less subject to the impact of prices of oil.

Then the tourism side, it is around half of a percent of our loan portfolio. And finally airlines -- I assume you're referring to Avianca. We continue to have exactly the same that we said in the past. We are exposed to a syndicated loan from TACA that is guaranteed by receivables that's around US$150 million that is in the books of Bogota, BAC and Banco de Occidente. And then in Colombia, most of our loans, that is around COP 96 billion, this is pesos, is guaranteed by a building that they have under way into the city from the airport. That is regarding these exposures.

As Luis Carlos mentioned, we have triggered all our risk management procedures to go through all sectors that are exposed to the kind of risk factors that are volatile such as oil. We are also looking into exchange rate in GDP growth dependent business.

Then on the corporate clients, I think it's exactly as you described except for: SITP, we've fully provisioned and wrote off Tranzit and the other two companies that we're exposed to, we believe we have them rightly provisioned and we have a good view under prospects of recovery, given that they were able to restructure their agreement with the local government. Electricaribe, as you said, was written off last year, Ruta del Sol was fully provisioned and will be written off at some point during this year.

Luis Carlos Sarmiento Gutiérrez: And regarding Multibank, yeah, you know, we're subject to a contract and we're going through every single aspect of that contract, which has obviously a lot of precedent conditions that are being met by the purchasers and ourselves and by the sellers. And there's also a drop-dead date for the contract that we're trying to obviously get to before it happens. But things seem to be, you know, in line to get the deal done. There will be some price changes based on, you know, the very deep due diligence that we've undergone since we signed the purchase agreement. That might change the price a little bit, actually reduce the price a little bit. But other than that, as I said, both the sellers and ourselves are trying to comply with all the conditions precedent that were included in the selling and purchase agreement.

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

Yuri Fernandes (J.P. Morgan) : Thank you gentlemen. I would like to make a follow up regarding the assets quality topic. I got like the mass transportation. You had some renegotiations with the local government, but if there is a major curfew or if people use less the public transportation system, how big is your exposure? How big could you be able to increase your provisions to this sector? Because I do believe that in addition to the airlines, tourism and gas there are other sensible sectors that were, you know, like in a very bad shape that could be, could be not a very good position nowadays. And regarding margins, I understood your concern on inflation, but with the Fed cutting rates, like most emerging markets cutting rates, should not us expect like the Banco de la Republica cut rates in Colombia as well and system pressuring margins for 2020? Thank you.

Diego Fernando Solano Saravia: Okay, Yuri. Regarding asset quality, as we mentioned before, we're actually at the point of reviewing what are the sectors that could be sensitive to what has been going on. Two weeks ago, I would say there wouldn't be something that we would be highlighting at this point. We are at this, at this -- this time we're just reviewing what will be happening. Obviously, those that will be affected most are those that are affected by the shutdown of the economy of commerce and so on. The exchange side we are reviewing and the oil price, well, it's very direct the impact that we have there.

Regarding margins, that's one of the main reasons why at this point we are refraining from giving guidance and it is, we have different scenarios. One scenario is Colombia follows what most of the countries are doing and we go into substantial interest rate cuts and that's why I mentioned we could even move into positive ground on an income from fixed income investments.

On the other hand, we've had a depreciation of up to COP 4,000 or 4,100, whatever the number is as of this call, and that does have some impact on inflation. There's many numbers out there. There's numbers ranging between 50 bps and 150 bps up of pressure on inflation, and it very much depends on how the Central Bank reacts, but at this point, this is binary. It's not something that we can project but there's two different scenarios that could lead us in opposite directions.

Operator: Thank you. Our next question comes from Carlos Rodriguez from Ultraserfinco.

Carlos Rodriguez: [inaudible].

Operator: Mr. Rodriguez? If you can get closer to the phone. We're not able to hear you.

He seems to be having audio issues. We will move to the next question. It comes from Sebastian Gallego from Credicorp Capital.

Sebastian Gallego (Credicorp Capital) : Hi, good morning. Can you hear me there?

Luis Carlos Sarmiento Gutierrez: Yes we do.

Sebastian Gallego (Credicorp Capital) : All right, thank you. Thank you for your presentation and yes, congratulations as well on results in 2019. Just three additional questions. The first one on a follow up regarding Multibank. The question is: are you thinking about different strategies to actually pay the transaction in case it goes on? In previous calls, you mentioned that internal funds were going to be used, but I'm just wondering, given the current conditions and volatile environment, if there are any considerations to be made regarding additional funds to be needed.

Second question, I know it's a very volatile environment and things might change as you have been mentioning through the call, but can you provide some color on what are your thoughts regarding, what banks will do, particularly on the consumer and commercial segments here in Colombia? Particularly taking into account all the competition that you mentioned and we have been observing particularly in the consumer segment.

And lastly, if you can provide an opinion on what the Central Bank here in Colombia should do under the current environment, where it is to cut rates or what other measures would you guys be willing to propose to the Central Bank under the current scenario? Thank you.

Luis Carlos Sarmiento Gutierrez: All right, thanks for the questions. Let's start with Multibank. Multibank is already funded, if you will. We say a purchase price of about US $700 million. BAC has already allocated and set aside about US $200 million in dividends from actually excess capital that it has. And the remaining of US $500 million, we already have on hand at Aval via the bond that we issued last month for $1 billion, and half of that we can use to complement the 200 million that BAC already had set aside, as I said, for the total of 700. So no, at this point we are really not considering different strategies to pay the transaction. The money is already on hand.

And regarding – and I'll jump to the third question and then Diego can take the second one regarding consumer and commercial segments, but on the question as to what the Central Bank should do, I think that if I venture and answer, they might get mad at me, but I think that basically what we have to wait is to see the Central Bank has always been, and I'm a big admirer of the Central Bank, because I believe they are very accurate when they impose a monetary policy. I think themselves, what they're waiting to see is not to succumb to a drop in rates, just because of what might happen, but they're waiting to see how inflation might and will be affected by everything that is going on and they'll probably react to it more than try to prevent that, but we'll see, actually. We'll see if inflation starts rising very fast, they will have to tighten monetary policy. That will obviously put a damper on growth, but their mandate, their constitutional mandate is to protect the country against inflation, not to power growth. However, as you know, government will put a lot of pressure, the executive arm will put a lot of pressure on getting the Central Bank to either maintain or decrease rates. So you have the two opposite sides pulling in different directions. So I think it's better to just wait and see what happens and obviously in the meantime, we'll be preparing ourselves for either scenario.

Diego Solano : Regarding your question on color and what the banks will do in this volatile environment, I would say that the main thought here is Grupo Aval's banks have been in the country for a very, very long time. We've lived through many cycles, positive and negative cycles. We are a very substantial portion of the banking system, around a quarter of the system. I would say in that context, you have to bear in mind that our business is risk management. Therefore, at this point we're being very careful on what kind of risks we are underwriting. However, we are present in Colombia and we are actually supporters of what is happening in Colombia. Therefore, we will continue actively lending, as we've done over many cycles.

I would say at this point regarding to what our strategy was before this couple of weeks, we had mentioned that we had seen the commercial sector starting to get force, force that was driven by consumer demand. Therefore, it was the kind of growth you want to see and we were ready to increase our activity in that segment. On the consumer side, we had already seen much of the recovery that we were looking into and the quality of the portfolio continued to improve therefore client by client, product by product, and we had been determining where our growth would be concentrated.

Operator: Thank you. Our next question comes from Julian from Corredores Davivienda.

Julian Amaya (Corredores Davivienda): Good morning. Thanks for having us and congratulations for the results of the quarter. And my question is very specific about what is the impact that you might look about in terms of the funding costs due to the current situation. Thank you.

Diego Solano : I would say at this point, it very much depends on Central Bank policy. Obviously, one of the areas that we triggered as areas of alert was not only credit risk but also market risk, and we're actually looking into what the Central Bank does and making sure that we are monitoring what is happening with liquidity, therefore with prices.

Operator: And we have a question from Diego Torres from MCC Itau.

Diego Torres (MCC Itau): Good morning. Thank you for taking my question. Regarding the 2030 newly issued bond, can you just mention the use of proceeds? And on the other hand, could you also mention how you are planning to refinance or pay down the 2022 notes? Thank you.

Luis Carlos Sarmiento Gutierrez: Okay. Let's start with the US $1 billion bond that we just issued. That bond will be used -- about, as I said, about US $500 million will be used to subscribe an AT1 that BAC Credomatic will issue. With the proceeds of the bond that BAC issues, we will complement it with another US $200 million. And with that, they'll have the money to pay for Multibank. The remaining US $500 million will be used in the same way that we've been using money that we obtain from global bonds that we issue and that is, we use that money to unlend to our own affiliate entities, subsidiaries that either don't have access to the capital markets or they do, but at rates even higher than those that we can obtain when we issue bonds so we do a bit of arbitrage there. We pay the rates that the market charges us, and then we unlend the money at higher rates to our own subsidiaries.

We do that at tenures that are shorter than the tenures of our bonds so that we get the money back from our subsidiaries before we have to pay the bonds. And that brings us to the billion dollars that we have outstanding that mature in 2022. That billion dollars, right now we have about $700 million or so of those lent to our own institutions and the conditions that I just mentioned. They are lent at higher rates than the ones that bond is costing us. And secondly, the loans that we made will come due before 2022 so with the liquidity that we have, because about $200 million or $300 million or so are very liquid and available and between that and the loans that will be paid down by our entities, we'll have the billion dollars to pay the 2022 bond when it comes due.

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

Luis Carlos Sarmiento Gutierrez: All right. Thank you Hilda. Well, first I wanted to thank you all for your attention and for the sake of all, let's hope that COVID-19 pandemic is soon brought under control and that the world's superpowers find a way to manage the world's natural resources in a way that is conducive to economic growth and not towards its detriment. In the meantime, we will make sure to keep you posted if there are significant developments in any of the fronts that we covered today in our presentation. If not, we hope to continue meeting your expectations and we'll see you next time.

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