3Q2022 CONSOLIDATED EARNINGS RESULTS CALL TRANSCRIPT

GRUPO AVAL ACCIONES Y VALORES S.A.

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Operator: Welcome to Grupo Aval third quarter 2022 consolidated results conference call. My name is Richard and I will be your operator for today's call.

Grupo Aval Acciones y Valores S.A. ("Grupo Aval") is an issuer of securities in Colombia and in the United States ("SEC"). As such, it is subject to compliance with securities regulation in 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-IFRS measures such as ROAA and ROAE, among others, are explained when required in this report.

Banco de Bogotá executed a spin-off of a 75% equity stake in BAC Holding International, Corp ("BHI"); to its shareholders and Grupo Aval subsequently spun-off its equity interest to its shareholders on March 29, 2022. Prior to the spin-off, Banco de Bogotá was the direct parent of BHI. Grupo Aval has retained an indirect stake of approximately 17.2% in BHI (representing our proportional interest in the 25% equity stake in BHI retained by Banco de Bogotá). This interest in BHI is reported as discontinued operations for reporting periods prior to the spin-off and will be reported under the "share of profit of equity accounted investees, net of tax (equity method)" line item for subsequent periods.

As a result, for comparability purposes, we have prepared and present supplemental unaudited pro forma financial information for the nine months ended September 30, 2021 that assumes the spin-off was completed on January 1, 2021. The supplemental unaudited pro forma financial information does not purport to be indicative of our results of operations or financial position had the relevant transactions occurred on the dates assumed and does not project our results of operations or financial position for any future period or date. The pro forma financial information is unaudited and the completion of the external audit for the year ended December 31, 2022 may result in adjustments to the unaudited pro forma financial information presented herein any such adjustments may be material.

This report includes forward-looking statements. In some cases, you can identify these forward-looking statements by words such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue," or the negative of these and other comparable words.

Actual results and events may differ materially from those anticipated herein as a consequence of changes in general, economic and business conditions, changes in interest and currency rates and other risk 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 statements, 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: Good morning and thank you all for joining this quarter's conference call.

Before Diego provides a detailed look at our numbers, I will provide an overview of Colombia's macro scenario, followed by a quick update of our digital efforts and a few highlights of our financial performance.

Let's start with the macroeconomic scenario. To begin with, during the third quarter, the world continued to be characterized by resilient inflation and contracting monetary policies, of which Colombia was no exception. Due to the combination of these macroeconomic circumstances, the effects of the war in Ukraine, the energy market, the constraint of global supply chains, and the weaker economic performance of China, the largest economies of the world significantly slowed down during 2022.

In contrast, Colombia distinguished itself because of its robust continued GDP growth. Having said that, a significant deceleration seems unavoidable for next year. In fact, the IMF estimates that there is a 25% chance that 2023 global growth will fall below 2%, and even one third of the world's economies are at risk of slipping into recession. But for the time being, the IMF foresees global GDP growth moderating from 6.1% in 2021 to 3.2% in 2022 and 2.7% in 2023. In contrast, Colombia is expected to grow at over twice the global average during 2022, but slower in 2023.

Colombia's GDP grew 7.1% during the third quarter of 2022 when compared to the same quarter of last year and 1.6% on a quarterly basis. This performance was explained by the strength of private consumption, which grew 7.8% and represented 74% of GDP.

From the demand side, the most dynamic relevant sectors were commercial activities, that grew 7.9%; manufacturing, that grew 7.3%, and to a lesser degree, recreation and entertainment and construction and communications.

The IMF now expects that Colombia's growth for 2022 will rise to 7.6%, revised upward from 6.3% in July. It also expects a deceleration to 2.2% in 2023.

The Colombian Central Bank adjusted its 2022 projection to 7.9% from 6.9% and reduced the projection for 2023 to 0.5% from 0.7%. We now anticipate GDP growth between 7% and 7.5% in 2022 and between 1.7% and 2% for 2023.

The labor market has also continued to improve and the jobs gap caused by the pandemic has now practically disappeared. In September, the national unemployment rate reached 10.7%, 120 basis points better than September 2021, while the average unemployment rate during the third quarter was 10.8%, compared to 11% during the second quarter and 12.6% a year earlier. In this context, we expect the annual unemployment rate to fall to an average of 10.5% to 11% at year end.

Colombia, as the rest of the world, has been disrupted by two-digit inflation, which has triggered steep interest rate increases by the Central Bank. Furthermore, a recent acceleration in Colombia's inflation has been primarily boosted by higher food prices. In fact, 12-month inflation reached 12.22% in October, the highest it has been in over 20 years. Food inflation is running above 27% on an annual basis, mainly because of the prices of fertilizers, bad weather, and the depreciation of the peso, that weighs heavily on the price of inputs, logically, including agricultural imports.

On the other hand, rent prices, which accounted for around 25% of total inflation, have experienced a moderate increase. In this context, we anticipate that 12-month inflation could reach 11.7% by year's end and 6.8% in 2023.

As mentioned, the Central Bank has conducted a string of repo rate increases up to 11% in October, a combined total increase of 925 basis points since September 2021. Considering the persistence of inflation, we don't rule out the possibility of one additional hike of 100 basis points in December, which would bring the year-end rate to 12%.

Even though interest rates could remain high for some time to re-anchor inflation expectations within targets, the Central Bank should begin to reduce rates during 2023 as inflation begins to recede.

Monetary policy adjustments of central banks around the world, the risk of recession in the world's main economies, and the escalation of the geopolitical conflict in Europe have led to a strengthening of the global exchange rate. In Colombia, just recently, the rate peaked at COP 5,100 per dollar, representing a 28% devaluation since the end of 2021. However, it is currently retreated to COP 4,900 per dollar or 23% devaluation for the year. This volatility, no doubt, also reflects specific market concerns regarding the vulnerabilities of the Colombian economy, in particular its trade balance, its dependence on external financing in the context of higher borrowing costs, as well as uncertainty regarding potential policy shifts promoted by the incoming administration.

During August, Colombia's trade balance registered a record high USD 2.2 billion deficit, despite a 66% recovery in oil exports on an annual basis. Market consensus suggests that the country could end the year with a current account deficit wider than 5% of GDP.

To attenuate the volatility in recent days, in an about-face of a previous statement, the government mentioned the possibility of signing new oil contracts depending on the country's economic conditions. In addition, the agreement by Congress on the 2022 tax reform soon to become law should contribute to reduce the fiscal deficit. The reform is now expected to increase tax billings by COP 15 to COP 20 trillion, down from the original expectation of COP 25 trillion. It includes a surcharge for the oil and coal sector, which accounts for nearly half of the expected revenue, a surcharge for the hydroelectric sector, and an increase of two additional percentage points on the surcharge for the financial sector, which will now be 5%.

On the fiscal front, the government now expects a deficit to 5.6% of GDP in 2022, an improvement versus the 7.1% recorded in 2021 and the 6.5 % initially forecasted, reflecting the strong economic rebound and the positive effect of higher oil prices and tax collections. In fact, tax revenue grew 29.2% as of September 2022 when compared to September 2021. This improved fiscal scenario could contribute to a lower ratio of net public debt to GDP of 56.5% by year-end, down from 61% at the end of 2021.

Moving on, these are some numbers regarding our digital strategy.

- At the end of September, digital customers of Aval's banks totaled slightly less than 5 million, while new accounts of our digital wallet Dale have started to ramp up and are now at approximately 600,000.
- Dale has also successfully closed several banking-as-a-service agreements, including the LifeMiles Pay Wallet, Vita Wallet from Chile, the fintech WALO, which specializes in collections and payments, and Plurall, a fintech that will provide working capital microcredit.
- Our banks sold over 1.7 million digital products in the first nine months of the year, an increase of 52% versus the first nine months of 2021. Our total digital share continues around 60%.
- PDL ratios of our digital loan portfolio are approximately 60% better than PDL ratios of our traditional portfolio.
- Digital transactions represented almost 70% of total transactions and increased by 50% over the year. In the same period, transactions conducted in our branches decreased 12.5%.
- Since we launched our first mobility ecosystem initiative, CarroYa, memberships have increased by 17x. Qualified credit leads increased by 1.9x and the leads to disbursement conversion rate quadrupled.
- In September, we launched our housing digital ecosystem, MetroCuadrado, which is currently

the second largest real estate portal of Colombia, with more than 1,200 affiliated real estate agencies and construction companies and around 250,000 houses listed for sale and rent.

- The use of advanced analytic platforms applied to our client management activity has improved marketing spending effectiveness and increased client lifetime value.

Mathilde, for example, has reduced our CAC customer acquisition costs of retail customers below traditional acquisition channels such as Facebook and Google, materially increasing marketing spending effectiveness.

Campaigns ran on our other platform, Augusta, our data-led platform, achieved a 24% increase in the use of credit cards in clients with high attrition risk.

Augusta has yielded improvements of approximately 10% in recovery of written-off loans.

Finally, in a minute Diego will refer in detail to our financial performance during the third quarter of 2022 and provide guidance for 2023. But before that, I would highlight the following.

This third quarter was characterized by satisfactory growth of our loan portfolio and by improving loan quality. However, we did run into some headwinds.

First, while the current contractionary monetary policy serves to quickly reprice the loan portfolios of our mostly commercial lending banks, Bogotá and Occidente, faster than the rise in their cost of funds, the same effect squeezes interest rate margins in our two mostly retail lending banks, AV Villas and Popular. It obviously takes longer for the consumer loan portfolios of these banks to reprice and in the meantime, the cost of funds of their deposit bases, mostly savings accounts and time deposits, increase faster than the rates of its loan portfolios.

Secondly, fixed rate investments not classified as held to maturity, also suffered the consequences of rising yield curves via P&L or OCI accounts.

Thirdly, although Corficolombiana's infrastructure projects contributed handsomely to the non-financial sector results and in fact grew by almost 75% versus a year ago, its contribution was almost COP 275 billion less when compared to the second quarter of this year, principally due to inflation accounting.

Fourthly, personnel expenses were affected by the implementation of salary adjustments derived from the negotiation with banking unions and from the accrual and payment of employee bonuses across the group as a result of last year's excellent financial results.

Finally, the effective income tax rate during the quarter was almost 30% higher than last quarter's income tax rate, mainly because of the sources of pre-tax income.

However, we will continue to navigate through this challenging environment, deploying cost control initiatives, designing new investment portfolio strategies, maintaining loan pricing discipline, looking for mitigants in the cost of deposits, and continuing to invest in advanced analytics, payment strategies and digital transformation, improving our customers experiences and the effectiveness of our sales and marketing efforts.

With that, I thank you for your attention and I pass on the presentation to Diego.

Diego Fernando Solano: Thank you, Luis Carlos. Beginning on page seven, on comparable basis assets grew 3.5% during the quarter and 14.6% year-on-year. Over the quarter, loans gained share in the mix given the strong growth experienced while cash lost share in the mix due to the payment of our USD 1 billion bond last September.

Moving to page eight, we present the evolution of our loans on a comparable basis. Gross loans grew 5.1% during the quarter and 16.5% over the year, the highest figure since we adopted IFRS in 2015 and the second highest quarterly growth, slightly below the 5.8% registered during the COVID-19 pandemic hit in 1Q20.

Commercial loans growth reached a 4.5% over the quarter and accelerated to 15.4% year on year.

Consumer loans grew 5.8% over the quarter and 17.3% year on year. Personal loans had the strongest dynamism, growing at 10.9% during the quarter and 29.2% year on year, recovering some of the room lost during the two years of pandemic. This increase in risk appetite followed the end of reliefs, positive trends in credit quality, and a strong macro environment over the past few quarters. Automobile loans, credit cards and payroll loans grew 7%, 5.9%, and 3.8% over the quarter, taking annual growth to 18.3%, 16.4% and 13.6% respectively.

Payroll loans still constitute most of the consumer loan portfolio, with 57.7% of the total, followed by personal loans and credit cards with 21.5% and 11.5%, respectively. Auto loans represent 8.9% of our consumer book.

Finally, mortgages expanded 6.8% over the quarter and 21.4% year on year.

We expect loan growth to moderate in 2023, driven by lower inflation and GDP growth, higher average interest rates, and a softer economic outlook both locally and globally.

On pages nine and ten, we present several loan portfolio quality ratios on a comparable basis. As we had anticipated, the quality of our loan portfolios continued improving measured both by stages and by PDLs, resulting in a stable cost of risk over the quarter.

Stage 1 loans now represent 86.3% of our gross loans, improving from 81.7% and 84.3% 12 and three months earlier.

The portion of stage 2 and stage 3 loans continued improving over the quarter in all of our loan portfolios, as reliefs continued expiring, credit risk overlays were progressively removed and charge-offs occurred.

Regarding delinquencies, 90-day PDLs fell to 3.23%, a 57-basis points improvement over 12 months and a 10-basis points improvement over three months. 30-day PDLs fell to 4.33%, a 64-basis points improvement over 12 months and 5 basis points over three months.

Cost of risk net of recoveries was relatively stable over the year and the quarter at

1.36%. Finally, the ratio of charge-offs to average 90-day PDLs was 0.63 times.

On page 11, we present funding and deposit evolution on a comparable basis. Funding growth during the quarter was close to that of our loans, maintaining a stable deposit to net loans ratio of 99%. Deposits, which account for 70% of our funding, increased 4.1% during the quarter and 14.4% year on year, driven by growth in time deposits that favors the stability of funding.

On page 12, we present the evolution of our total and attributable equity and the capital adequacy ratio of our banks as reported. Our total equity grew 3.3% over the quarter, while our attributable equity increased 2.1%, driven by the contribution of net income. Annual decreases in our equity reflect the spin-off of 75% of BHI in March 2022.

Solvency ratios slightly fell in some of our banks, due to the increase in risk-weighted assets resulting from strong loan growth and the lower valuations of our investment portfolios through OCI derived from the acute increase in interest rates described by Luis Carlos.

On page 13, we present our yield on loans, cost of funds, spreads, and NIM on a comparable basis.

Our overall NIM fell 12 basis points to 3.52% during the quarter, driven by a compression of our NIM on loans and a negative NIM on investments.

During the quarter, Colombia's Central Bank increased its reference rate by 250 basis points from 7.5% to 10% in an effort to anchor expectations amidst inflationary pressures.

In addition, the speed at which monetary policy is transmitted to cost of funds has been substantially faster during this cycle relative to the past rate increase cycles due to recently increased requirements of long-term funding to comply with the net stability funding ratio, CFEN in Spanish, introduced by the migration of Colombia to Basel III.

The magnitude and speed of the current interest rate cycle has compressed the NIM of retail loans given that some of the higher credit quality loans, such as payroll loans, which are priced at fixed rates. We expect this pressure to recede during the second half of 2023 as funding prices fall, driven by the reduction in the Central Bank's intervention rate and as fixed rate loans continue repricing up. Meanwhile, we expect the pressure on NIM on our fixed rate retail portfolio to persist over the next few quarters.

In this context, NIM on loans in our banking segment contracted 30 basis points over the quarter. In addition, the higher funding cost of our non-financial activity resulted in an overall NIM on loans of 4.55%, contracting 36 basis points during the quarter.

Bear in mind that the increase in interest expenses associated with the funding of our non-financial activity was offset by a strong performance of the non-financial sector presented on the following page that benefits from inflation.

Tailwinds on our commercial lending activity that reprices promptly from a hawkish monetary policy led to a 31-basis points quarter on quarter increase in NIM on commercial loans, while headwinds on our NIM on retail loans that have longer repricing periods and take longer to benefit from this environment contracted 127 basis points quarter on quarter.

NIM on investments was -0.65% during the quarter, impacted by the performance of mark to market fixed income and in a rising rate environment. NIM on investment includes the performance of investments held by Porvenir under the mandatory stabilization reserve.

On page 14, we present net fees and other income on a comparable basis. Gross fee income increased 1.8% year on year and 7% quarter on quarter. Net fee income decreased 3.3% year on year and increased 7.1% quarter on quarter. As mentioned on the last call, pension fund fees decreased due to lower performance-based fees and higher insurance premiums associated with the increasing mortality rates during the pandemic.

Income from the non-financial sector remained strong, although softer than a particularly high second quarter. As mentioned in the past, financial assets from our concession agreements benefit from higher inflation and the depreciation of the Colombian peso.

Other income decreased during the quarter, mainly because of the softer results of BHI, as the appreciation of the Costa Rican colon and the increased impairment losses, following the end of reliefs in Panama negatively impacted U.S. denominated results. The depreciation of the average peso rate over the quarter partially offset this performance.

On page 15, we present some efficiency ratios on a comparable basis. Cost to assets had a slight increase over the quarter and remained flat versus a year earlier at 2.7%.

Cost to income increased to 47.7%, driven by softer results from our non-financial sector relative to a particularly strong result during the second quarter and by a compression in our NIM on retail loans.

Quarterly expenses increased 14.6% relative to third quarter of 2021, with personnel expenses increasing 8.8% and administrative expenses increasing 21% pressed by increases in operating taxes, particularly the industry and commerce municipal taxes, and by a depreciation of 14% of the quarterly average exchange rate that mainly affects IT-related OpEx in Colombia and overall expenses in MFG.

Quarterly expenses grew 6.8%, driven by personal expenses that grew 8% as salary adjustments and annual bonuses were recognized in some of our companies during this quarter. Administrative expenses grew 7.7% over the quarter.

Finally, on page 16, we present our net income and profitability ratios as reported. Attributable net income for the quarter was COP 408 billion or COP 17.2 pesos per share. Our ROAA and ROAE for the quarter were 1.3% and 9.8%, respectively.

Before we move into questions, I will now summarize our general guidance for 2022.

- First, we expect 2022 loan growth to be in the 16% area, with commercial loans growing at 15% and retail loans at 17%.
- We expect our cost of risk net of recoveries to be in the 1.45% area.
- We expect full-year NIM to be in the 3% and 3.75% area with NIM on loans in the 4.75% area.

- We expect cost to assets to be in the 2.6% area.
- We expect our fee income ratio to be in the 18% area.
- We expect our non-financial sector to be 1.2 times that of 2021.
- Finally, we expect our full-year reported return on average equity to be in the 18% area. Bear in mind that this return includes extraordinary income from the deconsolidation of 75% of BHI.

Regarding guidance for 2023,

- we expect loan growth to be in the 12.5% area, with commercial loans growing in the 12% area and retail loans in the 13% area.
- We expect our cost of risk net of recoveries to slightly increase to 1.5 %. We expect full-year NIM to be in the 3.75% to 4% area, with NIM on loans in the 4.75% area. Our NIM on investments is expected to recover to positive ground.
- We expect cost to assets to slightly fall to be in the 2.5% to 2.6% range.
- We expect our fee income ratio to be in the 20% area.
- We expect our non-financial sector to contribute 70% of that contributed in 2022.
- Finally, we expect our full-year reported return on average equity to be in the 13% to 14% range. We're now open for questions.

Operator: Thank you. We will now begin the question and answer session. If you have a question, please press zero (0) then one (1) on your touchtone phone. If you wish to be removed from the queue, please press zero (0) two (2). If you are using a speakerphone, you may need to pick up the handset first before pressing the numbers. Once again, if you have a question, please press zero (0) then one (1) on your touchtone phone. And we're standing by for questions.

Our first question comes from Mr. Nicolas Riva, from Bank of America. Please go ahead.

Nicolas Riva: Thanks very much, Luis Carlos and Diego, for the chance to ask questions. I have four questions. I'm going to make them all at once in case I get cut off.

So, the first one on the tax reform. If you can confirm if there is going to be a surcharge in the income tax rate for the banks of 500 basis points starting next year and if therefore, the impact in the statutory income tax rate for Aval would be 200 basis points, given the current surcharge for the banks. That's my first question on the tax reform.

Second question on the pension reform. I believe it has not been presented to Congress yet, but if you can give us your latest thoughts in terms of how you think it might look and the impact for Porvenir and for Grupo Aval.

Third question: funding needs for the Holdco. You include a chart with the maturities for the holdco year by year. It seems to me you don't have any large maturities after the payment of the '22 in September and therefore I would assume no need to come to the global market next year, but if you can give us your thoughts on that?

And then fourth, double leverage for the holdco, given that this has a very particular definition, and one thing that I noticed was after you paid the USD 1 billion maturity in September, there was no drop in that double leverage after that. If you can tell us why. Thanks.

Diego Fernando Solano: Let me take a few of those and Luis Carlos will take pension.

Regarding the tax reform, you're right. It is a 5% or five percentage points surcharge, of which we already have 3 percentage points. Therefore, the marginal change will be two percentage points, affecting only the banking business that we have. So, business such as what comes from the non-financial sector, what comes from equity method and other pieces will not be affected. Therefore, the full impact will not be additional 200 basis points on our overall effective tax rate.

Regarding funding needs for the Holdco, you're absolutely right. We're already done with that. Our next maturity comes around in 2030. International bonds, local bonds will only come around in almost 24 months from now, and there are minor additional refinancings of around COP 50 million when you add them throughout the last months of next year. So, no need of cash at this point with what we've already done during September.

Then, regarding double leverage, what happened is exactly what should be happening, because the way double leverage is calculated is you take your investments and you divide them by your equity. Given that what we had was a transaction from cash that took away liabilities, it's not affecting either of those.

So, what reduces double leverage is a combination of two things. One is, as time goes by and we retain earnings, that generates a benefit to reduce double leverage. And then, one of the pieces that adds to our double leverage is the AT1 bond that we bought from BAC that has around three years to go or short of three years to go and that should be a step down in double leverage when and if they exercise that.

Luis Carlos Sarmiento Gutiérrez: Okay. Let me try to be as brief as I can about the pension reform that the government plans to bring to Congress, I believe, around May of 2023. So, basically about midyear next year, the pension reform will be presented to Congress and to talk about how it will affect Aval, you have to bear in mind how Porvenir makes its revenue. It comes from four sources, basically.

First of all, there are obligatory contributions to pensions that come from employees, companies would take a part of their salary every month and the companies they work for also contribute with a part of that money. The money goes to their own accounts in Porvenir and Porvenir is paid with a percentage of the total funds that are contributed every month.

Of the monies that are paid to Porvenir, the total contribution from the employee and the companies they work for, that commission that Porvenir receives based on those monies is basically split out two ways. On the one hand, the insurance companies are paid a commission and the insurance companies basically charge a premium for insurance in case the employee has to pension before the obligatory required age and number of weeks of work. Nowadays, especially after COVID, as you know, insurance premiums have risen all over the world and insurance premiums charged to protect the needs of people to become pensioned before their time have really risen to the point where of the total commission that is charged on those monies, Porvenir is receiving almost nothing. The maximum that can be charged of those monies is 3% and right now the insurance companies are charging about 2.7 or 270 basis points. So, Porvenir is only retaining about 30 basis points of those monies.

Porvenir also makes some money on the managing of cesantías and those are monies that come in on February 14th of every year and basically, they are withdrawn from the people, from the employees who they belong to throughout the year, so Porvenir makes some money on managing the funds, not on the contribution of what comes in every year but on the average monies managed.

And then thirdly, there is a voluntary pension fund but for Porvenir, that's really not a very big business.

Fourthly, and most importantly, Porvenir manages its own capital. The capital requirements of pension funds are pretty substantial and the law says that that capital is basically maintained in cash and it has to be invested in the same way that Porvenir invests the funds of its affiliated employees. So, the money that Porvenir really makes substantially comes from its own capital and the yields that Porvenir gets on those funds that it manages of its own capital.

All this very long story to tell you that most of the revenue that Porvenir makes comes from that fourth source of income, its own capital managed and invested.

Therefore, what should happen if the pension reform is passed, the way that it's being presented or that it's being talked about, which is that employees that make up to four minimum salaries, which is about USD 800 more or less a month, that they will stop contributing to the private pension funds and instead start to contribute directly to the government-owned pension funds, Colpensiones,

Then that means that obviously the monthly revenue coming in to Porvenir will obviously diminish substantially by about 60%. That's the first calculation that I have. But since Porvenir is really not making that much money towards its own total revenues from the monies contributed every month because the commission is ending mostly in the insurance companies, then really a first look will indicate that the less money received by Porvenir due to those commissions will really not affect its bottom line as much as obviously how they manage their own capital in the funds that it invests.

So, we'll see. First of all, and just to finish, we'll see first when the reform is presented to Congress. Secondly, we'll see how it comes out of Congress, because, as you know, laws come in one way and then when they finally become law in Congress, they've changed substantially most of the time. And then thirdly, the most important thing is to keep in mind that nowadays actually Porvenir's funds are not really that much dependent anymore on the monies that come in every month, but mostly on how they manage their own portfolio.

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

Yuri Fernandes: Hi, Luis Carlos, Diego. Thank you for the opportunity to ask questions. I have a first one regarding your FX losses this quarter, if you can provide more color, explain what happened there, if this should be something more recurring, or if it was a one hit this quarter and that's it. So, first question regarding FX losses.

I have a second one regarding Occidente capitalization. We used to pay a lot of attention on Banco de Bogotá, but this quarter we note some decrease in Occidente in the quarter, a decrease of about 100 bps. So, my question is, what happened there? What is the outlook for Occidente capitalization?

And if I may, a third and last one, guys. We see valuation there discounting for a while, right? We understand Colombia has been suffering a lot. But is there any movement from management to improve that valuation? So, for instance, launch buyback programs is something that you have been considering on that regard? Thank you very much.

Diego Fernando Solano: Okay. Regarding FX losses, the way to think about FX losses is there's actually two accounts or three accounts that add together what is happening on the FX side. It is what happens with foreign exchange gains net, and I'm referring you to page 14 of the report. Net income loss or the presentation on financial derivatives and other trading income and derivatives. Take a look at that. What we had during the second quarter was -109 and for the third quarter was -154. So, what is happening here is we have offsetting numbers. It's actually a number that has become more expensive as depreciations that are part of derivatives are much higher than what they normally should be. However, there has been little change throughout the quarter.

Then, regarding capitalization of Banco de Occidente, what you're seeing here is Banco de Occidente over the past few years has been working on improving its commercial effectiveness and they've been quite successful in growing both on the corporate business and the retail business. And that's the reason why they've been consuming capital in some sense. Given that the OCI from fixed income has been particularly negative over the past few months, then what would normally happen would be equity growing at the same pace as you would have the loan portfolio of a successful growing bank as Banco de Occidente would basically equate. However, we have that negative and that's the reason why you have a positive commercial performance, but you have the changes in OCI and you end up consuming capital. That's the story for Banco de Occidente.

Then, regarding actions to change valuation, if I got your question right, and I apologize here, if you can repeat it. What have we done or are we planning something about it? If that was your question, at this point, we haven't announced any action in that sense. What we're doing as management is working on increasing net income in such a manner that we're able to generate intrinsic value. If I got your last question right, Yuri.

Yuri Fernandes: That was right, Diego. It was more like, do you plan to increase dividends? I don't know if that's the right thing to do now, given the uncertainty in Colombia, but buybacks, any kind of change on capital distribution, given the share prices. That was it. I was just asking about buybacks, basically.

Diego Fernando Solano: Yeah. If we take any action, we will announce it to the market at that point. We can't announce anything as of today.

Yuri Fernandes: Thank you very much.

Operator: Thank you. Our next question online comes from Julián Ausique, from Davivienda. Please go ahead.

Julián Ausique: Hi, everyone and thank you for having my question. I have two questions. My first question is regarding the BHI tender offers. I don't know if the administration has any opinion or analysis about it and if Grupo Aval has considered any possibility to sell the remaining that it has in BHI shares.

And my second question, I would like to understand better why you are expecting an ROE of 13% for next year if we see good growth of the loan portfolio, we see control in cost of risk and improvement of NIM. What will be the effect of that reduction on ROE for the next year? Thank you.

Diego Fernando Solano: Okay. Regarding BHI, we have to be very careful at this point because that's a decision that Banco de Bogotá's board should be taking and hasn't taken yet regarding party's participation in this tender offer. What I can tell you, without being this a full analysis of what's going on, is what will happen if Banco de Bogotá sells its investment in BHI. Day one, they will get cash and they will liberate some solvency and improve their CFEN as well. So, depending on how they invest that money, over time, they will get some sort of return. At this point, that's the only thing I can comment on.

If you go out to the market and check what you can get from risk-free in Colombia, it's basically an improvement over the rates that you currently have.

Long term, we need to see what Banco de Bogotá suggests, but we are in this process, improving solvency and improving the CFEN position that gives them room for mobility. So, even though I can't comment and we have to be very careful because this is a decision that needs to be taken by Banco de Bogotá's board, these are some basics, not a full analysis, but some basic things that need to be taken into account.

Then, I have to apologize but I didn't get your question on the 13% ROE. So, if you can try to rephrase it.

Julián Ausique: Of course. I would like to understand why you are expecting a reduction in ROE for the next year if we have a good performance in the loan growth and a stable cost of risk and even an improvement on NIM. What are the main reasons that we have this reduction of ROE for next year? I know the effect from BHI spin-off but we know that their ROE will be reduced for the next year.

Diego Fernando Solano: Yes, you're right. The main explanation of why ROE falls relative to this year is the spin-off of BHI. However, I'm not sure that's your question, but part of what I need to say is a 13% to 14% ROE is not what we expect to be a stable ROE for Grupo Aval moving forward. And the reason why we're prudent on the ROE that we're guiding into is at this point we see pressure on the NIM on the retail lending side. Therefore, we expect that to overflow into next year, negatively affecting the first half of the year. So, what we should be seeing next year is a first half that is not representative of what Grupo Aval looks like and we're going to have an improvement over the rest of the year. So, when you average those out, you end up in, let's call it a subpar ROE for next year.

Operator: Thank you. Our next question comes from José Cuenca, from Citigroup. Please go ahead.

José Cuenca: Hi, everyone. Good morning and thank you for taking my questions. I have a couple of follow-ups. The first one is with regard to the infrastructure income performance. We've seen a very good performance in the past couple of quarters. But 2023 guidance implies a relatively softer performance, it seems to me. I just want to confirm if this is due to inflation eventually, and I would guess FX also, these two variables eventually stabilizing for next year and those not being very strong tailwinds for infrastructure income. That would be my first question.

And my second question is with regards to the effective tax rate. I really didn't understand why the effective tax rate was a bit higher, especially when considering that pre-tax profits were a bit softer both quarter over quarter and year on year. So, if you could clarify a bit why with softer earnings the effective tax rate was higher.

And lastly, I'm not sure if you could comment a little bit on what you think would be a more normalized or sustainable ROE level moving forward. Thank you very much.

Diego Fernando Solano: Okay. Regarding infrastructure performance, you're absolutely right. And just to remind you of what our initial guidance on Corficolombiana was, I'm basically going back a year in time. We had anticipated that Corficolombiana should be reducing its contribution in around 25%. However, as you very well pointed out, inflation and FX do favor our concessions. They do favor those because what they do is they generate increasing earnings over time for those concessions that get marked into the financial assets from the concession. So, what we actually had during this year was an unexpected inflation and devaluation that brought in unexpected overperformance of the concessions’ and what we expect to see during next year is exactly what you said, a normalization in both inflation and devaluation that could bring us back to normal.

I need to add as well that Corficolombiana has been working on generating opportunities for new projects, some of those in infrastructure that are very well advanced that hadn't begun in the past, but that had already been awarded to Corficolombiana and they're looking as well in other opportunities in the energy sector that should continue to help them bring them over time.

Then, to your normalized ROE, a key assumption for that is that inflation is going back to the 3% to 4% area to make numbers of ROE comparable. In that sense, in that sort of scenario, we're expecting our ROE to be north of 15% in a sustainable manner.

Luis Carlos Sarmiento Gutiérrez: And then you asked about the effective tax rate during this quarter versus last quarter. And what happens, and it's tough to analyze, but as you say, we had softer earnings before taxes, but then you have to see where the earnings come from because, for example, every earning that comes from the Central American operation does not pay taxes here because it's already paid taxes in Central America.

Now, as the Central American operations effect in pre-income tax decreases, then a large portion of the remaining pre-tax income is taxed. So therefore, what happens is just that, the sources of the pre-tax income vary from one quarter to the other and then, depending on the source where the income comes from, it has income taxes or not. So, that's exactly what happened this quarter. The different sources of the pre-tax income made that tax rates seem more significant than in previous quarters.

Operator: Thank you. Our next question comes from Daniel Mora, from CrediCorp Capital. Please go ahead.

Daniel Mora: Hi. Good morning. Thank you for taking questions. I have a couple of questions.

The first one is regarding NIM. I would like to begin asking if, what will be the NIM strategy, the margins strategy going forward, considering the current pace of the Central Bank rate and also cost of funding. You already mentioned that you expect better numbers in the second half of next year but I would like to know if you would like or you are thinking in doing something different in the loan book, in the loan mix, to improve margins. And also, if you can repeat the guidance that you have of NIM for this year, for 2022, and also for 2023. That would be for my first question.

And the second one is regarding NPLs. Even though we are observing improving numbers of asset quality indicators, it is clear that after the spin-off of BHI Grupo Aval reports higher NPLs when compared to peers, above the 3% threshold. What is the outlook going forward, given that we are entering in a scenario of economic deceleration, higher interest rates, and also a persistent high inflation? What are your thoughts regarding this front? Thank you so much.

Diego Fernando Solano: Okay. So, regarding margins, the scenario we're looking into is a scenario where we're very close to the end of the rate increase cycle. We should see it throughout this year. It should be stable during the first months of next year. We are not certain at what point should that turn around, if it's beginning or end of third quarter. But that's the scenario that we're taking as a base.

Regarding strategy for cost of funds, what we have been doing and it's part of the reason why you see some increase in our cost of funds is we've already been increasing our position in time deposits and working on bonds. Therefore, we've been preparing for that sort of scenario and cost of funds, trying to get funds in advance for the remainder of the increase in the interest rate cycle.

Regarding the loan book, and this ties to your question on NPLs, what prepares us for the cycle is the work we've been doing over many, many years. When you look at our book in Colombia, it is very concentrated in payroll lending. That should perform much better over time regarding NPLs than an average book in Colombia. So, we already went in that direction. And then when you look at our numbers, our numbers do have higher NPL ratios than pre-spin-off of BHI because BHI had a much faster cycle to write-off their past due loans.

So, part of what you need to look into is by stages, how our stages are behaving. Our stages continue to improve. When you look only at NPLs and you compare throughout the system, it is somehow affected by differences in write-off metrics. When you look intrinsically at our portfolio, what you see is an improvement in stage one loans, stage two loans, and even the composition overall by stages. And then something to look into is the speed at which NPLs are changing for the Aval banks and the speed at which NPLs are increasing for the rest of the system.

Basically, at this point we continue to see a positive behavior at the Aval level. We've been watching our peers and some of our peers have started to show different NPL increased behavior and that is explained by a higher concentration into higher risk consumer lending products. In the case of Aval, what we're having is a protection from the structure that we've built over years.

Please let me know if I covered both of your questions. I did it not in a very organized manner, but I want to make sure that I properly answered your questions.

Daniel Mora: Yeah, that's perfect. Just if you can just repeat the guidance for this year. Thank you.

Diego Fernando Solano: Oh, I'm sorry. Regarding NIM for this year, NIM on loans should be at 4.75%. When you think of next year, we're in NIM at a similar level, also 4.75%, with some opportunity for increase there. But at this point, we're taking it as flat. However, NIM on investments, that have been running negative, we expect them to move to the positive ground. Therefore, when you look at overall NIM, that for this year we guided at 3.75%, for next year we're guiding an improvement of around 25 basis points to that. And the explanation is similar NIM on loans but we're stripping away the negative from NIM on investments.

Operator: Thank you. We have no further questions at this time. I will now turn the call over to Mr. Sarmiento for his final remarks.

Luis Carlos Sarmiento Gutiérrez: Well, thank you so much. As you can see, this quarter we had some headwinds but as Diego was saying, we do expect to be almost at the end of the of the rising repo rate scenario. That would really work in our favor. And we are implementing all other sorts of corrective actions that I think will in the next quarter or two get us back on track.

With that, I leave you and I thank you again all for your attention and your great questions. We'll see you next time.

Operator: Thank you. Ladies and gentlemen, this concludes today's conference. Thank you for participating. You may now disconnect.

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