



REFERENCE FRAMEWORK FOR INSTITUTIONAL RELATIONS

GRUPO AVAL

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CONTENTS

1.	ORGANIZATIONAL STRUCTURE.....	2
1.1.	Parent Company	2
1.2.	Main Subordinate Institutions	2
1.2.1.	Banco de Bogotá S.A	2
1.2.2.	Banco de Occidente S.A	3
1.2.3.	Banco Popular S.A	3
1.2.4.	Banco Comercial AV Villas S.A.....	3
1.2.5.	Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.....	3
1.2.6.	Corporación Financiera Colombiana S.A	3
1.2.7.	Grupo BAC-Credomatic	3
2.	ORGANIZATIONAL OBJECTIVES	4
3.	GUIDING PRINCIPLES OF THE ORGANIZATION	4
3.1.	Informational transparency and integrity	5
3.2.	Respect and fair treatment of its stockholders and investors	5
3.3.	Excellence and innovation	5
3.4.	Social responsibility.....	5
4.	GOVERNANCE AND CONTROL ORGANIZATIONAL ARCHITECTURE.....	5
4.1.	Shareholders General Meetings	6
4.2.	Boards of Directors	6
4.3.	Support Committees of the Boards of Directors.....	7
4.4.	Senior Management	8
4.5.	Control Bodies	9
5.	INTRAGROUP TRANSACTIONS.....	10
5.1.	Main areas of activity and eventual common businesses and services	10
5.2.	Criteria for establishing the pricing and conditions of the common businesses and services	11
5.3.	Guidelines for performing intragroup operations.....	11
5.4.	Mechanisms to solve possible conflicts of interests in the intragroup operations	12
6.	ADOPTION AND IMPLEMENTATION OF THE REFERENCE FRAMEWORK	14

REFERENCE FRAMEWORK FOR INSTITUTIONAL RELATIONS GRUPO AVAL

The purpose of this document is establishing the applicable reference framework for the institutional relations between Grupo Aval Acciones y Valores S.A. (“Grupo Aval”) and its subordinate institutions (“Subordinates”, and jointly with Grupo Aval, the “Organization”) for the achievement of organizational objectives.

1. ORGANIZATIONAL STRUCTURE

1.1. *Parent Company*

Grupo Aval is a commercial corporation with stock listed in the National Registry of Securities and Issuers of Colombia (RNVE, for its acronym in Spanish) and in the U.S. Securities and Exchange Commission, whose main objective is the purchase and sale of stock, bonds and securities from entities belonging to the financial system and other commercial entities.

During the development of its corporate purpose, Grupo Aval keeps controlling investments in entities belonging to the financial sector wherein, its condition as parent company, defines the strategies and best practices to create value in its Subordinate entities and for its shareholders through the administration of a multi-brand model, defining and executing strategies for organic and inorganic growth, financial control and budget, management of different risks influencing the activities developed by Grupo Aval and its Subordinates and establishing synergies through the rendering of shared services, among others.

Grupo Aval has presence in the Colombian and Central-American financial sectors through direct and indirect control of Banco de Bogotá, Banco de Occidente, Banco Popular, Banco Comercial AV Villas, Corporación Financiera Colombiana, Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir and BAC Credomatic.

1.2. *Main Subordinate Entities*

1.2.1. Banco de Bogotá S.A.: Banco de Bogotá is the second largest bank of the Colombian financial sector, measured by assets, providing universal banking services to all segments of personal and corporate banking. It is the oldest financial institution of Colombia, founded in 1870, with a tradition of more of 145 years. **Main Subsidiaries:** Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A., Grupo BAC-Credomatic (Central-America), Fiduciaria Bogotá S.A., Almacenes Generales de Depósito Almagora S.A., Casa de Bolsa S.A., Banco de Bogotá S.A. Panamá and Banco de Bogotá Nassau Ltd.

- 1.2.2. Banco de Occidente S.A.:** A bank focused on corporate and entrepreneurial banking as well as on the massive affluent segment within personal banking. It is the fifth largest bank of the Colombian financial sector measured by assets. The bank with its main offices in the city of Cali has a strong presence in the south-west of Colombia and is leader in the credit line for vehicles through financial leasing. **Affiliates:** Fiduciaria de Occidente S.A., Banco de Occidente (Panama) S.A., Ventas y Servicios S.A. and Occidental Bank Barbados.
- 1.2.3. Banco Popular S.A.:** leading entity in consumption credit focused on payroll loan credit, pioneer and market leader of such product and main provider of financial solutions to government entities throughout Colombia. **Affiliates:** Fiduciaria Popular S.A. and Alpopular Almacén General de Depósitos S.A.
- 1.2.4 Banco Comercial AV Villas S.A.:** Banking establishment focused on mass consumption and mortgage credits. The bank focuses on the massive segment of personal banking. **Affiliates:** A Toda Hora S.A. – ATH. (ATMs)
- 1.2.5. Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.:** A Corporation market leader in pensions and severance funds administration in Colombia. **Affiliates:** Aportes en Línea S.A.
- 1.2.6. Corporación Financiera Colombiana S.A.:** Leading Financing Corporation in Colombia. It has an actively administered variable income investment portfolio with controlled and non-controlled investments in key sectors of the Colombian economy including the financial sector, energy and gas, infrastructure, agro-industry and hotel-industry business sectors. **Main Affiliates:** Fiduciaria Corficolombiana S.A., Hoteles Estelar S.A., Proyectos de Infraestructura S.A., Episol S.A.S., Coviandes S.A., Organización Pajonales S.A., Mavalle S.A., among others.
- 1.2.7. GRUPO BAC-Credomatic:** Grupo BAC-Credomatic offers services of universal banking and owns the leading franchise in issuance of credit cards and acquiring business in Central America, becoming one of the main conglomerates in the region, with a wide network of channels in Costa Rica, Nicaragua, El Salvador, Guatemala, Honduras, Mexico and Panama. **Main Affiliates:** Banco de America Central, S.A. (Guatemala), Credomatic de Guatemala S.A., Banco de America Central, S.A. (El Salvador), Credomatic de El Salvador, S.A. de C.V., Banco de America Central Honduras, S.A., Credomatic de Honduras, S.A., Banco de America Central, S.A. (Nicaragua), Credito, S.A. (Nicaragua), Banco BAC San José S.A. (Costa Rica), Credomatic de Costa Rica S.A., BAC International Bank, Inc. (Panama), BAC Bank, Inc. (Panama), Credomatic de Panama, S.A. and Credomatic of Florida, Inc.

2. ORGANIZATIONAL OBJECTIVES

Grupo Aval has positioned as the main financial holding of Colombia and one of the largest banking groups of the Central American region. In the coming years Grupo Aval aims at continuing to consolidate its leadership in the financial sector through its Subordinate entities through a strategy focused on capturing growth and profitable opportunities for the conglomerate in the different businesses it participates in, through its Subordinates. Particularly with the objective of:

- i. To increase market share and penetration in the Colombian financial marketplace, seeking:
 - fostering and capturing the growth potential of the Colombian financial sector, given its low banking penetration rates,
 - increasing the presence and market share in profitable products for its Subordinate entities and wherein it has a market share with greater growth opportunities, and
 - increasing the penetration and use of financial products by customers of its entities through cross-sale strategies.
- ii. To increase its participation in Central America, complementing the presence and leadership of BAC Credomatic in the segment of individual banking and credit cards through:
 - taking advantage of opportunities provided by the growth of the financial sector in Central America, and
 - to develop and strengthen corporate banking in the region supported in the knowledge and competences of the Grupo Aval in Colombia.
- iii. To develop and capture operational synergies between Grupo Aval and its Subordinate entities through the rendering of shared services with different entities with the objective of achieving efficiencies as a consequence of applying economies of scale in aspects such as centralized corporate procurement and technological developments.
- iv. To acquire and integrate interests in companies generating strategic value for the Organization through the selective search of strategic investments and acquisitions in Colombia and Latin America.

3. GUIDING PRINCIPLES OF THE ORGANIZATION

Seeking to achieve the organizational objectives Grupo Aval and its Subordinate entities shall carry out their activities oriented by the following guiding principles for acting before the state, society, its shareholders, investors and other stakeholders:

- 3.1. Information transparency and integrity:** The Organization acknowledges the value of providing clear, integral, truthful and timely information for an adequate awareness of its financial and nonfinancial situation, and as a fundamental basis of the relationships with its shareholders, investors, authorities, other stakeholders and capital markets. With the purpose of achieving its strategic objectives the Organization shall act with prudence and loyalty towards its shareholders and investors regardless the size of their interests, and committed with the quality of service for its clients, always within the framework of the limits of applicable regulations, respecting and supporting the strengthening of the institutions and cooperating with the authorities for enforcing and compliance of the law.
- 3.2. Respect and fair treatment of its shareholders and investors:** The Organization shall promote the acknowledgment of the rights of its stockholders and investors as well as the mechanisms for their legitimate exercise through fair treatment, balancing the interests of the different groups of shareholders and efficient mechanisms so that the shareholders can express their opinions, submit queries or make suggestions about the development of the Organization.
- 3.3. Excellence and innovation:** The most valuable resource of the Organization is its people. Grupo Aval and its Subordinate entities are committed to attract, retain and develop the most talented and qualified professionals. Adequate policies for promotion based on merits will be established fostering teamwork, innovation, continuous improvement of our operations, as well as the transversal and horizontal implementation of the best practices developed within the different entities forming part of our Organization. Grupo Aval and its Subordinate entities acknowledge the fact that qualified, trained and motivated staff is a fundamental component for generating value.
- 3.4. Social responsibility:** The Organization acknowledges and understands its role in the development of society, the importance of financial inclusion, the efficient and clean use of physical resources and the support of social causes as part of its social, environmental and economic commitments, for contributing to the generation of well-being for the community.

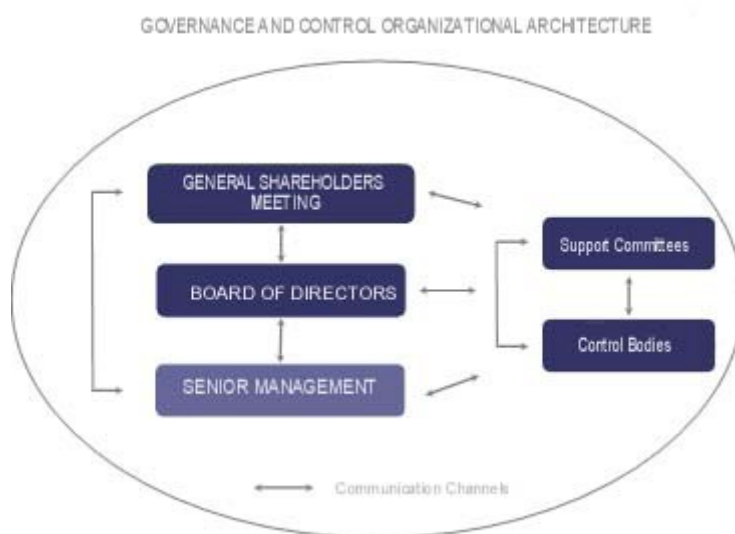
4. GOVERNANCE AND CONTROL ORGANIZATIONAL ARCHITECTURE

As part of its permanent objectives of Corporate Governance, Grupo Aval and its Subordinate entities shall seek the search for cohesion of governance and control architecture of the Organization through a common and shared vision of the key positions within the structural organization and the actions and coordination of its governance bodies.

INSTITUTIONAL RELATIONS REFERENCE FRAMEWORK

Likewise, it shall promote the generation an integral control system including the control environment, risk management, internal control systems, information and communication, and monitoring, adequate for generating a transparent structure and homogeneous policies and procedures aligned for achieving the organizational objectives.

Without prejudice of the independence of its Subordinate entities and the responsibilities of its own governance bodies, the organizational structure of the entities that comprise the Organization shall be aligned to assure the existence of the governance levels shown below:



4.1. Shareholders General Meetings

As the highest steering bodies, General Shareholders Meetings are crucial for an efficient exercise of shareholders political and economic rights. For the proper exercise of such rights and compliance of legal and statutory duties of these bodies at the different levels of the Organization, Grupo Aval and its Subordinate entities shall act guided by the corporate principles of respect, fair treatment, transparency and integrity of information, through adequate disclosure of summons to and agendas for the Meetings, providing clear, timely and thorough information for the deliberations that may take place, the making of informed decisions on the matters under the competence of the meeting and through the establishment of efficient mechanisms of relationship with its shareholders, allowing them to be heard and for proposing issues for the consideration of the Meeting, the Board of Directors and/or the Senior Management, as the case may be.

4.2. Boards of Directors

The Boards of Directors of the Grupo Aval and of its Subordinate entities, as the highest administrative bodies, are accountable for orienting the strategic policy of the

Organization, monitoring and assessment of Senior Management performance and establishing the governance and control architecture, determining management and organizational development policies either directly or through Support Committees, overseeing compliance of such policies by the Senior Management and acting as liaison between Senior Management and the General Shareholders Meetings when so required.

In application of the corporate principle of excellence and innovation, the Boards of Directors of Grupo Aval and its Subordinate entities shall be comprised by members having the necessary personal qualifications, knowledge and professional competence to perform the responsibilities required by their positions for achieving strategic objectives of the Organization. Likewise, the Boards of Directors the Organization shall have the role of generating an adequate power balance between the Shareholders Meetings on the Senior Management for strengthening corporate governance.

During the development of the aforementioned, the Boards of Directors shall have an adequate number of members, fixed according to the characteristics and size of the entity, assuring efficiency, impartiality and objectivity of criteria during the performance of their duties. It is deemed that the participation of the directors in more than one Board of Directors of the Organization may facilitate the strategic orientation, supervision, control and effective management, enhancing the generation of a homogeneous corporate culture, as well as developing appropriate communication channels.

The members of the Boards of Directors of the Organization shall have adequate time availability for complying their duty, and shall meet regularly and periodically to provide appropriate follow-up to the development of the strategic objectives of Grupo Aval and its Subordinate entities as the case may be.

4.3. Support Committees of the Boards of Directors

For performing their responsibilities, the Boards of Directors of Grupo Aval and its Subordinate entities shall have Support Committees established according to the size, nature and activities of the corporations comprising the Organization. Without prejudice of the possibility of direct communication between the Board of Directors and the Senior Management, the Support Committees shall include within their purposes, acting as communication channels between these governing bodies.

Likewise, Support Committees, through their presidents, when so required by the General Shareholders Meetings or when the Support Committee deems so convenient, they shall have the capacity of submitting specific reports to the General Shareholders Meetings, regarding the tasks performed by the respective Committees, as well as the issues addressed within a certain period.

Additionally, for the case of Grupo Aval as parent company, the Support Committees shall facilitate the corporate strategic orientation, the supervision, control and effective administration of the Organization's governance and control, acting as a communication channel with the Support Committees of the Subordinate entities or before the Boards of Directors of such entities, in such cases where there is no Support Committee with functions similar to those of the parent company.

The Support Committees, according to the dimension of responsibilities vested upon them by the Boards of Directors, shall meet with enough periodicity for providing a proper follow-up to the development of the strategic objectives of Grupo Aval and its Subordinate entities, as the case may be.

4.4. Senior Management

The key management positions of the Grupo Aval and its Subordinate entities are comprised by the presidents of the entities, main executives, personnel in charge of the control, risk and auditing areas, responsible for the ordinary course of business and in charge of conceiving, executing and carrying out the follow-up to the objectives and strategies of the Organization.

The Senior Management shall have sufficient authority, experience, knowledge, competence and the necessary resources for performing its assignments in a loyal and responsible manner before the Organization, its shareholders, investors and other stakeholders.

The task of the Senior Management is structured under two approaches within the Organization. On one hand, the Senior Management of Grupo Aval, in its capacity as parent company dedicated to providing support for generating value of the corporation and its Subordinate entities orienting, guiding, supporting and supervising the development of its business models.

On the other hand, the performance of the Senior Management of Grupo Aval is supported on the work of the Senior Management teams of Subordinate entities, specifically responsible for the executing the strategy and business plans of such entities, which shall be aligned with the execution of the strategy and business plans of the Organization.

Under this structure the steering teams of Subordinate entities are directly responsible for specific results of such entities, being autonomous for decision-making allowing them to perform their own objectives as components of the objectives of the Organization.

The Senior Management of Grupo Aval shall have a fundamental role within the governance and control architecture of the Organization, concentrated from the corporate viewpoint, on:

INSTITUTIONAL RELATIONS REFERENCE FRAMEWORK

- Defining the strategic focus of Subordinate entities for achieving organizational objectives.
- Defining the organizational structure of governance and control.
- Homogeneously and effectively identifying, measuring, monitoring and controlling the risks that have an incidence on the Organization at a consolidated level and for each entity.
- Defining corporate policies and guidelines for the integral management of risks that have an incidence on the activities of the Organization.
- Identifying, analyzing and achieving synergies among the Subordinate entities seeking to capture the benefits of economies of scale and the conveyance of best practices.

On its part, the task of the Senior Management within the Subordinate entities will be oriented towards complying with the strategic plans defined by their own governing bodies within the framework of corporate policies and guidelines, and reporting sufficient and adequate information to the Senior Management of Grupo Aval, for the follow-up and assessment of the performance of objectives and of risk management at corporate level.

For implementing an adequate governance and control architecture, Senior Management of Grupo Aval and its Subordinate entities shall keep clear reporting lines with visible accountable individuals in each entity for identifying, measuring, monitoring and controlling the risks inherent to their areas.

Verifying that the Subordinate entities operate under a homogeneous and aligned corporate framework shall form part of the permanent purposes of the governance and control architecture of the Organization. As part of such task, the Support Committees of the Boards of Directors constitute an efficient body for monitoring and providing guidelines relating to the tasks performed by the Senior Management for such purpose.

4.5. Control Bodies

The Control Bodies, comprised by internal auditing and comptrollers areas, as well as the external auditing and statutory auditor, perform a fundamental role in the governance and control architecture of the Organization.

The internal auditing and comptrollers areas of Grupo Aval and its Subordinate entities, while forming part of the personnel structure of the Organization, benefit from the continuous and timely knowledge of the manner in which the respective



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responsible areas generate and apply the policies and procedures established for risk management and internal control. On their part, statutory and internal auditors provide a valuable support to Grupo Aval and its Subordinate entities by means of their external and impartial opinion regarding the control environment and the risks that have an incidence on activities developed by the Organization, allowing the detection of weaknesses in internal processes of the entity and identifying corrective action plans, as well as improvement opportunities for the same.

Grupo Aval and its Subordinate entities shall seek the generation of a structure of Control Bodies with individual and professional qualifications, under adequate conditions for performing its duties within a framework of independence and autonomy oriented towards verifying of the proper application of the policies, procedures and regulations, for an integral management of the risks that have incidence on the Organization.

The Control Bodies established in Grupo Aval and its Subordinate entities shall have the possibility and the duty of interrelating with the different levels of corporate governance when so required, to report about the development of their activities and findings. Permanent interaction between the Control Bodies and the Support Committees should be assured within this communication framework, as a reinforcement mechanism complying with the duties vested upon such Committees by the Boards of Directors.

5. INTRAGROUP TRANSACTIONS

Preliminary Clarification

As a result of the adoption of Financial Conglomerates rules in Colombia, Grupo Aval issued de the “*Policy for the Identification, Communication, Administration and Control of Conflicts of Interest of the Financial Conglomerate Aval*”, which applies to: i. operations among the entities belonging to the Financial Conglomerate Aval, ii. operations among entities belonging to the Financial Conglomerate Aval and its related parties and iii. operations among entities belonging to the Financial Conglomerate Aval and its managers.

According to the foregoing, we clarify that the guidelines included in this chapter 5.4 “*Mechanisms to solve possible conflicts of interests in intragroup operations*” apply to the operations carried out between the Subordinate entities of Grupo Aval that are not covered by the “*Policy for the Identification, Communication, Administration and Control of Conflicts of Interest of the Financial Conglomerate Aval*”

5.1. Main areas of activity and eventual common businesses and services

Part of the strategic objectives of the Organization focuses on developing and capturing synergies between Grupo Aval and its Subordinate entities, through the rendering of shared services within different entities. The aforementioned with the

purpose of achieving savings and greater competitiveness in products, services, processes and costs, through the following activities:

- Unification of corporate processes and applications guaranteeing that the entities forming part of the Organization have the best technological resources for designing cost-effective modern products and services to be offered on *time-to-market*.
- Centralized corporate negotiations for hardware, software and other goods and services, seeking for obtaining savings on costs per volume.
- Designing and implementing processes through third parties or through entities of the Organization, allowing the generation of competitiveness in the market through economies of scale between the Subordinate entities
- Centralization in the design of products and services generating a positive impact of modernity and innovation to the corporate image of Subordinate entities.

In addition to rendering shared services, Subordinate entities of the Organization may eventually enter into operations inherent to their financial activities among them, including credit operations, foreign exchange operations and securities market transactions.

5.2. *Criteria for determining pricing and conditions of the common businesses and services*

The rendering of shared services for the benefit of the entities forming part of the Organization, establishing the pricing and conditions of the intragroup businesses and services shall be performed under schemes and philosophies of fairness, proportionality and respect of minority stockholders of the entities forming part of the Organization. For determining applicable pricing for these types of operations, criteria regarding transactions volume, number of customers and use of processing capacity utilized in the product, service or others, shall be accounted for, among others.

On their part, while entering into intragroup operations relating to financial services and products offered by Subordinate entities, the entities forming part of the Organization shall strictly comply at all times with applicable regulations, as well as with policies and procedures of the Organization regulating these types of operations. Particularly regarding the establishment of counterparty limits, applicable exposure limits per type of operation and the obligation of performing such operations under prevailing market and economic terms and conditions, as well as the need of performing disclosures to the market through mechanisms established for said purpose, such as their inclusion in the financial statements and publishing relevant information, as the case may be.

5.3. *Guidelines for performing intragroup operations*

For taking advantage of synergies and performing operations among the companies

INSTITUTIONAL RELATIONS REFERENCE FRAMEWORK

of Grupo Aval and its Subordinate entities, they shall act under the premise of respect for their minority shareholders and other stakeholders. In such sense, intragroup operations shall include the following guidelines, oriented towards regulating this type of transactions and generating an adequate balance between the best interests of the Organization and that of the minority shareholders of the entities forming part of the Organization:

- Grupo Aval and its Subordinate entities shall permanently carry out the registration of the operations performed with entities of the Organization, identifying the type of operation, its purpose, economic conditions and authorizations received when applicable.
- Grupo Aval and each Subordinate entity shall establish limits of indebtedness or exposure and perform constant monitoring of the intragroup operations, complying for such purpose with the restrictions set forth under applicable regulations.
- All intragroup operations shall be fully identified in the accounting of the respective entities. During such task, the accounting registration shall be verified, and when required in compliance of applicable regulations, perform the respective disclosure in the financial statements.
- Significant transactions shall be identified and supported based on their importance.
- Authorization levels shall be defined within the governance and control structure, assigned as may be deemed adequate as a function of the magnitude and type of transaction, keeping the evidence of such authorizations.
- It should be verified that intragroup operations are carried out for a good and valuable consideration, at market pricing and conditions, maintaining a financial equilibrium in the relationships between the entities participating in the operation and avoiding that the same affect the capacity of any of the entities to meet their obligations in a timely manner.

In application of this Institutional Relations Reference Framework, Grupo Aval and its Subordinate entities shall have policies and procedures applicable for carrying out operations among the entities forming part of the Organization.

5.4. *Mechanisms to solve possible conflicts of interests in intragroup operations*

When deemed that the performance of certain intragroup operation may represent possible situations of conflict of interests between participating entities, they shall: :

- Inform their designated Committee of the interests of the entities for carrying out



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the respective operation, reporting the elements, the reasons justifying the need of such operation and the considerations to be accounted for purposes of analyzing the feasibility of the operation.

The designated Committee of each entity participating in the operation shall assess the operation and the elements representing possible situations of conflict of interest and shall state their conformity with the operation, or whether the entities should abstain from performing the same, or whether it can be carried out subject to the modification of certain conditions, or whether the performance of the operation should be subject to the consideration of their respective General Shareholders Meetings.

If there is no different Committee to review matters of Conflict of Interest operations, the Board of Directors of each entity will approve or not the operation. For those operations that, in the criteria of the Boards of Directors of the participating entities, are relevant or material, the approval of three-quarters of the members present will be required, including within said majority the affirmative vote of the independent members.

For decision-making by the designated Committee in the participating entities, the evaluation of the operation must consider at least the following aspects:

- a) The qualitative or quantitative criteria used to determine the materiality of the operation.
- b) The respect of the equal treatment of shareholders in the operations.
- c) The price or value of the transaction and respect for market conditions.
- d) The moment of revelation.

In the event that the decision of the designated Committee of the entities participating coincides in the need of submitting the operation to their respective General Shareholders Meetings, the summons to the General Shareholders Meeting of participating entities should follow, providing clear and sufficient information regarding the subject matter of the meeting. Participating corporations shall provide their General Shareholders Meetings, sufficient and clear information allowing them to generate an informed opinion and shall proceed pursuant to the decision made by such bodies.

Each entity of the Organization, in accordance with its activities and business, shall identify the situations representing or which could represent possible conflicts of interests. Without prejudice of the foregoing, below is a description of some possible situations of conflicts of interests between participating entities generating the need of applying the mechanisms mentioned above:

- Operations outside the ordinary course of business of participating entities.
- Operations that may imply the assumption of risks outside the risks policies of the respective entity.
- Operations at prices different from those of the market.



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- Operations whose conditions include terms that are not adjusted to market practices.
- Operations which could represent impairment of any of the participating entities or that could be understood granting privileges to a determined entity in detriment of another.

Upon approval of intragroup operations by their corresponding governance bodies, the same shall be performed with strict compliance of the policies and procedures established by each Subordinate entity during the development of the corporate guidelines of Grupo Aval as parent company.

In furtherance to the intragroup operations herein mentioned, there are duties relating to the performance of operations with related parties whose scope is broader, since it includes operations entered into with shareholders, directors, officers and their related parties. Such operations shall have their own policies and procedures pursuant to applicable regulations and to the corporate guidelines of the Organization.

6. ADOPTION AND IMPLEMENTATION OF THE REFERENCE FRAMEWORK

This Reference Framework for Institutional Relations was discussed within Grupo Aval and its Subordinate entities and approved by their Boards of Directors for its mandatory compliance, as follows:

Institution	Date of Approval
Grupo Aval	28th of October 2015
Banco de Bogotá	17th of November 2015
Banco de Occidente	11th of December 2015
Banco Popular	23rd of November 2015
Banco Comercial AV Villas	23rd of November 2015
Porvenir	11th of November 2015
Corporación Financiera Colombiana	25th of November 2015
Grupo BAC-Credomatic	17th of December 2015

The Reference Framework for Institutional Relations shall be developed within Grupo Aval and its Subordinate entities through the different governance and control documents in coordination with the respective areas of the parent company. Likewise, Subordinate entities shall have the duty of monitoring the adoption and implementation of this Reference Framework, within the entities forming part of their own organization.



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