# 4Q16 Consolidated Earnings Results

IFRS

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# Disclaimer

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

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

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

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

The unaudited consolidated financial information included in this document is presented in accordance with IFRS as currently issued by the IASB. Details of the calculations of non-GAAP measures such as ROAA and ROAE, among others, are explained when required in this report.

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

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

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

# Highlights (1/2)

**The following are the main highlights of our FY2016 and 4Q16 results under IFRS:**

- Attributable net income for the year was Ps 2,139.9 billion or 96 pesos per share, 4.8% more than the result of 2015. Excluding the one-time attributable wealth tax payment, attributable net income for the year was Ps 2,318.7 billion or 104 pesos per share. Attributable net income for the quarter was Ps 458.4 billion pesos or 21 pesos per share. This quarter's attributable net income was negatively impacted by relevant impairment expenses on loans and investments that will be explained in detail in the presentation.

- During 2016, our total gross loans, excluding interbank and overnight funds, grew by 7.2%, or 8.7% excluding exchange rate movements. Most of this growth occurred during the last quarter when gross loans grew by 5.2%. During the year commercial loans' growth was negatively impacted as many borrowers placed on hold their loan applications until the uncertainty surrounding the fiscal reform was removed, which only happened on December 31st. In general, loan growth was driven by consumer loans and by mortgages.

- Deposits grew by 5.8% in the last twelve months, or 7.3% in absence of the year's exchange rate movements. Deposits grew by 5.7% in the quarter, outpacing the growth of our loan book during the period.

- The ratio of Deposits to Net Loans closed at 0.95x in December 31, 2016, unchanged when compared with this same ratio on September 30, 2016 and only slightly changed when compared to this same ratio (0.96x) at the end of December 31, 2015.

- Our liquidity position remains strong when measured by cash and cash equivalents to deposits, which closed the year at 15.4%, slightly less than the 16.1% observed at September 30, 2016.

- Because, for purposes of calculating our NIM's, 5% of our total funding is more expensive funding obtained by the non-financial sector subsidiaries mainly of Corficolombiana while our earning assets are almost exclusively the banks' assets, starting this quarter, we will add to our regular presentation an additional breakout to distinguish the financial sector NIM from the consolidated NIM; as in the past, consolidated NIM includes earning assets and funding costs for both our financial and non-financial subsidiaries. This additional information also helps to track the impact of Central Bank rate movements in our core business.

# Highlights (2/2)

- In 2016 we saw the NIM on Loans of our financial sector expanding by close to 30 bps from 6.6% to 6.9% partly as a result of a 243 bps increase in the *average* Central Bank rate from 4.7% during 2015 to 7.1% during 2016. Total NIM for our financial sector was 5.9% during 2016 versus 5.7% in 2015, largely due to a substantial decrease in the NIM on investments (financial sector), which decreased from 1.5% in 2015 to 0.7% in 2016.

- Our consolidated NIM on Loans (financial and non-financial sectors) was 6.6% in 2016 versus 6.3% in 2015; our consolidated NIM on investments (financial and non-financial sectors) was 0.6% in 2016 versus 1.3% in 2015. Our consolidated Total NIM was 5.6% in 2016 versus 5.4% in 2015. The 30 bps difference between the NIMs of our consolidated results and the NIMs of our financial sector subsidiaries mainly reflect the impact of the more expensive funding obtained by our non-financial consolidated subsidiaries, such as Promigas and our toll road concessions. This funding is usually of a much larger tenor.

- Cost of risk for 2016 was 2.1% before recoveries and 1.9% after recoveries. These figures compare to 1.7% and 1.5% in 2015, and were affected by: i) the general slowdown of the Colombian economy, ii) the Ps 86 billion impairment of the loans to Pacific Rubiales and the Ps 49 billion impairment to the loans to Electricaribe and mass transportation companies (SITP) in Bogotá. The Ps 49 billion impairments were both booked in the last quarter of 2016. In absence of these provisions, our cost of risk for 2016 would have been 2.0% (gross of recoveries) and 1.8% (net of recoveries).

- Fee Income as a percentage of total operating income remained strong during 2016 at 26.3%, slightly improving when compared to the 26.1% observed during 2015.

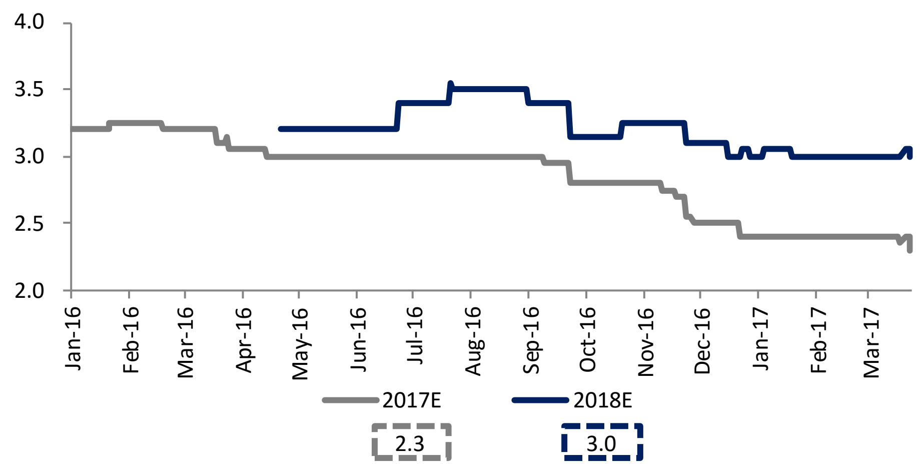
- Our consolidated efficiency ratio, measured as cost to income, was 47.3% in 2016, slightly improving from the 47.6% for 2015. During 4Q2016 we saw a spike in our efficiency ratio due to an increase in IT and marketing expenses in connection with our banks' digital banking strategies as well as expenses in Central America associated with the sale of BAC's credit card operation in Mexico.

- As of December 31, 2016, all our banks showed appropriate Tier 1 capital ratios (between 9.0% and 10.3%), levels with which we feel comfortable to support expected growth during this year.

- During 2016, excluding the effect of the wealth tax, our return on average assets and our return on average equity were 1.7% and 15.5%; including this non-recurrent expense our figures would have been 1.6% and 14.3%.

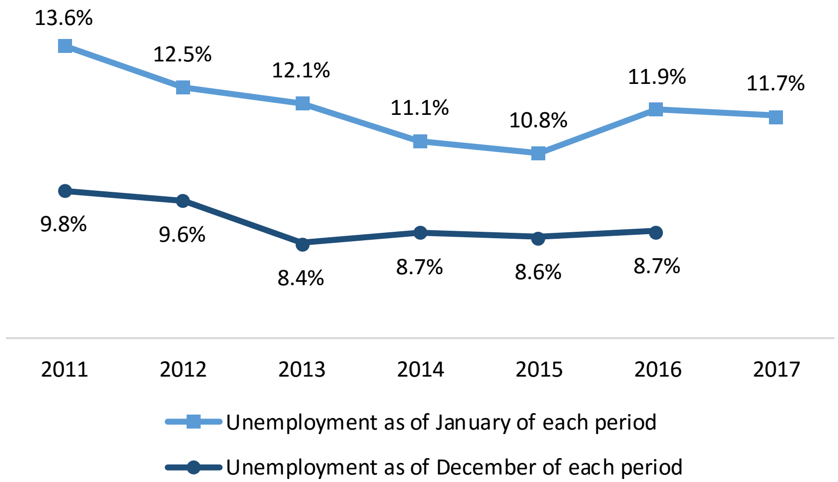
# Macroeconomic context – Colombia (1/3)

## GDP Growth Expectations (%)



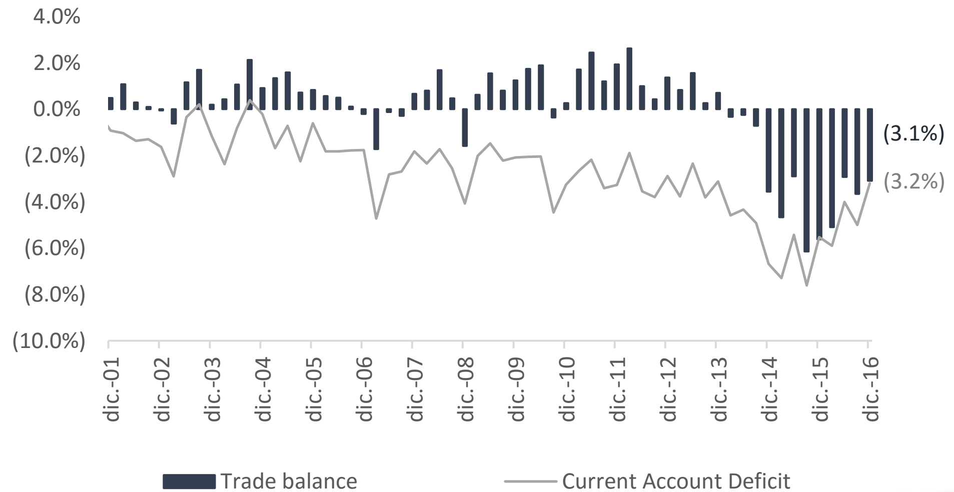

Source: Bloomberg Consensus

## Unemployment (%)




Source: DANE.

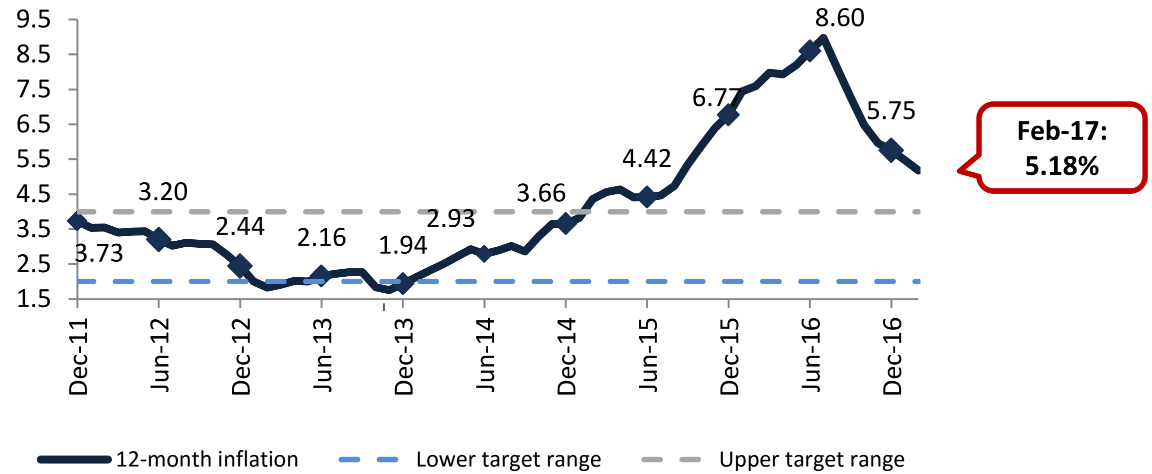
## Current Account (% of GDP, quarterly)




Source: Banrep and DANE.

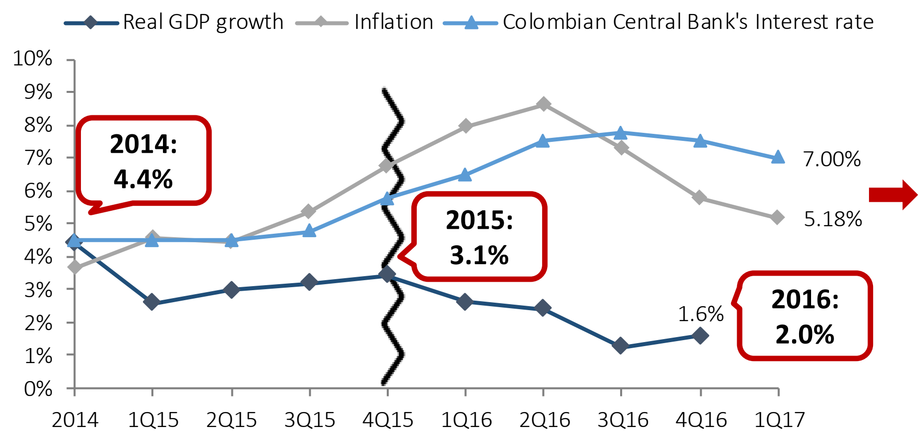
# Macroeconomic context – Colombia (2/3)

## Inflation (%)

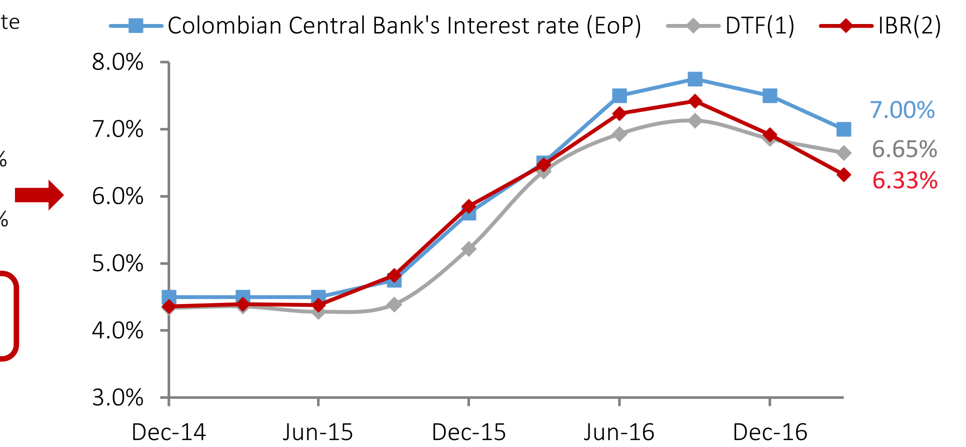



Source: Banrep

## Central Bank's Monetary Policy



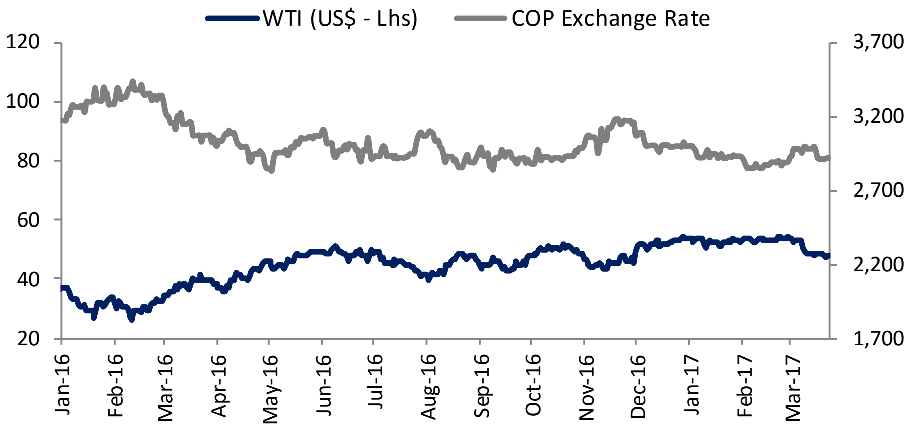

Source: Banrep and DANE




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

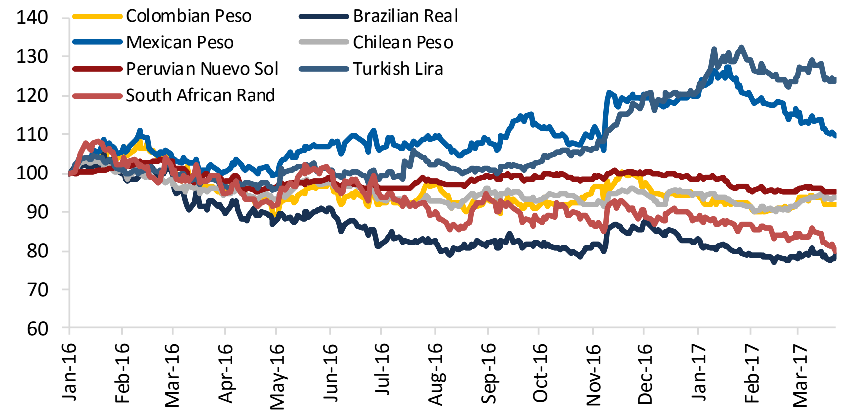
# Macroeconomic context – Colombia (3/3)

## Colombian Peso vs WTI US$/barrel




Source: Bloomberg

## COP vs Emerging markets' currencies



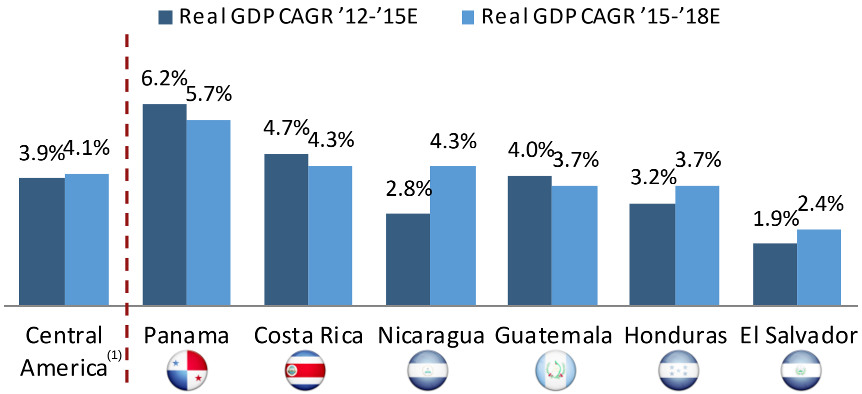

Source: Bloomberg. (100=Jan 31, 2016)

## Colombian Peso Exchange Rate

| | 4Q15 | 3Q16 | 4Q16 | 4Q16 vs. 3Q16 | 4Q16 vs. 4Q15 |
|---|---|---|---|---|---|
| Average | 3,061.74 | 2,948.97 | 3,016.07 | 2.28% | -1.49% |
| End of period | 3,149.47 | 2,880.08 | 3,000.71 | 4.19% | -4.72% |

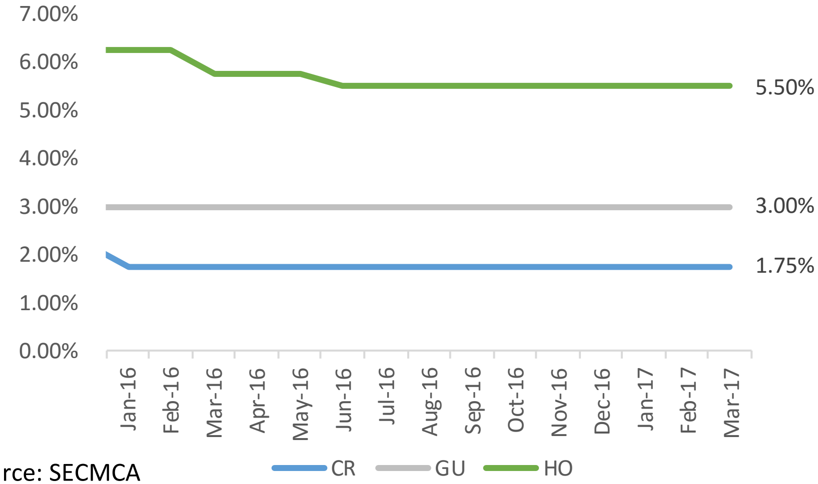
# Macroeconomic context – Central America (1/2)

## Real GDP CAGR Evolution



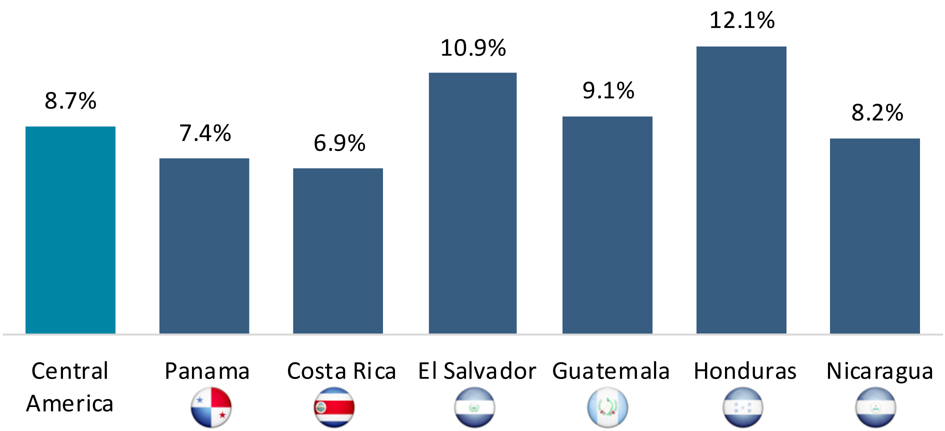

Source: IMF; (1) Average growth of all the Central American countries

## Central Banks' Monetary Policies




Source: SECMCA

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



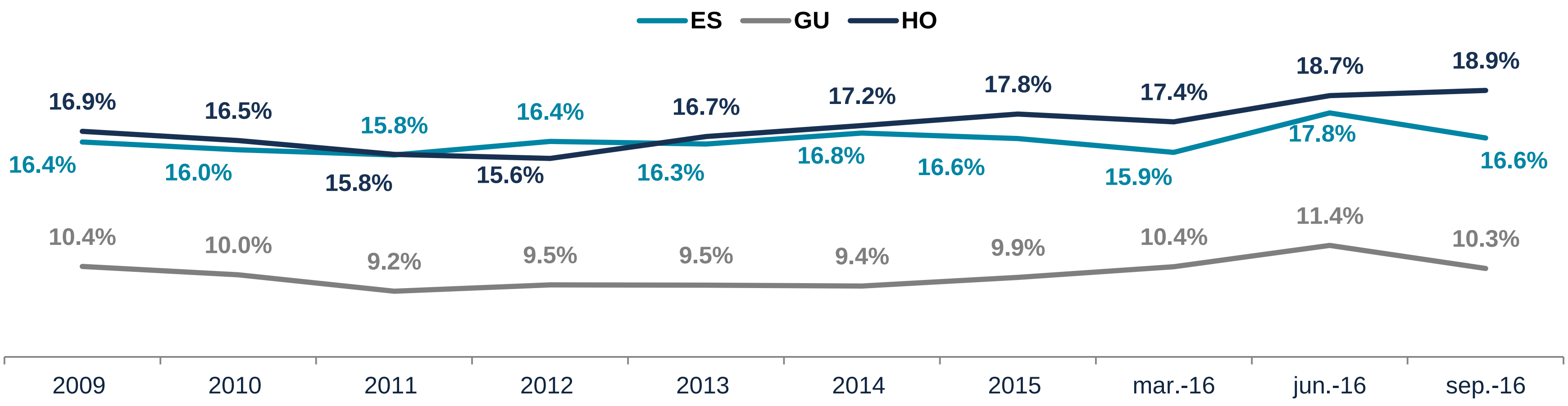

Source: SECMCA, last twelve months as of November 2016

# Macroeconomic context – Central America (2/2)

## Remittances from USA to North Triangle (2014)

| | Illegal Migrants in USA (% Total Origin Country Pop) | Total Illegal Migrants (thousands) | Total Migrants in USA (thousands) | Total Remittances ($MM) | Remittances / Migrant |
|---|---|---|---|---|---|
| Guatemala | 4.5% | 723 | 916 | 5,962 | 6,511 |
| Honduras | 4.2% | 337 | 588 | 3,195 | 5,431 |
| El Salvador | 7.6% | 465 | 1,315 | 3,912 | 2,973 |

## Total Remittances as % of GDP

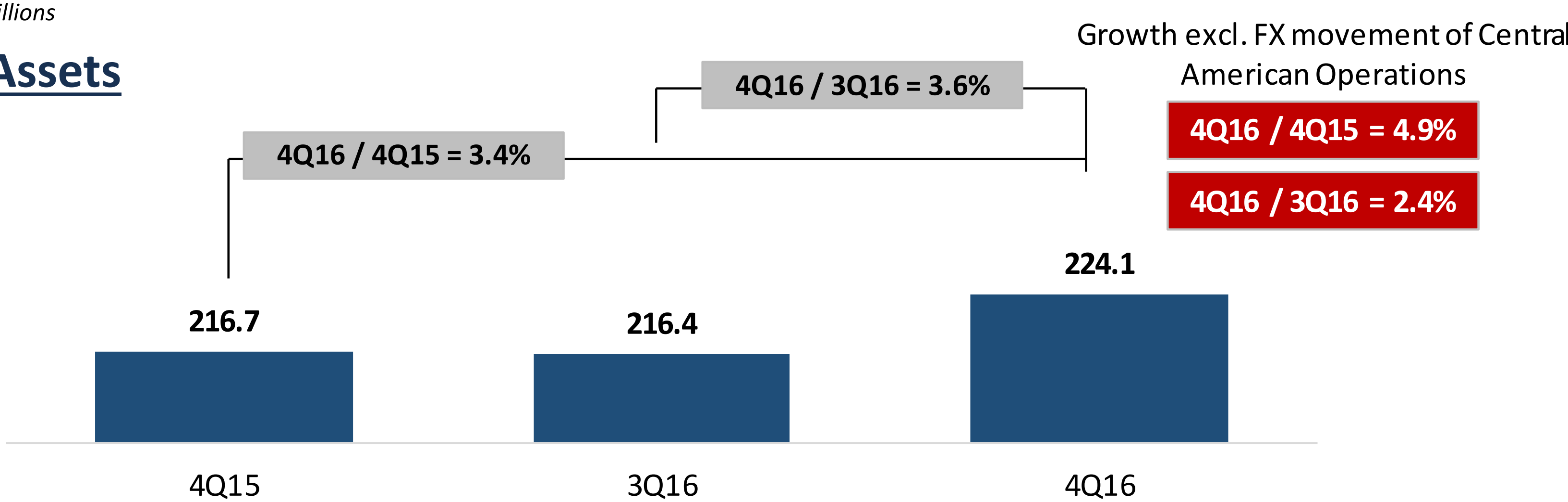



Source: Migration Policy Institute, Banco Mundial, Central Banks and Statistic Institutions of each country

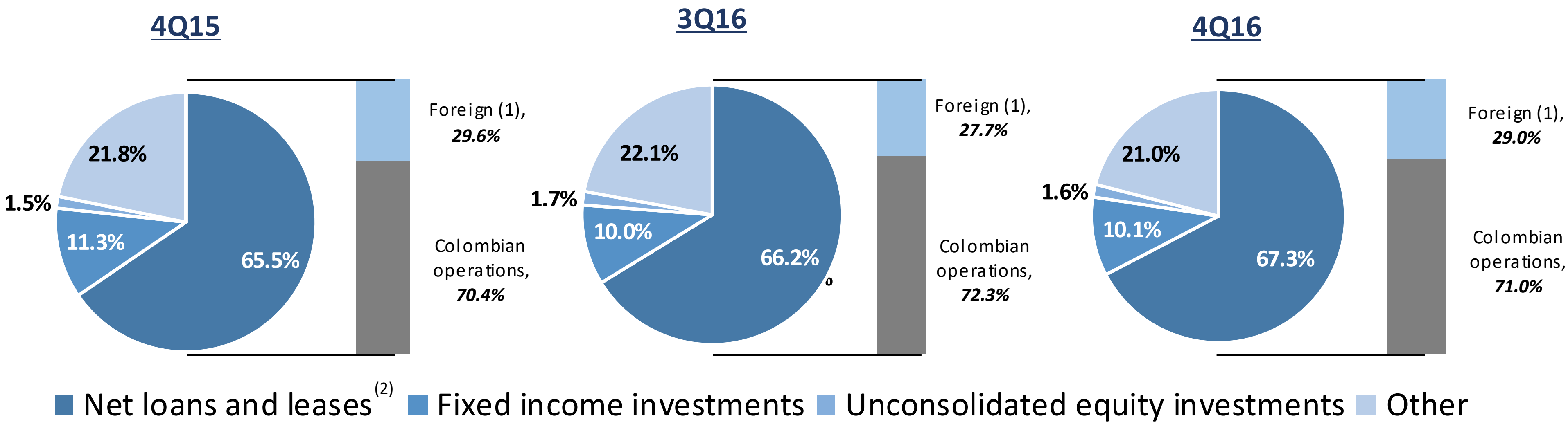
# Assets

*Figures in Ps. Trillions*

## Total Assets




## Assets Breakdown

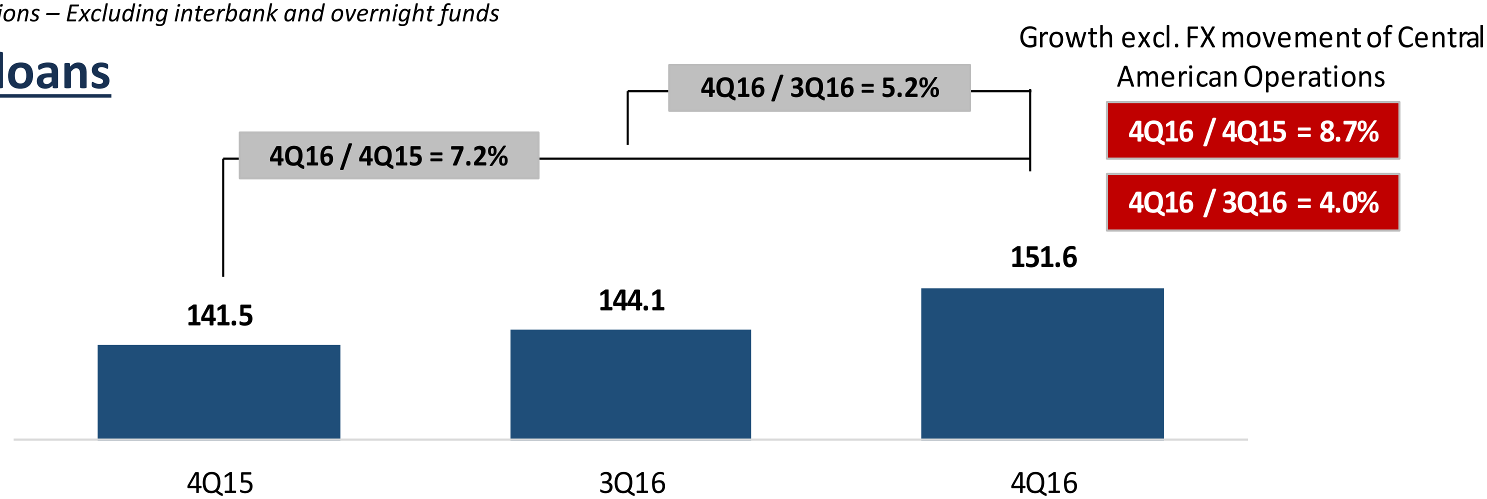



(1) Foreign operations reflect Central American operations. (2) Net loans and leases include interbank and overnight funds.

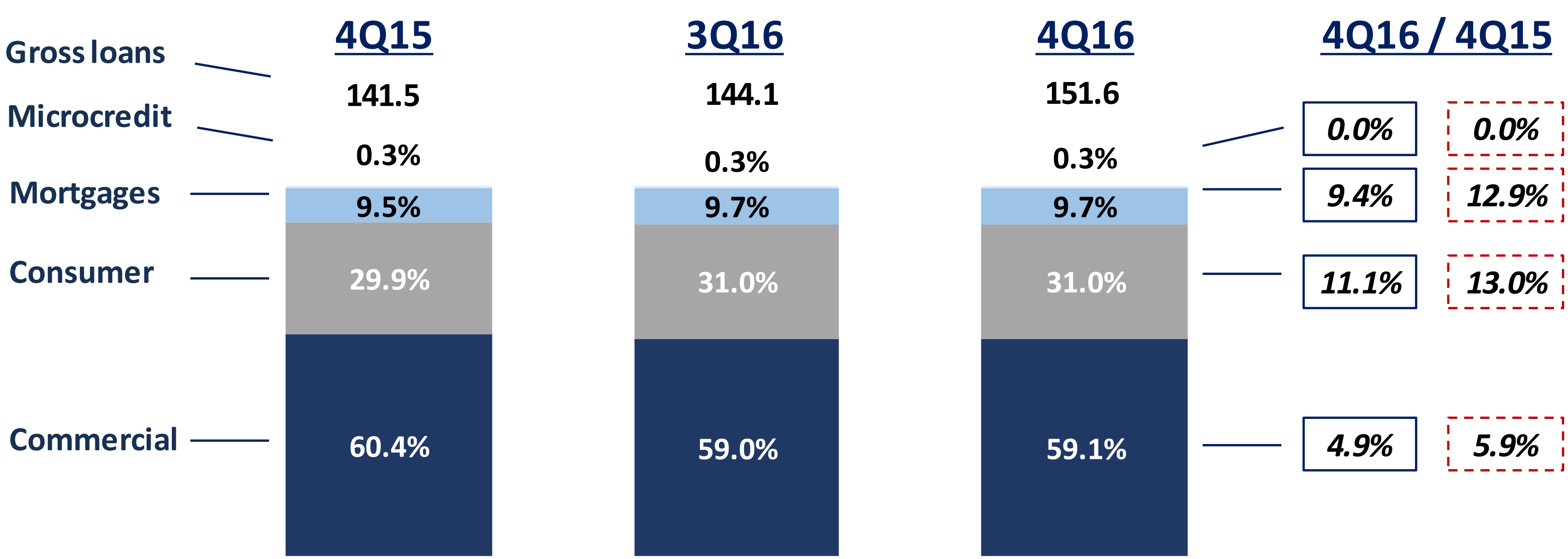
# Loans

*Figures in Ps. Trillions – Excluding interbank and overnight funds*

## Gross loans

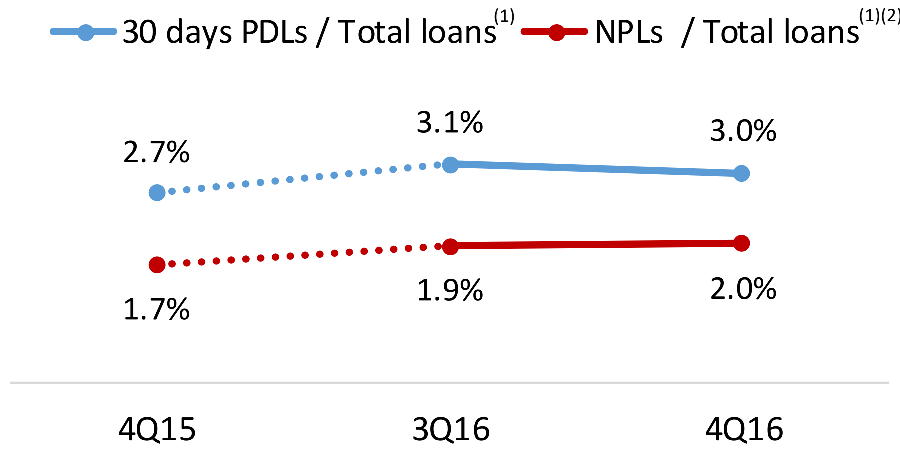



## Gross loans Breakdown




*%* **Growth excluding FX movement of Central American Operations**

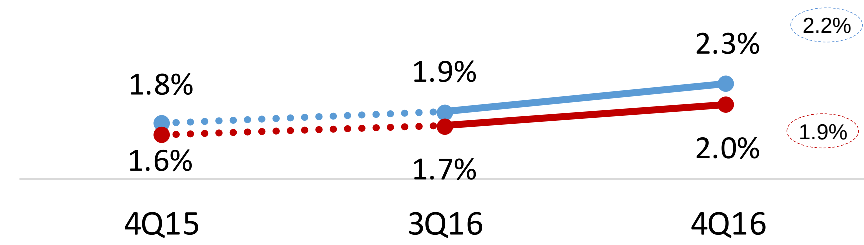
# Loan portfolio quality




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

## Cost of Risk

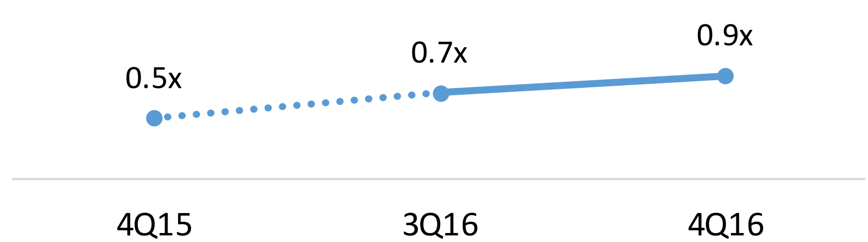
| | FY15 | FY16 | |
|---|---|---|---|
| Impairment loss / Average loans | 1.7% | 2.1% | 2.0% |
| Impairment loss, net / Average loans | 1.5% | 1.9% | 1.8% |



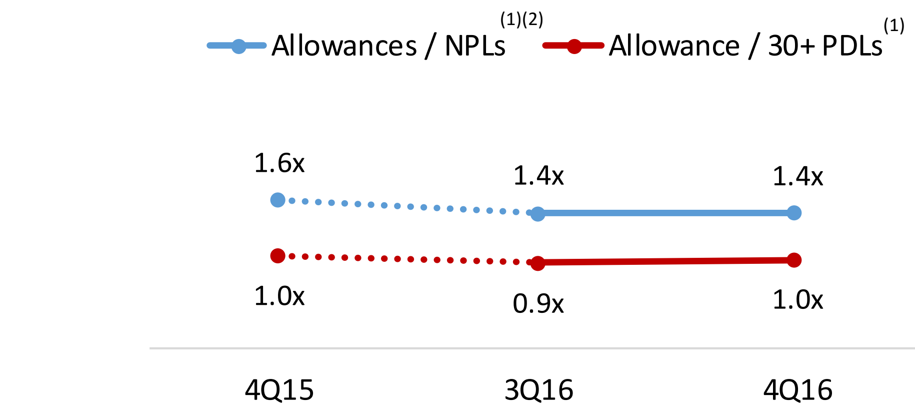

Cost of risk excluding effect of impairment loss on loans to Electricaribe S.A. E.S.P and clients related to Bogotá D.C's mass transportation system (SITP) during 4Q2016. FY2016 results also exclude the impact of Pacific Rubiales´impairment.

## Charge offs / Average NPLs(1)(2)

| FY15 | FY16 |
|---|---|
| 0.8x | 0.9x |




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




| Allowance / Gross loans | 2.6% | 2.8% | 2.8% |
|---|---|---|---|

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

# Loan portfolio quality

*Figures in Ps. Billions*

| | Past due loans (1) | | | Non-performing loans (2) | | |
|---|---|---|---|---|---|---|
| | 4Q15 | 3Q16 | 4Q16 | 4Q15 | 3Q16 | 4Q16 |
| Commercial | 1.9% | 2.3% | 2.1% | 1.5% | 1.8% | 1.8% |
| Consumer | 4.0% | 4.5% | 4.4% | 2.0% | 2.2% | 2.3% |
| Mortgages | 3.0% | 3.3% | 3.1% | 1.6% | 1.7% | 1.7% |
| Microcredit | 11.4% | 13.5% | 14.1% | 7.2% | 9.0% | 9.4% |
| **Total loans** | **2.7%** | **3.1%** | **3.0%** | **1.7%** | **1.9%** | **2.0%** |

| | 4Q15 | 1Q16 | 2Q16 | 3Q16 | 4Q16 | FY15 | FY16 |
|---|---|---|---|---|---|---|---|
| Initial PDLs | 3,865 | 3,761 | 4,252 | 4,203 | 4,432 | | |
| New PDLs | 191 | 1,057 | 627 | 716 | 678 | 2,132 | 3,078 |
| Charge-offs | (295) | (566) | (675) | (487) | (627) | (1,636) | (2,355) |
| **Final PDLs** | **3,761** | **4,252** | **4,203** | **4,432** | **4,484** | | |

(1) Past Due Loans + 30 / Total Loans including interest accounts receivable
(2) NPL defined as loans more than 90 days past due including interest accounts receivable

# Funding

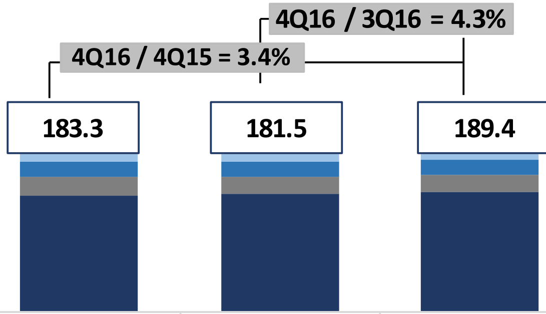
*Figures in Ps. Trillions*

## Total funding

**Growth excl. FX movement of Central American Operations**

**4Q16 / 4Q15 = 4.8%**

**4Q16 / 3Q16 = 3.2%**




**Funding composition**

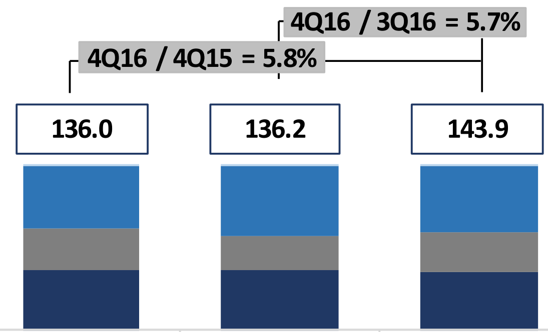
| | 4Q15 | 3Q16 | 4Q16 |
|---|---|---|---|
| Interbank borrowings | 5.2% | 5.3% | 3.3% |
| Long term bonds | 9.0% | 9.6% | 9.8% |
| Banks and others | 11.6% | 10.1% | 10.9% |
| Deposits | 74.2% | 75.0% | 76.0% |

## Total deposits

**Growth excl. FX movement of Central American Operations**

**4Q16 / 4Q15 = 7.3%**

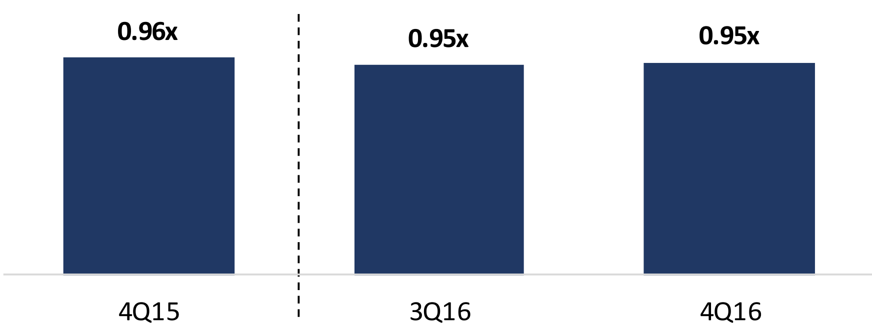
**4Q16 / 3Q16 = 4.5%**



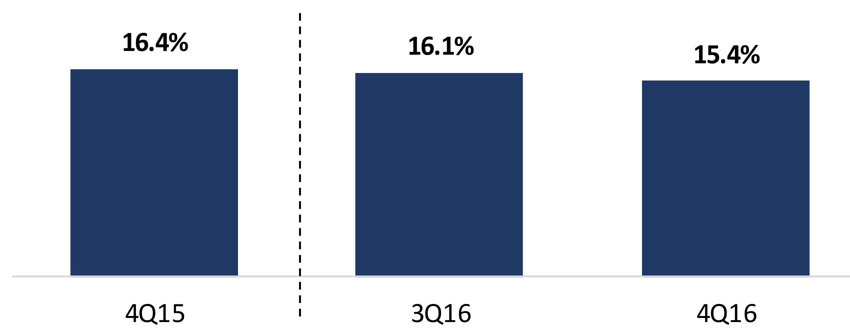

**Deposit composition**

| | 4Q15 | 3Q16 | 4Q16 |
|---|---|---|---|
| Others | 0.3% | 0.3% | 0.2% |
| Time deposits | 38.1% | 42.9% | 40.3% |
| Checking accounts | 24.6% | 20.8% | 24.3% |
| Savings accounts | 37.0% | 36.0% | 35.1% |

## Deposits / Net loans (%)



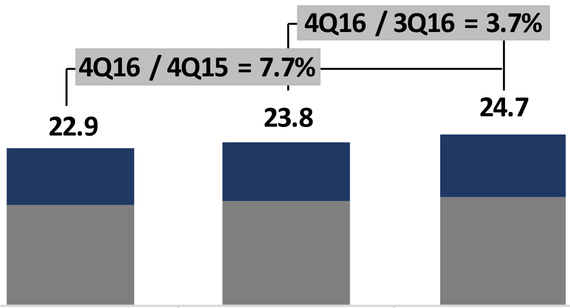

## Cash / Deposits (%)



# Capital

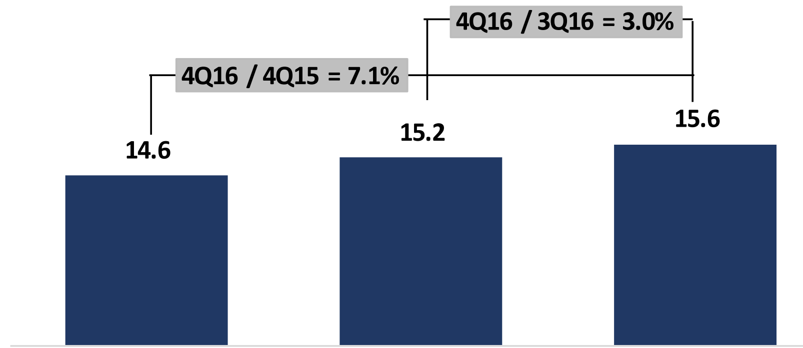
*Figures in Ps. Trillions*

## Attributable Equity + Minority Interest




| | 4Q15 | 3Q16 | 4Q16 |
|---|---|---|---|
| Minority interest | 8.3 | 8.6 | 9.1 |
| Attributable equity | 14.6 | 15.2 | 15.6 |

## Attributable Shareholders Equity




| | 4Q15 | 3Q16 | 4Q16 |
|---|---|---|---|
| Total equity / Assets | 10.6% | 11.0% | 11.0% |
| Tangible capital ratio (1) | 7.3% | 7.9% | 7.9% |

## Consolidated Capital Adequacy of our Banks (%)

| | Banco de Bogotá | | | Banco de Occidente | | | banco popular | | | Banco AV Villas | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 4Q15 | 3Q16 | 4Q16 | 4Q15 | 3Q16 | 4Q16 | 4Q15 | 3Q16 | 4Q16 | 4Q15 | 3Q16 | 4Q16 |
| Primary capital (Tier 1) | 9.4 | 9.5 | 9.0 | 9.6 | 10.4 | 10.2 | 10.6 | 9.6 | 9.3 | 10.6 | 10.5 | 10.3 |
| Solvency Ratio | 13.6 | 14.4 | 13.9 | 11.0 | 12.9 | 12.8 | 11.2 | 9.7 | 11.1 | 10.9 | 11.5 | 11.5 |

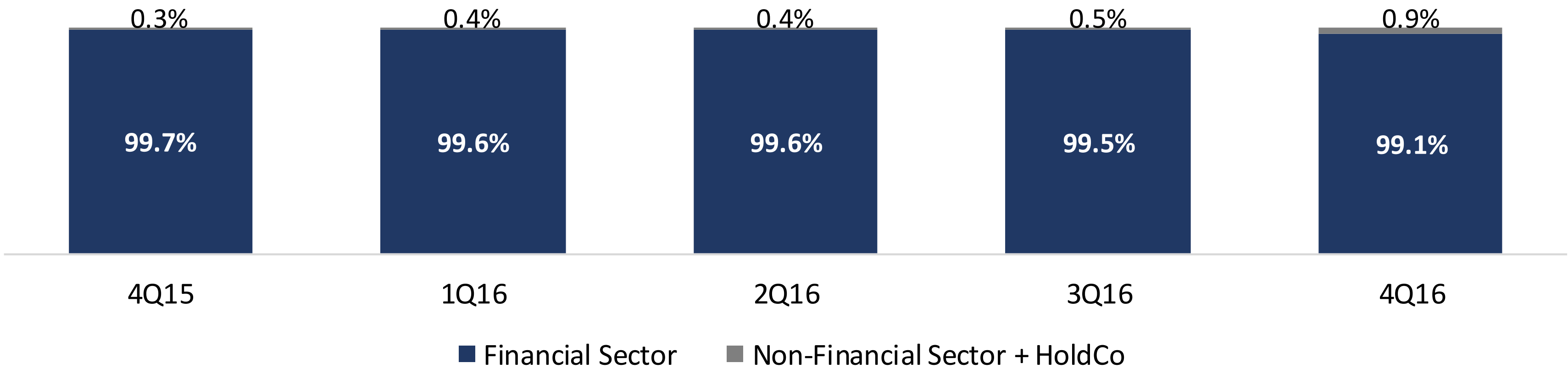
(1) Tangible Capital Ratio is calculated as Total Equity minus Goodwill and other Intangibles divided by Total Assets minus Goodwill and other Intangibles.



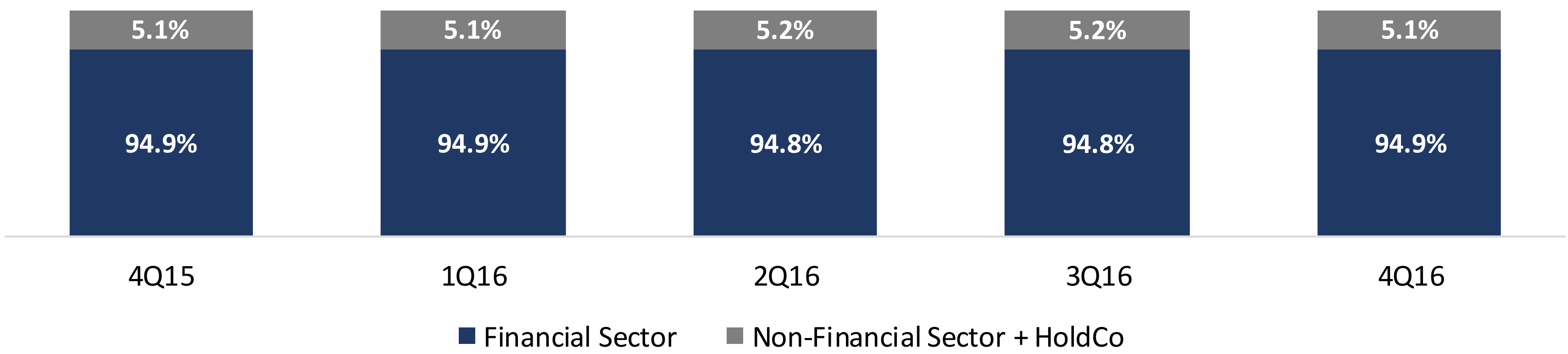
Grupo AVAL

# NIM – Net Interest Margin (1/3)

## Composition of Interest Earning Assets




## Composition of funding

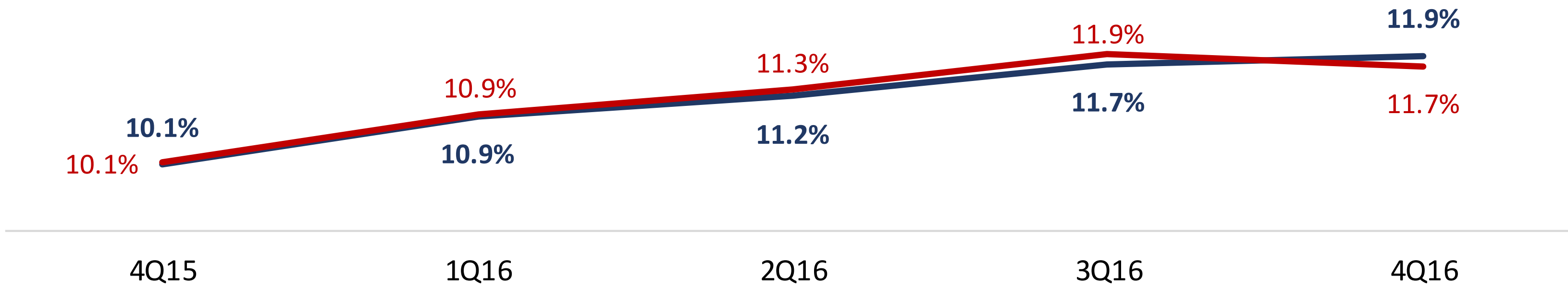



Calculated as composition of average balance for the period. Non-Financial Sector + HoldCo refers to companies from the non financial sector and the sum of Grupo Aval Acciones y Valores S.A. + 100% owned and guaranteed subsidiaries, net of eliminations.

# NIM – Net Interest Margin (2/3)

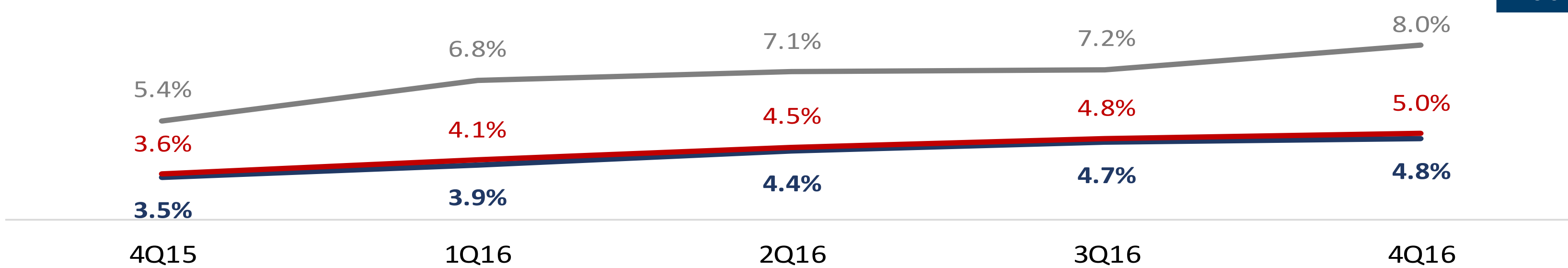
## Average Yield on Loans

| | FY15 | FY16 |
|---|---|---|
| Financial Sector | 10.0% | 11.4% |
| Consolidated | 10.0% | 11.4% |



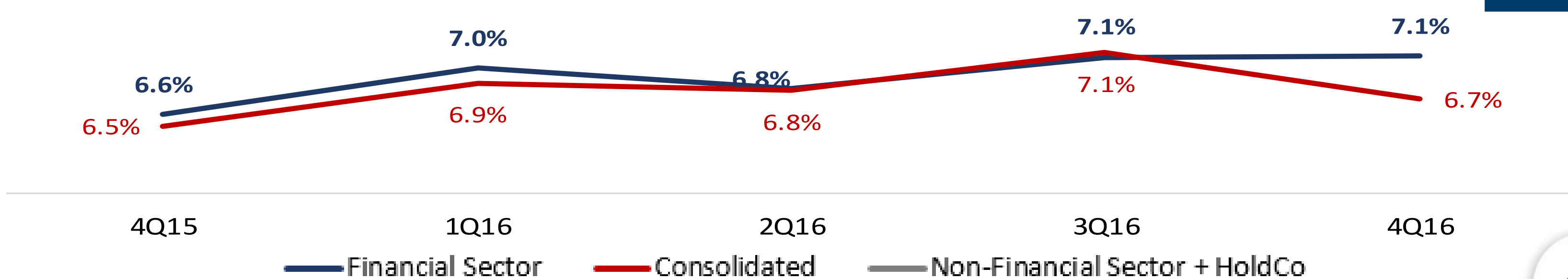

## Average Cost of Funds

| | FY15 | FY16 |
|---|---|---|
| Financial Sector | 3.3% | 4.4% |
| Non Financial Sector | 6.0% | 7.3% |
| Consolidated | 3.5% | 4.6% |




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

| | FY15 | FY16 |
|---|---|---|
| Financial Sector | 6.6% | 7.0% |
| Consolidated | 6.5% | 6.9% |

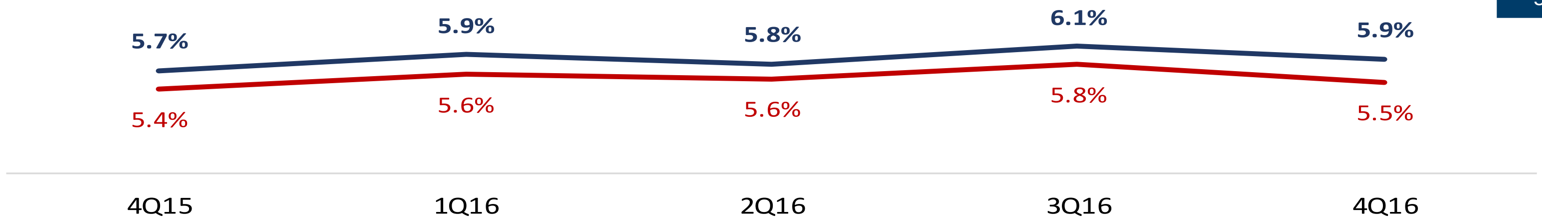


# NIM – Net Interest Margin (3/3)

| *Net interest income(1) (trillions)* | | | | |
|---|---|---|---|---|
| **4Q15** | **3Q16** | **4Q16** | **4Q16 / 4Q15** | **4Q16 / 3Q16** |
| 2.3 | 2.5 | 2.4 | 5.3% | -2.9% |

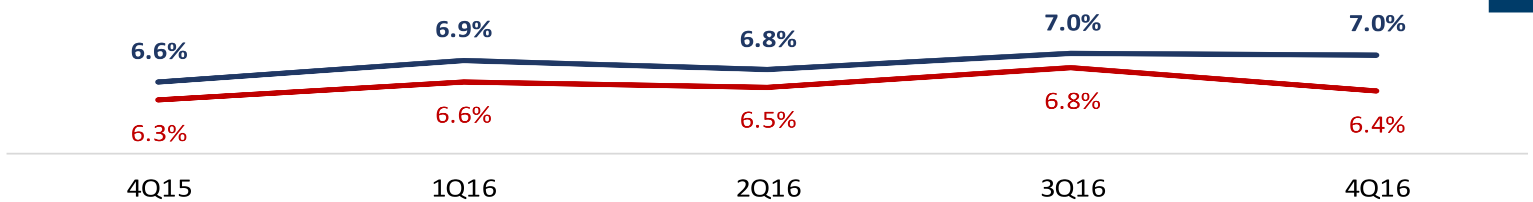
## Net Interest Margin(1)

| | FY15 | FY16 |
|---|---|---|
| Financial Sector | 5.7% | 5.9% |
| Consolidated | 5.4% | 5.6% |



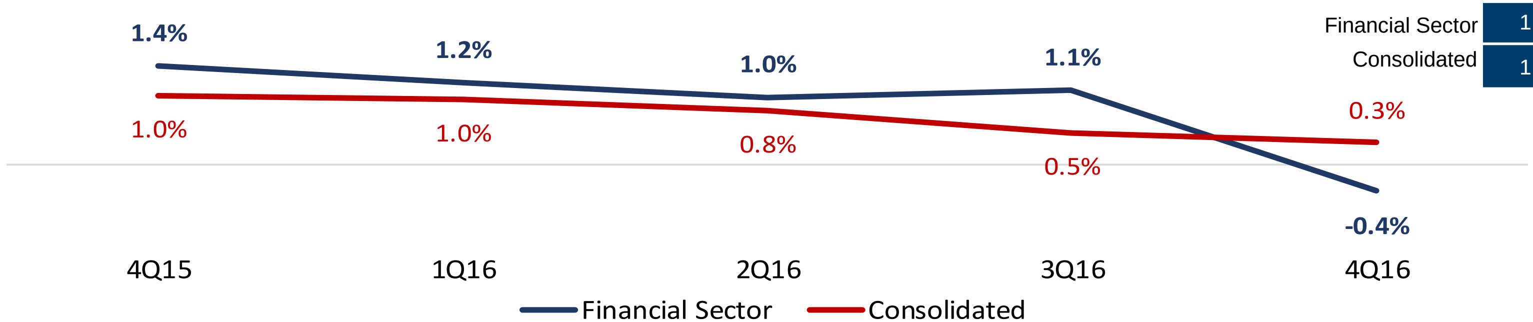

## Loans Interest Margin(2)

| | FY15 | FY16 |
|---|---|---|
| Financial Sector | 6.6% | 6.9% |
| Consolidated | 6.3% | 6.6% |




## Net Investments Margin(3)

| | FY15 | FY16 |
|---|---|---|
| Financial Sector | 1.5% | 0.7% |
| Consolidated | 1.3% | 0.6% |

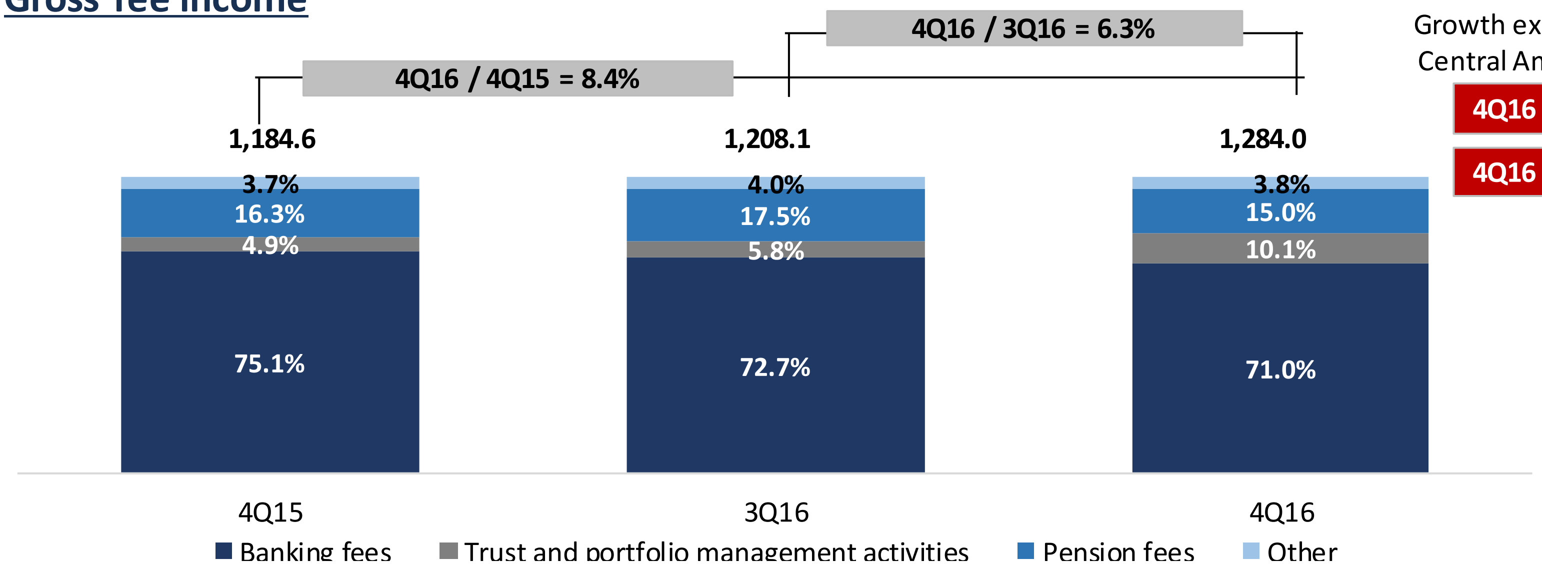



(1) Net Interest Income and Net Interest Margin: Includes net interest income plus net trading income from investment securities held for trading through profit or loss divided by total average interest-earning assets.
(2) Loans Interest Margin: Net Interest Income on Loans to Average loans and financial leases.
(3) Net Investments Margin: Net Interest income on fixed income securities, net trading income from equity and fixed income investment securities held for trading through profit and on interbank and overnight funds to Average securities and Interbank and overnight funds.

# Fees and other operating income

*Figures in Ps. Billions*

## Gross fee income




Growth excl. FX movement of Central American Operations

**4Q16 / 4Q15 = 9.2%**

**4Q16 / 3Q16 = 5.4%**

## Other operating income

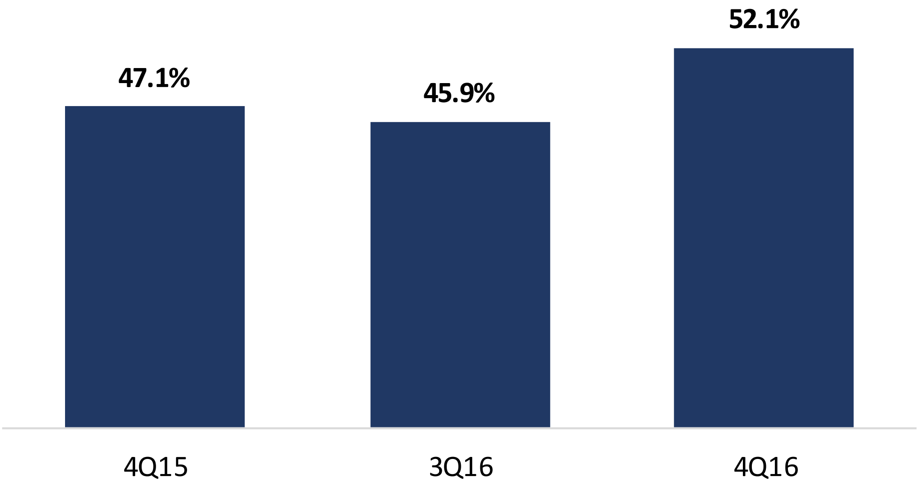
| | 4Q15 | 3Q16 | 4Q16 |
|---|---|---|---|
| Income from consolidated non-financial companies | 256.1 | 224.2 | 273.8 |
| Gains on valuation of assets | 0.0 | -0.7 | 53.9 |
| Net income from financial instruments designated at fair value | 38.3 | 43.5 | 50.5 |
| Derivatives and foreign exchange gains (losses), net (1) | 227.5 | 139.0 | 132.6 |
| Income from non-consolidated investments and other (2) | 330.7 | 214.2 | 262.6 |
| **Total other operating income** | **852.5** | **620.1** | **773.4** |

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

# Efficiency ratio

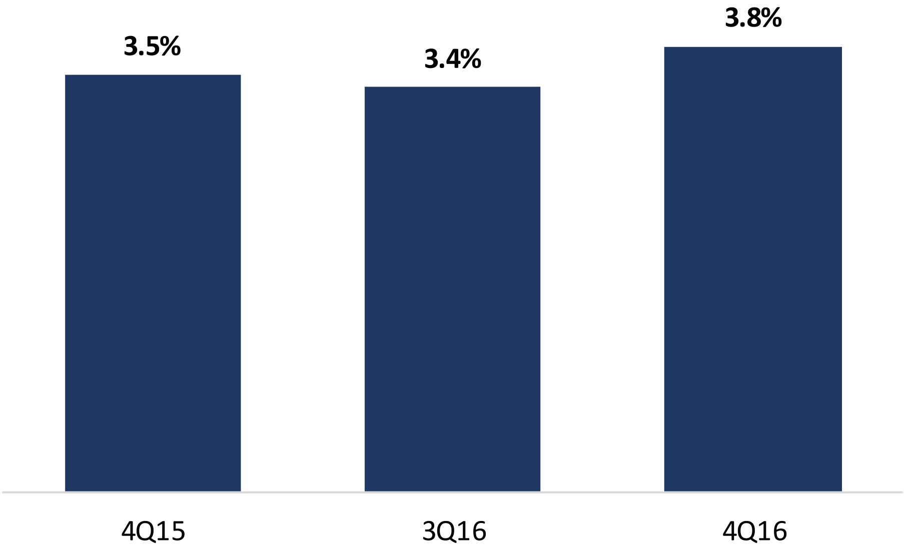
| | FY15 | FY16 |
|---|---|---|
| Operating expenses / Total Income | 47.6% | 47.3% |
| Operating expenses / Average Assets | 3.4% | 3.5% |

## Operating expenses / Total Income




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

## Operating expenses / Average Assets

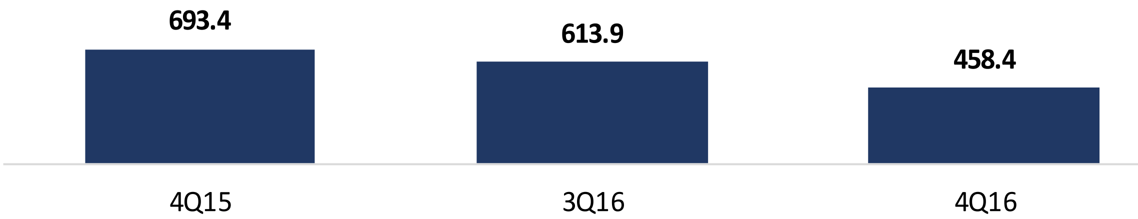



Efficiency Ratio is calculated as annualized personnel plus administrative and other expenses divided by average of total assets.

# Profitability

*Figures in Ps. Billions*

## Net income attributable to controlling interest

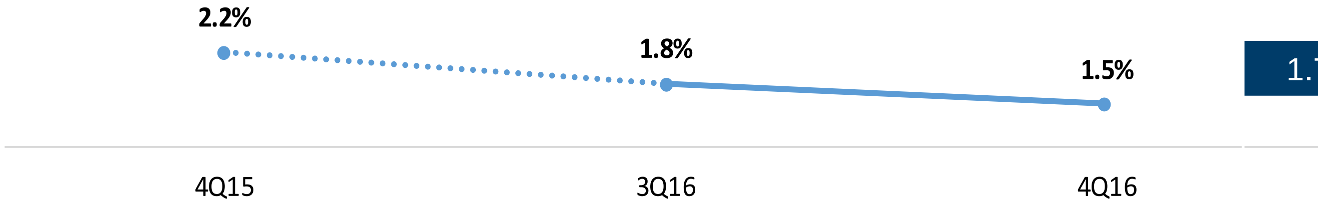



| FY15 | FY16 |
| --- | --- |
| 2,041.4 | 2,139.9 |

| | 4Q15 | 3Q16 | 4Q16 | FY15 | FY16 |
| --- | --- | --- | --- | --- | --- |
| EPS | $31.1 | $27.6 | $20.6 | $91.6 | $96.0 |

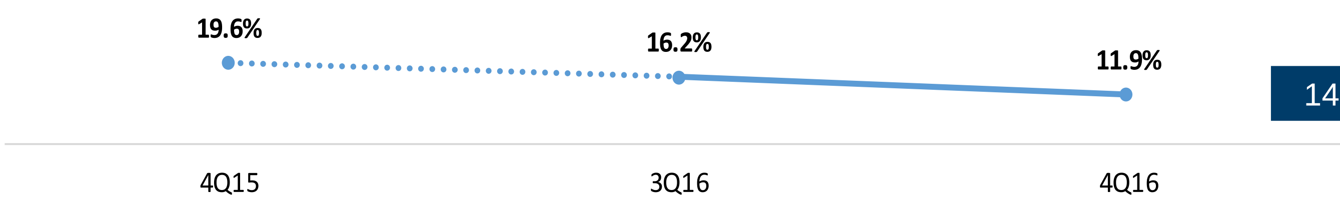
Avg

## ROAA [1]




| FY15 | FY16 |
| --- | --- |
| 1.7% | 1.6% |

## ROAE [2]




| FY15 | FY16 |
| --- | --- |
| 14.7% | 14.3% |

[1]ROAA for each quarter is calculated as annualized Net Income divided by average of total assets.
[2]ROAE for each quarter is calculated as annualized Net Income attributable to Aval's shareholders divided by average attributable shareholders' equity.