3Q17 Consolidated Earnings Results

IFRS

Disclaimer

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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 second and third quarters of 2017, and the third quarter of 2016, may be subject to further amendments.

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

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

Key messages of the quarter (1/2)

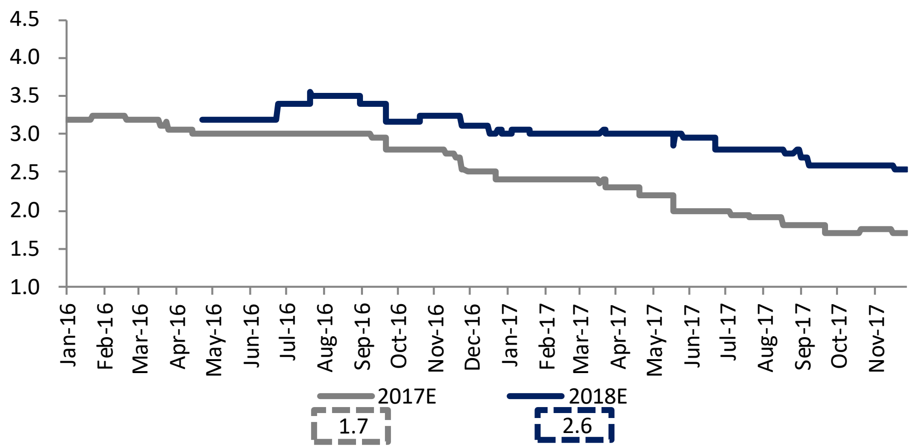
- There are a few indications which point to a recovery of the Colombian economy – GDP grew at 2% during 3Q2017 after observed growths of 1.2% in 2Q17 and 1.3% in 1Q17. Monthly inflation numbers keep coming in lower than consensus which bodes well for an annual inflation within the Central Bank's target of less than 4%. Stability has returned to the COP/USD exchange rate and current account, trade and fiscal deficits are slowly subsiding.
- In any case, growth will be notoriously shy of our expectation at the beginning of the year. In fact, this year's GDP growth will likely only be of approximately 1.70%. However, should these trends continue, we estimate that 2018's GDP growth will near 2.50%.
- As we have said in previous calls, a slow economy has underpinned the slow growth in our loan portfolios. In fact, as we advised in our previous call, Aval banks have principally focused their efforts in controlling the deterioration of the qualities of their loan portfolios. This strategy has probably resulted in slower growth than our peers, but in our opinion has proven right. Evidence of the success of our strategy is observable upon comparing the quality of the loan portfolios of our banks versus the rest of the financial system. However, credit exposures to problem clients such as Electricaribe and SITP continued to impact our results during the third quarter, as will be further explained in the presentation, but the impact of the Electricaribe loan provisions is expected to be materially done by early 2018.
- On the positive side and proving our net assets sensitiveness, despite continuing to see a steep declining interest rate environment, our NIM only declined by approximately 15 bps during 3Q17. During 2017 NIM resilience has offset to some extent the increase in the provision expense and thus has limited the negative impact of the increase in the cost of risk in the ROE. Declining interest rates are expected to continue as well as NIM's but we expect that our cost of risk will also decline setting up ourselves for a stronger ROE in 2018.
- During 3Q2017, Porvenir continued to perform very favorably supported in: i) increase in new funds coming into the system, and ii) high returns on its AUM. On the other hand, Corficolombiana, continued its lackluster year as a result of a slow start in its infrastructure projects largely as a consequence of the financial system's uncertainty regarding the legal grounds for the final value to be recognized to the sponsors and financiers of Ruta del Sol in the liquidation of this project. This issue was just addressed in a manner that we deem fair for all involved via a modification to the Infrastructure Law which was recently approved by Congress and is only awaiting Presidential sanction. The next step which we expect to take place in December is that the ANI approves the long-awaited first payment to the Ruta del Sol financial creditors.
- Our Central American operation (30% of our business) continues to perform strongly. Growth seen in BAC's loan book (in USD) is greater than our Colombian loan portfolios, cost of risk is controlled (despite some events in Costa Rica and Panamá), efficiency is improving and ROE is sustained. This continues to prove to be an excellent investment for Aval and a great source of diversification.
- On a consolidated basis, during 3Q17 our total loans declined 0.2% versus 2Q17 (0.9% increase in absence of the impact of the close to 4% revaluation of the currency during the period). In the last twelve months our consolidated loan book grew by 7.9% (7.3% in absence of FX movements).

Key messages of the quarter (2/2)

- Our 30 day PDL and our 90 day NPL deteriorated by approximately 20 bps in the quarter to 4.0% and 2.7% respectively. The positive element in this quarter, on this regard, is that our consumer portfolio quality improved 10 bps versus the previous quarter. This is clearly differentiating us versus our peers as their indicators continue to show deterioration while they continue to grow faster than we do. A second positive element is that the PDL formation continues to show a positive trend.
- Cost of risk for the quarter, net of recoveries, was 2.6% versus 2.7% in the previous quarter, including a Ps. 150,000 mm provision expense related to Electricaribe (versus Ps. 108,000 mm during 2Q17). Electricaribe accounted for 40 bps of the cost of risk during the quarter.
- Total Deposits declined by 2.2% in the quarter (-1.1% excluding the impact of FX movement in our Central American operation) and in the last twelve months Deposits grew by 7.9% (+7.3% excluding FX movements), once again evidencing a deceleration during 3Q17 in sync with a slow economy.
- Partly as a consequence of the continued growth slowdown and partly as a consequence of the FX revaluation of the period, the third quarter was one in which our consolidated equity ratios improved. Our total equity to total assets ratio improved from 10.7% in June 30, 2017 to 11.0% in September 30, 2017 and our tangible capital ratio improved from 7.6% to 8.0%.
- As mentioned before, the NIM of our consolidated operation declined by approximately 15 bps to 5.9% during the quarter. Our consolidated NIM on loans remained constant at 7.0% during the quarter and our consolidated NIM on total investments had a sub-stellar performance with a ratio of 0.3% versus 1.4% in the previous quarter.
- Our gross fee Income grew by 1.0% in the quarter when compared to the second quarter of 2017. This performance continues to surpass the growth of our balance sheet.
- Our other operating income for the period was Ps. 525.2 billion for the quarter versus Ps. 493.1 billion in the previous quarter supported by a better performance of our Non-financial sector.
- Our consolidated efficiency ratio showed a slight improvement measured as cost to income: 46.8% in 3Q17 versus 46.9% during 2Q17.
- Our implicit tax rate was 40.3% which compares negatively versus 35.6% during the previous quarter. This is due to some recoveries that we had during the first semester of the year.
- As mentioned before, partly as a result of continuing provision expenses attributable net income for the quarter was Ps 437.9 billion or 20 pesos per share, compared to Ps. 470.8 billion in 2Q17.

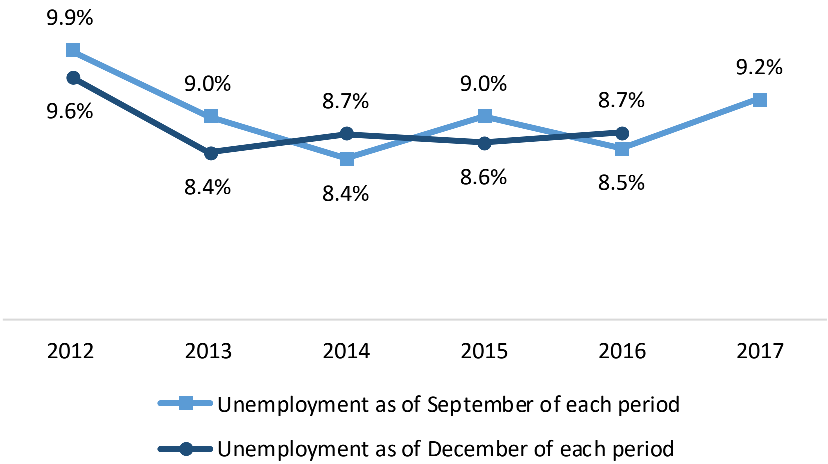
Macroeconomic context – Colombia (1/3)

GDP Growth Expectations (%)



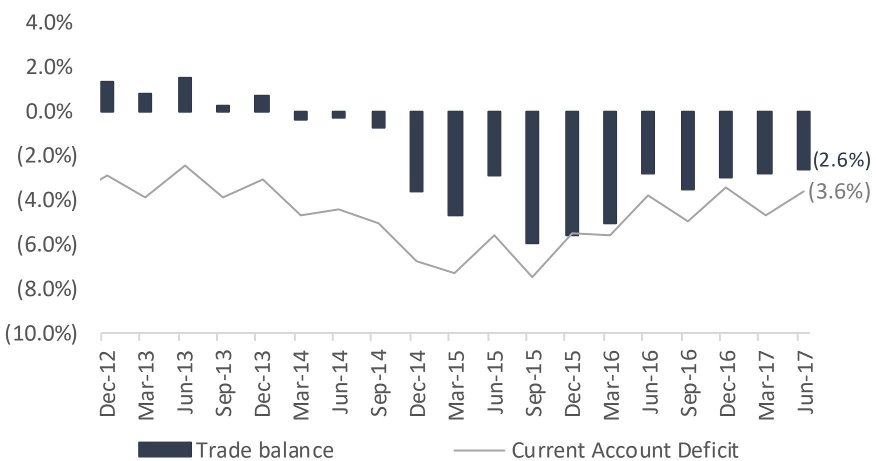
Source: Bloomberg Consensus

Unemployment (%)



Source: DANE.

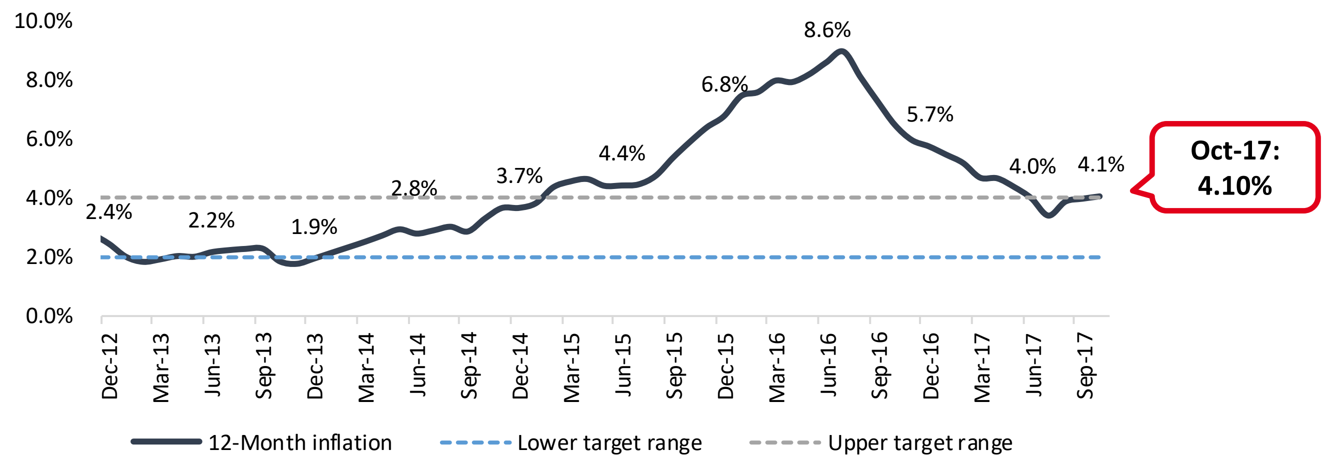
Current Account (% of GDP, quarterly)



Source: Banrep and DANE.

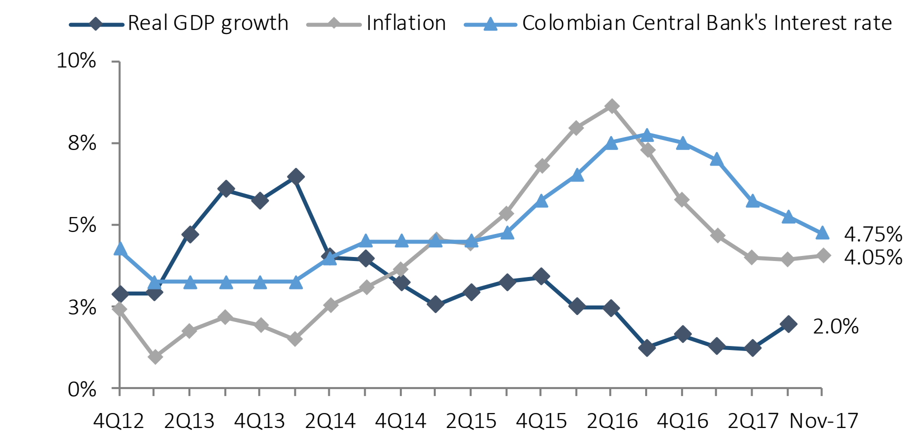
Macroeconomic context – Colombia (2/3)

Inflation (%)



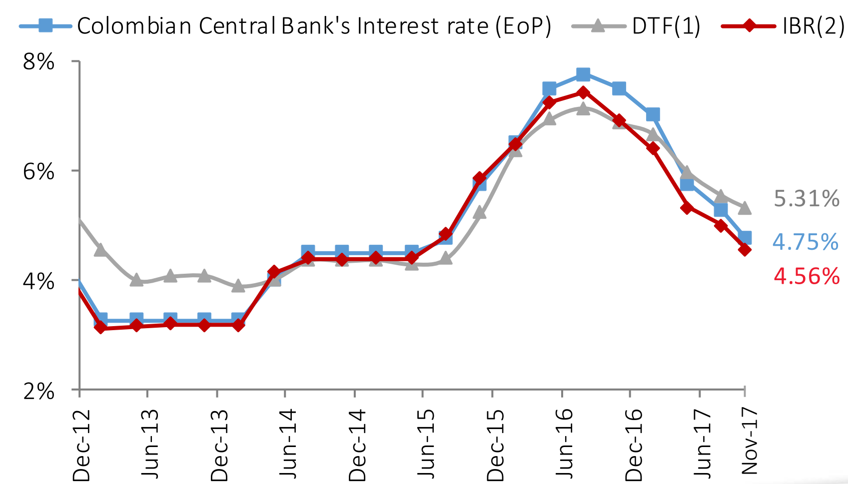
Source: Banrep

Central Bank’s Monetary Policy



FY GDP	2012: 4.0%	2013: 4.9%	2014: 4.4%	2015: 3.1%	2016: 2.0%

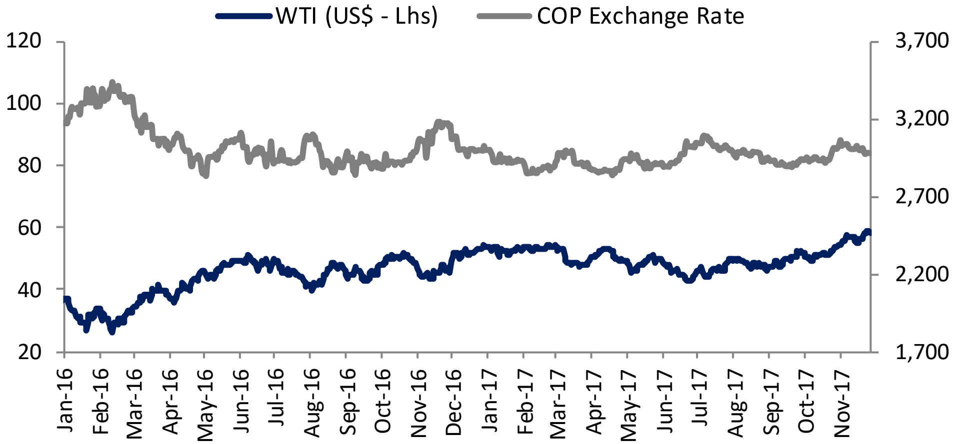
Source: Banrep and DANE. Inflation as of October 2017 and Colombian Central bank’s interest rate as of November 2017.



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

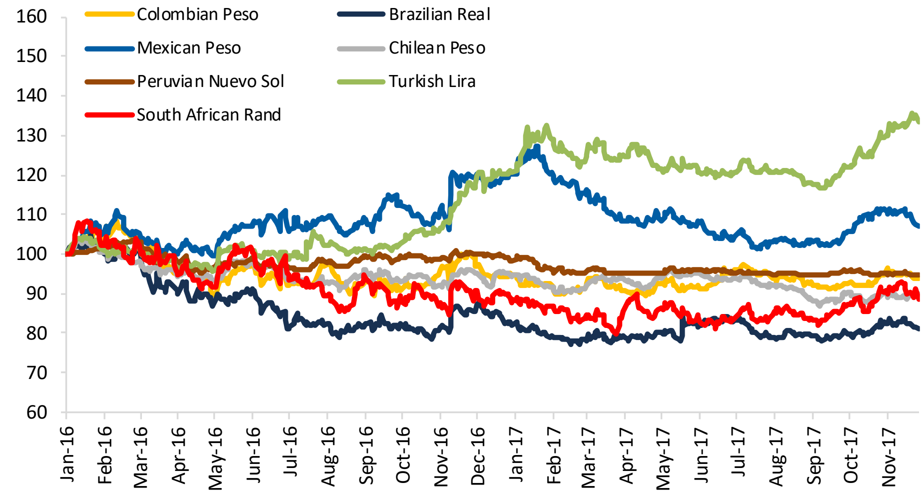
Macroeconomic context – Colombia (3/3)

Colombian Peso vs WTI US$/barrel



Source: Bloomberg

COP vs Emerging markets' currencies



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

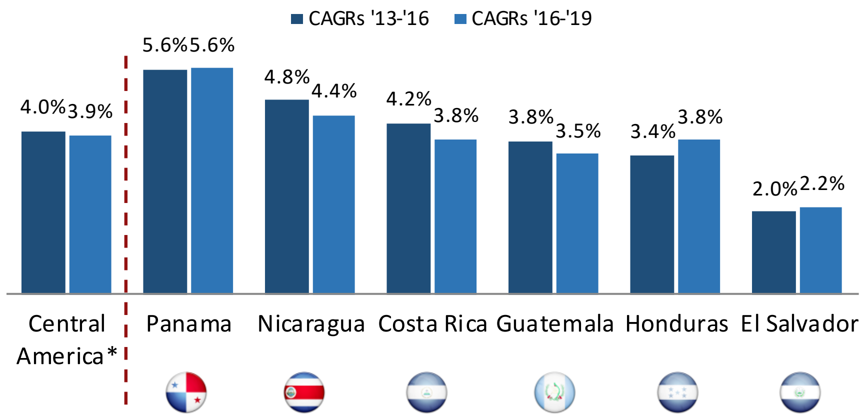
Colombian Peso Exchange Rate

	3Q16	2Q17	3Q17
Average	2,948.97	2,920.25	2,974.59
End of Period	2,880.08	3,050.43	2,936.67

3Q17 vs. 3Q16	3Q17 vs. 2Q17
0.87%	1.86%
1.96%	-3.73%

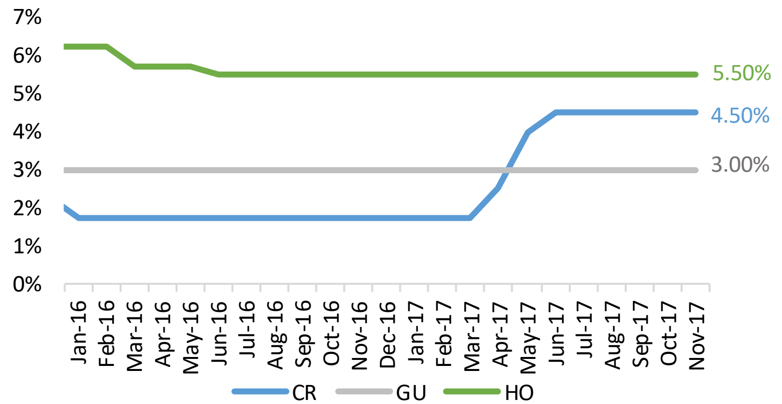
Macroeconomic context – Central America

Real GDP CAGR Evolution



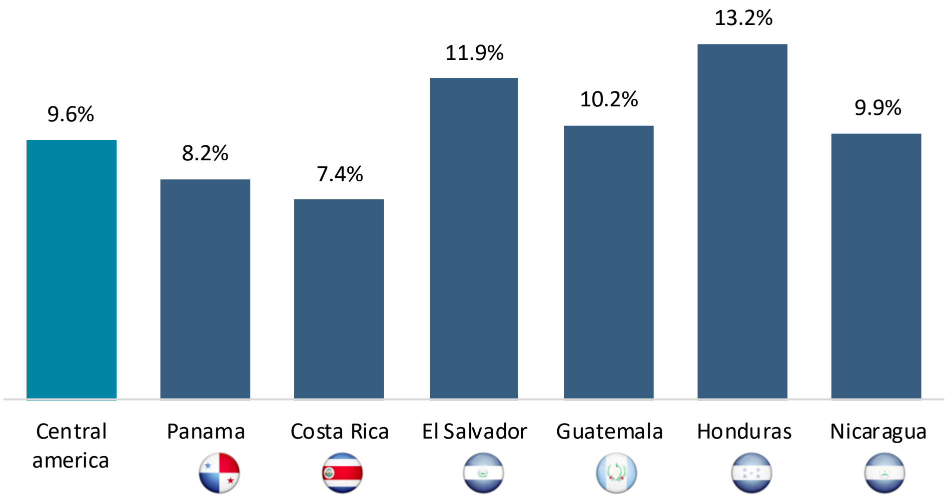
Source: IMF as of October 2017
(*) Average growth of all the Central American countries

Central Banks' Monetary Policies



Source: SECMCA

Oil & gas imports / Total imports (%)

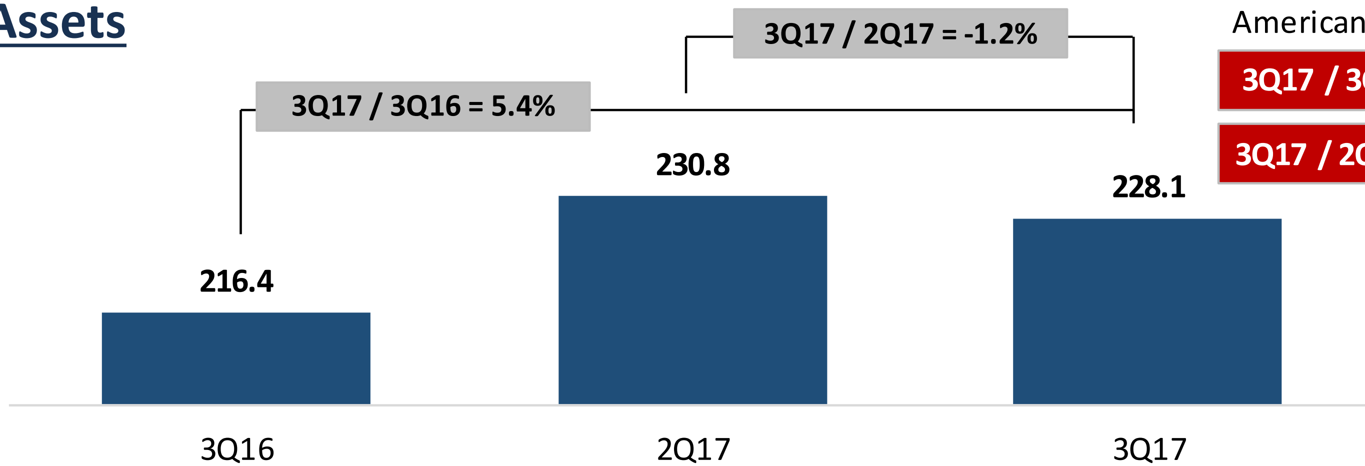


Source: SECMCA, last twelve months as of June 2017

Assets

Figures in Ps. Trillions

Total Assets

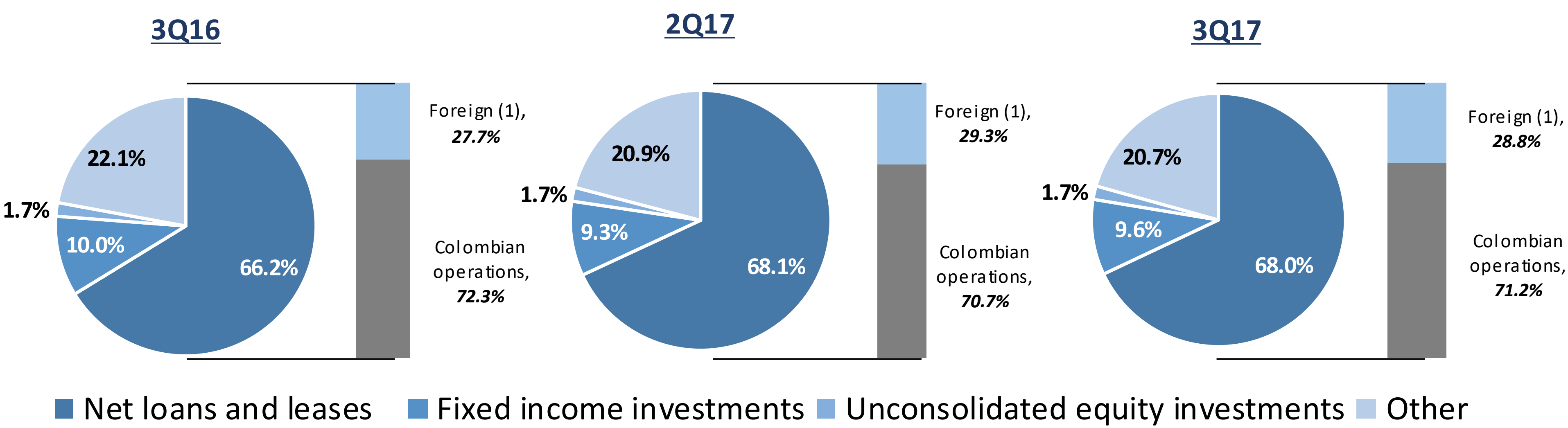


Growth excl. FX movement of Central American Operations

3Q17 / 3Q16 = 4.8%

3Q17 / 2Q17 = -0.1%

Assets Breakdown

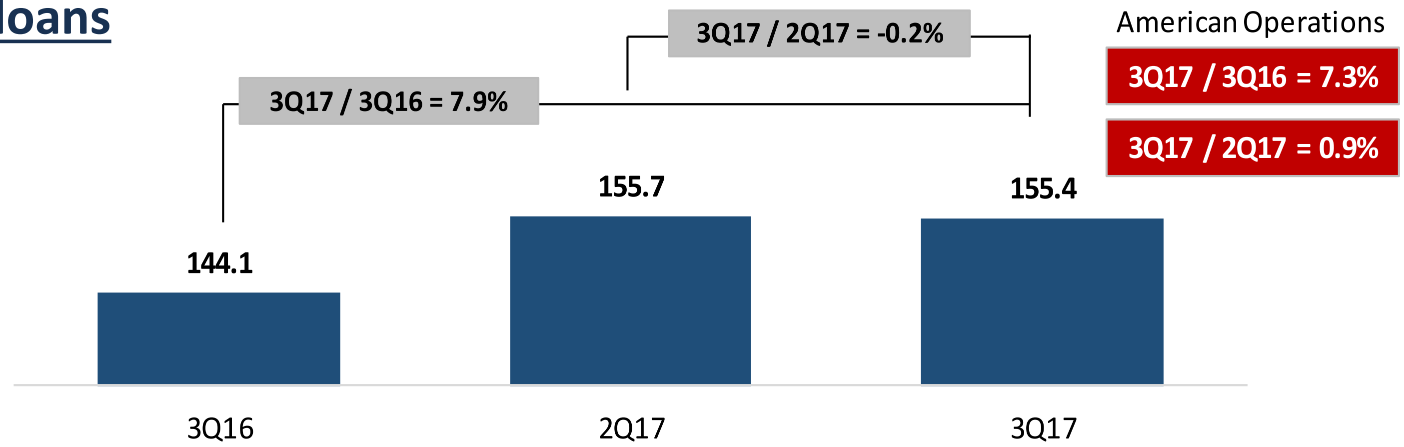


(1) Foreign operations reflect Central American operations. (2) Net loans and leases include interbank and overnight funds.

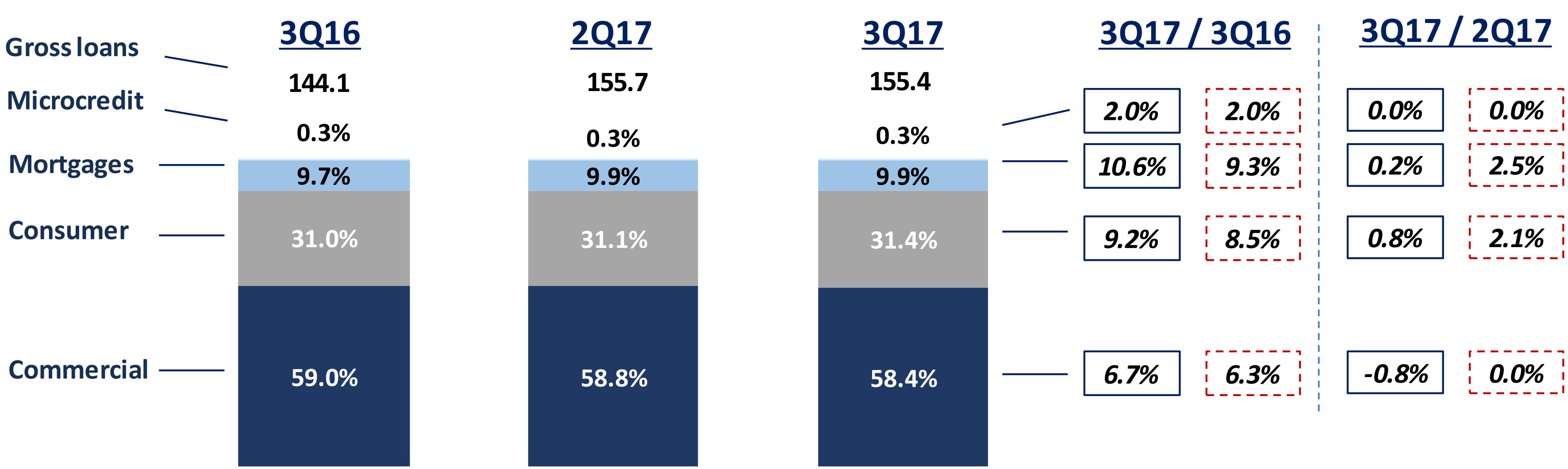
Loans and receivables

Figures in Ps. Trillions – Excluding interbank and overnight funds

Gross loans



Gross loans Breakdown



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

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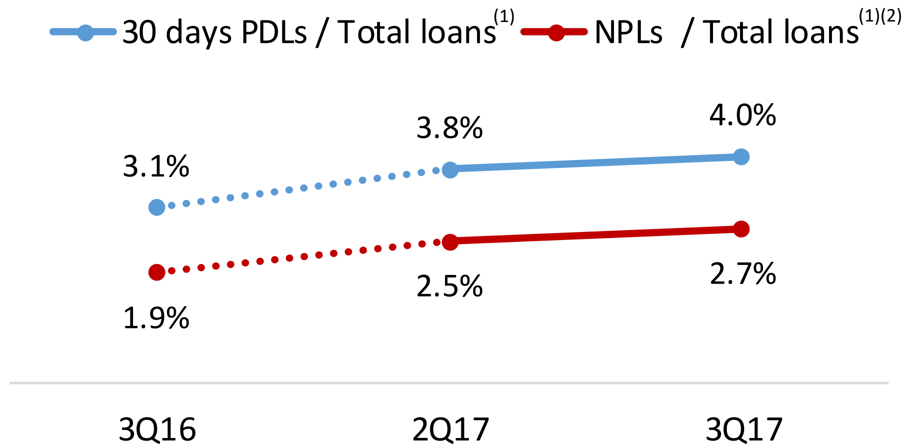
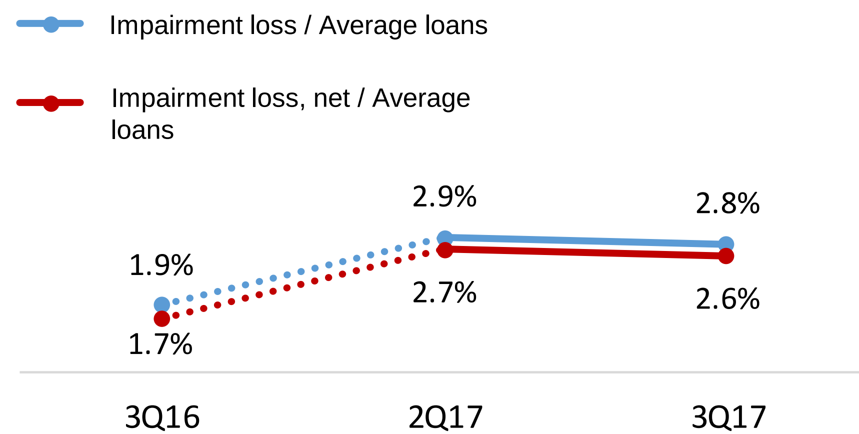
Loan portfolio quality

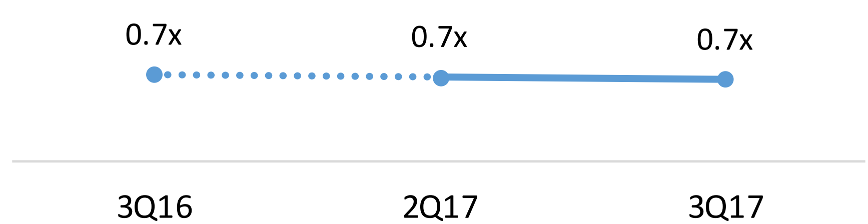


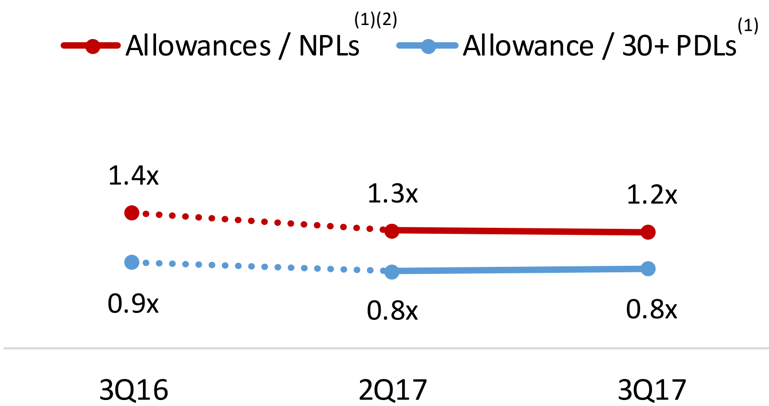
(1) 30 days PDLs and NPLs include interest account receivables.

Cost of Risk



Charge offs / Average NPLs[(1)(2)]





Allowance / Gross loans	2.8%	3.1%	3.4%

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

(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)		
	3Q16	2Q17	3Q17	3Q16	2Q17	3Q17
Commercial	2.3%	3.0%	3.4%	1.8%	2.5%	2.8%
Consumer	4.5%	5.2%	5.1%	2.2%	2.7%	2.7%
Mortgages	3.3%	3.5%	3.7%	1.7%	1.9%	2.0%
Microcredit	13.5%	15.4%	15.2%	9.0%	10.7%	10.9%
Total loans	**3.1%**	**3.8%**	**4.0%**	**1.9%**	**2.5%**	**2.7%**

	3Q16	4Q16	1Q17	2Q17	3Q17
Initial PDLs	4,203	4,432	4,484	5,393	5,843
New PDLs	716	678	1,537	1,090	1,032
Charge-offs	(487)	(627)	(629)	(640)	(693)
Final PDLs	**4,432**	**4,484**	**5,393**	**5,843**	**6,182**

(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

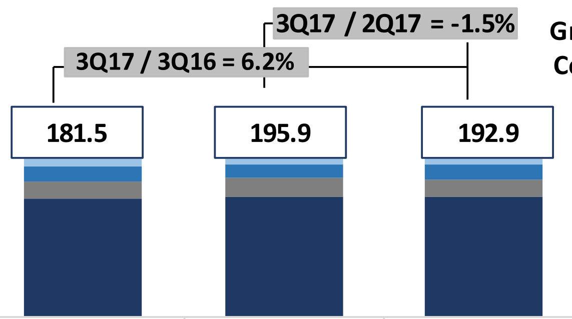
Figures in Ps. Trillions

Total funding

Growth excl. FX movement of Central American Operations

3Q17 / 3Q16 = 5.7%

3Q17 / 2Q17 = -0.5%



Funding composition

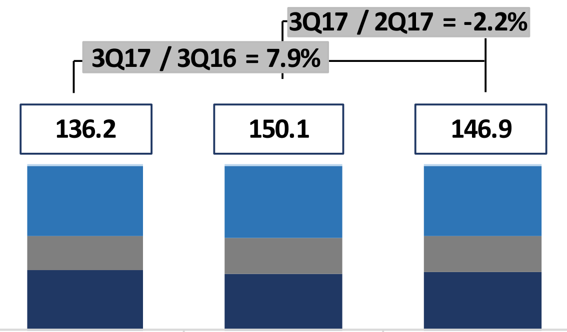
	3Q16	2Q17	3Q17
Interbank borrowings	5.3%	3.4%	4.1%
Long term bonds	9.6%	8.8%	9.6%
Banks and others	10.1%	11.2%	10.2%
Deposits	75.0%	76.6%	76.2%

Total deposits

Growth excl. FX movement of Central American Operations

3Q17 / 3Q16 = 7.3%

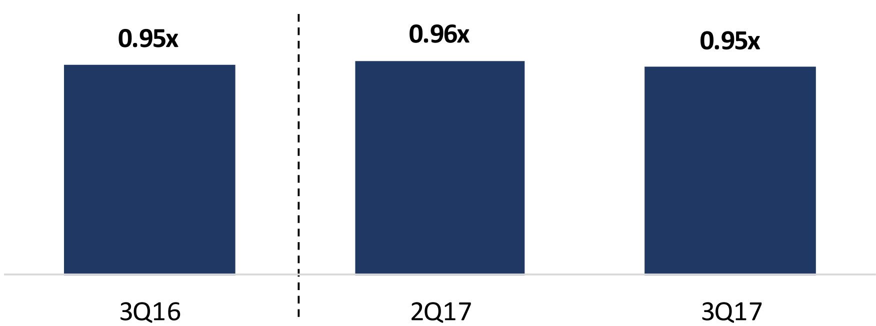
3Q17 / 2Q17 = -1.1%



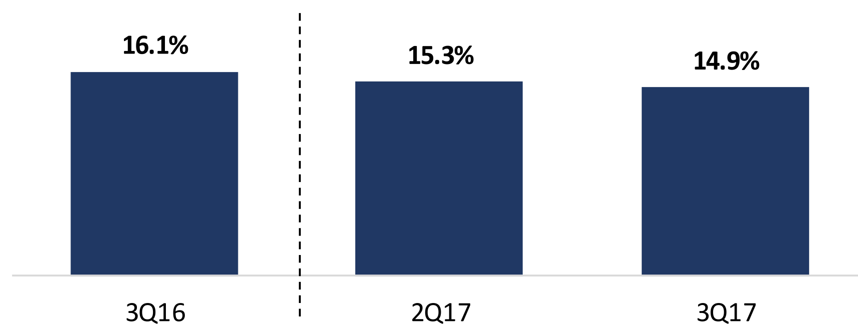
Deposit composition

	3Q16	2Q17	3Q17
Others	0.3%	0.3%	0.3%
Time deposits	42.9%	43.2%	42.8%
Checking accounts	20.8%	22.0%	21.6%
Savings accounts	36.0%	34.5%	35.2%

Deposits / Net loans (%)



Cash / Deposits (%)



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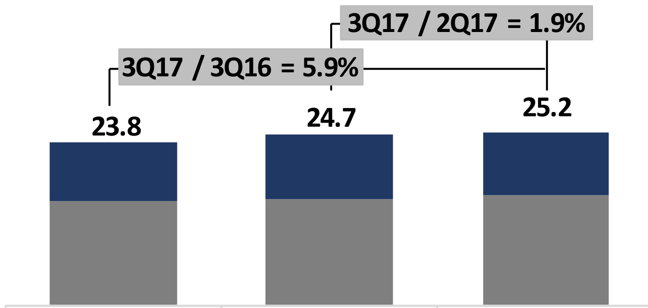
Capital

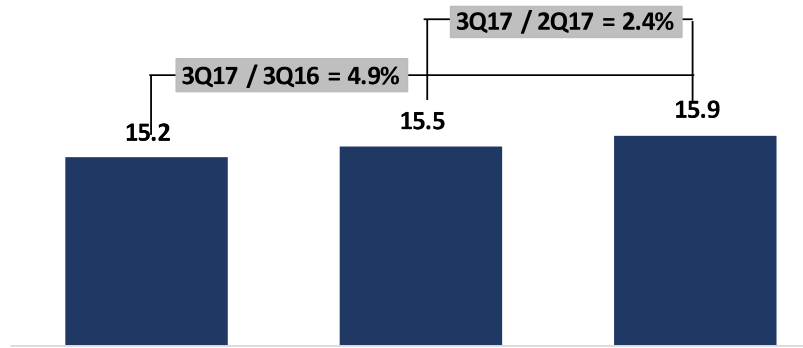
Figures in Ps. Trillions

Attributable Equity + Minority Interest



	3Q16	2Q17	3Q17
Minority interest	8.6	9.2	9.3
Attributable equity	15.2	15.5	15.9

Attributable Shareholders Equity



	3Q16	2Q17	3Q17
Total equity / Assets	11.0%	10.7%	11.0%
Tangible capital ratio (1)	7.9%	7.6%	8.0%

Consolidated Capital Adequacy of our Banks (%)

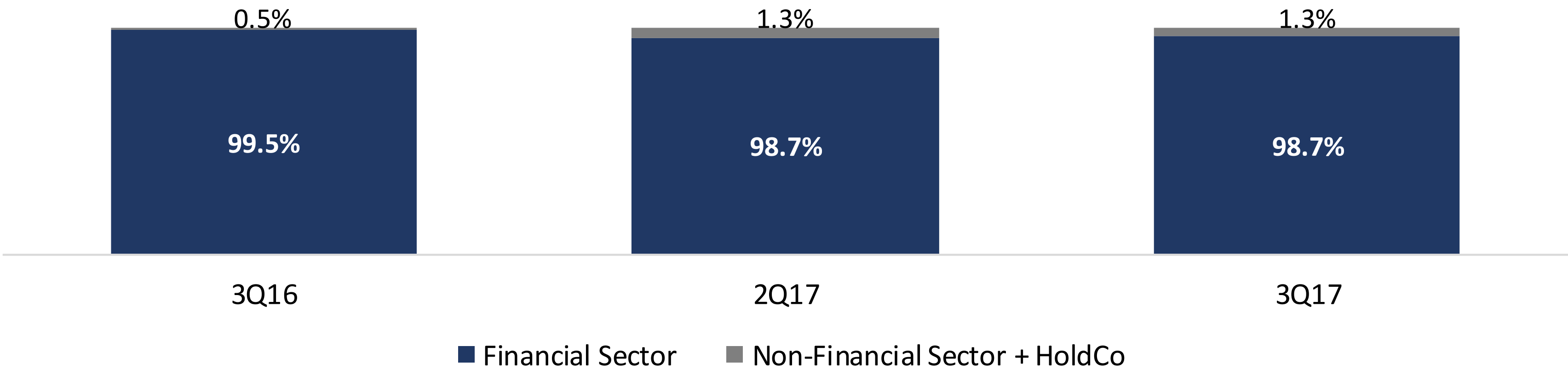
	Banco de Bogotá			Banco de Occidente			banco popular			Banco AV Villas		
	3Q16	2Q17	3Q17	3Q16	2Q17	3Q17	3Q16	2Q17	3Q17	3Q16	2Q17	3Q17
Primary capital (Tier 1)	9.5	9.4	9.1	10.4	10.5	10.5	9.6	9.6	9.3	10.5	11.2	11.1
Solvency Ratio	14.4	14.2	14.0	12.9	12.7	12.7	9.7	11.2	10.9	11.5	12.4	12.4

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

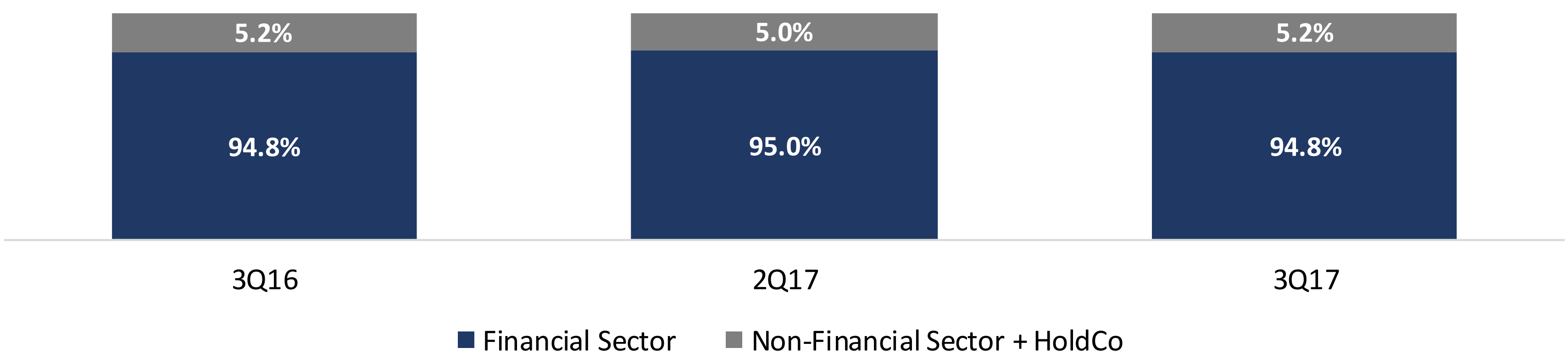
Grupo AVAL

NIM – Net Interest Margin (1/3)

Composition of Interest Earning Assets



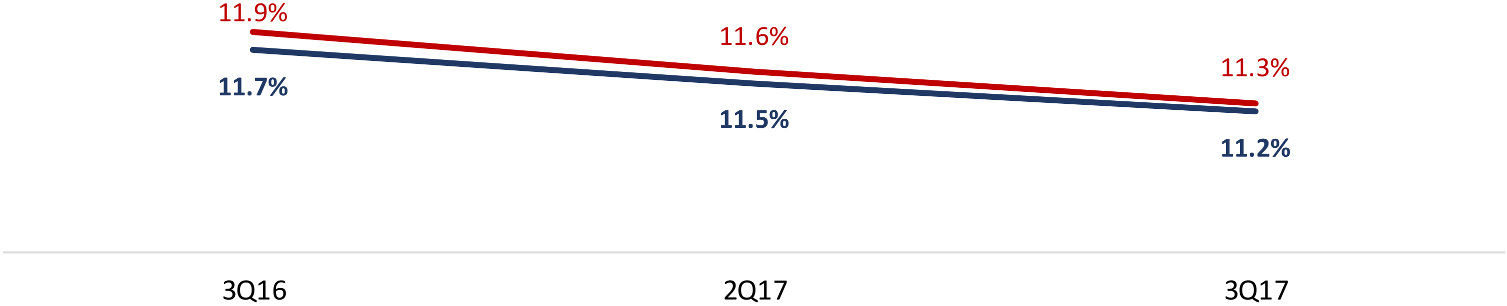
Composition of funding



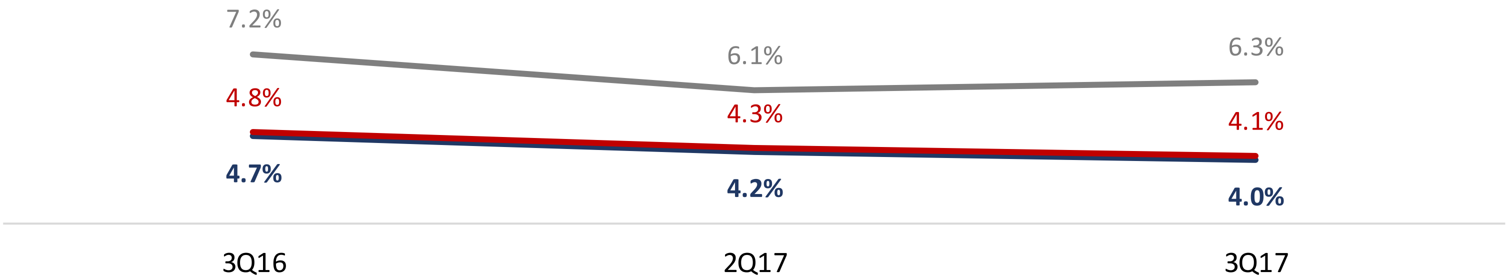
Calculated as composition of average balance for the period. Non-Financial Sector + HoldCo refers to companies from the non financial sector and the sum of Grupo Aval Acciones y Valores S.A. + 100% owned and guaranteed subsidiaries, net of eliminations.

NIM – Net Interest Margin (2/3)

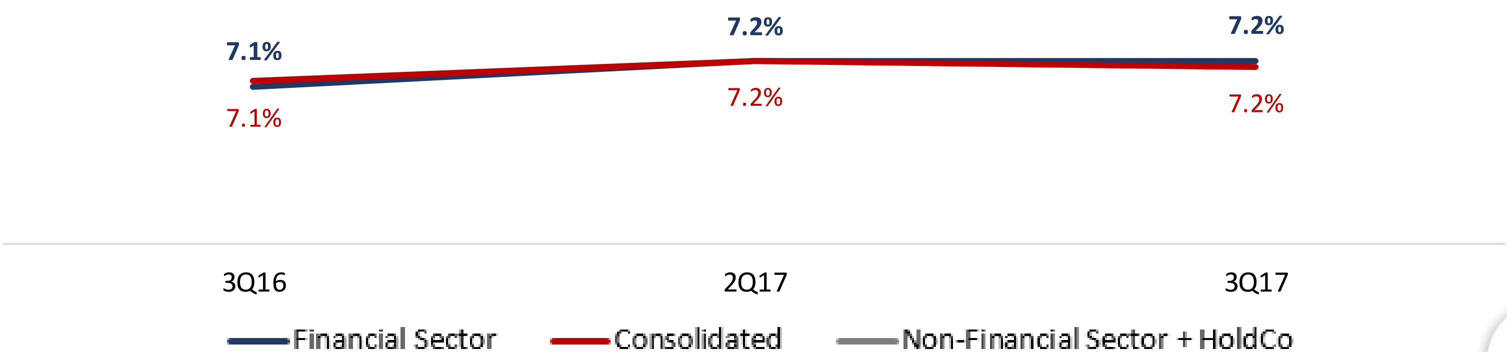
Average Yield on Loans



Average Cost of Funds



Average Spread (Yield on Loans – Cost of Funds)

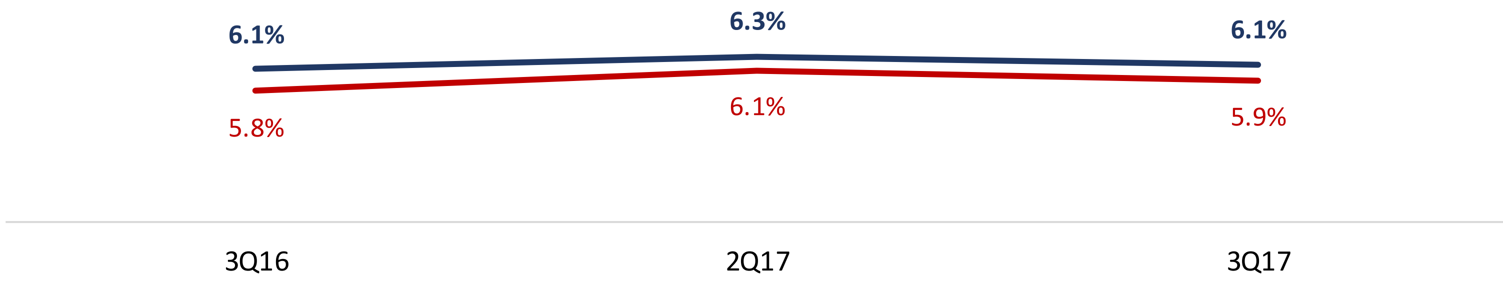


NIM – Net Interest Margin (3/3)

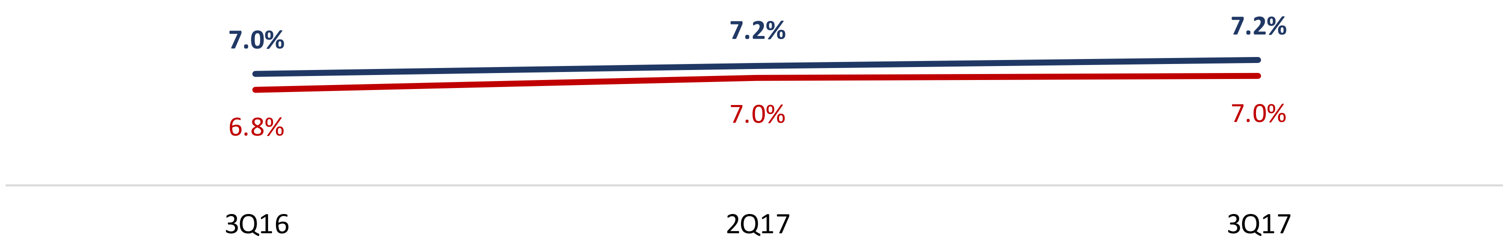
Net interest income(1) (trillions)

3Q16	2Q17	3Q17	3Q17 / 3Q16	3Q17 / 2Q17
2.5	2.8	2.7	10.7%	-1.2%

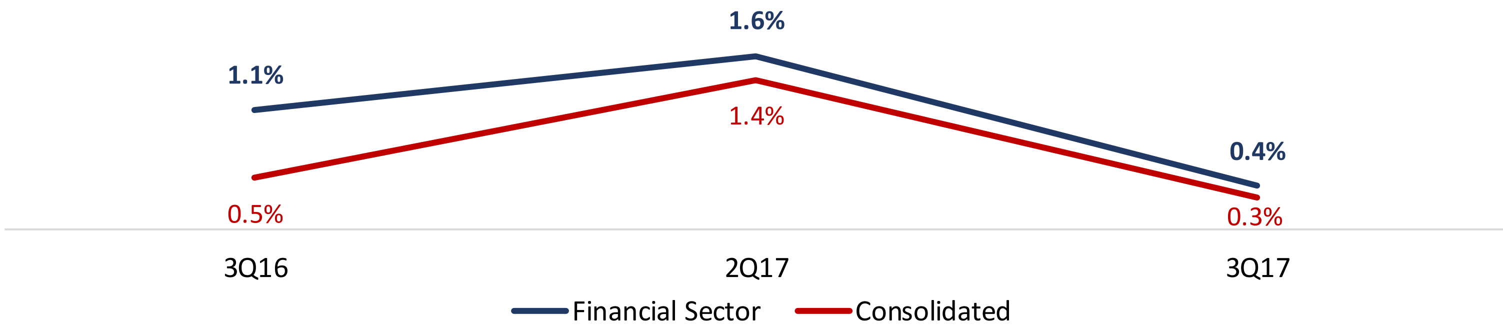
Net Interest Margin[(1)]



Loans Interest Margin[(2)]



Net Investments Margin[(3)]



(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. NIM without income from investment securities held for trading through profit or loss was 5.9% for 3Q17, 5.9% for 2Q17 and 5.6% for 3Q16.

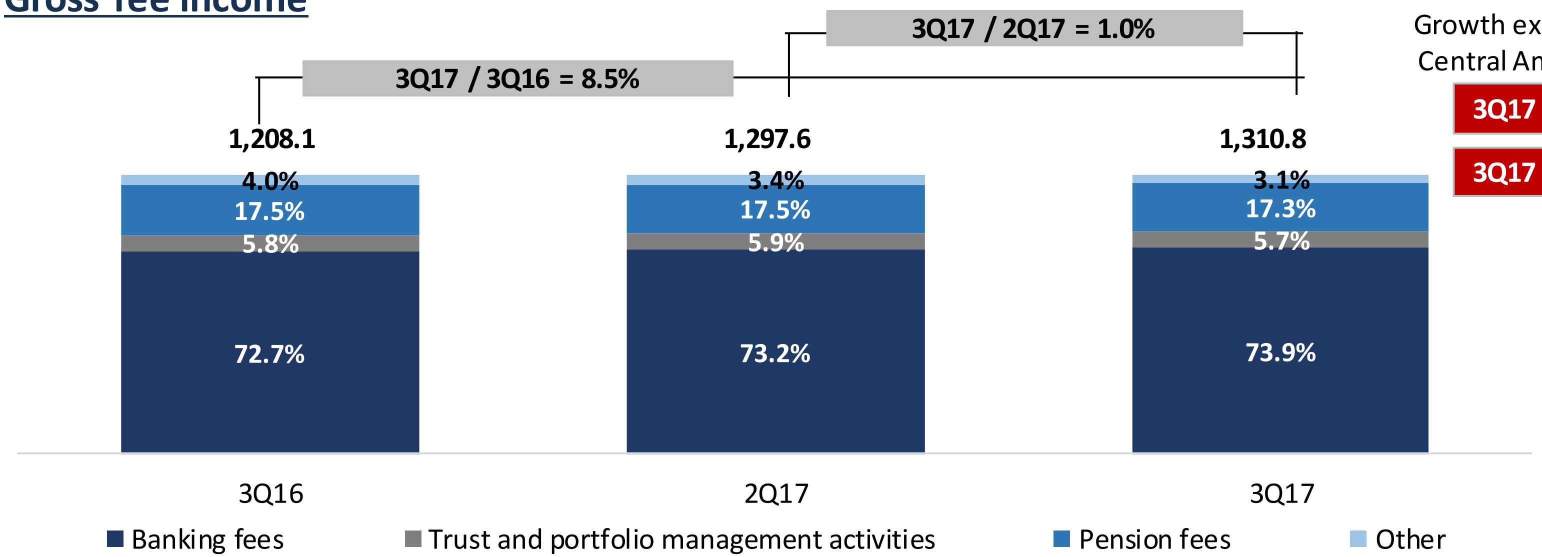
(2) Loans Interest Margin: Net Interest Income on Loans to Average loans and financial leases.

(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

3Q17 / 3Q16 = 8.1%

3Q17 / 2Q17 = 0.2%

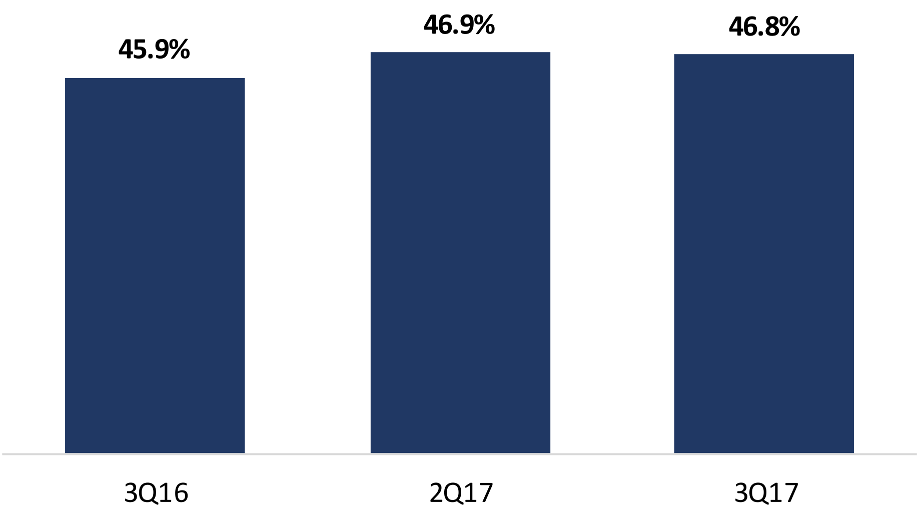
Other operating income

	3Q16	2Q17	3Q17
Income from non-financial sector, net	224.2	127.9	159.3
Gains on valuation of assets	-0.7	12.8	6.3
Net income from financial instruments designated at fair value	43.5	58.0	45.3
Derivatives and foreign exchange gains (losses), net (1)	139.0	144.4	154.6
Income from non-consolidated investments and other (2)	214.2	150.0	159.6
Total other operating income	**620.1**	**493.1**	**525.2**

(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.

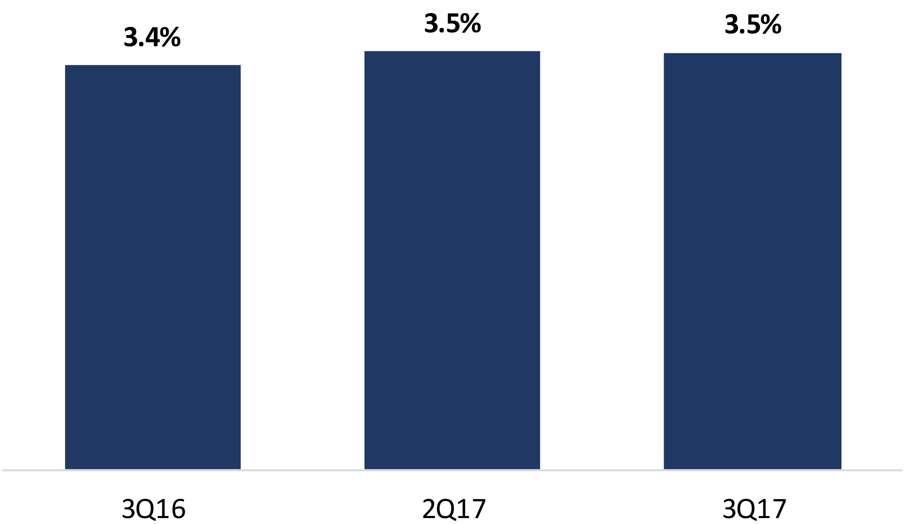
Efficiency ratio

Operating expenses / Total Income



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

Operating expenses / Average Assets

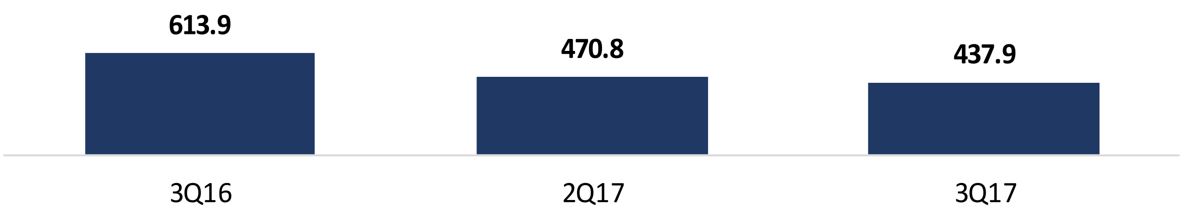


Efficiency Ratio is calculated as annualized personnel plus administrative and other expenses excluding wealth tax divided by average of total assets.

Profitability

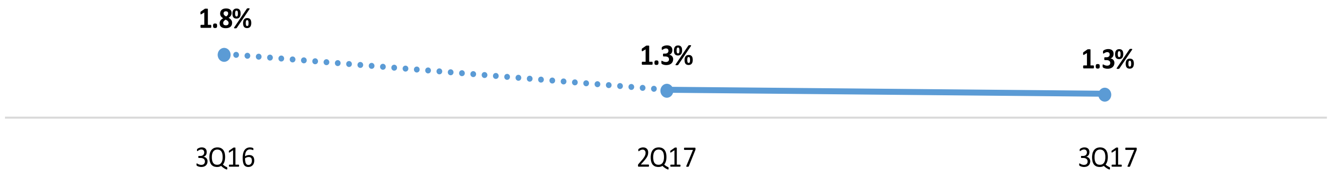
Figures in Ps. Billions

Net income attributable to controlling interest

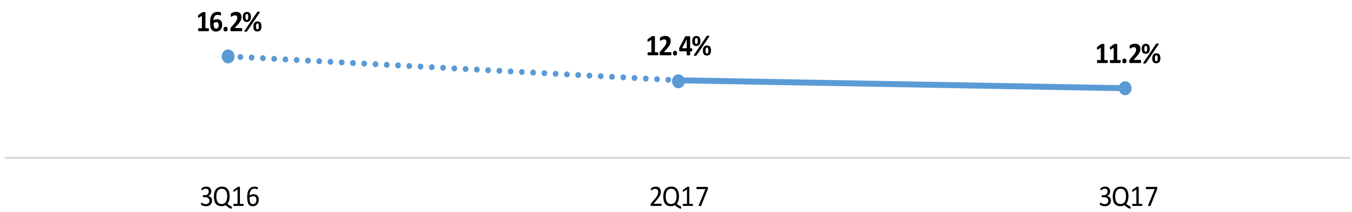


	3Q16	2Q17	3Q17
EPS	$27.6	$21.1	$19.7
Avg shares	22,281	22,281	22,281

ROAA [1]



ROAE [2]



[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.

Grupo AVAL

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