2Q2019 CONSOLIDATED EARNINGS RESULTS CALL TRANSCRIPT

GRUPO AVAL ACCIONES Y VALORES S.A.

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Operator

Welcome to Grupo Aval's second quarter 2019 consolidated results conference call. My name is Hilda and I will be your operator for today´s call.

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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 supervision as financial institutions by the Superintendence of Finance. Grupo Aval is now also subject to the inspection and supervision of the Superintendence of Finance as a result of Law 1870 of 2017, also known as the Law of Financial Conglomerates, which came in effect on February 6, 2019. Grupo Aval as the holding company of its financial conglomerate is responsible for the compliance with capital adequacy requirements, corporate governance standards, risk management and internal control and criteria for identifying, managing and revealing conflicts of interest, applicable to its financial conglomerate.

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

Grupo Aval has adopted IFRS 16 retrospectively from January 1st, 2019 but has not restated comparatives for the 2019 reporting period as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognized in the opening Condensed Consolidated Statement of financial position on January 1st, 2019. Consequently, quarterly results for 2019 or not fully comparable to previous periods.

IFRS 16 introduced a single on balance sheet accounting model for lessees. As a result, Grupo Aval as a lessee recognized right-of-use assets by representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease if that rate can be determined or the group´s incremental borrowing rate.

This report includes forward-looking statements. In some cases you can identify this forward-looking statements by words such as "may", "will", "should", "expect", "plan", "anticipates", "believes", "estimates", "predicts", "potential" or "continue", or the negative of these and other comparable words. Actual results and events may differ materially from this 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.

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The content of this document and the figures included herein are intended to provide a summary of such 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 listening only mode, later we will conduct a question and answer session.

I will not turn the call over to Mr. Luis Carlos Sarmiento Gutierrez, Chief Executive Officer. Mr. Sarmiento Gutierrez you may begin.

Luis Carlos Sarmiento Gutiérrez

Chief Executive Officer

Thank you, Hilda. Good morning and thank you for joining us in our second quarter 2019 conference call. Once again, it is my pleasure to share with you our strong financial results for the quarter that ended on June 30. As the previous calls I will cover the following subjects, a review of our macro scenario, highlights of our results and a brief update regarding the legal processes of Ruta del Sol.

Colombia´s economy, where 70% of our business resides, grew at 3% during the first half of 2019. Seasonally adjusted GDP growth during the first quarter was revised from 2.3% to 2.7% or 3.1% unadjusted and seasonally adjusted growth during a second quarter came in at 3.4% or 3% unadjusted. Notably, during the second quarter, several sectors grew faster than the average economic growth, including retail, financial services, communications and professional services. Lagging sectors included construction, industry and oil, and mining; these sectors are traditionally the main generators of jobs. Consequently, low growth in these sectors is in part responsible for the deterioration of our unemployment rate which is currently averaging 10.1% .

As I've mentioned before, we believe that two other significant factors contributing to the current unemployment level are the inflow of Venezuelan migrants with legal work permits and the consistent minimum wage increases in excess of inflation.

Our current view on growth is still somewhat more conservative than the government´s; we believe that GDP will grow between 3 and

3 ¼% for the year. We further believe that unemployment will only start to improve once the construction and the industry sectors pick up momentum; commercial loan demand, used as a proxy to detect acceleration in the growth of these sectors, does not yet point in that direction.

The latest inflation number of 3.79% for the 12 months ending in July, represented the largest increment in monthly data of 12-month inflation since December 2017. This number also comes closer to the 4% cap of the Central Bank´s acceptable range. However, the two drivers that fuel such pickup lead us to believe that inflation will correct downward and will end close to a 3.5% for 2019.

The first driver that accelerated inflation was food prices, mainly due to a short-lived "El Niño" weather phenomenon. Secondly, inflation for July 2018 was atypically low and thus the base for comparison magnified the effect of July´s number on the overall measurement. Data also suggests that there is still a moderate pass through of the recent devaluation of the currency associated with more costly imports when converted to Colombian pesos. Consequently, the Central Bank is sort of on a tough spot., On the one hand, it needs to make sure that inflation expectations remain controlled and that might lead it in the direction of tightening monetary policy, especially, if it feels that the exchange rate is affecting internal prices in a material way. But on the other hand, it also knows that the economy´s recovery is still sluggish and as such, an early tightening cycle could be harmful. As of now, we believe that the Central Bank will continue with the stable interest rate throughout the remainder of 2019. Even if inflation stays at current levels, it is difficult to envision more than 1.25 basis point hike in the remainder of the year.

Current account deficit is still an issue. Internal demand growth continues to boost the importation of goods, while devaluation of the peso has not been a clear promoter of more and diverse exports. Latest figures show that while imports are growing close to 10% year and year, exports are flat. The government is pushing for a better use of the signed pre-trade agreements and for the strengthening of our tourism but the reality is that our trade partners are not doing great and that international markets are not strong and the tourism is quite growing but is far from contributing to shrinking the current account gap.

Finally, on the fiscal front we still believe that this year's deficit will be in line with the fiscal rule requirement of two-point seven percent (2.7%); consequently, we do not see probable the government's own estimation of a 2.4 deficit for 2019. The reasons for our assertion are that, first, GDP growth will probably fall short of the government´s estimation of close to 3.5% included in the medium-term fiscal plan, and secondly, the peso is weaker than anticipated which has resulted in an increase in debt service in pesos, and the increase in income from oil revenues has not offset this debt service increase.

As we have said before, a decoupling has occurred between FX and the price of oil. The exchange rate is more associated to a global deceleration and a flight-to-quality reaction. If this situation continues, the government might be forced to cut spending even more or even to privatize a portion of its assets, an idea that has started to make some public waves.

The exchange rate is up to 3,400 pesos per dollar and it seems that this is the new norm. Several pressures are in play, the strongest driver in our view continues to a widening and trade deficit. Additionally, as of August, dollar flows into fixed some local currency portfolios has decreased by 25%, as compared to 2018 from 1.2 billion to 900 million dollars. These pressures have been somewhat mitigated by an increase in remittances which have grown by approximately 900 million dollars in the last year and by a 21% increase as of July, in structural foreign direct investment.

Central America´s growth has slightly decelerated, although we still believe that the region's economy will grow upwards of 3% during 2019, the reality is that this growth is closely linked to the performance of the US´s GDP and as the US´s economy slows down so does Central America's. However, the macroeconomic fundamentals and the sprint of our business in Central America continues to prove our strategy of sustainable results based on diversification.

To highlight a few of these quarter´s numbers, out attributable net income for the quarter was 813 billion pesos or 36.5 pesos per share an increase of 19.3% versus 2018 second quarter´s result of 681.5 billion pesos or 30.6 pesos per share and our return on average equity portfolio rose to 18.3%.

Our results were mainly driven by loan portfolio growth just shy of our 8% estimation for the year, but very profitably in nature with faster growth in our retail portfolio than our commercial portfolio, netting a margin of approximately 6% driven by a discipline loan pricing strategy, controlled cost of funds and better yields from our fixed income portfolios.

Overall cost of risk approaching 2% resulting from an improvement in our consumer portfolios cost of risk, partially upset by a deterioration of our commercial portfolios cost of risk. Cost of risk will increase in the remainder of the year as our bank fully provision our remaining exposure in Ruta del Sol.

Strong net income growing significantly faster than our loan portfolio due to solid banking and pension fund fees, sustained contribution from our non-financial sector during the quarter which as you are all aware, mainly comes from our operation in Corficolombiana.

Continued focus on efficiency, resulting in controlled operating expenses in general and specifically in slow growth of personal expenses even below the minimum wage increase.

Strong balance sheet, as reflected by our deposit to loan, liquidity and tangible equity ratios.

Diego will refer to each of these points in a few minutes.

On the digitalization front we continue to work at digitalizing products and processes in order to become more productive but also to access segments of the population that were un-bankable to us in the past. We expect to launch DALE, our "fintech", in the next couple of months. DALE is an ecosystem that will allow clients and non-clients to conduct P2P, P2C and C2P money transfers at zero cost in one click. We share the government´s call to decrease the use of cash and we also want to increase banking penetration. We will share with you more details of DALE in our next call.

Regarding ongoing legal matters related to Ruta del Sol in the last few weeks two proceedings have advanced. On the one hand, the arbitration tribunal ruled on August 6th and then confirmed its ruling on August 16th, after declining to respond multiple requests for clarifications from all the parties involved.

First and as expected, the Ruta del Sol contract was declared null;importantly, this part of the ruling allows the tribunal to base its calculation of the liquidation value of the contract on Law 1882 of 2018 and had no other implication as the project was reversed to the Government almost 2 years ago. Secondly, the tribunal ruled that, on top of the payments that have been made to employees, suppliers and banks since the contract ended in February 2017, which add up to approximately 1.5 trillion pesos, the government should pay an additional 211 billion pesos to CRDS´s creditors among which, the banking system is owed approximately 1.2 trillion pesos.

We have been studying very closely and in painful detail the text of the 700-page ruling and have several issues as to how the judges applied the law to reach the liquidation value number. We don't know what all the parts affected by this ruling are going to do in terms of looking for legal recourses, but we will consider all the evidence supported by the law.

Since the final resolution might take some time, we foresee that our banks will have to provision the current exposure to CRDS before this year ends. In our case, as of June 30 we had a net exposure of 380 billion pesos, equivalent to 23 basis points of our current average loan portfolio. We estimate in 170 billion pesos the impact after taxes of this additional provision expense on our own attributable net income or about 5% of our yearly results.

The other front that showed some advances was the antitrust prosses at the Superintendence of Industry and Commerce (SIC). As part of this proceeding, all the parties to this investigation had officially requested the SIC included certain documents and called certain witnesses to support the investigation. In a recent decision the SIC granted most of these requests. That investigation continues and we will report of any material advances once they occur.

We have no further information regarding Ruta del Sol legal proceeding.

To end, allow me to summarize our macroeconomic guidance for 2019:

-GDP growth between 3 and 3 and ¼ %,

-Inflation around 3.5% with an upward bias due to the pass-through effect of the devaluation,

-Unemployment not improving,

-Exchange rate of around 3,400 pesos for dollar for the remainder of the year,

-Fiscal deficit on target for this year at 2.7%

-Next year, the government will have to face a decision of either cutting costs or disposing of some assets.

-On the current account front, the vulnerability will persist until we find a strong source of alternative exports or reduce imports and;

-Growth in Central America of upwards of 3%.

And now I will pass the presentation on to Diego who will explain in further detail our business results.

Diego Solano Saravia, Chief Financial Officer

Thank you, Luis Carlos.

I will now move to the consolidated results of Grupo Aval under IFRS and wrap up with our guidance for 2019.

As mentioned by Luis Carlos, the second quarter of 2019 was a strong quarter for Grupo Aval, due to an improvement in loan dynamics during the quarter, particularly in Colombia, stronger net interest margin (NIM) on loans and a solid performance of our fixed income portfolio, robust fee income during the quarter mainly attributable to pension fund management and banking fees, at the same contribution of our non-financial sectors and strict cost control discipline.

Starting on page 9, assets grew 12.8% over the year and 2.5% during the quarter. Colombian assets increased 12.7% over the last 12 months and 3% during the quarter, driven by net loans, cash and intangibles and financial assets from our concessions and right-of-use assets.

In spite of an annual and partly contraction of 19.5% and 1.6% of the Nicaraguan assets, Central America delivered 3.5% and 0.2% 12-month and 3-month growth in dollar terms.

Moving to page 10, loans excluding repos grew 6.5% over the year and 1.3% during the quarter. Loan dynamics in Colombia continues trending positively while growth in Central America remains underpinned by the dynamics in Nicaragua.

Our Colombian corporate loan portfolio increased 0.9% over the quarter and 0.8% over the year. Commercial peso-denominated loans grew 0.9%, the second consecutive positive quarter figures in the first quarter 2018, following three consecutive quarters of contraction.

Strong growth of our Colombian retail portfolios continued to compensate the soft dynamic of our corporate portfolio. Colombian consumer and mortgage businesses expanded 9.9% and 16.3% respectively, over 12 months. Quarterly growths were 2.0% and 3.4%, respectively.

Central American operations excluding Nicaragua, expanded 4.4% in dollar terms for the year. Nicaragua which weighs approximately 6% of our Central American loans, contracted by 27.7%.

In pages 11 and 12 we present several loan portfolio quality ratios. 30-day PDLs show a slight deterioration during the quarter. Slow growth continues to affect PDL ratios in Commercial loan portfolios in Colombia.

We recorded an 18-basis point increase in 30 days Commercial PDLs and 27 basis points in 90-day PDLs in the quarter, in Colombia. In Central America 30-days and 90-days commercial PDLs remained relatively stable, both during the quarter with 30-day PDLs increasing 7 basis points and 90 days PDLS stable.

We continue reducing the burden of the three corporate cases; coverage for Ruta del Sol closed June at 47%, we expect to provision the remainder of Ruta del Sol during the rest of the year.

Our coverage for SITP companies stands at 40% during the quarter.

A slight increase in delinquency ratio of our consumer loan portfolio was driven by Central America. In Colombia improving trending delinquency of consumer loans persisted with 30-day PDLs falling 9 basis points during the quarter to 5% accumulating a reduction of close to one percentual point since the peak in the first quarter of 2018.

90-day PDLs remain stable at 3% relative to first quarter 2019 and were 51 basis points lower than a year earlier. In Central America 30-day PDLs consumer loans increased 34 basis points to 4.8% while 90-day PDLs increased 11 basis points to 2.0% both compared to a year earlier.

Our PDL for mortgages increased the quarter driven by Central America, in spite of that, the quality of our mortgage portfolio continues to be substantially better than the market average.

Cost of risk was 2.2% with a quarterly increase of 20 basis points driven by Colombian commercial loans with stability in Central America and an improvement in the Colombian consumer portfolio. PDL coverage for 90-days PDLs was 1.53x times.

On page 13 we present funding and deposits evolution. Funding dynamics were consistent with a strengthening of our balance sheet, as we position ourselves for upcoming growth.

Funding structure remains materially stable, with deposits representing three quarters of our total funding and our total deposits-to-net loans ratio reaching one.

Our liquidity position continues to be strong with our cash-to-deposit ratios at 18.0%.

Deposits increased 1.7% in the quarter and 9.2% over the last 12 months. Colombia increased 1.2% and Central America grew 1.8% in dollar terms respectively during the quarter. For the twelve-month period Colombia grew at 7.4% while Central America grew at 3.9% in dollar terms.

On page 14, we present the evolution of our total capitalization, our attributable shareholders equity and the capital equity ratio of our banks.

Our total and attributable equity increased during the quarter in line with net income. Total equity increased by 1.6 trillion pesos, while attributable equity increased by 926 billion pesos. As of the second quarter 2019. our bank showed a total Tier 1 and total solvency ratios to enable adequate growth.

On page 15, we present our yield on loans, cost of funds, spreads and net interest margin (NIM). Our net interest margin increased 14 basis points mainly driven by a stronger net interest margin on loans in Central America. Our net interest margin on investment continues to be solid.

As anticipated, pricing on consumer loans in Colombia became more aggressive during the quarter due to an improvement in quality. We continue to expect some pressure on net interest margin on consumer loans, as cost increases the share of newly priced loans in our mix.

On page 16, we present net fees and other income. Gross fee income dynamics was particularly strong in the quarter. Pension funds management posted strong results coming from fees charged on returned basis.

Gross fees increased 8.7% in Colombia and 1.4% in dollar terms in Central America compared to second quarter 2018.

Our non-financial sector continues to deliver strong results and remained relatively stable over the quarter with better results from our energy and gas sector and, a slight decline in income from infrastructure explained by slower progress in construction due to weather conditions.

Our other operating income was substantially at the same level as during the previous quarter. A seasonal decrease in income was offset by a 41 billion pesos income from Banco de Bogota one´s time change in 5-years benefit plans for non-unionized employees with a 24 billion pesos effect on Aval´s attributable income.

On page 17, we present some efficiency ratios. Year-to-date other expenses grew 5.7%, relative to a year earlier. All other expenses grew 0.7% in Colombia and 2.4% in Central America in dollar terms during this period. Year-to-date personal expenses increased 4.1% and year-to-date administrative expenses increased 0.5% and when adding IFRS 16 related depreciation and administration to administrative expenses the figure was 7.0%.

Improvement in year-to-date efficiency measured as cost to income resulted from tightening expenses, higher net interest margins and higher income from our non-financial sector.

Finally, on page 18 we present our net income and profitability ratios. Attributable net income for the 2Q2019 was 813 billion pesos or 36 pesos per share, return on average assets (ROAA) and return on average equity (ROAE) for the quarter was 2.1% and 18.3% respectively.

Before moving into questions and answers, I will now summarize our general guidance and financial performance.

-We expect loan growth to be in the 8% area in 2019,

-We expect our cost of risk, net of recoveries, to be in the 2.3% area in 2019, incorporating fully provisioning Ruta del Sol by year-end,

-We expect full year net interest margin to be in the 5.7% area,

-Finally, we expect return on average equity to be in the 16% area during the year.

We are now available for your questions.

Q&A

Operator: Thank you. We will now begin the questions and answers session. If you have a question, please press star and then one on your touch tone phone. If you wish to be removed from the queue, please press the pound key or the hash key. If you are using a speakerphone you may need to take out the handset first before pressing the numbers.

Once again, if you have a question please press star and then one on your touch tone phone.

We have a question from Andres Soto from Santander.

Andrés Soto: Good morning and thank you for this presentation. I would like to understand barely your views on asset quality. Obviously Nicaragua´s microenvironment and Colombia´s slowing growth doesn't help, but I would like to understand going forward what are you seeing in terms of quality performance when are you expecting this to peak and in this context, what are your views on the cost of risk over medium term after the full coverage of the corporate events of this year.

Diego Solano: OK Andres, regarding asset quality, I think you need to break it down in pieces. We have three different forces; one is Central America´s as you mention and the other in Colombia is consumer and corporate. I will go slightly back in history just to show how the cycles are working to refer to Colombia.

Colombia what we saw was consumer cycle starting earlier than the corporate cycle is there for the consumer cycle has already peaked and already recovering for the past three quarters. We expect that performance to continue and the reason in spite our view on unemployment, is that the customers that we serve are mainly concentrated in segments that are not yet affected by that kind of effect, so we expect to continue to see that positive performance as it has been demonstrated not only in our numbers, but in the system as a whole.

Regarding the corporate cycle, the corporate cycle begun with a lag of a few quarters to the consumer cycle and even though it hadn´t peaked yet, we haven't highlighted in the call because it's not yet absolutely positive news but we have started to see a slower deterioration in corporate loans but that points to and the numbers end up consolidating it is that we could be one or two quarters away from peaking, I would say that the statistical part of the corporate portfolio, this should be flattening pretty soon and we would be very happy to be able to give you much better news in our next call.

Then, finally, the large corporate cases that influence what the numbers look like we are in the process of cleaning those up, we already got that done for Electricaribe a few quarters ago, and as we mentioned we expect to see that happening for Ruta del Sol during the remainder of the year and in the SITP front, we believe that we are properly provisioned so we do not expect a lot of changes there. So wrapping up we are quite positive on how cost of risk should evolve, as always would prefer to be able to talk about this with numbers that have already been delivered, but our sentiment is positive.

Regarding Central America you pointed out in Nicaragua you are right on that, and then the region as a whole we've mentioned in the past has had ups and downs, but we are positive on how that region is evolving as well we mentioned in the past or other countries different from Nicaragua, but we believe that the things that needed to happen there were already delivered and the market is already picking up.

So your last question was on our view on cost of risk, we believe our cost of risk should break to 2% and once those things are delivered for next year, we do not to give guidance on that and there are at this point we do expect to see this trend continue and as I mentioned we should be there in a range that should have broken 2.0% I believe with that I wrap up your question.

Operator: The next question comes from Jason Mollin from Scotiabank.

Jason Mollin: Hi, my first question is on the outlook for return on equity that you cited around 16%, you closed this quarter with 18%, the first quarter was around 17 you did mention that you're going to the impact of Ruta del Sol provisioning and what that represents, so it seems like the second half of the year I mean even including the Ruta del Sol that you're looking for much softer returns, if you can comment a little bit on the drivers there because it seems like there's some upside to feed that expectation and my 2nd question it's just on the outlook for long term rates, you mentioned the dynamics of inflation and the policy rates in Colombia but if we look at the Colombian 10-year were definitely we are at the lowest in the last 5 years, I just wanted to see your view on how that's impacting your view on returns for new investments should your cost of equity be a bit lower in this construct or do you think this is just a short-term phenomenon in Colombia or globally, thank you.

Diego Solano: Well, I think regarding the outlook for return on equity you are right. I believe we are looking perhaps on the safe side and the reason to do that is: one, as you mentioned Ruta del Sol. Ruta del Sol actually quite had an impact on our numbers, then something to bear in mind is the rate at which we are generating earnings, therefore, equity, so there's also a denominator effect there and finally, during this quarter we had many things that went right so there could be some things that might change in the future, for example, the interest rate environment has favored us in fixed income so there is some space for changes there, so at this point we are looking into the 16.0% area that is an improvement compared to what we said last time and we're also dependent on what's happening with the global environment particularly on fixed income. I'm saying that with your question and long term rate what's happening with long-term rate is not a Colombian specific event, if you look around the world, curves have become quite flat, therefore, there is some room for changes there, I am not an expert in global fixed income but I would say that the risks that you might see around the world could also affect Colombia, so the shape of the curve is something I wouldn't say is specific to Colombia but we are also being affected by what's happening in the rest of the world.

Operator: Thank you, our next question comes from George Friedman from Citibank.

George Friedman: I appreciate the opportunity, just an additional clarification or explanation in terms of the Ruta del Sol exposure, if I got it right now your pending exposure to the project still amounts to 380 billion Colombian pesos and if I got it right you had to provision 170 billion just wondering if I know these numbers are correct and if I am right also looking in at what you guided for the year in terms of cost of risk, you told us 2.3% looking into what was happening in the first half it would be implicitly in order to you could have cost of risk , between 2.4 to 2.5% in the second half is that right and the 2nd question if you could give us a bit more color about what should be the effective tax rate for the year. I noted that last year you got an increase in the second half, just wondering if this is expected to happen again or not thank you.

Luis Carlos Sarmiento: All right George let me take the 1st question and Diego will take the other ones. On Ruta del Sol our net exposure today is about 380 billion pesos exactly as you said, that is because we had provisioned already about 47% of the gross exposure, then our banks will have to provision 380 billion pesos between now and the end of the year and they started to do so. The effect in Aval´s of the holding companies on attributable net income of that additional provision is 170 billion pesos and that's what I was referring to and that´s about as we said about 5% of our total income for the year.

Diego Solano: Regarding your questions on taxes and cost of risk, what we're building and let me tie this to my first answer but we're building into why not 2.4% but 2.3% that is what I believe you said is that we are incorporating Ruta del Sol and we are also projecting how our consumer portfolio particularly needs to continue improving and taking away some of the deteriorations that we saw over this quarter, so it does reflect around 2.5 cost of risk for the second quarter that is quite high , second half, I am sorry, which is quite high for what we believe cost of risk for Aval should be, but with some improvements compared to what we're seeing now.

Finally, on taxes what is incorporated in our guidance is something in the order of magnitude of 30% for effective tax rate and as I´ve mentioned in the past that is a blended between 70% Colombia and 30% in Central America with lower tax rates in Central America.

Operator: The next question comes from Yuri Hernandez from JP Morgan.

Yuri Fernandez: Hi gentleman I have a question on the pension plan fee, it was a very strong quarter, and I just would like to know more details on what is driving the fee growth in that line

Diego Solano: Ok. The pension funds, I mentioned that where we are generating high fees is a portion of the funds that we manage that are related to returns obtained of the portfolios. Some of the fees particularly those for the compulsory pension plans, where people are not adding funds to their pension fund are compensated towards base on returns. Other pension funds are also managed in that way. In addition, we have some part of the seasonality of how fees are obtained affecting us positively.

Operator: Our next question comes Sebastian Gallego from CrediCorp Capital.

Sebastian Gallego: Hi good morning everyone, thanks for the presentation I have three questions. The first one you talked about the cycle on the commercial and the consumer segment in Colombia, but I guess you didn't talk about the mortgage cycle, we have seen some upward pressure particularly on the 90- day NPL ratio on the mortgage segments could you comment on that and what's the outlook for the mortgage portfolio. Second question, probably a follow-up or a new question on Ruta del Sol II. Given the rooming on Ruta del Sol II, what is the long term outlook of Corficolombiana in terms of appetite for new infrastructure projects and the 3rd question is regarding DALE, I know you mentioned that you probably comment a bit more in the upcoming conference call, but can you provide a bit more detail on what are you intending to do and how is that comparable to peers or other parts from peers, thank you.

Diego Solano: Let me take the 1st question and pass to Luis Carlos.

Regarding the mortgage performance, you have to bear in mind that our number is a very positive number compared to market average we could be around 60% of where market average delinquencies stand. We have seen some deterioration there, but I would say it is part of the process of getting a young portfolio to mature. In addition, there were some particular glitches in some of our banks that were already solved a couple months ago where we were able to identify some pocket of mortgages that were not performing as we desired but definition that I've already been dealt with. Regarding the environment as for the rest of the market I can't really comment much more than what I have said for our portfolio.

Luis Carlos Sarmiento: Thank you Diego, and then regarding the two other questions, on the one hand you asked about Corficolombiana's long term outlook for infrastructure and well to start with that, you know that Corficolombiana is already building three of 4 4G projects that it acquired some years ago, those four projects have different advances and starting with one of them, is already up to like 51% progress and then the other ones are oscillating between 16 and 23% so that those numbers give you an idea that we still have a long way to go before we finish those, so obviously our appetite is still very strong because we have on the one hand, to finish those who still have maybe 4 or 5 years to go, there's four 4G projects that we haven't even started that we're still waiting on environmental licenses and so that one still will have its own 5 or 6 years to go and then, besides that, Corficolombiana is still the largest toll road operator in the country, so that should give you an idea of how much of an appetite we have for that, and then as new projects come up, we will look at them, but I would say our appetite is pretty full with infrastructure and then, regarding DALE, DALE is different than anybody else´s software, first of all because Dale is a company in itself, it is called a SEDPE, and a SEDPE here is different from all the other companies because to start with a SEDPE is under the direct supervision of the Superintendence of Finance and a SEDPE cannot take in deposits.

Secondly, nobody would really have the offer that we will offer through our SEDPE DALE. We will cover ways of doing business that nobody else can because of the licenses that are afforded towards SEDPE.

We will have as I said not P2P that everybody offers but also P2C and C2P transactions and then we'll have some other features that that we will soon announce it and I think that they will be interesting to the public in general, at the end what we really want to do is to deepen banking penetration and really as we've said to take out of the market some of the cash transactions that are now being performed if we can get those two things that I think will be very happy with our results.

Operator: Our next question comes Alonso Aramburu from BTG.

Alonso Aramburu: Hi, good morning thanks you for the call. I have two questions one a follow up on Corficolombiana which has been contributing nicely to earnings given the progress you mention in the three projects, how should we expect earning contributions from Corficolombiana to continue in incoming quarters and 2nd, can you give us the cost of risk excluding the provisions of Ruta del Sol and SITP this quarter.

Diego Solano: Regarding Corficolombiana, we expect Corficolombiana to continue contributing as it has done over the past quarters for a few years. We have mentioned in the past that the construction period of toll roads takes around 4-5 years, so during that period with different levels of strength, we should be advancing and generating contributions from Corficolombiana. The contribution at this point at the Aval level could have been of around 140 billion pesos.

Regarding provisions different from what we've mentioned in the past, there hasn't been any really material provisions during the second quarter I believe you are referring to Ruta del Sol and SITP, none of those were really material for our second quarter results.

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

Nicolas Riva: Thank you for taking my question just one more question on Ruta del Sol. I understand that you said that the exposure worst case scenario would be a 170 billion pesos at the group Aval level net of taking some minorities. One question, in that scenario are you assuming that the banks get paid $0 if there is going to be a third payment which is going to be 211 billion pesos in about half of that should go Grupo Aval, are you assuming that the banks are not going to get paid in that last payment.

Luis Carlos Sarmiento: Correct, we are assuming that will provision a 100% of the loans and that the 211 billion pesos that arbitration tribunal talks about will be tangled up in suits and counter lawsuits until the end of this year.

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

Carlos Rodríguez: Good morning everyone and thank you for the conference call. Regarding the consumer loan and especially credit cards we have seen a positive growth, I have a question what has driven this growth and how much far can you push that growth and if you can come on a strategy has it been current customers increasing loans or buying loans from other banks and adding new customers, thank you.

Diego Solano: What we've seen the reason for growth in consumer loan has been a combination of many things, number one, improvement in the quality of the portfolio that has enabled us to increase our appetite to grow in that area.

Second, something that we've been a talking about in the last few conferences is the results, of our digital effort which has simplified the processes of onboarding customers, in that sense it's not only existing customers but also a substantial portion of customers that we wouldn't have had access in the past with the kind of strategy that we were deploying, so it is a combination of many things.

Number one, some recovery in the economy some improvement in consumer confidence, a much better delivery from our side on onboarding new customers plus a better environment on the quality side, that enables us to bring more customers in, so what we've seen is a very substantial potential to continue growing in consumer if the environment in which we are working continues to be so.

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

Julian Amaya: Good morning, some of my questions have already been answered, but however I would also like to know what are your strategies about Central America regarding some future deacceleration from the US economy thank you.

Diego Solano: Well regarding Central America, the way to think about Central America is not as a single country, Central America depends on the dynamics of different countries, we have had a black spot that has been the performance of Nicaragua that has generated some difficulties but the rest of the region even though some of the countries have had their own issues is performing pretty well.

Then we have something very positive for the region and it is that it is a net importer of oil so what is happening now should continue to help them.

Luis Carlos Sarmiento: / Yes, you can't forget that Central America´s strongest business is in the merchant acquiring and credit cards issuance and so, the whole region does sort of depend on prices of oil and also because Central America is a big oil importer and on the other hand Central America is huge receiver of remittances from the US and it tends to happen when the US economy weakens, remittances drop and obviously that affects the economy but as Diego was saying, obviously this economy has its own life and the life of all but Nicaragua´s are doing OK so at the end, I don't think we have to really change our strategy, we are looking obviously, we are always looking at the growth and both organic and inorganic and we will see if things continue the way they are as I said, Central America as a region will grow in excess of 3% and that suits fine the whole group strategy.

Operator: Thank you. Our next question come from Brian Flores from City.

Brian Flores: Hi, thanks for taking my question of just a quick question regarding net interest margin guidance for 2019, and if you could explain the drivers behind it, thank you.

Diego Solano: Well, as I mentioned the net interest margin was helped by what's happening in Central America, Central America has had some expansion on interest margins on some of the countries. In addition, something that has been helping us has been the net interest margin of our consumer portfolio.

I mentioned we've had some pressure there on rates but on the other hand the cost of fund is not increasing that regarding NIM and loans. Then something to add to get the overall net interest margin it´s been delivering returns around 2.5% already for a couple of quarters and the fixed income side and there is also helping us to achieve this kind of numbers.

Operator: Thank you we have no further questions at this time thank you ladies and gentlemen. I will now return the call to Mr. Sarmiento for closing remarks.

Luis Carlos Sarmiento Gutiérrez

Chief Executive Officer

Thank you, Hilda and thank you all for attending our second quarter call and we hope to see you again soon for our third quarter call as always, we expect to keep delivering and thank you very much. See you next time.

Operator: This concludes today´s conference, thank you for participating on it. You may now disconnect.