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# 4Q17 and FY 2017 Consolidated Earnings Results

## IFRS



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.

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, as a result of the enactment of Law 1870 of 2017, also known as Law of Financial Conglomerates, starting on September 2018, Grupo Aval will be subject to the supervision and regulation of the Superintendency of Finance. Grupo Aval, as the holding company of its financial conglomerate will become responsible for the compliance with capital adequacy requirements, corporate governance standards, financial risk management and internal control framework and criteria for identifying, managing and revealing conflicts of interest, applicable to its financial conglomerate.

Pursuant to Law 1314 of 2009, 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.

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.

# Consolidated key results for the year

## Balance Sheet

COP\$ tn	2016	2017	17 vs 16
Gross Loans	\$ 151.6	\$ 159.1	4.9%
Deposits	\$ 143.9	\$ 154.9	7.6%
Deposits/Net Loans	0.95 x	0.96 x	0.01 x
Tangible Equity Ratio	7.9%	7.9%	2 bps

## Loan Quality

PDLs 90+/Total loans	2.0%	2.8%	80 bps
Cost of risk	1.9%	2.5%	61 bps

## Profitability

Net interest margin	5.6%	5.9%	34 bps
Fee income Ratio	26.2%	26.4%	11 bps
Efficiency Ratio	47.3%	46.5%	(76) bps
Attributable net income	\$ 2.14	\$ 1.96	(8.29%)
ROAA	1.6%	1.4%	(24) bps
ROAE	14.3%	12.5%	(176) bps

- Consumer loans (including mortgages) grew at 8.0% yoy and corporate loans grew at 2.9%. Growth was impacted by a slow economy and more stringent lending parameters.
- Stronger growth in deposits helped improve the Deposit/Net Loan ratio.
- Specific corporate credits (Electricaribe, SITP and CRDS) accounted for 50% of the deterioration in the cost of risk ratio. The remaining deterioration was due to the economic cycle.
- Despite a declining interest rate scenario, NIM expanded and partially absorbed the increase in cost of risk.
- Fee income performance was solid in the year with fee income growing proportionately more than the balance sheet.
- Cost controlling strategies helped to improve the efficiency ratio.
- Despite the performance in NIM, fees and costs, the cost of risk took a toll in the year's ROAE.

**Gross loans** excludes interbank and overnight funds. **Tangible Capital Ratio** is calculated as Total Equity minus Goodwill and other Intangibles divided by Total Assets minus Goodwill and other Intangibles. **PDLs 90+** defined as loans more than 90 days past due. **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. **Fee income ratio** is calculated fee net income divided by net interest income plus net trading income, other income and fees and other services income, net (excluding others). **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). **ROAA** is calculated as annualized Net Income divided by average of total assets. **ROAE** is calculated as Net Income attributable to Aval's shareholders divided by average attributable shareholders' equity. All full year averages are calculated with five quarters

# Key results per region for the year

COP \$ tn



## Colombia

70% of Assets

2016 2017 17 vs 16

### Balance Sheet

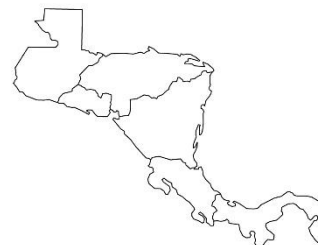
	2016	2017	17 vs 16
Gross Loans	\$ 108.4	\$ 112.7	4.0%
Deposits	\$ 104.0	\$ 110.5	6.2%
Deposits/Net Loans	0.98 x	0.98 x	0.01 x
Tangible Equity Ratio	7.4%	7.1%	(29) bps

### Loan Quality

	2016	2017	17 vs 16
PDLs 90+/Total loans	2.3%	3.4%	113 bps
Cost of risk	1.9%	2.7%	79 bps

### Profitability

	2016	2017	17 vs 16
Net interest margin	5.0%	5.7%	63 bps
Fee income Ratio	22.0%	22.2%	18 bps
Efficiency Ratio	43.4%	43.9%	54 bps
Attributable net income <sup>(2)</sup>	\$ 1.44	\$ 1.22	(15.46%)
ROAA	1.6%	1.3%	(33) bps
ROAE	17.8%	14.8%	(294) bps



## Central America<sup>(1)</sup>

30% of Assets

2016 2017 17 vs 16

### Balance Sheet

	2016	2017	17 vs 16
Gross Loans	\$ 43.2	\$ 46.3	7.3%
Deposits	\$ 39.9	\$ 44.4	11.3%
Deposits/Net Loans	0.90 x	0.92 x	0.02 x
Tangible Equity Ratio	9.3%	10.0%	75 bps

### Loan Quality

	2016	2017	17 vs 16
PDLs 90+/Total loans	1.2%	1.2%	2 bps
Cost of risk	1.9%	2.1%	16 bps

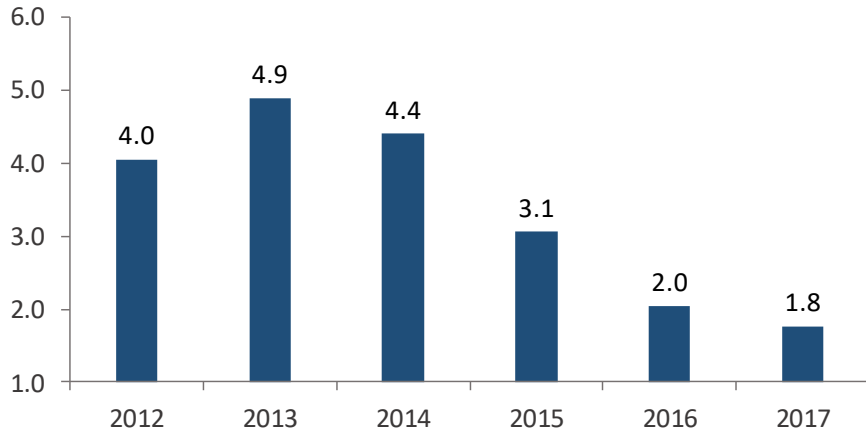
### Profitability

	2016	2017	17 vs 16
Net interest margin	7.0%	6.6%	(47) bps
Fee income Ratio	34.8%	35.1%	32 bps
Efficiency Ratio	55.1%	52.0%	(313) bps
Attributable net income <sup>(2)</sup>	\$ 1.02	\$ 1.08	6.5%
ROAA	1.6%	1.6%	(1) bps
ROAE	10.2%	10.0%	(18) bps

**(1)** Central America refers to Leasing Bogotá Panamá operation expressed in Colombian Pesos, at the exchange rate of each period. **(2)** Attributable net income for Grupo Aval of Ps 1.96 tn for 2017 corresponds to the Ps 1.22 tn of our Colombian operation plus Ps 1.08 tn of our Central American operation multiplied by 68.7%, our stake in Banco de Bogotá. **Gross loans** excludes interbank and overnight funds. **Tangible Capital Ratio** is calculated as Total Equity minus Goodwill and other Intangibles divided by Total Assets minus Goodwill and other Intangibles. **PDLs 90+** defined as loans more than 90 days past due. **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. **Fee income ratio** is calculated fee net income divided by net interest income plus net trading income, other income and fees and other services income, net (excluding others). **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). **ROAA** is calculated as annualized Net Income divided by average of total assets. **ROAE** is calculated as Net Income attributable to Aval's shareholders divided by average attributable shareholders' equity. All full year averages are calculated with five quarters.

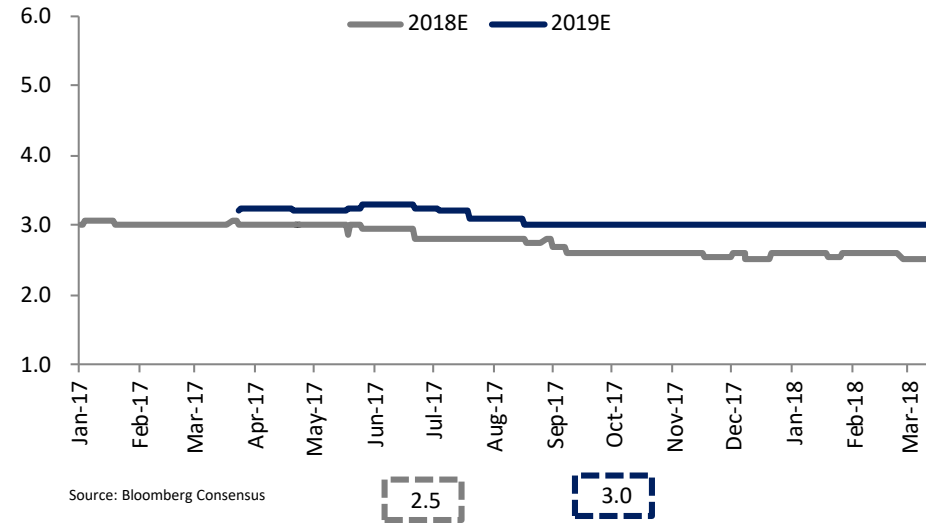
# Macroeconomic context – Colombia (1/3)

## GDP Growth (%)



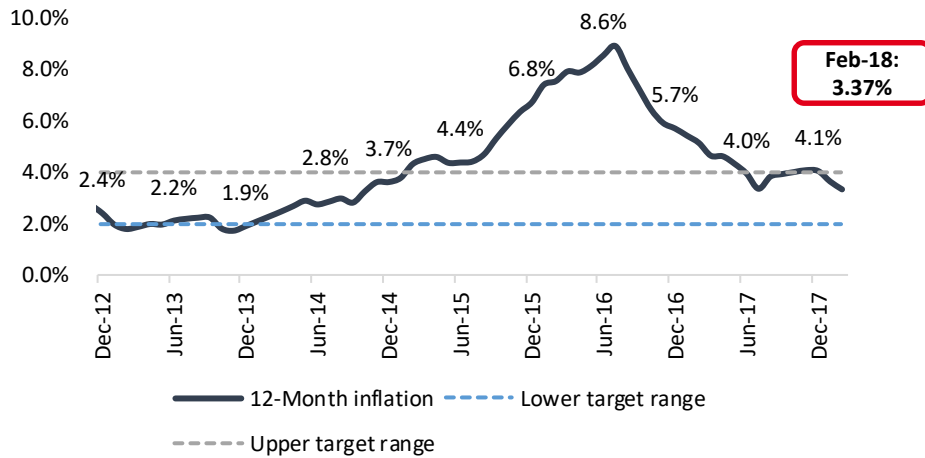
Source: DANE

## GDP Growth Expectations (%)



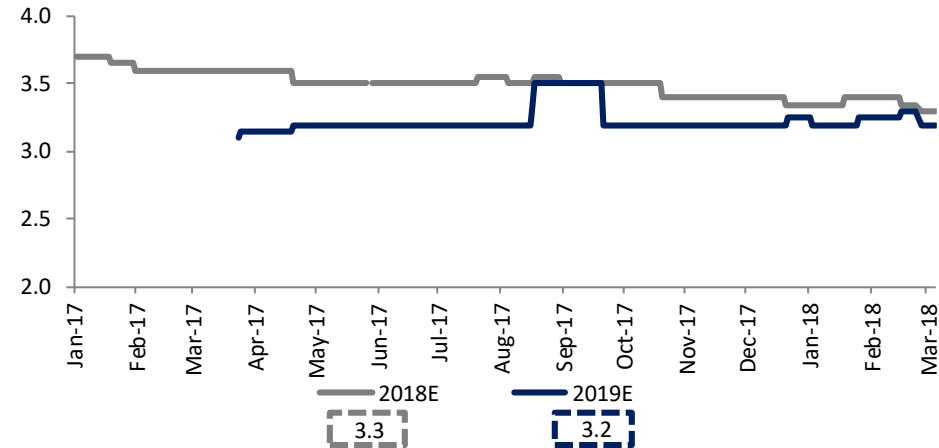
Source: Bloomberg Consensus

## Inflation (%)



Source: Banco de la República de Colombia

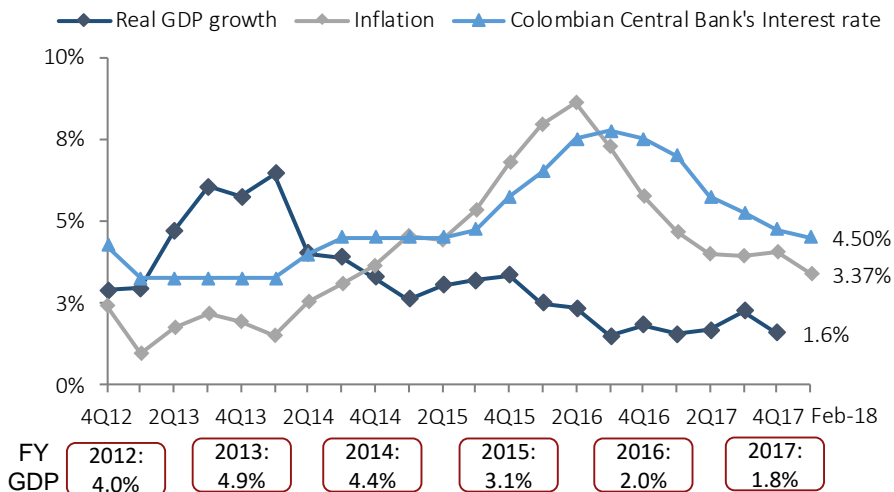
## Inflation Expectations (%)



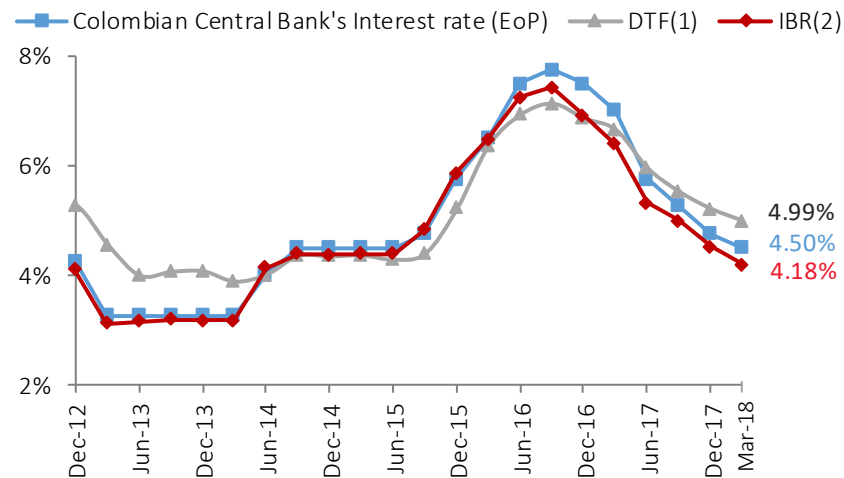
Source: Bloomberg Consensus

# Macroeconomic context – Colombia (2/3)

## Central Bank's Monetary Policy

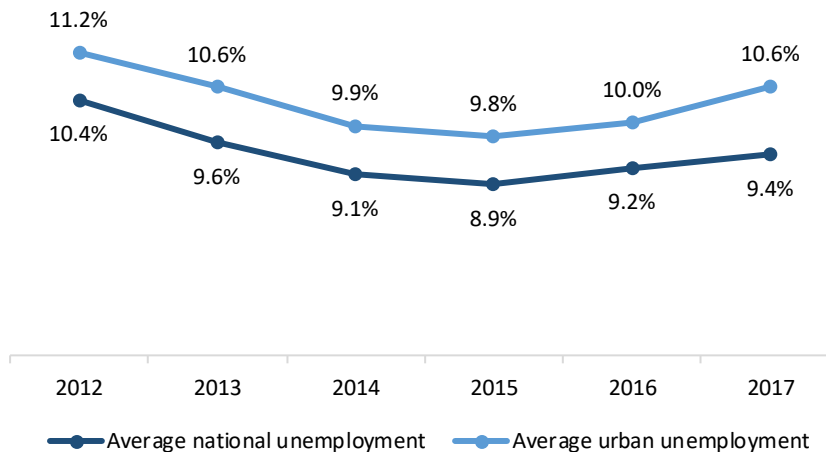


Source: Banco de la República de Colombia and DANE.



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

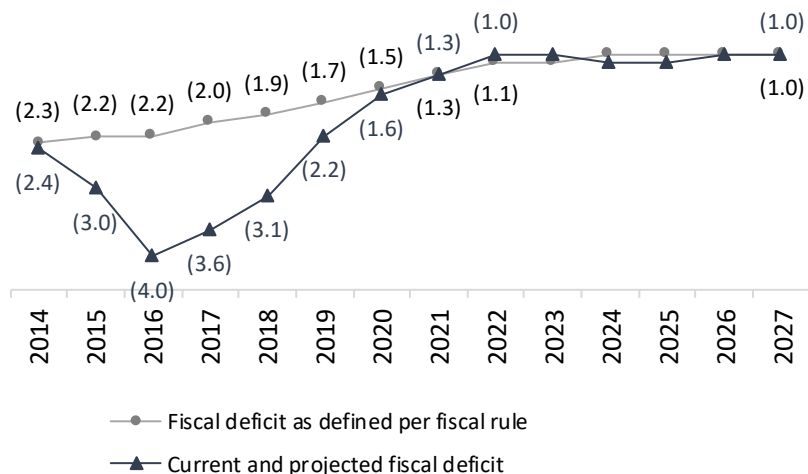
## Unemployment (%)



Source: Banco de la República de Colombia

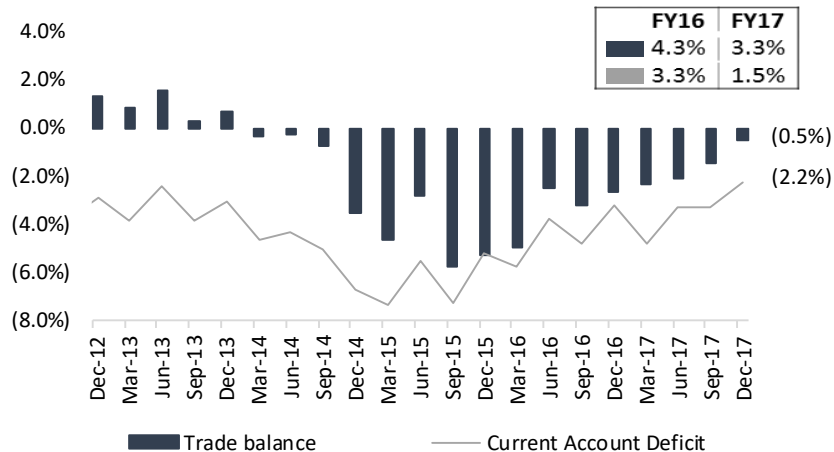
# Macroeconomic context – Colombia (3/3)

## Current and Projected Fiscal Deficit - Fiscal Rule (% of GDP)



Source: Ministry of Finance. Projections according to 2017 mid-term fiscal framework.

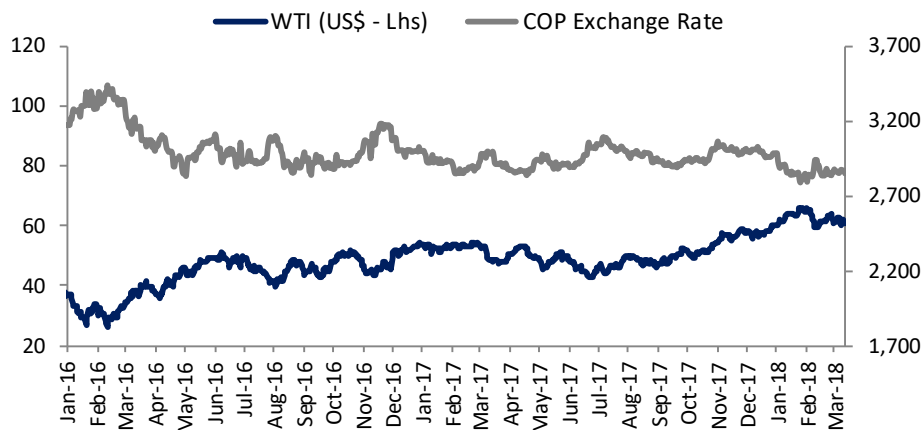
## Current Account (% GDP, quarterly)



## Oil Exports/Total Exports

2012:	2013:	2014:	2015:	2016:	2017:
51.4%	54.4%	52.2%	39.6%	33.9%	34.5%

## Colombian Peso vs WTI US\$/barrel



Source: Bloomberg and DANE

## Colombian Peso Exchange Rate

	4Q16	3Q17	4Q17	4Q17 vs. 4Q16	4Q17 vs. 3Q17
End of Period	3,000.7	2,936.7	2,984.0	(0.6%)	1.6%
Quarter Average	3,016.1	2,974.6	2,985.9	(1.0%)	0.4%

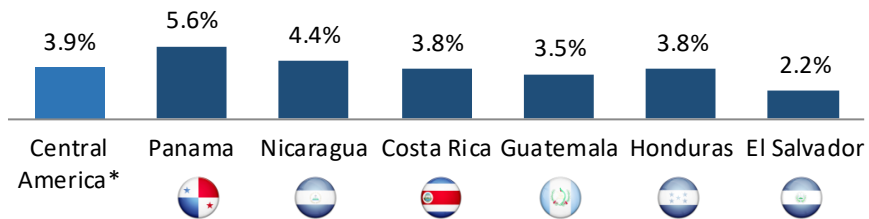
  

	2016	2017	2017 vs. 2016
Full Year Average	3,053.4	2,951.2	(3.3%)

Source: Banrep.

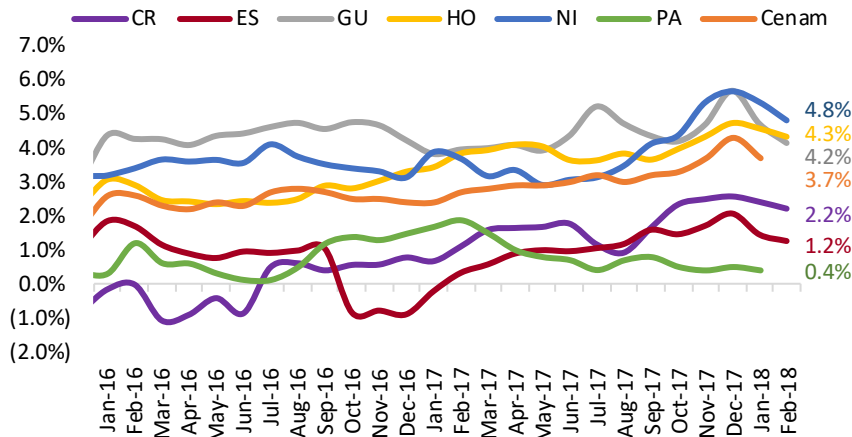
# Macroeconomic context – Central America

## Promising Growth Outlook – Real GDP CAGR '16-'19E



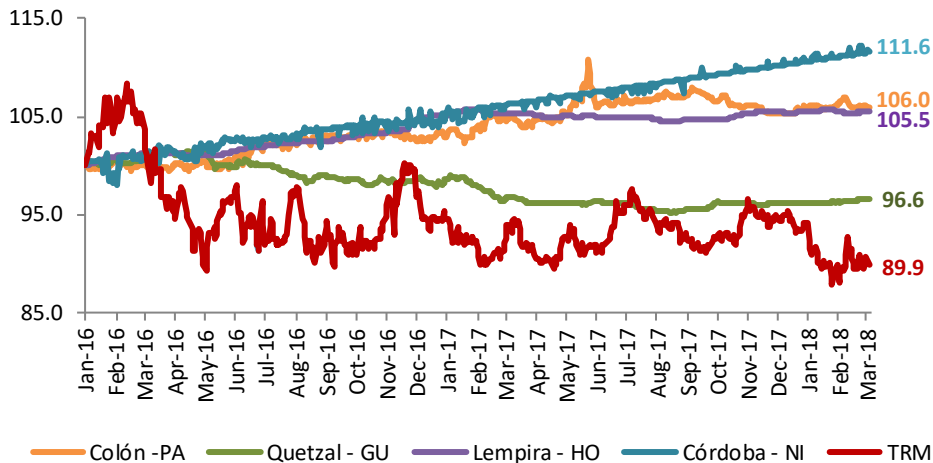
Source: IMF WEO Oct-17; (\*) Aggregate growth of all the Central American countries

## Inflation per Country



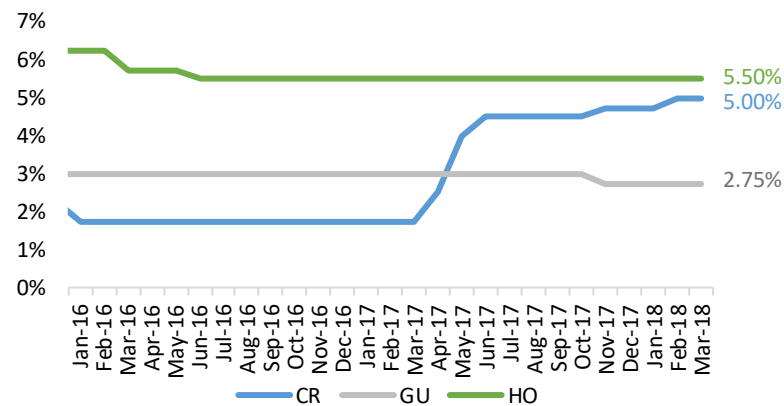
Source: SECMCA. Inflation of Cenam as of December, 2017. CR: Costa Rica, ES: el Salvador, GU: Guatemala, HO: Honduras, NI: Nicaragua, PA: Panama

## Regional Exchange Rates



Source: Bloomberg CR: Costa Rica, ES: el Salvador, GU: Guatemala, HO: Honduras, NI: Nicaragua, PA: Panamá

## Central Banks' Interest Rates

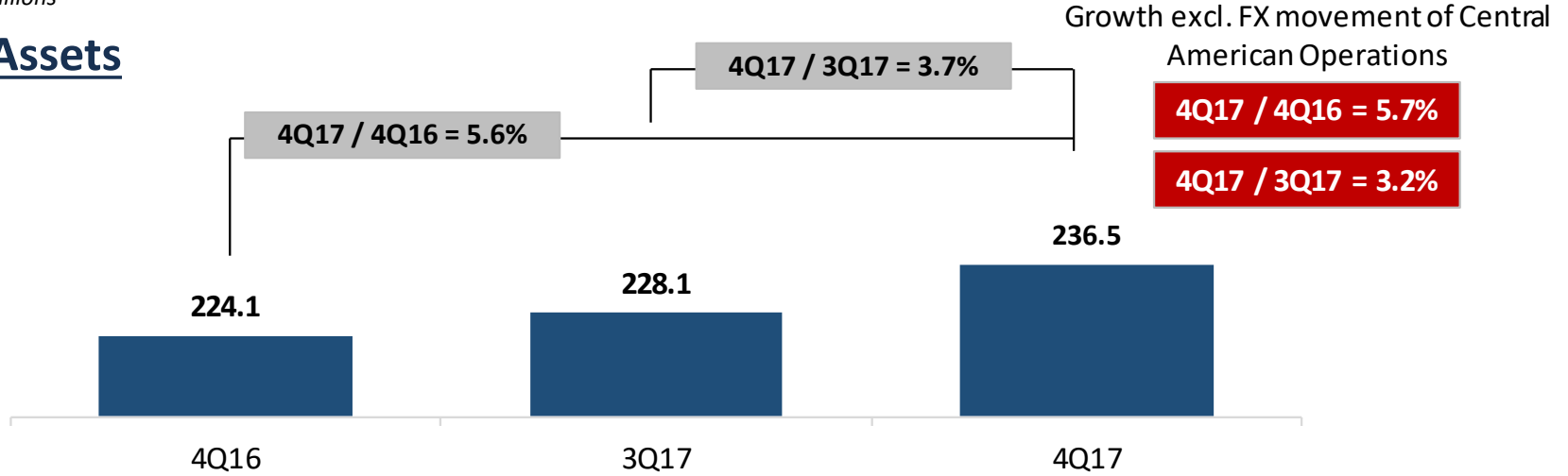


Source: SECMCA

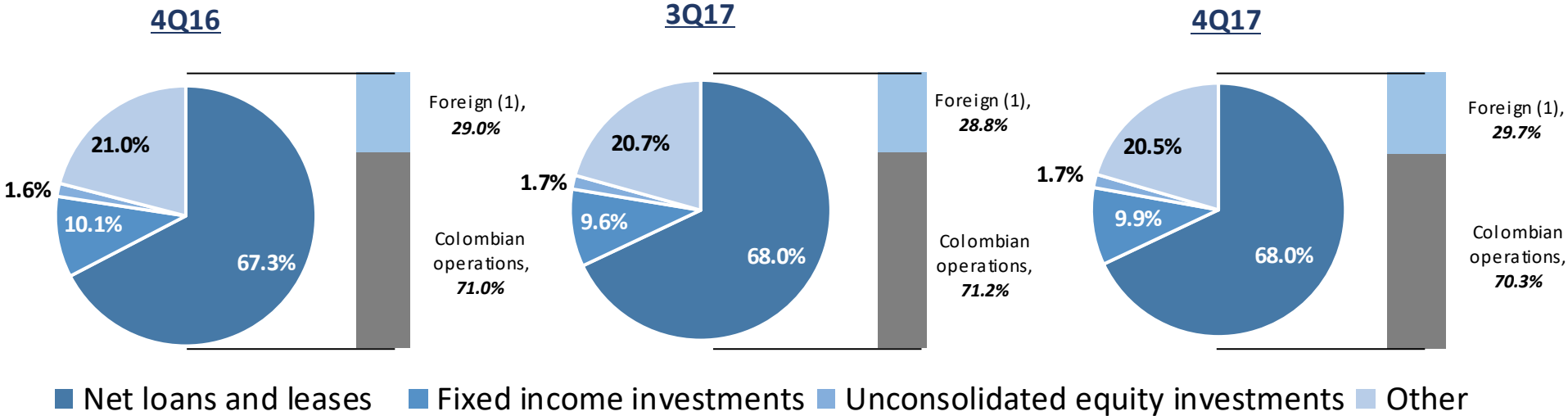


Figures in Ps. Trillions

## Total Assets



## Assets Breakdown

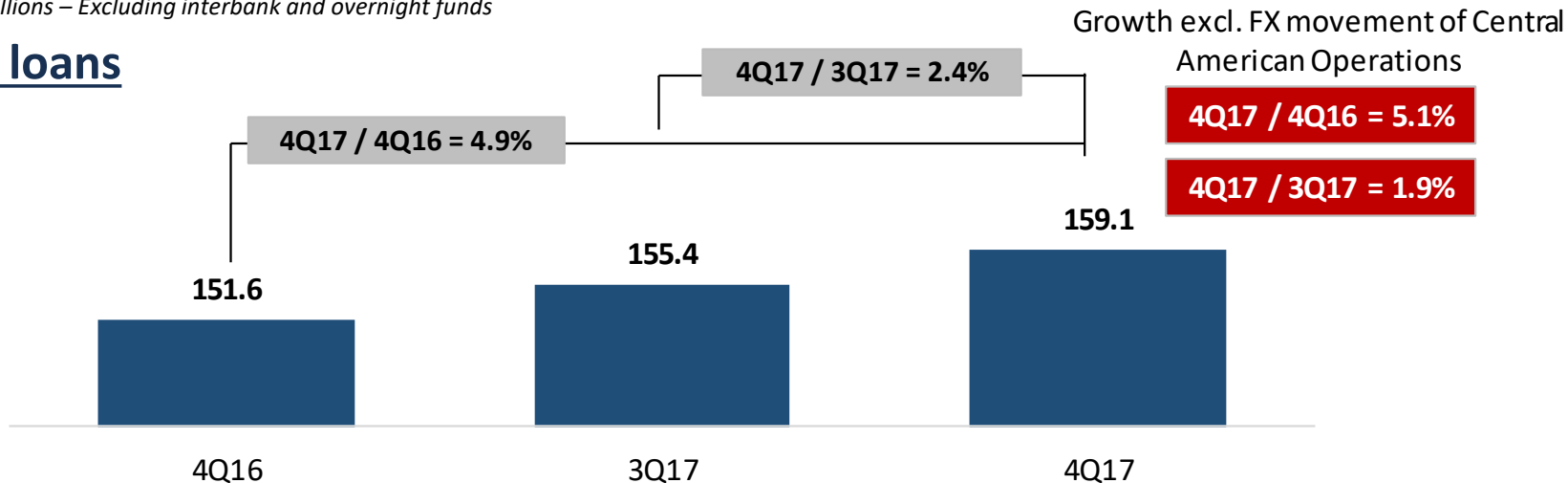


(1) Foreign operations reflect Central American operations. (2) Net loans and leases include interbank and overnight funds.

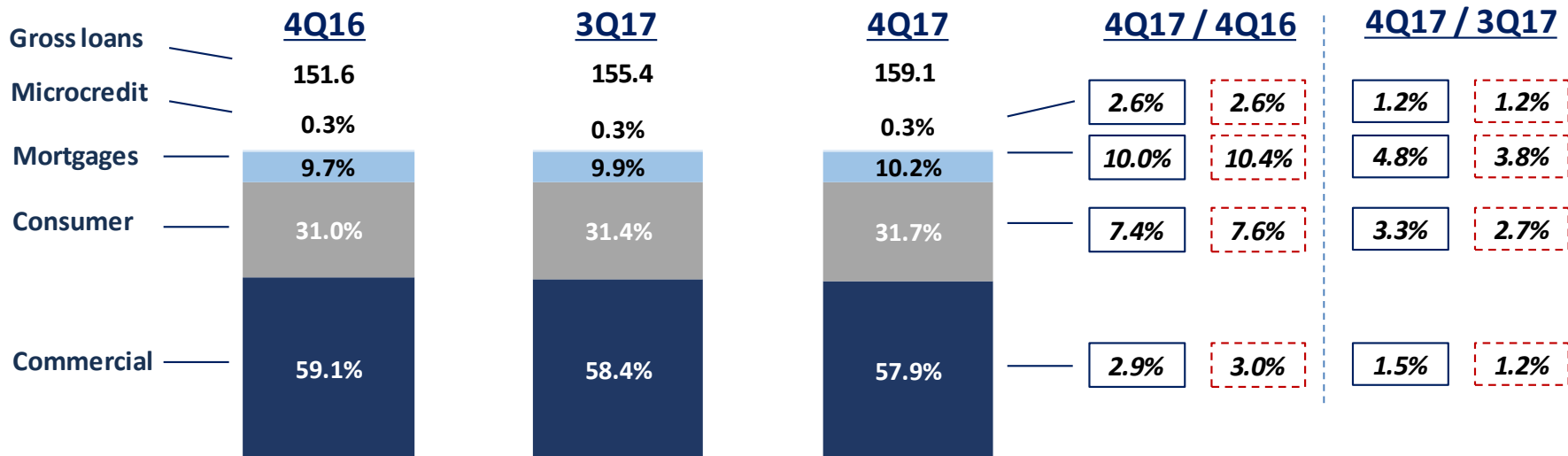
# Loans and receivables

Figures in Ps. Trillions – Excluding interbank and overnight funds

## Gross loans



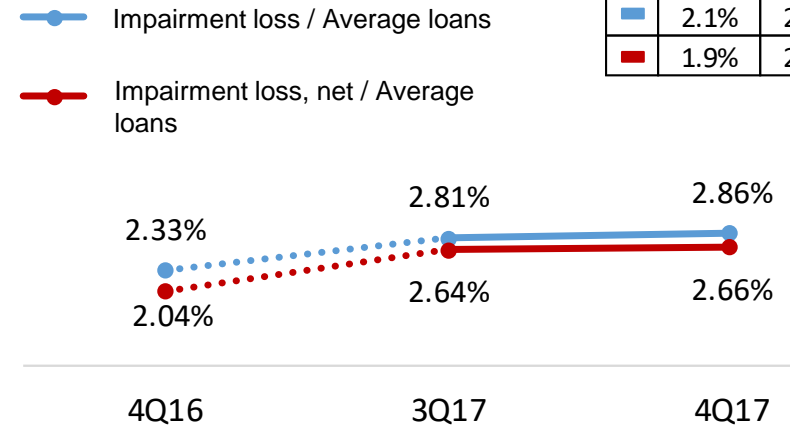
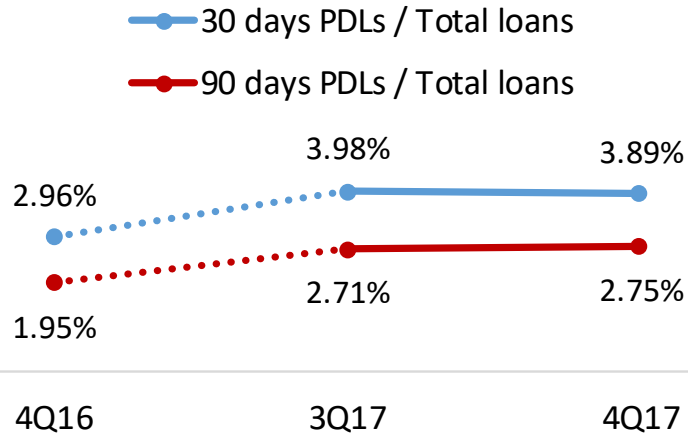
## Gross loans Breakdown



% Growth excluding FX movement of Central American Operations

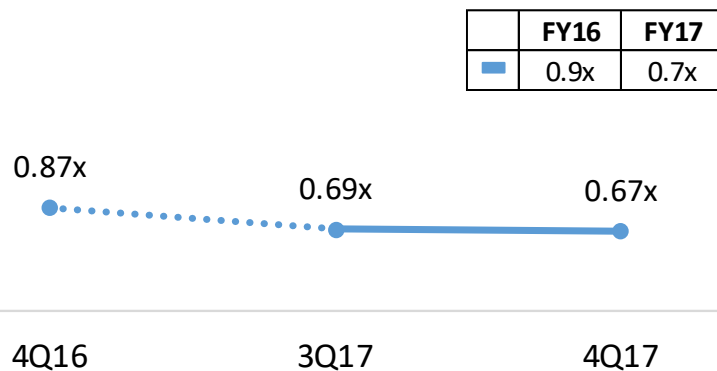
# Loan portfolio quality

## Cost of Risk

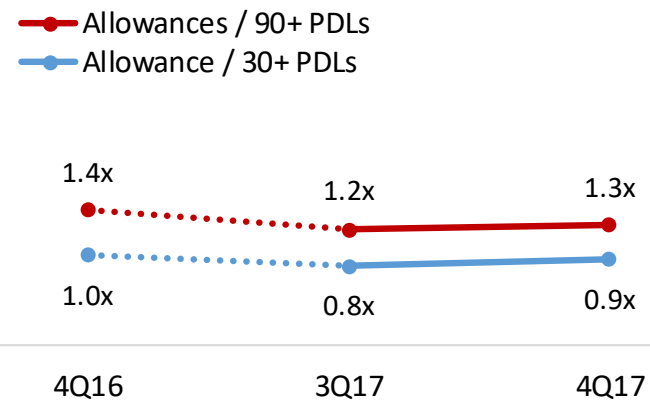


	FY16	FY17
Impairment loss / Average loans	2.1%	2.7%
Impairment loss, net / Average loans	1.9%	2.5%

## Charge offs / Average +90 PDLs



	FY16	FY17
Charge offs / Average +90 PDLs	0.9x	0.7x



Allowance / Gross loans: 2.8% (4Q16), 3.4% (3Q17), 3.5% (4Q17)

# Loan portfolio quality

Figures in Ps. Billions

## 30 days past due loans (1)

## 90 days past due loans (2)

	4Q16	3Q17	4Q17	4Q16	3Q17	4Q17
Commercial	2.1%	3.4%	3.2%	1.8%	2.8%	2.8%
Consumer	4.4%	5.1%	5.1%	2.3%	2.7%	2.8%
Mortgages	3.1%	3.7%	3.8%	1.7%	2.0%	2.1%
Microcredit	14.1%	15.2%	15.1%	9.4%	10.9%	10.6%
<b>Total loans</b>	<b>3.0%</b>	<b>4.0%</b>	<b>3.9%</b>	<b>2.0%</b>	<b>2.7%</b>	<b>2.8%</b>

## 30 days past due formation

	4Q16	1Q17	2Q17	3Q17	4Q17	FY16	FY17
Initial PDLs	4,432	4,484	5,393	5,843	6,182	3,761	4,484
New PDLs	678	1,537	1,090	1,032	735	3,078	4,395
Charge-offs	(627)	(629)	(640)	(693)	(722)	(2,355)	(2,684)
<b>Final PDLs</b>	<b>4,484</b>	<b>5,393</b>	<b>5,843</b>	<b>6,182</b>	<b>6,195</b>	<b>4,484</b>	<b>6,195</b>

(1) Past Due Loans + 30 / Total Loans including interest accounts receivable

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

Figures in Ps. Trillions

## Total funding

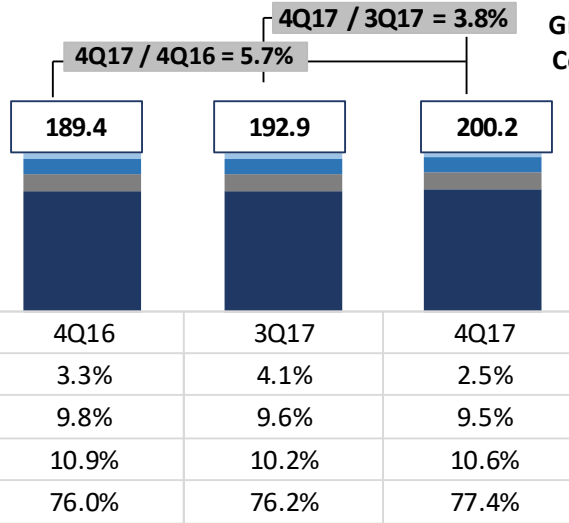
Growth excl. FX movement of Central American Operations

4Q17 / 4Q16 = 5.8%

4Q17 / 3Q17 = 3.3%

Funding composition

Interbank borrowings	3.3%	4.1%	2.5%
Long term bonds	9.8%	9.6%	9.5%
Banks and others	10.9%	10.2%	10.6%
Deposits	76.0%	76.2%	77.4%



## Total deposits

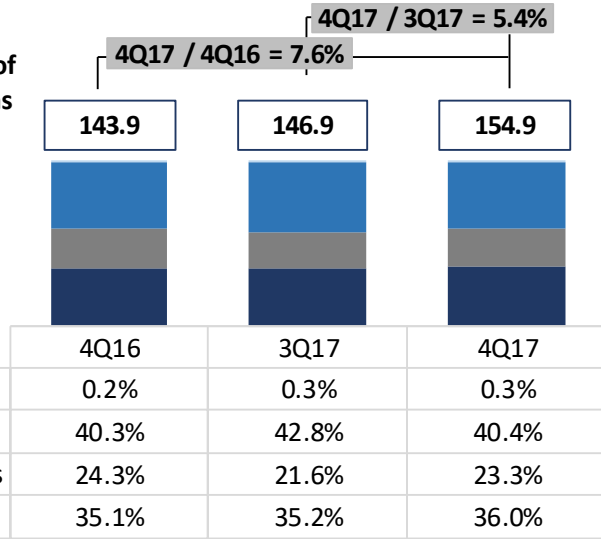
Growth excl. FX movement of Central American Operations

4Q17 / 4Q16 = 7.8%

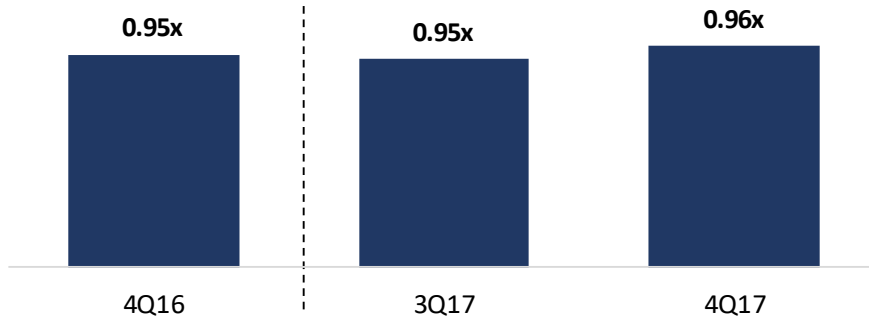
4Q17 / 3Q17 = 5.0%

Deposit composition

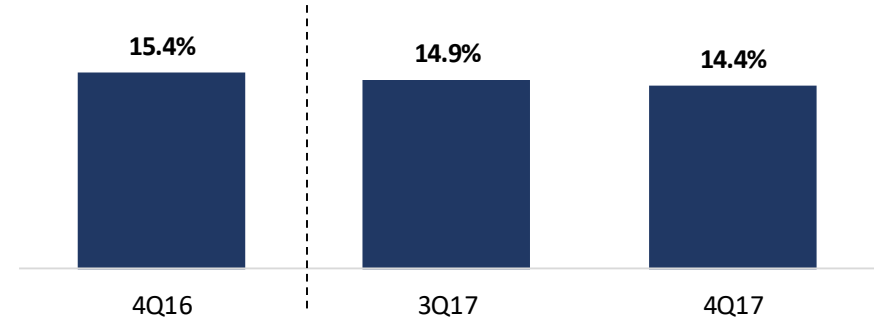
Others	0.2%	0.3%	0.3%
Time deposits	40.3%	42.8%	40.4%
Checking accounts	24.3%	21.6%	23.3%
Savings accounts	35.1%	35.2%	36.0%



## Deposits / Net loans (%)

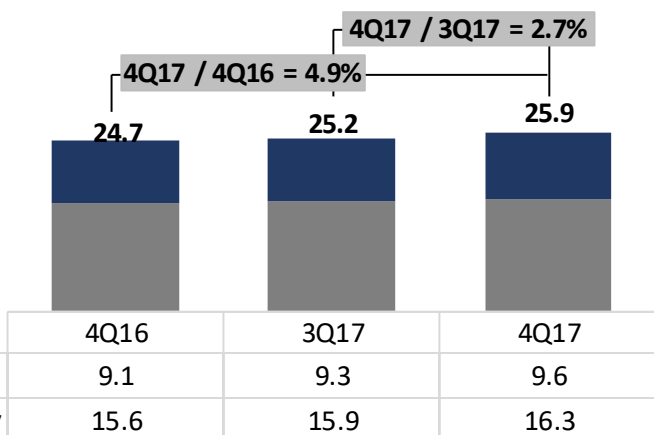


## Cash / Deposits (%)

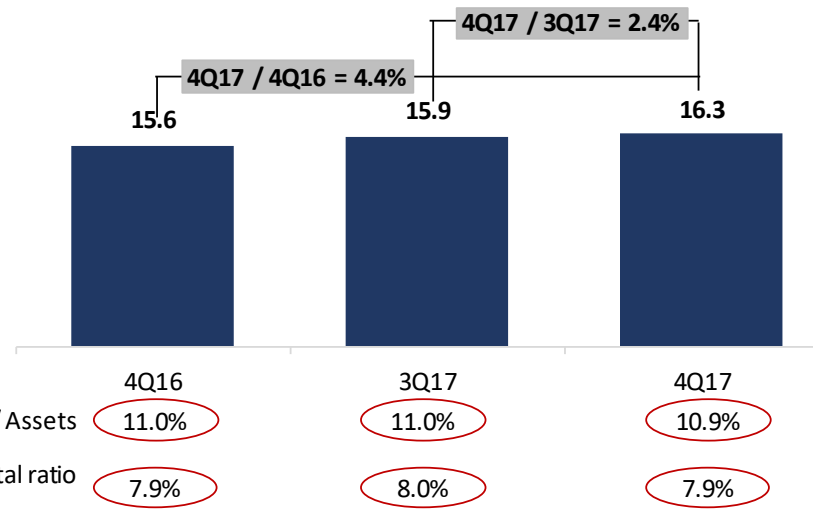


Figures in Ps. Trillions

## Attributable Equity + Minority Interest



## Attributable Shareholders Equity



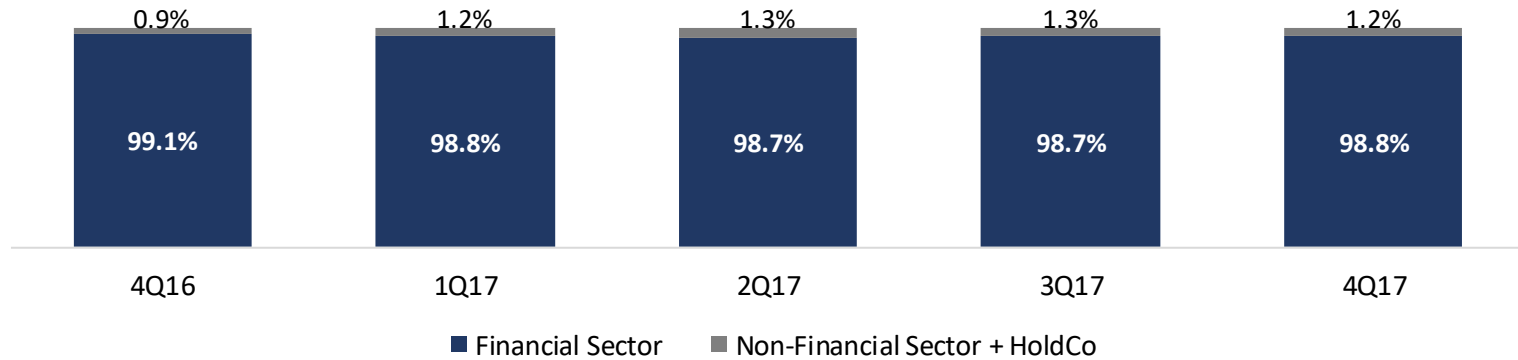
## Consolidated Capital Adequacy of our Banks (%)



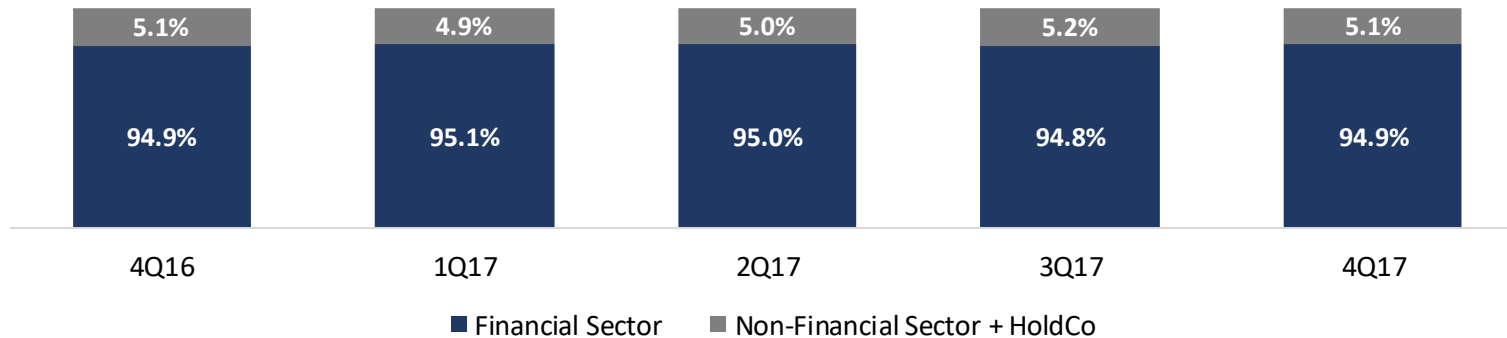
	Banco de Bogotá			Banco de Occidente			banco popular			Banco AV Villas		
	4Q16	3Q17	4Q17	4Q16	3Q17	4Q17	4Q16	3Q17	4Q17	4Q16	3Q17	4Q17
Primary capital (Tier 1)	9.0	9.1	8.8	10.2	10.5	10.5	9.3	9.3	8.9	10.3	11.1	10.9
Solvency Ratio	13.9	14.0	13.5	12.8	12.7	13.4	11.1	10.9	10.5	11.5	12.4	12.3

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

## Composition of Interest Earning Assets



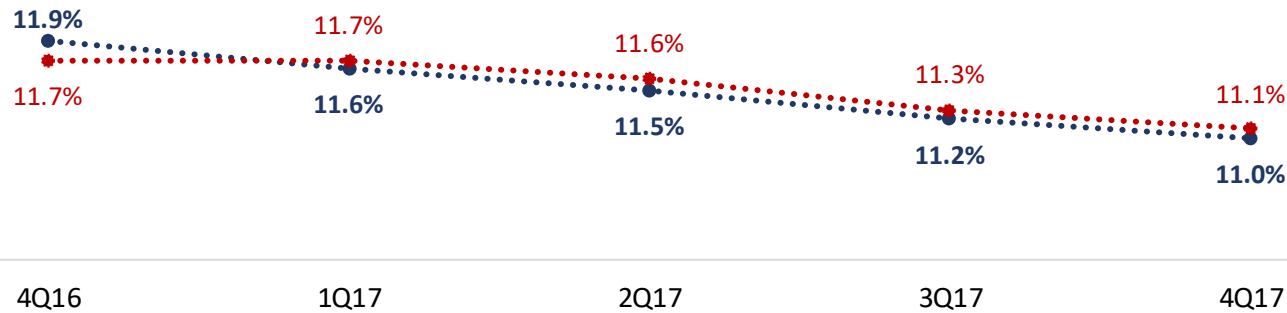
## Composition of funding



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

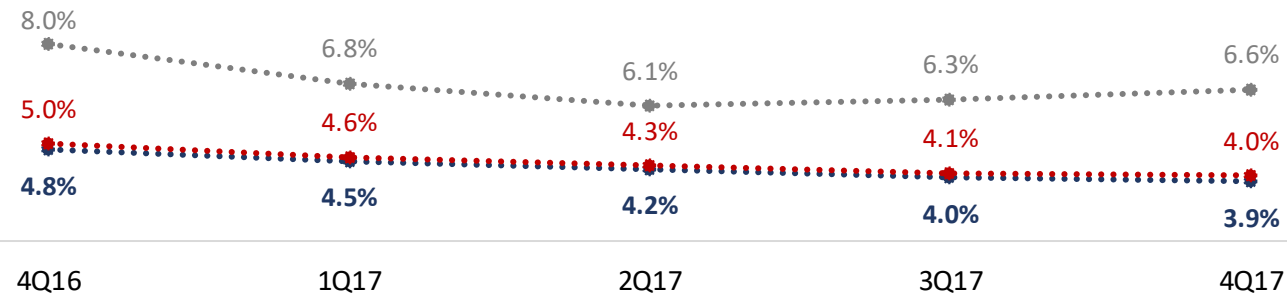


Net interest income(1) (trillions)

2016	2017	2017 / 2016
9.7	10.9	13.0%

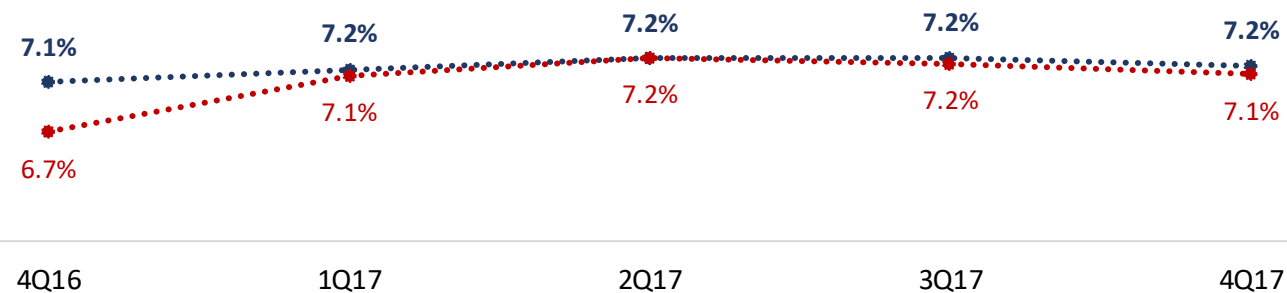
	FY16	FY17
■	11.40%	11.32%
■	11.43%	11.40%

## Average Cost of Funds



	FY16	FY17
■	4.43%	4.12%
■	4.57%	4.24%
■	7.28%	6.48%

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



	FY16	FY17
■	6.97%	7.20%
■	6.85%	7.16%

■ Financial Sector   ■ Consolidated   ■ Non-Financial Sector + HoldCo

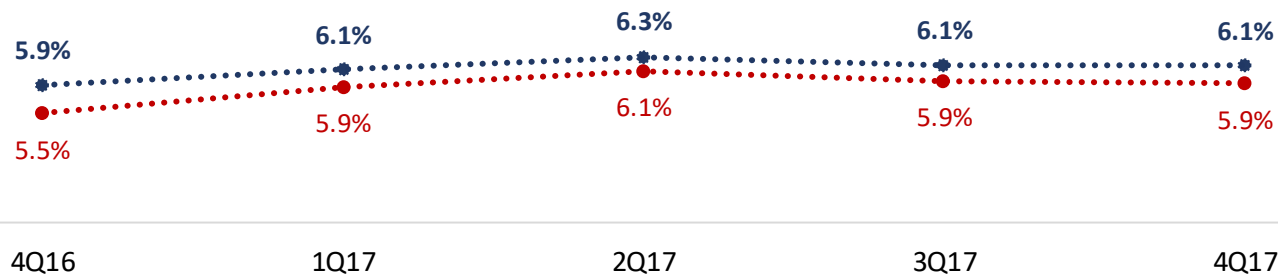


# Net Interest Margin (3/3)

## Net Interest Margin<sup>(1)</sup>

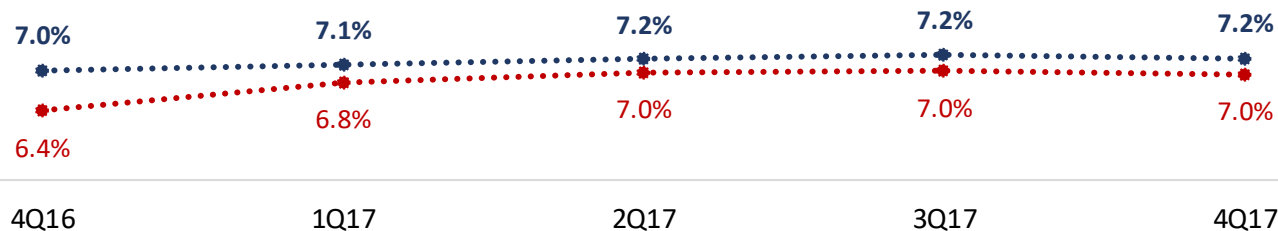
Net interest income<sup>(1)</sup> (trillions)

4Q16	3Q17	4Q17	4Q17 / 4Q16	4Q17 / 3Q17
2.4	2.7	2.8	15.1%	1.0%



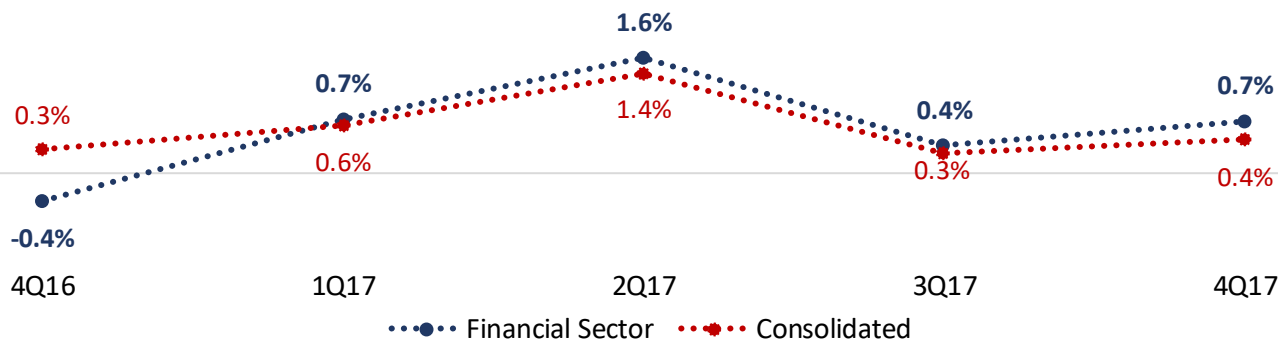
	FY16	FY17
■	5.90%	6.14%
■	5.59%	5.92%

## Loans Interest Margin<sup>(2)</sup>



	FY16	FY17
■	6.91%	7.15%
■	6.57%	6.93%

## Net Investments Margin<sup>(3)</sup>



	FY16	FY17
■	0.72%	0.84%
■	0.63%	0.67%

(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 5.8% for 4Q17, 5.9% for 3Q17 and 5.4% for 4Q16.

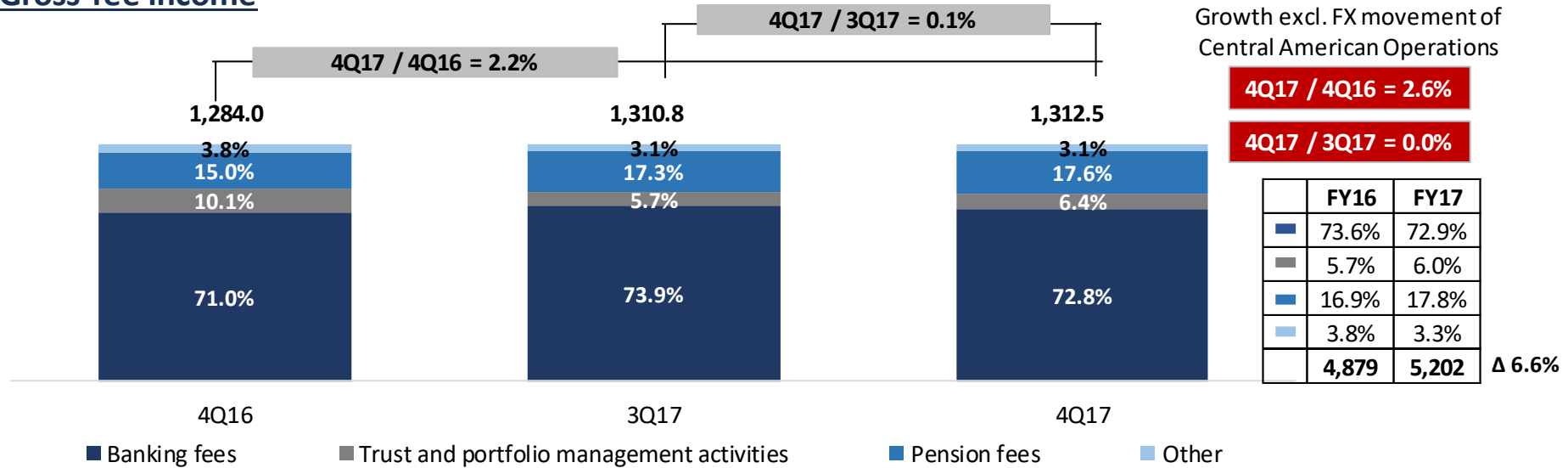
(2) Loans Interest Margin: Net Interest Income on Loans to Average loans and financial leases.

(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



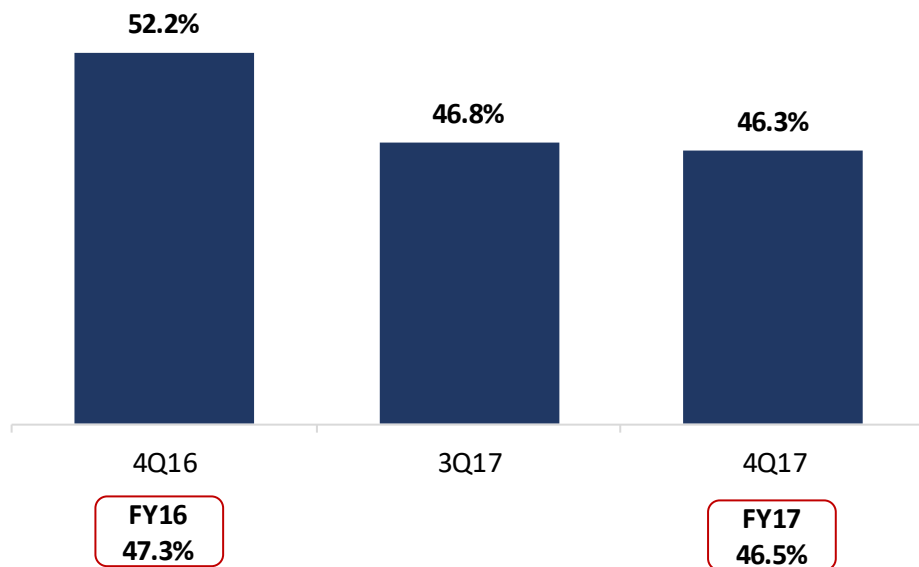
## Other operating income

	4Q16	3Q17	4Q17	YTD 2016	YTD 2017
Income from non-financial sector, net	279.7	159.3	297.6	929.3	757.0
Gains on valuation of assets	53.9	6.3	20.9	53.6	39.0
Net income from financial instruments designated at fair value	50.5	45.3	62.4	181.0	209.9
Derivatives and foreign exchange gains (losses), net (1)	132.6	154.6	151.9	746.0	589.4
Income from non-consolidated investments and other (2)	262.6	159.6	199.2	1,104.6	688.3
<b>Total other operating income</b>	<b>779.3</b>	<b>525.2</b>	<b>732.1</b>	<b>3,014.5</b>	<b>2,283.6</b>

(1) Includes income from trading and hedging derivatives reflected as part of the net trading income on the Statement of Profit or Loss.

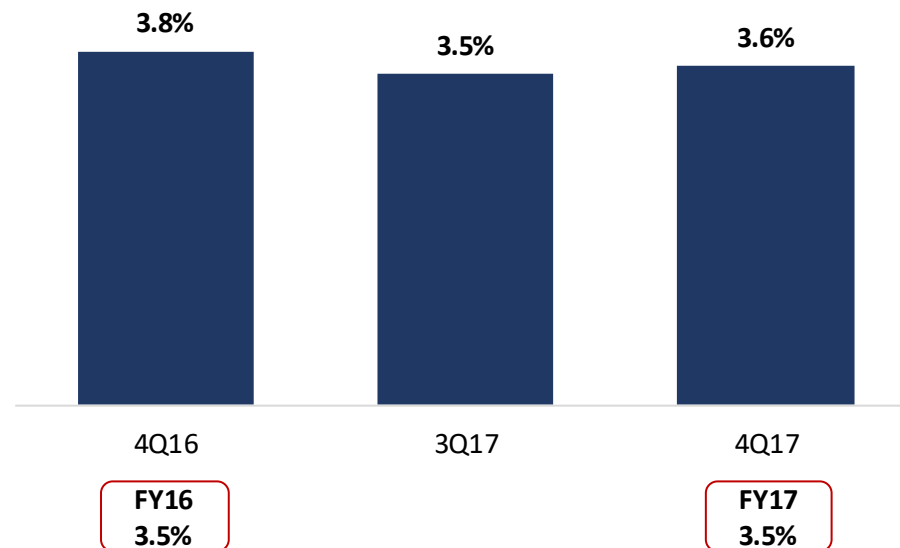
(2) Includes equity method income, dividend income and other income.

## 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).

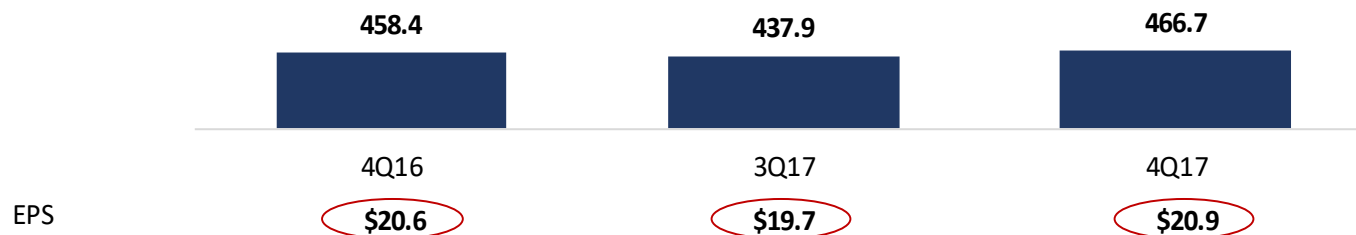
## Operating expenses / Average Assets



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

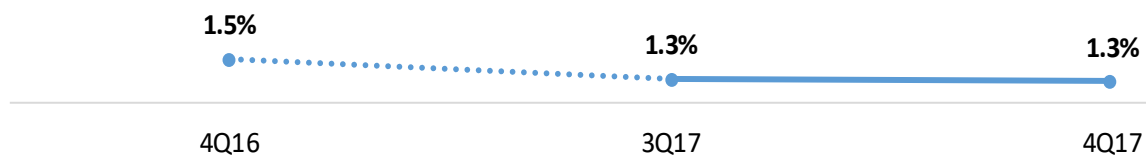
Figures in Ps. Billions

## Net income attributable to controlling interest



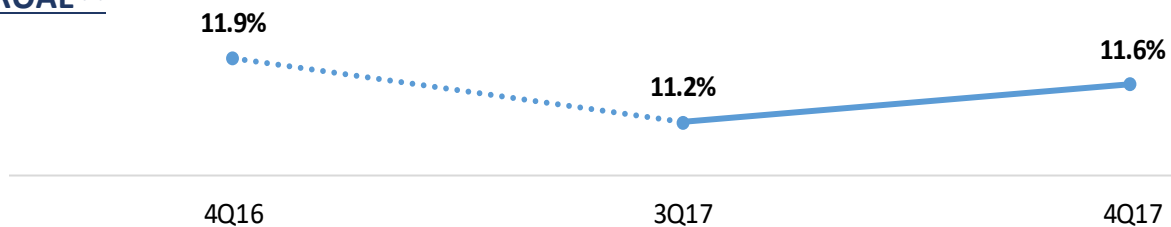
	FY16	FY17
■	2,139.9	1,962.4
○	\$ 96.0	\$ 88.1

## ROAA <sup>(1)</sup>



	FY16	FY17
■	1.6%	1.4%

## ROAE <sup>(2)</sup>



	FY16	FY17
■	14.3%	12.5%

<sup>(1)</sup>ROAA for each quarter is calculated as annualized Net Income divided by average of total assets.

<sup>(2)</sup>ROAE for each quarter is calculated as annualized Net Income attributable to Aval's shareholders divided by average attributable shareholders' equity.

## Macroeconomic trends

### Colombia



- GDP of 2.25% - 2.50% in 2018 versus 1.8% in 2017
- 1H18 can be impacted by volatility due to the presidential elections
- Inflation in 3.5% area
- Central Bank rate cycle should be over (max. 1 additional cut to 4.25%)
- Compliance with Fiscal Rule (target of fiscal deficit for the year is 3.1%)
- Continuation of positive trends in the current account deficit

### Central America



- GDP is expected to continue to grow faster than in Colombia
- Inflation should be between 2% and 5%
- The region shall continue to benefit from a robust US economy

## Consolidated business results

### Balance Sheet

- Growth of loan portfolio: 7-9%
- Deposit to loan ratio target 0.95x

### Loan Quality and Cost of Risk

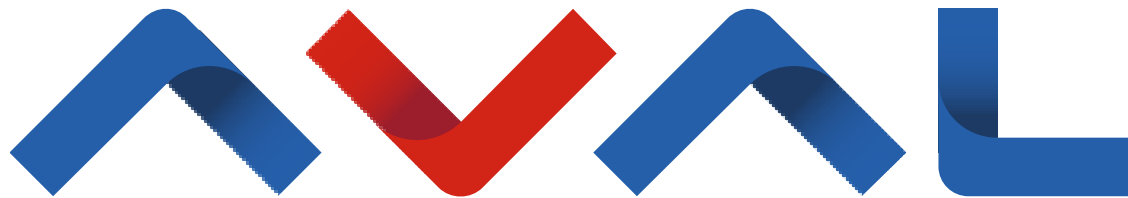
- 90 days PDL's are not expected to show material deterioration(\*)
- Cost of Risk should be similar to 2017's ratio (impacted by IFRS 9)

### Profitability Ratios

- NIM should decrease 30-40 bps. in the year to 5.6% area
- Fee income should grow slightly better than total assets
- Cost to Asset ratio should improve 5 bps
- No material change in implicit tax rate
- ROAE of 12.5% to 13.0%

(\*) This excludes any potential impact on Aval's exposure to CRDS (approx.. USD 310 mm or 0.58% of the consolidated loan portfolio).

Grupo



# Appendix: Key results of the 4Q17

	COP\$ tn	4Q16	3Q17	4Q17	4Q17 vs 4Q16	4Q17 vs 3Q17
Balance Sheet	Gross Loans	\$ 151.6	\$ 155.4	\$ 159.1	4.9%	2.4%
	Deposits	\$ 143.9	\$ 146.9	\$ 154.9	7.6%	5.4%
	Deposits/Net Loans	0.95 x	0.95 x	0.96 x	0.01 x	0.02 x
	Tangible Equity Ratio	7.9%	8.0%	7.9%	2 bps	(8) bps
Loan Quality	PDLs 90+/Total loans	2.0%	2.7%	2.8%	80 bps	4 bps
	Cost of risk	2.0%	2.6%	2.7%	63 bps	3 bps
Profitability	Net interest margin	5.5%	5.9%	5.9%	40 bps	(4) bps
	Fee income Ratio	27.9%	26.6%	25.7%	(220) bps	(85) bps
	Efficiency Ratio	52.2%	46.8%	46.3%	(583) bps	(49) bps
	Attributable net income	\$ 0.46	\$ 0.44	\$ 0.47	1.8%	6.6%
	ROAA	1.5%	1.3%	1.3%	(27) bps	(3) bps
	ROAE	11.9%	11.2%	11.6%	(33) bps	45 bps

**Gross loans** excludes interbank and overnight funds. **Tangible Capital Ratio** is calculated as Total Equity minus Goodwill and other Intangibles divided by Total Assets minus Goodwill and other Intangibles. **NPL** defined as loans more than 90 days past due. **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. **Fee income ratio** is calculated fee net income divided by net interest income plus net trading income, other income and fees and other services income, net (excluding others). **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). **ROAA** is calculated as annualized Net Income divided by average of total assets. **ROAE** is calculated as Net Income attributable to Aval's shareholders divided by average attributable shareholders' equity. All quarter averages are calculated with two quarters.