

2014 Full year report of Consolidated Results

Colombian Banking GAAP

Disclaimer



Grupo Aval Acciones y Valores S.A. (“Grupo Aval”) is an issuer of securities in Colombia and 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. As such, it is subject to the control of the Superintendency of Finance and compliance with applicable U.S. securities regulation as a “foreign private issuer” under Rule 405 of the U.S. Securities Act of 1933. Grupo Aval is not a financial institution and is not supervised or regulated as a financial institution in Colombia.

As 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, Banco AV Villas, and their respective Colombian financial subsidiaries, including Porvenir and Corficolombiana, are subject to inspection and surveillance as financial institutions by, the Superintendency of Finance.

The consolidated financial statements at December 31, 2014 and for the years ended at December 31, 2013, 2012, 2011 and 2010 included in this report have been audited by KPMG for the purpose of its submission to the U.S. Securities and Exchange Commission (“SEC”) filed by Grupo Aval in the Form 20-F on a yearly basis.

We have prepared these financial statements and other financial data included herein in accordance with the regulations of the Superintendency of Finance for financial institutions (Resolution 3600 of 1988 and External Circular 100 of 1995) and, on issues not addressed by these regulations, generally accepted accounting principles prescribed by the Superintendency of Finance for banks to operate in Colombia, consistently applied, together with such regulations, on the filing date, “Colombian Banking GAAP.” Detail of the calculations of non-GAAP measures such as ROAA and ROAE, among others, are explained when required in this report.

Although we are not a financial institution, we present our consolidated financial statements under Colombian Banking GAAP in this report because we believe that presentation on that basis most appropriately reflects our activities as a holding company of a group of banks and other financial institutions. The audited consolidated financial statements have not been reviewed or approved by the Superintendency of Finance; however, consolidated financial statements for each semester, prepared on the basis of Colombian Banking GAAP for each of our financial subsidiaries are remitted to the Superintendency of Finance for their review. The Colombian Banking GAAP consolidated financial statements included in this annual report differ from the consolidated financial statements published by Grupo Aval in Colombia, which are prepared under Colombian GAAP. Because we are not regulated as a financial institution in Colombia, we are required to prepare our consolidated financial statements for publication in Colombia under Colombian GAAP for companies other than financial institutions (Decree 2649 of 1993 and Circular No. 100-000006 of the Superintendency of Companies (*Superintendencia de Sociedades*) and No. 011 of 2005 of the former Superintendency of Securities (*Superintendencia de Valores*), currently the Superintendency of Finance), which differs in certain respects from Colombian Banking GAAP. These Colombian GAAP financial statements are presented biannually to our shareholders for approval, are reviewed and published by the Superintendency of Finance and are available in Spanish to the general public on Grupo Aval’s web page. We do not file consolidated financial statements prepared on the basis of Colombian Banking GAAP with the Superintendency of Finance; however, because we have filed Form 20-F annual reports with the SEC, we may from time to time publish semi-annual or quarterly financial data for subsequent periods on a Colombian Banking GAAP basis.

Colombian Banking GAAP differs in certain significant respects from generally accepted accounting principles in the United States, or U.S. GAAP. Our yearly audited consolidated financial statements included in our Form 20-F reports filed to the SEC provide a description of the principal differences between Colombian Banking GAAP and U.S. GAAP as they relate to our audited consolidated financial statements and provides a reconciliation of net income and shareholders’ equity for the years and at the dates indicated therein. Unless otherwise indicated, all financial information of our company included in this report is stated on a consolidated basis prepared under Colombian Banking GAAP.

Recipients of this document are responsible for the assessment and use of the information provided herein. Grupo Aval shall not be responsible for any decision taken by investors in connection with this document. The content of this document is not intended to provide full disclosure on Grupo Aval or its affiliates.

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

- ✓ Grupo Aval raised Ps. 2.4 trillion (USD 1.265 billion) of capital between September and October 2014. This capital raise was achieved through an issuance of preferred shares in the form of American Depositary Receipts (ADRs) Level III registered in the New York Stock Exchange. As of October 31, 2014, 1,874,074,060 preferred shares were subscribed at a price of USD 13.50 per ADR (each ADR representing 20 preferred shares).
- ✓ Grupo Aval used most of the Ps. 2.4 trillion (USD 1.265 billion) of capital to increase its ownership in Banco de Bogotá (Ps. 1,201.4 billion) through their rights offering and purchase shares of Corficolombiana from Banco de Occidente on December 17, 2014 (Ps. 769.5 billion).
- ✓ The Colombian Peso had a strong depreciation in the period (24.2% vs. EoP December 31, 2013) which positively impacted the growth of our Central American operations when translated into Colombian Pesos.

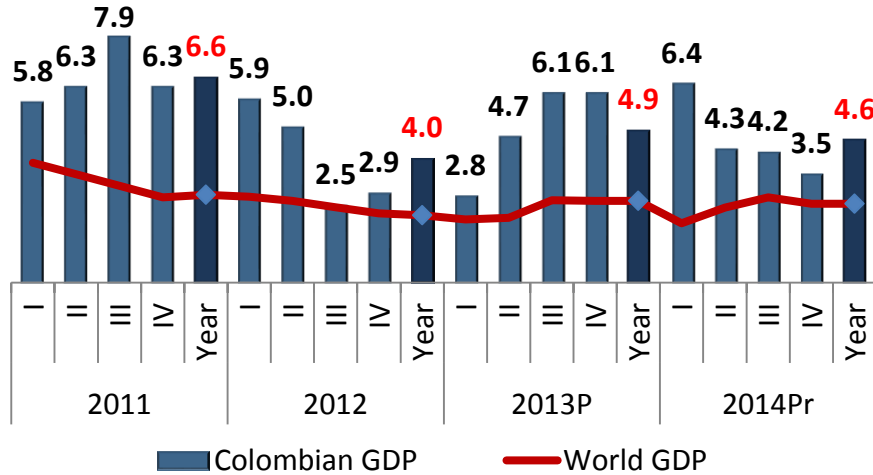
Solid financial results:

- ✓ Solid balance sheet growth with assets increasing by 15% YoY and net loans growing by 17% YoY based on the significant organic growth of our Colombian and Central American operations, further boosted by the depreciation of the Colombian Peso. Past due loans finishing the year at 2.6%.
- ✓ Deposits grew by 13% YoY with checking accounts representing 25%.
- ✓ Improving tangible capital ratio to 9.8% in December 31, 2014 up from 8.9% in December 31, 2013 mainly as a result of Grupo Aval's NYSE debut.
- ✓ Grupo Aval's net income grew by 4% versus 2013 up to Ps 1.7 trillion, our NIM closed at 5.8%, our ROAA at 1.6% and our ROAE at 13.0%.

Macroeconomic context - Colombia

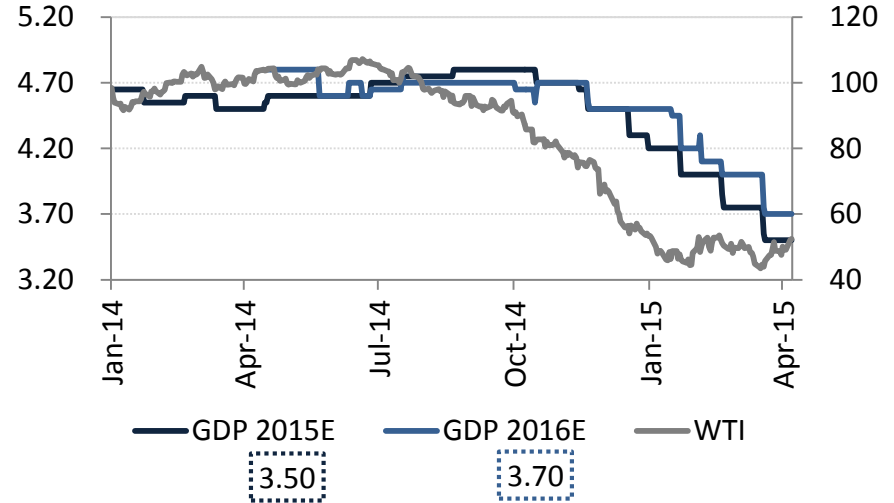


GDP Growth (%)



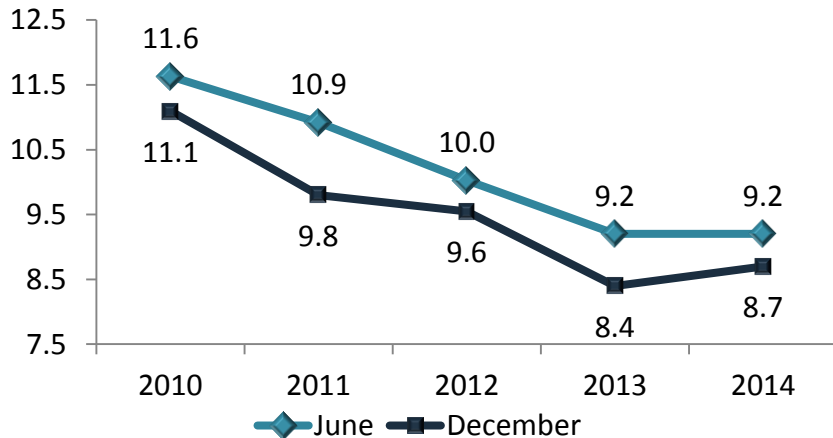
Source: DANE and Bloomberg. GDP yearly % change – Seasonally adjusted data at constant prices.
(P) = Provisional (Pr) = Preliminary

GDP Growth Expectations

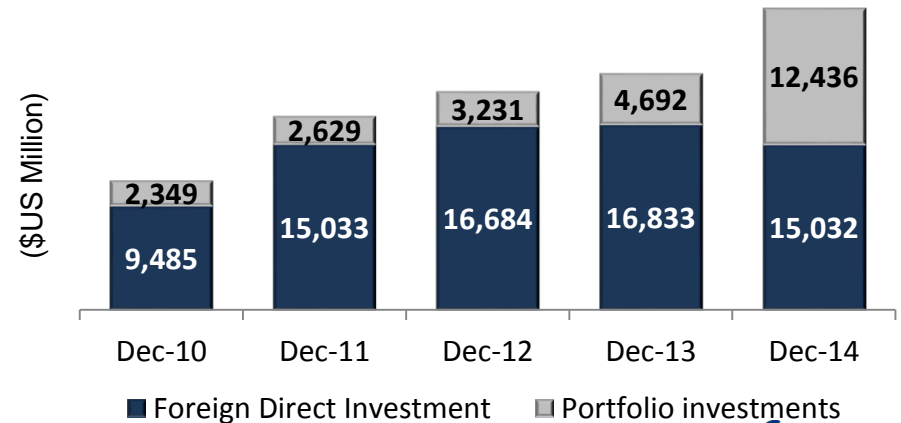


Source: Bloomberg Consensus

Unemployment (%)



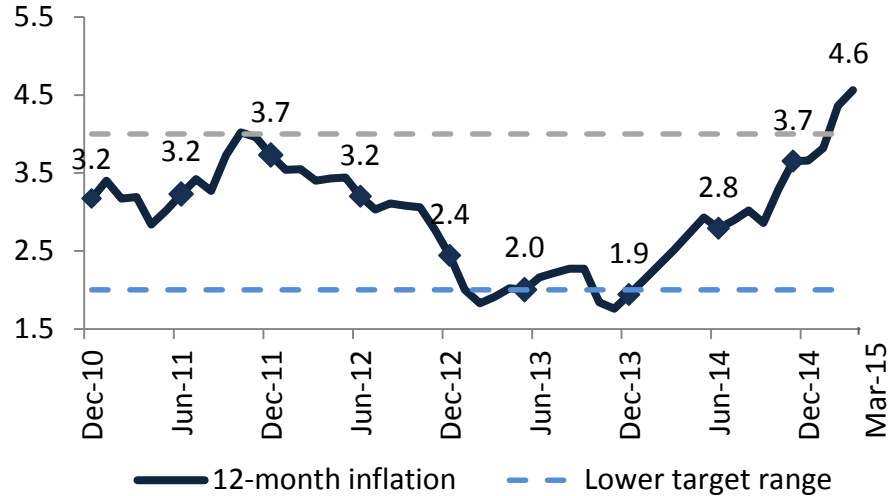
Foreign Investment



Macroeconomic context - Colombia

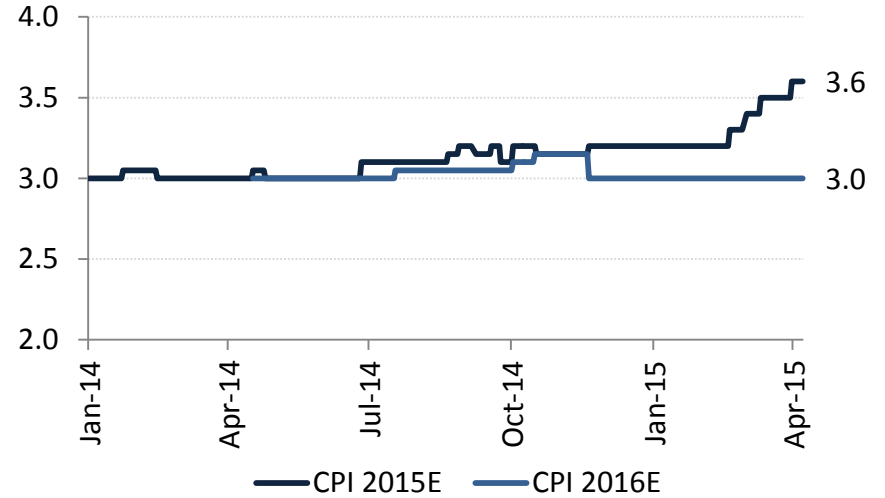


Inflation (%)



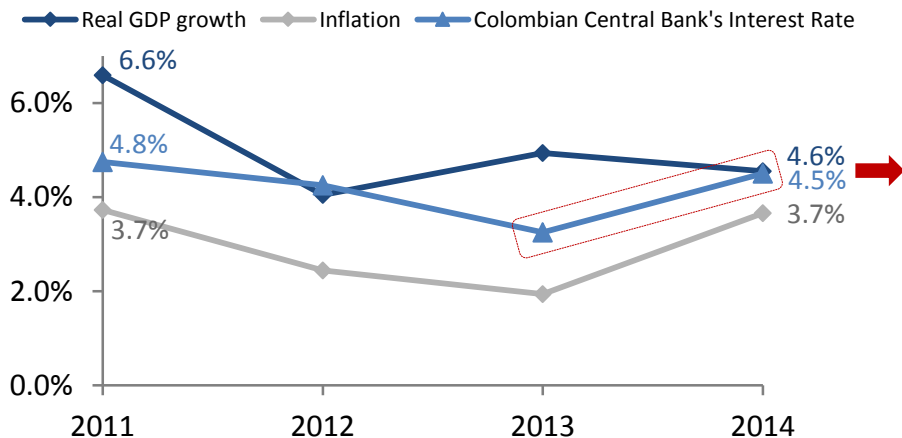
Source: DANE

Inflation Expectations for YE15 and YE16

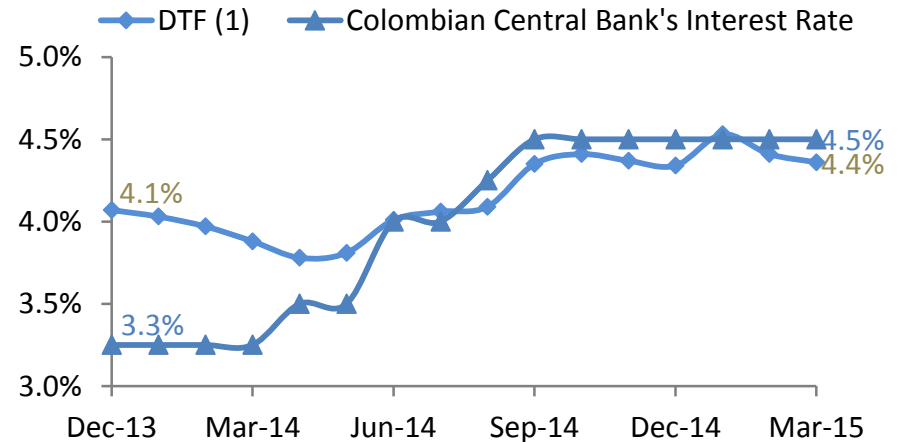


Source: Bloomberg Consensus

Central Bank's Monetary Policy

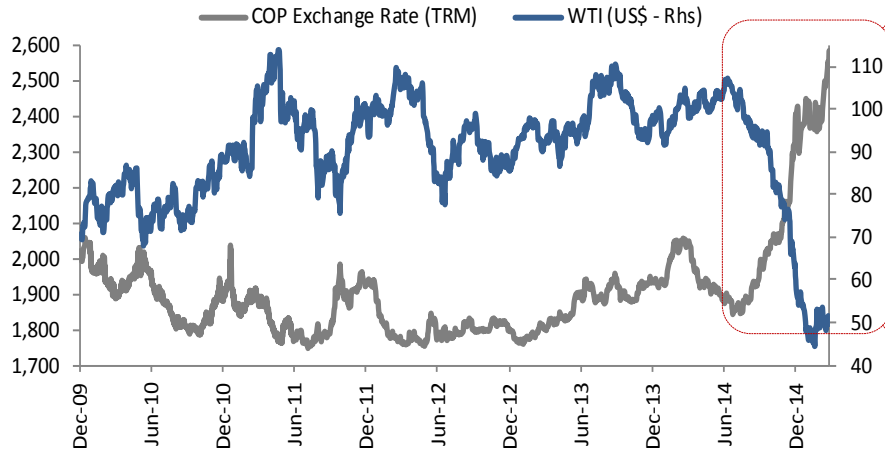


Source: Banrep and DANE



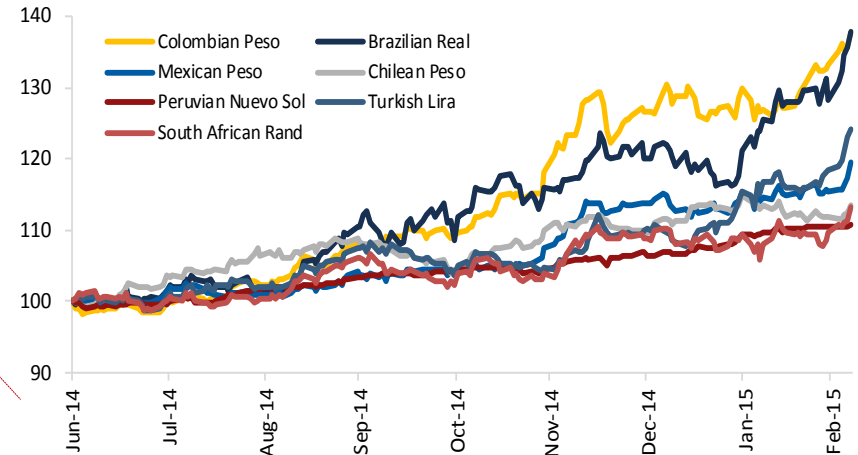
Source: Banrep. (1) End of period DTF rate.

Colombian Peso vs WTI US\$/barrel



Source: Bloomberg

COP vs Emerging markets' currencies



Source: Bloomberg. (100=Jun-30, 2014)

Facts about the impact of oil prices on Colombia's economy

Oil represents 55.2% of Colombia's total exports.

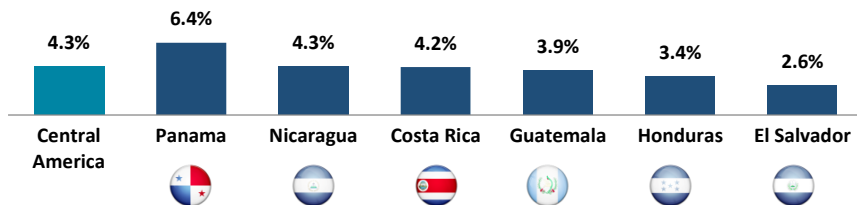
Mining & Energy sectors represent 21.8% of the Government's fiscal revenues or 3.7% of GDP, according to the 2014 Fiscal Framework

Foreign direct investment associated with the Oil & Gas industry has amounted to 35% of the total FDI over the past eight years

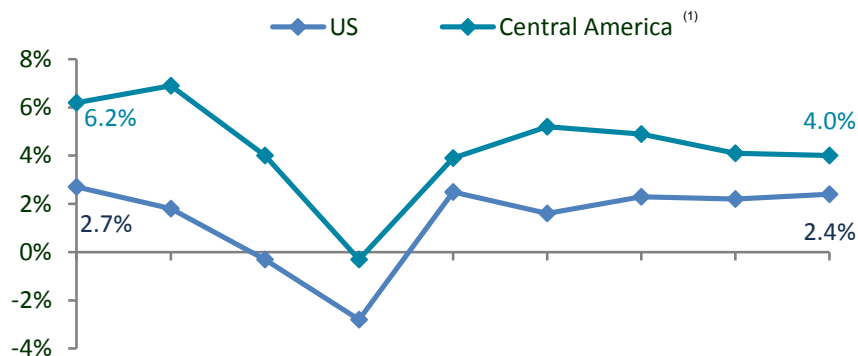
Macroeconomic context – Central America



Real GDP CAGR '14-'17E (%)



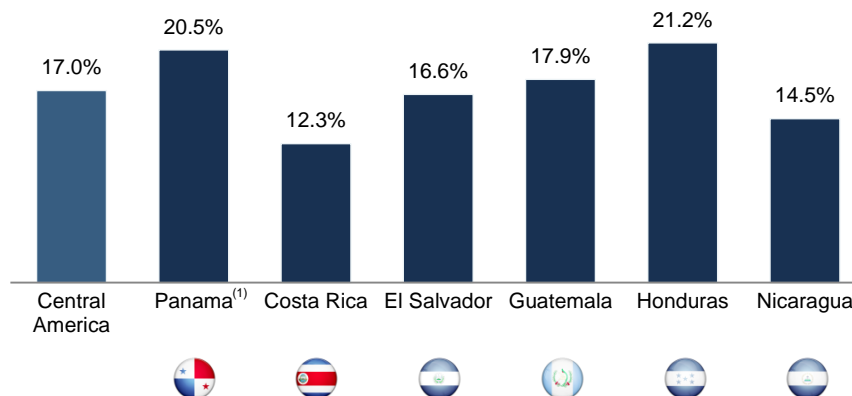
Real GDP growth evolution (%)



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

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

Oil & gas imports / Total imports (%)



Source: SECMCA, Central Banks; ⁽¹⁾ Corresponds to 2013 since numbers for 2014 are not available.

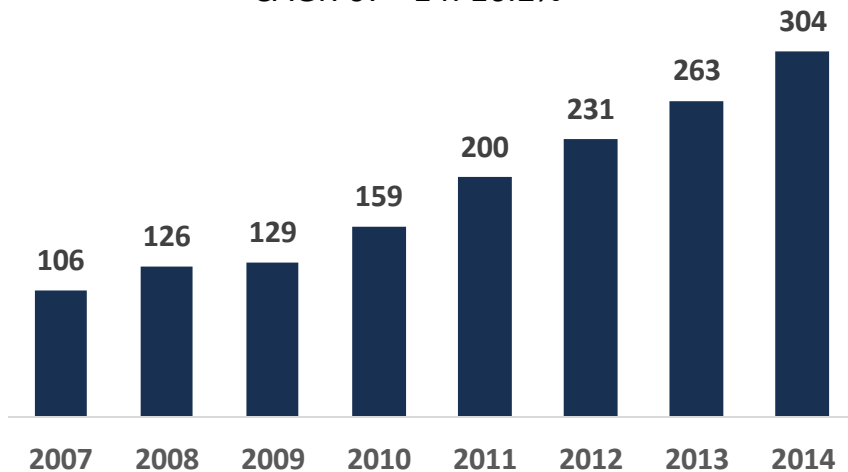
Colombian Financial System



Figures in COP trillions

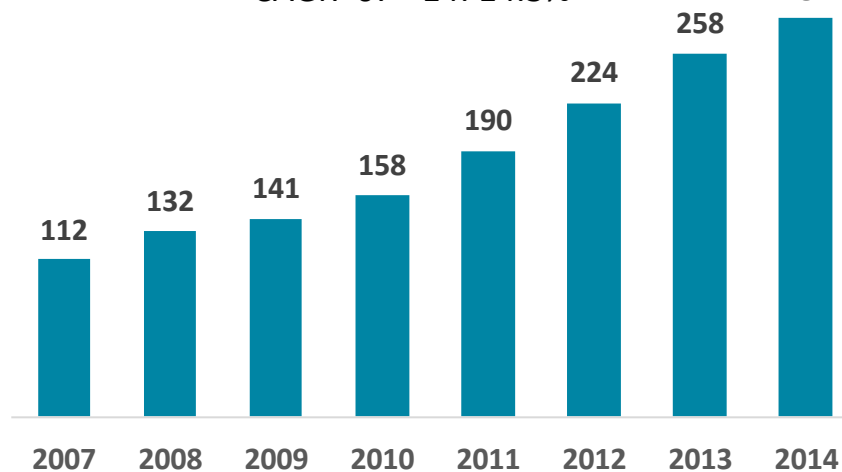
Gross loans

CAGR '07-'14: 16.2%



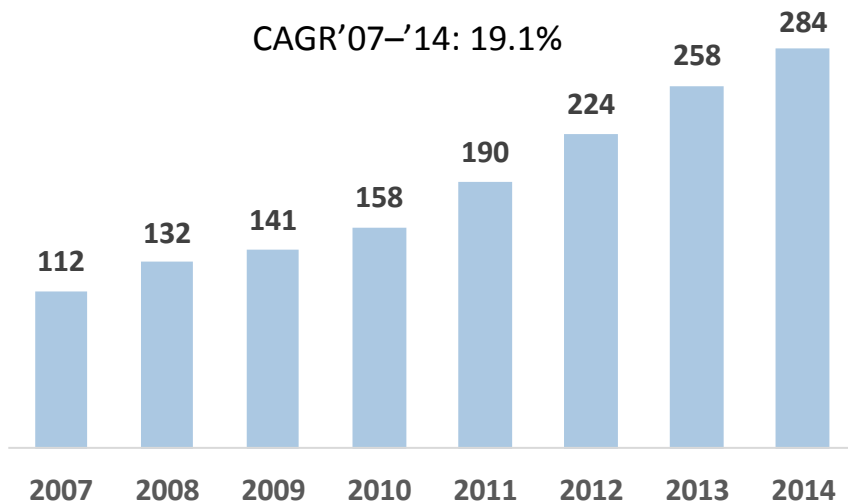
Deposits

CAGR '07-'14: 14.3%



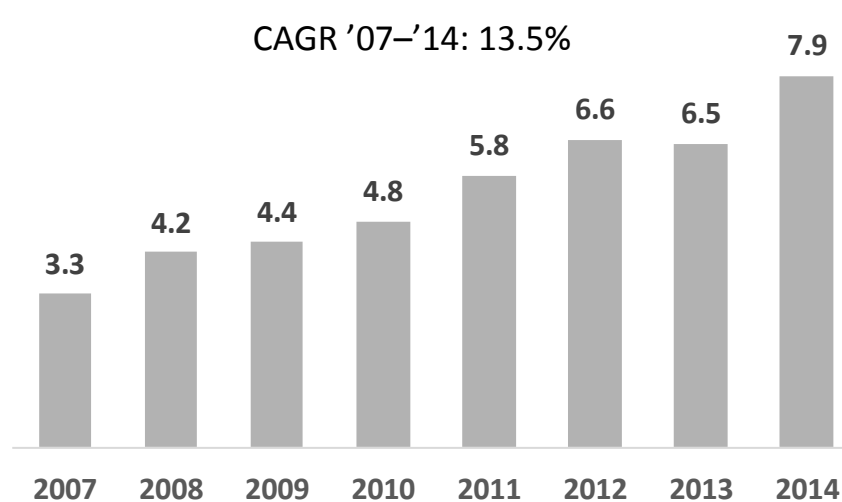
Equity

CAGR '07-'14: 19.1%



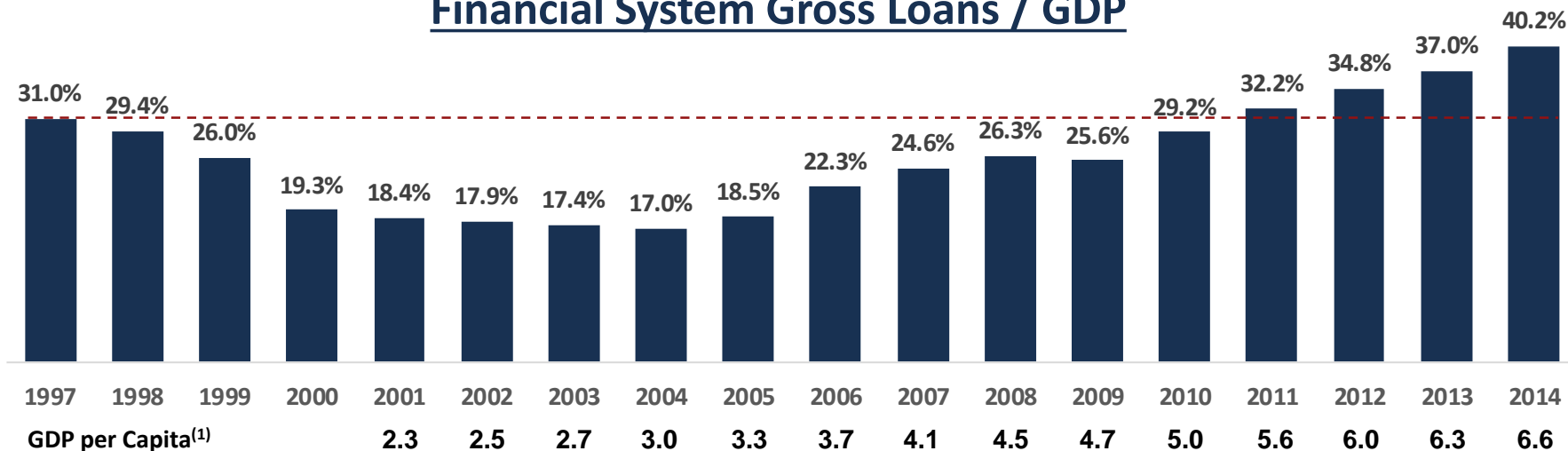
Net income

CAGR '07-'14: 13.5%



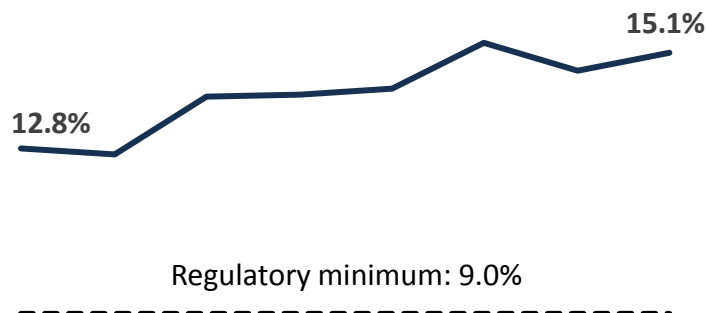
Source: Superintendency of Finance. System as total banks.

Financial System Gross Loans / GDP

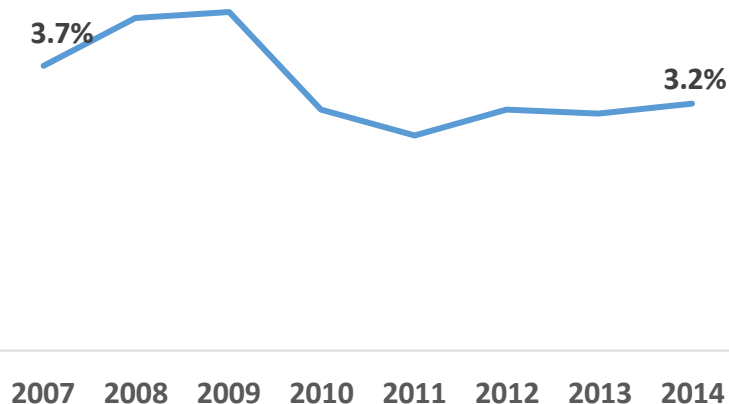


Source: DANE and Superintendency of Finance. ⁽¹⁾ Colombia nominal GDP per capita in thousands of USD, DANE.

System Solvency



30 days PDLs / Gross Loans



2007 2008 2009 2010 2011 2012 2013 2014

2007 2008 2009 2010 2011 2012 2013 2014

Source: Superintendency of Finance.

Balance Sheet



Figures in COP billions

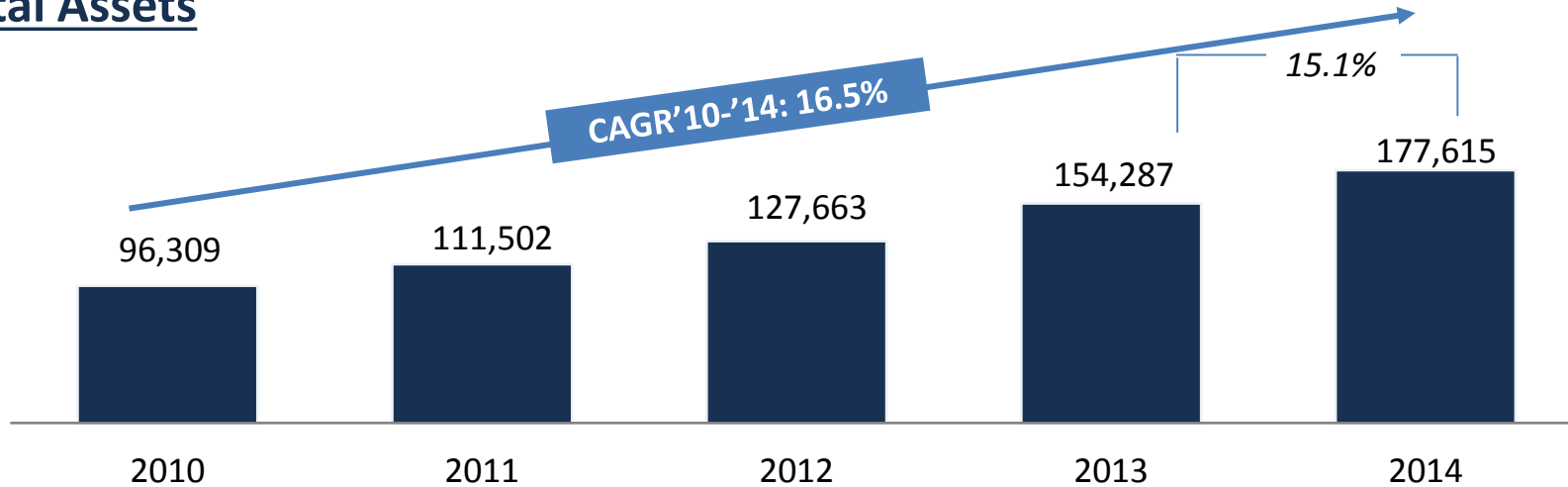
	2012	2013	2014	13 vs 12	14 vs 13
Cash	13,399	16,097	18,693	20.1%	16.1%
Investments	23,296	27,299	28,591	17.2%	4.7%
Net Loans	77,484	93,441	109,342	20.6%	17.0%
Other Assets	13,485	17,451	20,988	29.4%	20.3%
Total Assets	127,663	154,287	177,615	20.9%	15.1%
<hr/>					
Deposits	81,463	101,190	114,392	24.2%	13.0%
Other Funding	25,393	28,479	31,996	12.2%	12.4%
Other Liabilities	11,723	12,890	16,130	10.0%	25.1%
Total Liabilities	118,580	142,559	162,518	20.2%	14.0%
Equity	9,083	11,728	15,097	29.1%	28.7%

Assets

Figures in COP billions

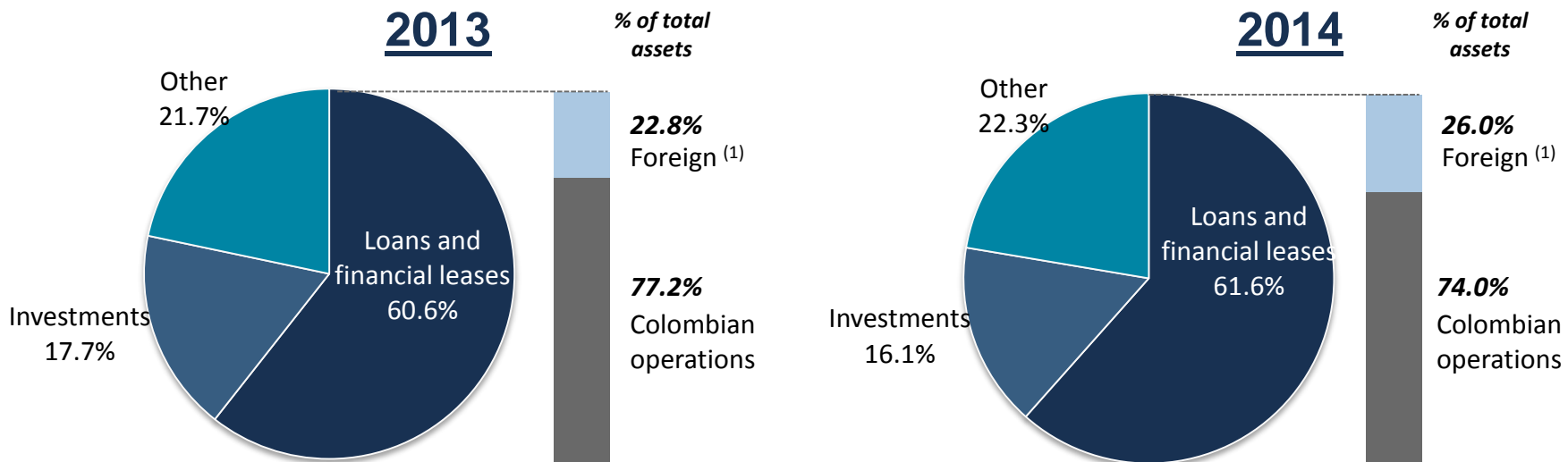


Total Assets



Source: Company Filings. Consolidated figures.

Assets Breakdown



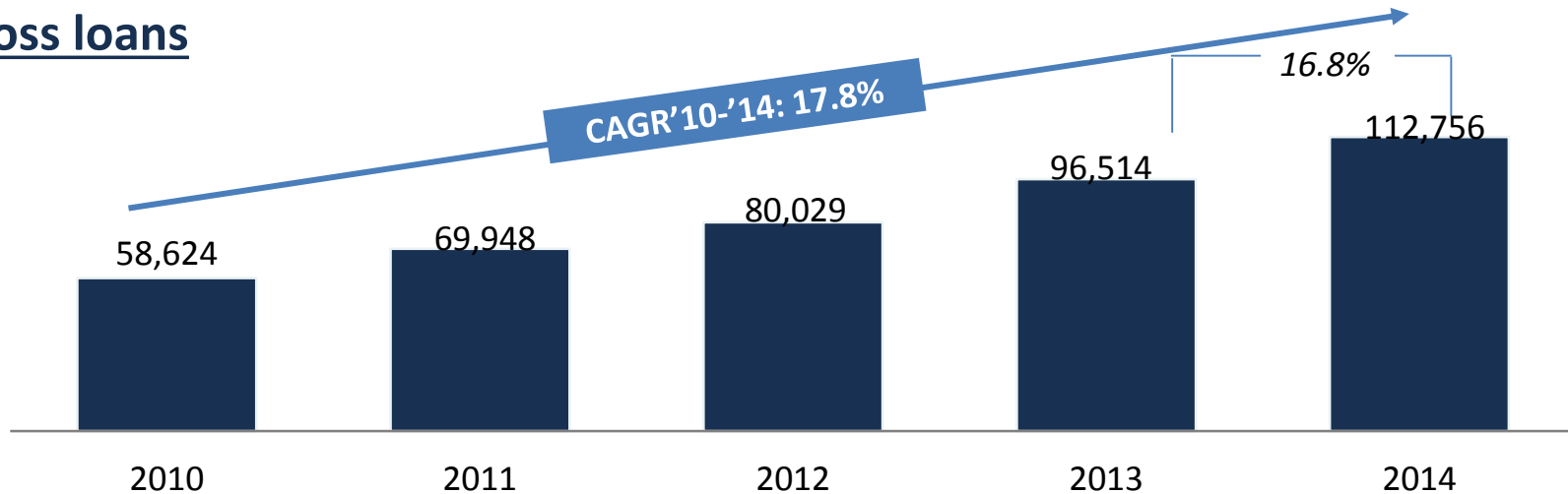
⁽¹⁾ Foreign operations reflect Central American operations.

Loans

Figures in COP billions

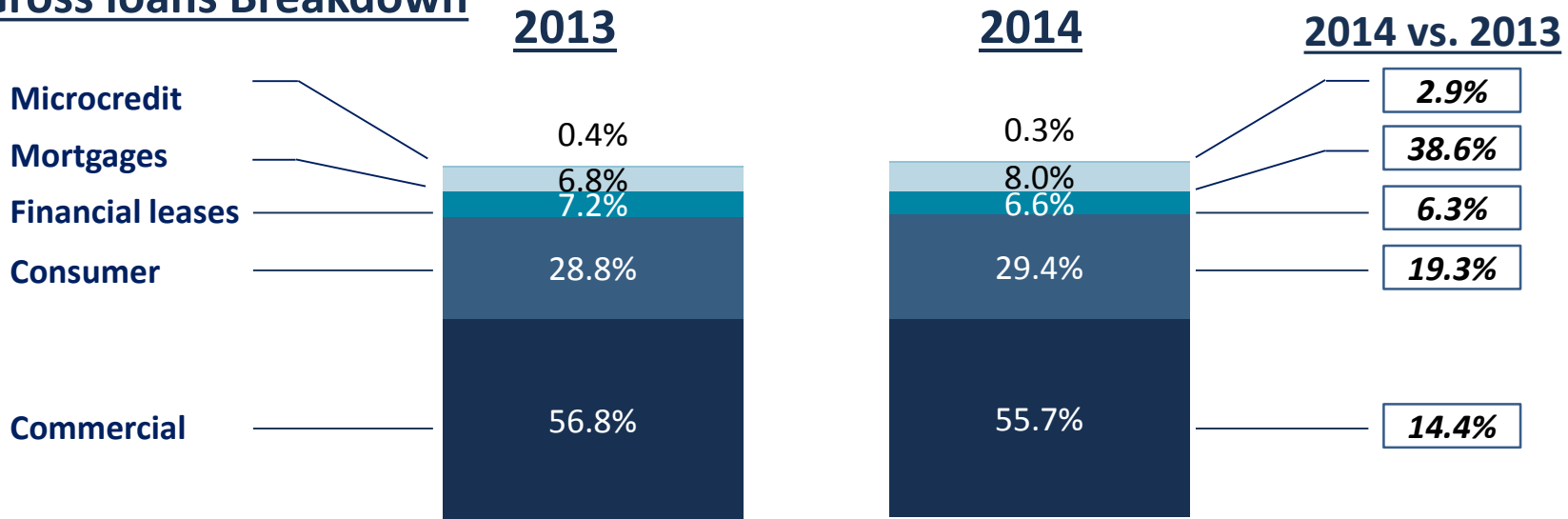


Gross loans

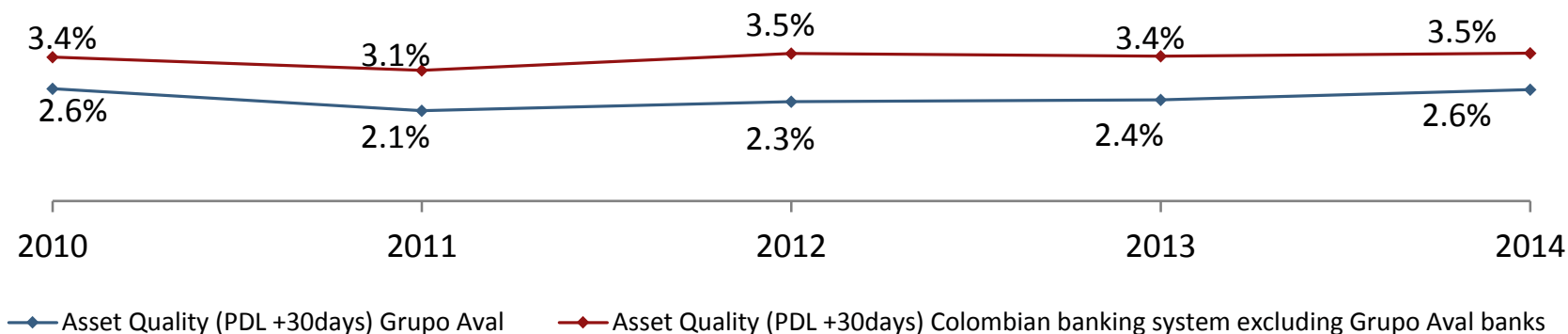


Source: Company Filings. Consolidated figures.

Gross loans Breakdown

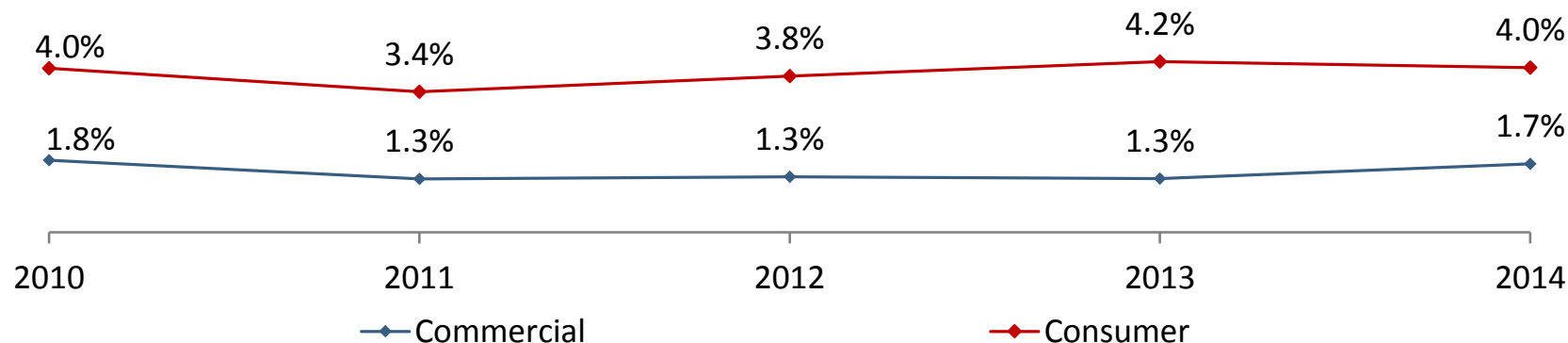


Asset quality – Colombia



Source: Company Filings. Grupo Aval is calculated as the sum of its banks.

Grupo Aval – 30 Day Past Due Loans / Total Loans (%)



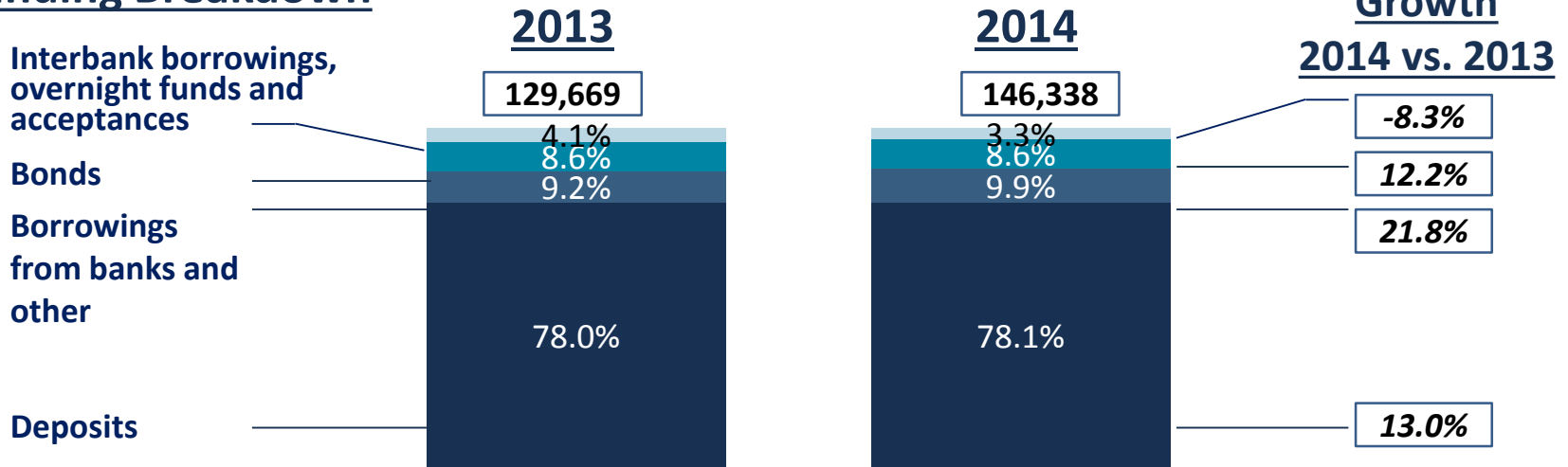
Source: Company Filings. Consolidated figures.

Funding

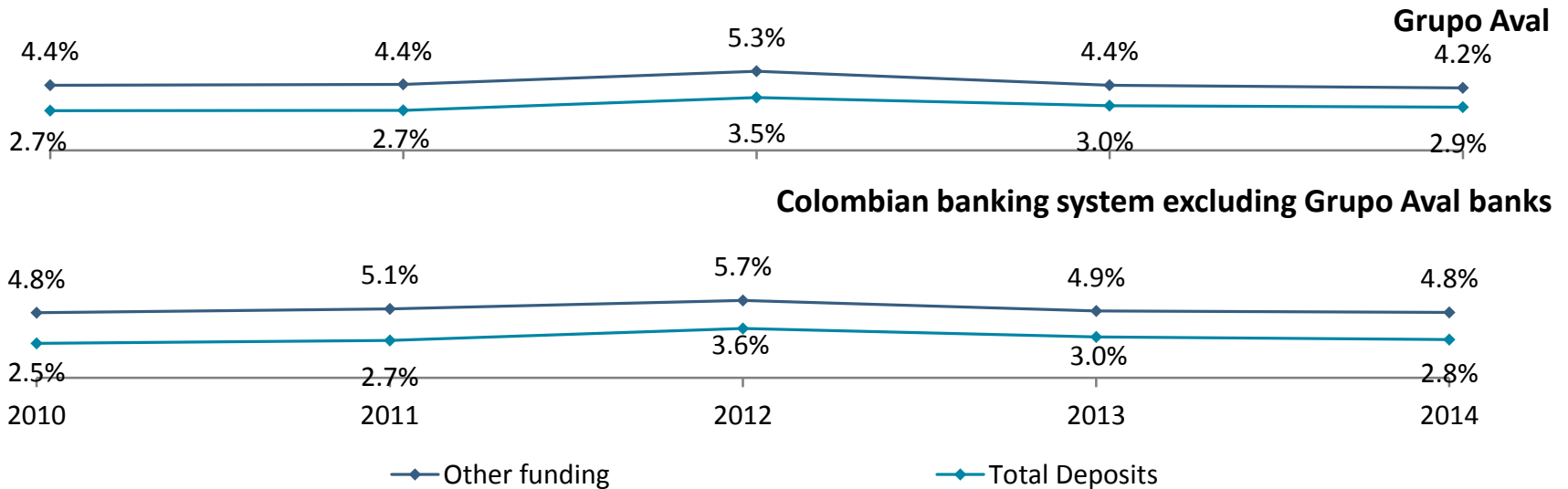
Figures in COP billions



Funding Breakdown



Cost of Funding



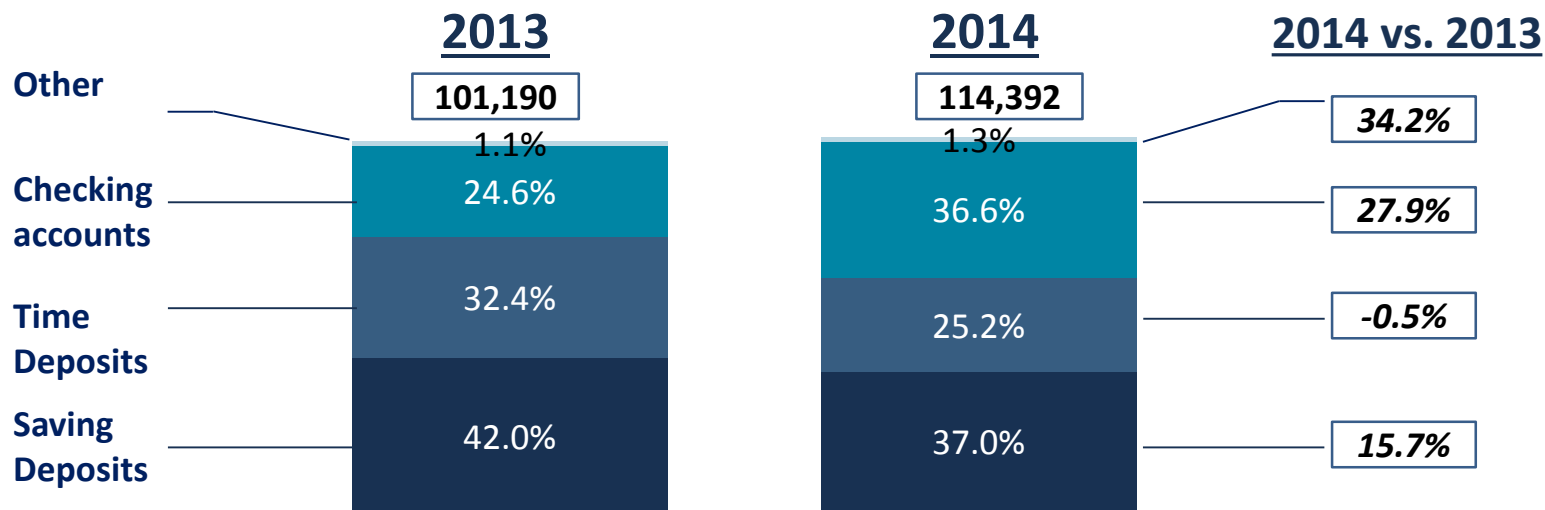
Source: Company Filings. Consolidated figures. Superintendency of Finance.

Deposits

Figures in COP billions

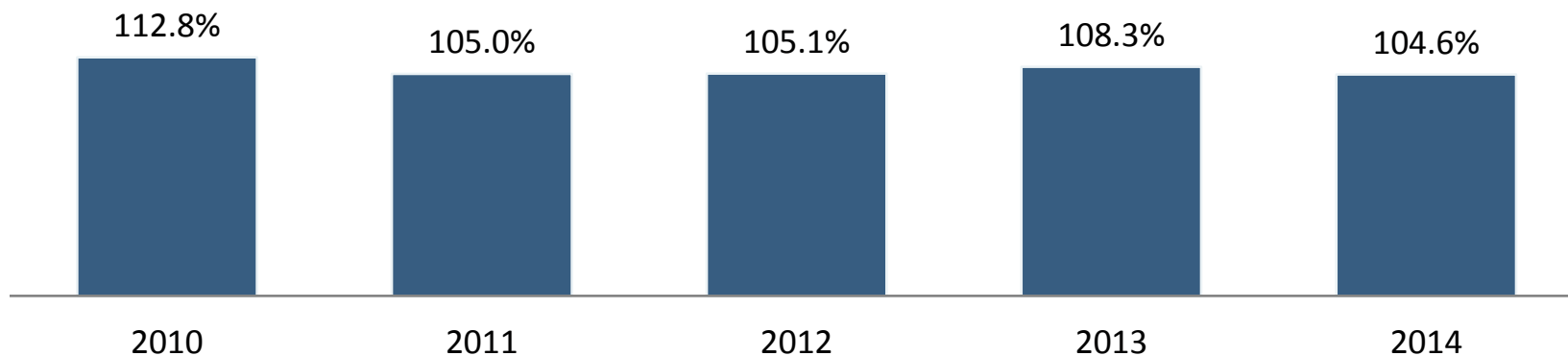


Deposits Breakdown



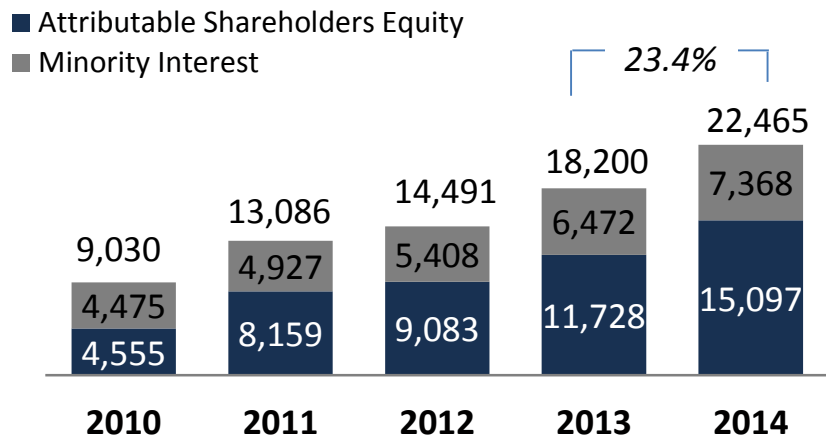
Source: Company Filings. Consolidated figures.

Deposits / Net Loans (%)

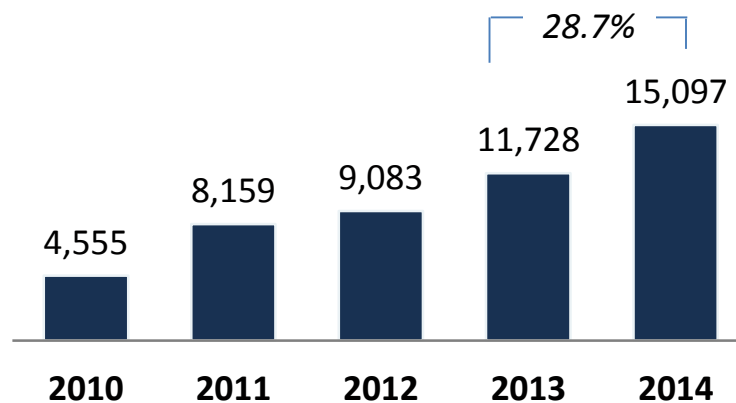


Source: Company Filings. Consolidated figures.

Attributable Equity + Minority Interest



Attributable Shareholders Equity

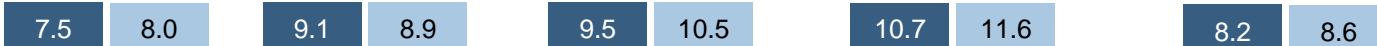


Source: Company Filings. Consolidated figures.

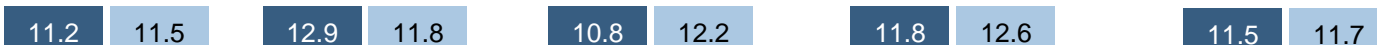
Consolidated Capital Adequacy of our Banks (%)



Tier 1



Solvency Ratio



Source: Grupo Aval Banks. Consolidated figures.

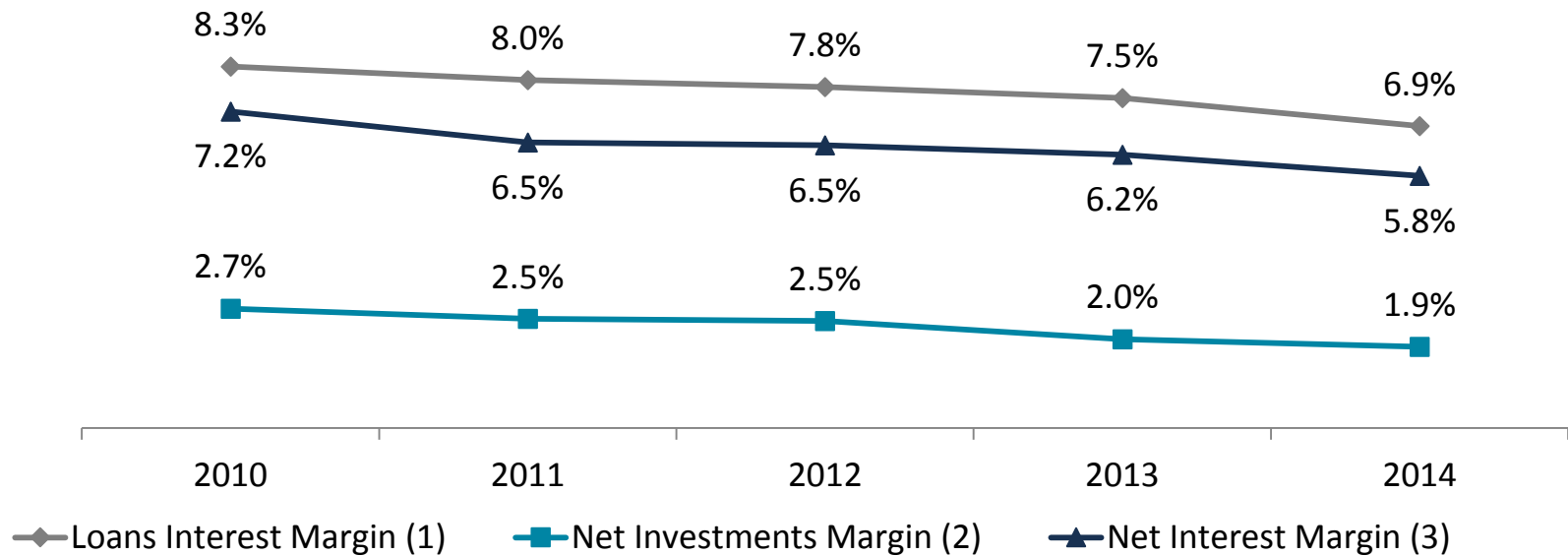
NIM – Net Interest Margin

Figures in COP billions



Net interest income

2013	2014	Var. 14/13
6,981	7,558	8.3%



Avg. cost of funds / Total Int. and non Int. funding

3.0%

3.1%

4.0%

3.3%

3.2%

Source: Company Filings. Consolidated figures.

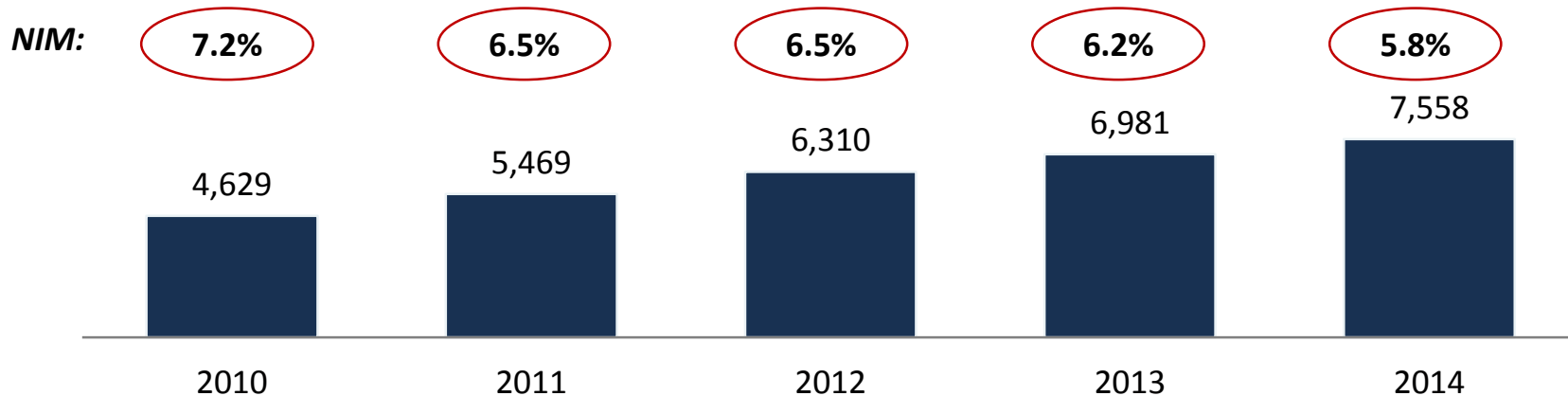
- (1) Loans Interest Margin: Net Interest Income on Loans to Average loans and financial leases.
- (2) Net Investment Margin: Net Interest income on Fixed Income securities and on Interbank and Overnight funds to Average Fixed Income securities and Interbank and overnight funds.
- (3) Net Interest Margin: Net interest income divided by total average interest-earning assets.

Key indicators



Figures in COP billions

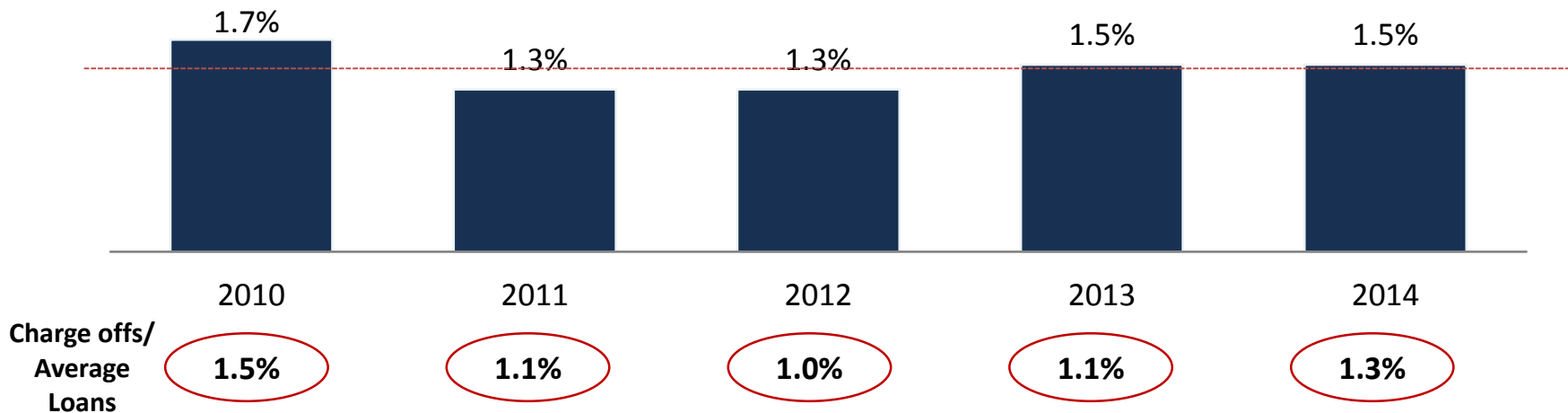
Net interest Income



Source: Company Filings. Consolidated figures.

Provision expense / Average Loans

Average '10-'14: 1.5%



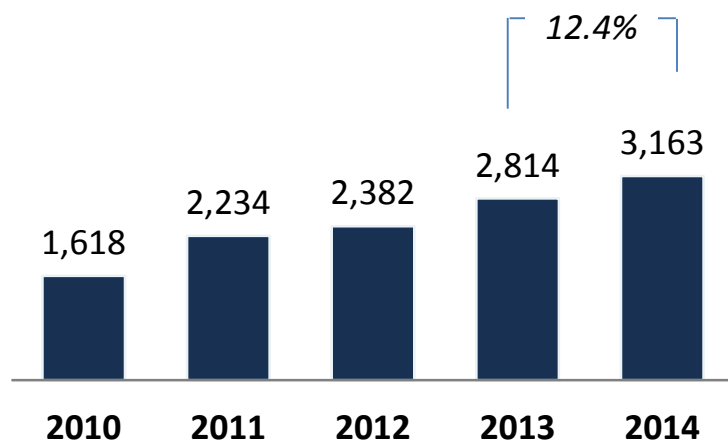
Source: Company Filings. Consolidated figures.

Net Fees and other operating income



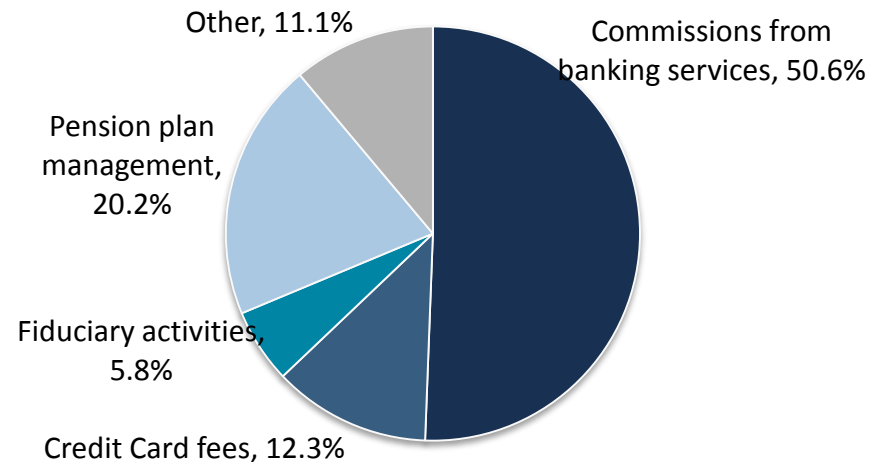
Figures in COP billions

Net Fees⁽¹⁾

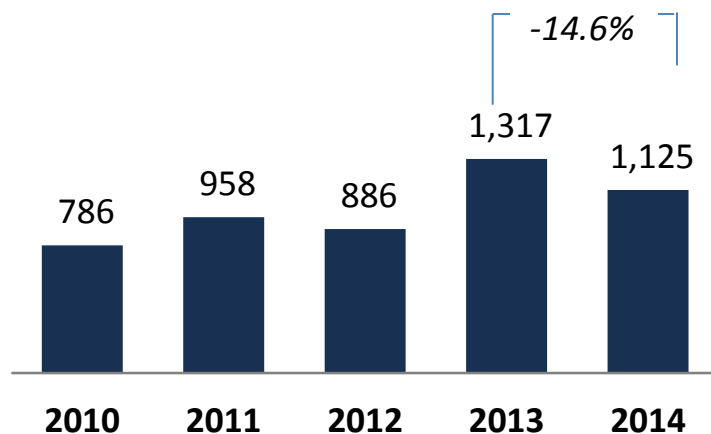


⁽¹⁾ Total fees and other service income minus fees and other services expenses.

Fee Income 2014



Other operating income

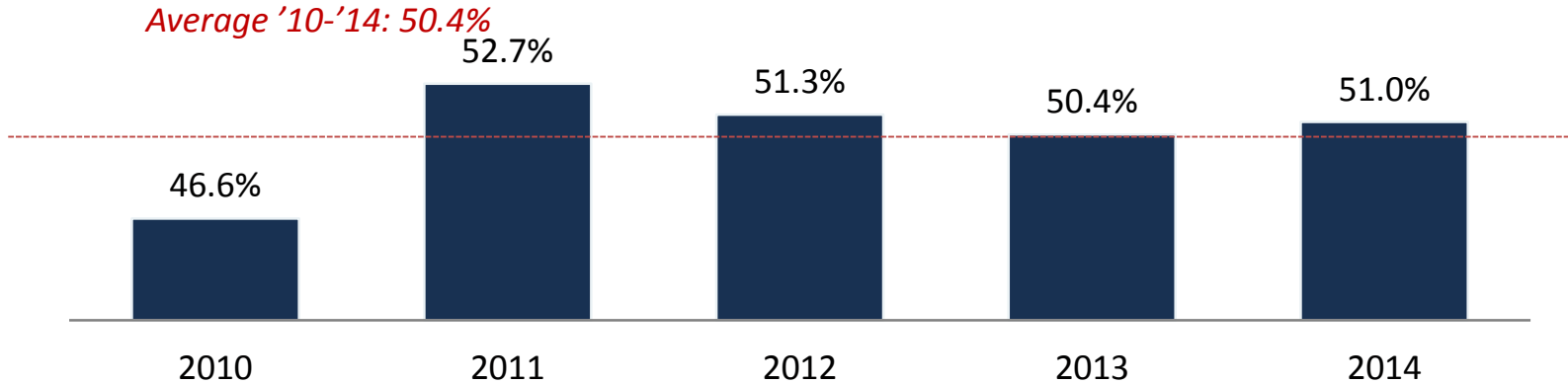


Source: Company Filings. Consolidated figures.

Other operating income

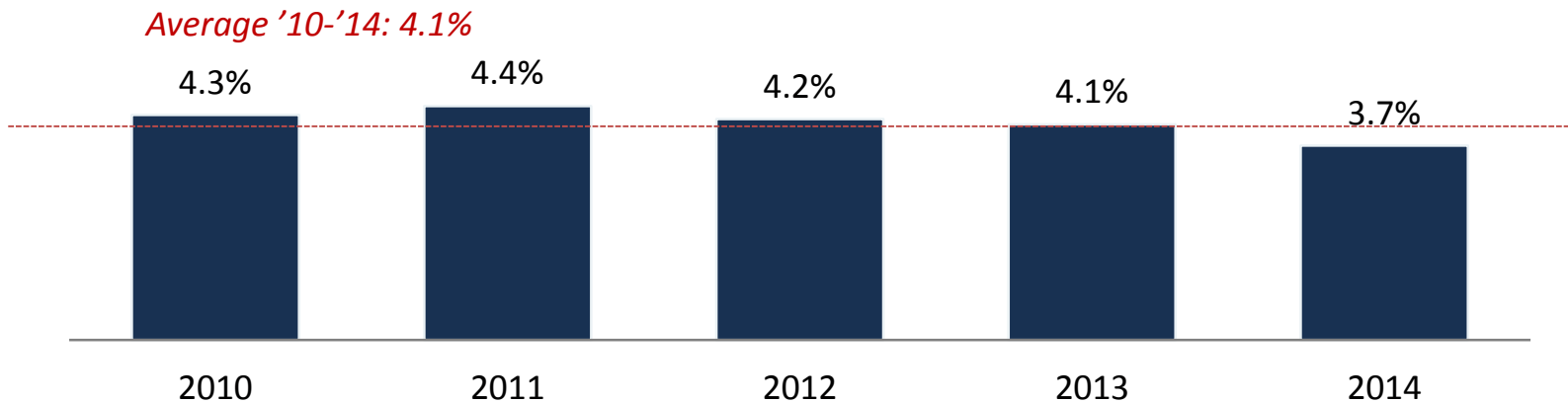
	2012	2013	2014
Dividend Income	99	326	298
Foreign exchange (losses) gains, net	180	305	282
Income from non-financial sector, net	386	441	329
Other	221	245	216
Total other operating income	886	1,317	1,125

Operating expenses / Operating Income



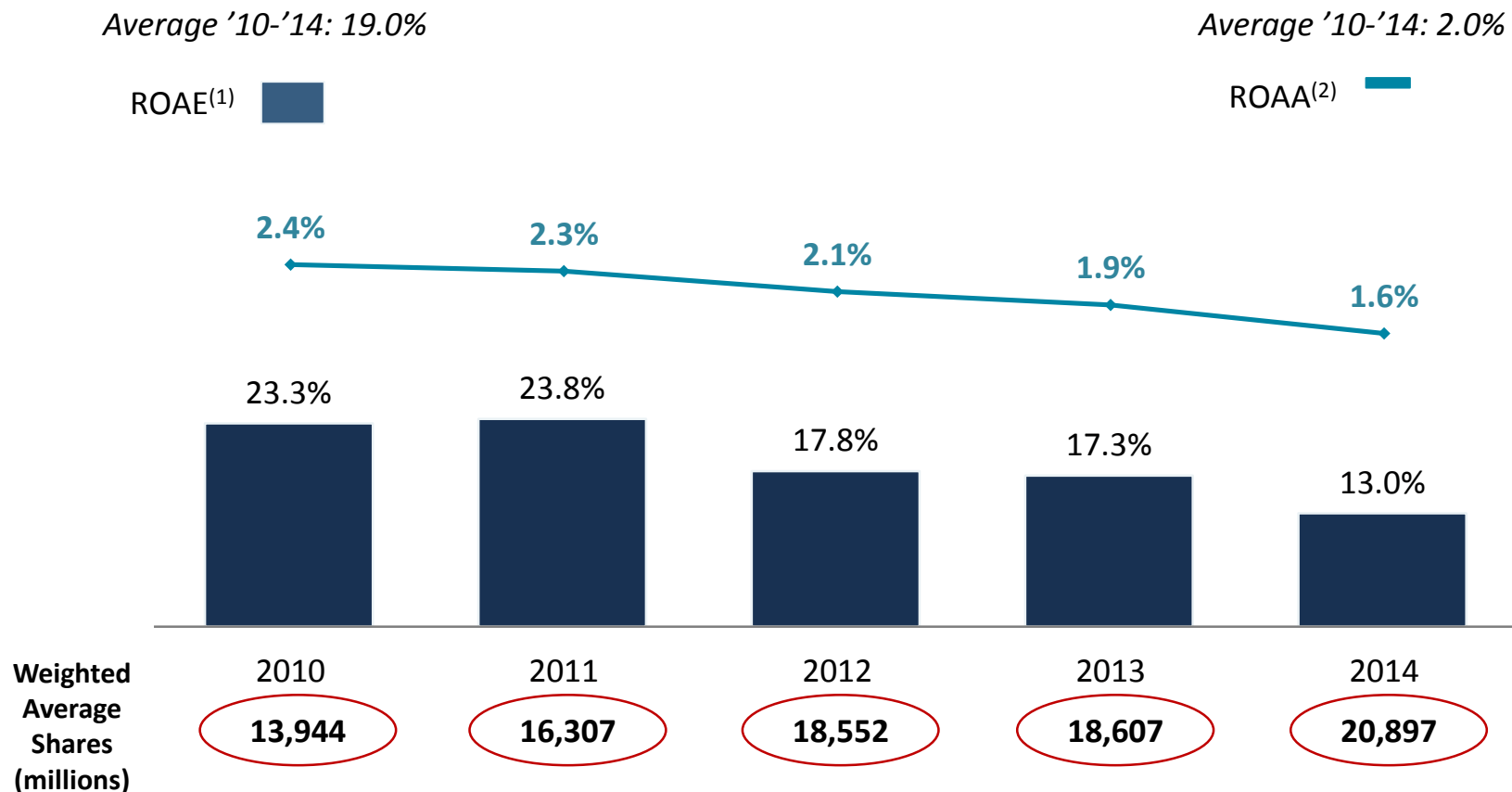
Source: Company Filings. Consolidated figures. Efficiency Ratio is calculated as Operating Expenses before D&A divided by Operating Income before net provisions.

Operating expenses / Average Assets



Source: Company Filings. Consolidated figures. Efficiency Ratio is calculated as annualized Operating Expenses before D&A divided by average of total assets.

Profitability



Source: Company Filings. Consolidated figures. ⁽¹⁾ ROAE is calculated as Net Income divided by the thirteen-month average of shareholders' equity for each year ended at Dec. 31st. For 2013, ROAE is calculated excluding Ps. 2,114.5 billions in capital raised in Dec, 2013. ⁽²⁾ ROAA is calculated as Income before non-controlling interest divided by the thirteen-month average of total assets for each year ended at Dec. 31st.