2Q2017 CONSOLIDATED EARNINGS RESULTS CALL TRANSCRIPT

GRUPO AVAL ACCIONES Y VALORES S.A.

SECOND QUARTER 2017 CONSOLIDATED EARNINGS RESULTS CALL TRANSCRIPT

Operator

Welcome to the second quarter 2017 consolidated results under IFRS conference call. My name is Sylvia and I'll be your operator for today's call. At this time, participants are in a listen-only mode. Later, we'll conduct a question and answer session.

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 US securities regulation as a foreign private issuer under Rule 405 of the US Securities Act of 1933. Grupo Aval is not a financial institution and is not supervised or regulated as a financial institution in Colombia.

As an issuer of securities in Colombia, Grupo Aval is required to comply with periodic reporting requirements and corporate governance. However, it is not regulated as a financial institution or as a holding company of banking subsidiaries and thus, is not required to comply with capital adequacy regulations applicable to banks and other financial institutions. All of our banking subsidiaries, (Banco de Bogotá, Banco de Occidente, Banco Popular, 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 this quarterly report 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 must appropriately reflect our activities as a holding company of a group of banks and other financial institutions.

However, in 2009, the Colombian Congress enacted Law 1314 establishing the implementation of IFRS in Colombia. As a result, since January 1, 2015 financial entities and Colombian issuers of publicly traded securities such as Grupo Aval must prepare financial statements in accordance with IFRS. IFRS, as applicable under Colombian regulations, differs in certain aspects from IFRS as currently issued by the IASB. The unaudited consolidated financial information included in this document is presented in accordance with IFRS as currently issued by the IASB. Details of the calculations of non-GAAP measures such as ROAA and ROAE, among others, are explained when required in this report.

Because of our recent migration to IFRS and recent implementation of IFRS accounting principles, the unaudited consolidated financial information for the first and second quarter of 2017 and the second 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 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.

I will now turn the call over to Mr. Luis Carlos Sarmiento Gutierrez. Mr. Luis Carlos Sarmiento Gutierrez, you may begin.

Luis Carlos Sarmiento Gutiérrez
Chief Executive Officer

Good morning Sylvia and thank you very much. Thank you everybody for joining our 2017 second quarter results call.

Allow me to start by providing an update in reference to two recurring items in the agenda of our quarterly calls: Ruta del Sol and Electricaribe.

In the first place, I would like to provide you with a brief update on recent developments regarding Concesionaria Ruta del Sol or CRDS. As you may recall, in our previous call I informed that in order for the ANI to authorize the first payment to the financial sector in an amount equivalent to approximately 50 to 60% of the USD 800 million in total debt owed by CRDS, the company had to complete the liquidation and payment of at least 70% of the employees and payment of at least 70% of the past due accounts to suppliers. I also told you that we had complied with the first requirement and we would start working hard on complying with the second.

After numerous obstacles, I'm pleased to report that we are almost there and suppliers are paid up to approximately 65%. Barring unforeseen circumstances, of which we've had a myriad since we started to work on the solution of the Ruta del Sol problem, we should be able to obtain approval from the ANI and the project technical supervisor named by the ANI to pay nearly USD 2 million to suppliers within the next few days, in order to complete compliance of the mentioned conditions, pursuit to which the ANI should authorize a first payment to the financial sector in the amount of COP 1.4 billion, approximately USD 167 million. That is the good news.

Not so is what has been happening in the arbitration proceeding, where we were expecting to receive ratification of the liquidation formula established by the terms of the agreement signed with the ANI on February 22nd and modified on March 27 of this year. For background, as part of the termination and liquidation agreement between the ANI and CRDS, the parties agreed to mutually submit such agreement to the arbitral tribunal as a settlement arrangement to request the tribunal to approve the formula of liquidation of the concession and to withdraw the mutual additional claims.

A ratification of the liquidation value by an arbitral tribunal carries the same weight as a sentence of a judge and therefore this ratification will be enough to proceed with payment to CRDS and the banks under the terms to which I have referred in several calls and meetings with investors. However, on August 3rd 2017 during the settlement hearing conducted before the arbitral tribunal, the ANI stated its unwillingness to abide by the formula of liquidation as agreed in the termination and liquidation agreement. Because of the ANI's reluctance to fulfill its obligations under the agreement, a hearing is expected to take place on September 1 2017, in which the arbitral tribunal will decide on the extent of the contents and on the next step regarding the arbitral proceeding.

We have also mentioned on several occasions that a class action suit was also filed against Odebrecht employees, government officials, CRDS, CRDS' shareholders and others. This proceeding is currently in the evidentiary stage, in which the state court has ordered, among others, the recollection of evidence to determine the alleged violation of collective rights and interests resulting from the conducts of Odebrecht and Colombian government officials and to determine the amount of damages resulting from the foregoing.

You might have also heard that a week ago Mr. Jose Elias Melo, Corficolombiana's former president, was placed in preventive detention in relation to the decision of Colombia's General Attorney's Office to include him in the investigation concerning corrupt practices conducted by Odebrecht and Colombian government officials. As noted on our press release and relevant information dated August 23, we are shocked by Mr. Melo's detention and hope that he may be able to prove his innocence. Mr. Melo has not admitted to the charges.

With respect to this news, it is worth mentioning that our investigations with respect to this matter concluded that neither Grupo Aval as an institution nor any of its current employees participated in the corrupt practices associated with Ruta del Sol 2 concession contract or approved others to illegally make payments to third parties regarding the Ruta del Sol 2 concession contract. Furthermore, Grupo Aval's corporate policies applicable to its subsidiaries strictly demand the compliance with all laws and regulations in all the businesses they conduct. Finally, we have reaffirmed our commitment to cooperate with authorities in any matter they consider necessary or appropriate during this process.

Secondly, with regard to Electricaribe, the most significant event that has occurred as of lately is that both the government and the financial system have agreed to work on a solution based on two premises: financially saving the company and eventually paying the company's debt to the financial system. With this purpose, the collective group of affected banks, on the one hand, and the government on the other, have hired investment banks to come up with possible solutions based on the premises mentioned. The government further appointed the Financiera de Desarrollo Nacional (FDN), headed by Mr. Clemente del Valle, to represent the government in the pursuit of a viable formula.

We are confident that the FDN will do the best job possible to comply with this appointment and that it will work with the affected banks to find a mutually beneficial formula. Unfortunately, we also believe that the solution will not be put in place before a year and that the execution of the solution will take several years. This is why we have decided to constitute provisions for up to 70% of our exposure before year end. Currently, our exposure when considering principal plus interest amounts to approximately COP 600 billion or the equivalent of approximately USD 200 million. As of June 30 2017, we had reserved 30% of that exposure. We will reach 55% by September and 70% by December. This means that we will have to book additional provisions with respect to this loan for COP 150 billion during this year's third quarter and COP 90 billion during this year's last quarter. We will most probably revisit these two recurring items during our next call.

I will now refer to the current macroeconomic environment. To start with, it is now clear that our expectation that the first two quarters of this year would continue the perceived incipient reactivation of the economy observed in the last quarter of last year was at best optimistic. In fact, the first semester of this year instead showed only marginal growth at 1,2% and 1,3% during the first two quarters, significantly less than the 2,25 and 2,5% growth that we had expected. As we have often said, a slow-moving economy always results in lesser commercial credit demand and also tends to exacerbate credit problems such as Electricaribe and to magnify the effect of these problems in the cost of risk ratios of the financial system.

Additionally, 4G infrastructure construction and financing, which we consider of major importance to reactivate the economy, have been very slow to get going as the financial sector will probably wait until the resolution of the Ruta del Sol's first payment for approximately half of the USD 800 million outstanding debt. However, precisely because the last two quarters of last year showed mediocre growth at 1,2% and 1,6% respectively, as compared to the first two quarters of 2016, which grew at approximately 2,5%, our expectation is that the last two quarters of this year will grow closer to 2,5% and that 2017's growth will approximate 1,8%. We expect that the last two quarter growth indices of 2017 will transfer on to 2018.

Inflation, on the other hand, keeps registering better results and as of July on a last twelve-month basis is in the middle of the Central Bank's target of between 3 and 4%. However, taking into account that the months of August, September, October and November of last year showed negative or close to zero inflations, we expect that those same months during 2017 will hardly continue the trend observed until now. Therefore, for the year we are expecting inflation of approximately 4,2%.

As a result of the good inflation numbers so far during 2017, the Central Bank continued to implement a more expansionary monetary policy, as a result of which it has reduced its reference rate by 200 basis points this year. Consequently, our commercial loan rates, variable in nature, have dropped, but our consumer loan rates, fixed in nature, have proven more stable. However, we have benefited from lower rates in our cost of funds.

Because we do not expect to see a further reduction in inflation, we believe that the Central Bank will only drop its reference rate by a final additional 25 basis points to 5,25% in the remaining months of this year and in fact this might happen as soon as during the next meeting later on this week. As always, lower Central Bank rates will eventually transfer into consumer loan rates and this should alleviate the current consumer loan portfolio quality profits.

We are very concerned with unemployment, specifically urban unemployment, which is an indicator that has proven pretty resilient up to now. We have mentioned on repeated occasions that this indicative deterioration was our main worry, as it related to the health of our consumer loan portfolios. We have now seen urban unemployment rise close to 11%, an increase of 60 basis points in the last year and 100 basis points since 2015. We are starting to feel its effect on consumer lending PDLs and NPLs, as Diego will refer to in detail during his presentation. A rise in unemployment tends to accelerate consumer loan delinquency and the booking of provisions for foreseeable loan losses.

As oil prices have run an average USD 8 per barrel higher than in 2016, the country's traditional exports, specifically oil exports, have seen that momentum and the country's trade deficit is not under so much pressure anymore. Additionally, non-traditional exports have remained steady over the last two years. As a result, we expect that by year end this deficit will represent approximately 50 basis points better than the 2016 number.

We continue to expect that the current account deficit for 2017 will run at approximately 3,5%, a significant improvement when compared to the 2016 number. This much needed relief in both deficits bode well for a recovering economy starting in 2018.

With respect to our other major market, we continue to see growth in the Central American economies of approximately an average of 4%, almost four times that of Colombia. We continue to closely monitor the qualities of our consumer portfolios in the region and we have seen some deterioration in countries such as Panama and Costa Rica.

Now, to turn to financial results, I will briefly run over the main highlights and then pass this over to Diego, who will refer in detail to our business.
Total gross loans grew by 2,7% in the first semester over 2.2%, excluding the impact of FX movements in our Central American operation after contracting 0,7% in the first quarter, which was a growth of 0,4% excluding the impact of FX and growing 3,4% in the second quarter or 1,8% excluding FX. We now expect to see growth in our loan portfolios for the year, excluding FX movements, of 8%.

During the second quarter, our 30-day PDLs and NPLs deteriorated by 17 basis points and 27 basis points up to 3.8% and 2.5% respectively, driven primarily by a deterioration in our consumer and microcredit portfolios. Consumer loans, 30-day PDLs and NPLs deteriorated by 40 basis points and 37 basis points during the quarter. This worrisome deterioration, although typical of the Colombian financial system, is currently our main area of focus.

We have tightened collection processes and are using big-data analytics to better understand the credit worthiness of our customers under the current stressed economic environment. On the other hand, most of the deterioration of our commercial loan PDLs and NPLs in the last year has been driven by Electricaribe, where our exposure as mentioned amounts to approximately USD 200 million. As a result of the deterioration mentioned above, our consolidated cost of risk increased by almost 80 basis points during the quarter to 0,9% before recoveries and 2,7% after recoveries.

Additional provisions in connection with Electricaribe accounted for 30 basis points of the increase and the general deterioration of the mentioned loan portfolios contributed with the rest. Taking into account what has already happened in the first semester and our expectation for the rest of the year, we now estimate cost of risk for 2017 at 2,45%.

Total deposits grew by 4,3% in the first semester or 3,9%, excluding the impact of FX movements in our Central American operation, as a result of growth of 2% in the first quarter or 3,1% excluding the impact of FX and growth of 2.3% in the second quarter or 0,7% excluding the impact of FX. We expect that deposits will grow in line with loans for 2017.

Partly as a consequence of the growth slowdown, the second quarter was one in which our consolidated equity ratios improved. Our total equity to total assets ratio improved from 10,4% in March 21st 2017 to 10,7% as of June 30 2017 and our tangible capital ratio improved from 7,4 to 7,6%. Furthermore, as of June 30 2017 all our banks continue to show strong tier one and full solvency levels between 9,4% and 11,2% and between 11,2% and 14,2% respectively.

On a more positive note, the strength in our capital position drove two rating agencies to change their outlook of both Banco de Bogota and Grupo Aval's ratings from negative to stable.

The NIM of our consolidated operation improved by 22 basis points to 6,1% during the quarter and by 52 basis points versus its ratio as of the second quarter of 2016. Our consolidated NIM on loans expanded by 14 basis points to 7% during the quarter and by 46 basis points versus the second quarter of 2016. Our consolidated NIM on total investments expanded by 72 basis points to 1,4% during the quarter and by 57 basis points versus the first quarter of 2017. These increases were mainly driven by a 28 basis points decrease in our average cost of funds during the second quarter of 2017 and 21 basis points versus the second quarter of 2016. Although we expect NIMs to decrease throughout the last two quarters as the lower Central Bank rates permeate the economy, we now estimate that on average our 2017 consolidated NIM will run between 10 and 20 basis points higher than the 2016 number.

Our gross fee income grew by 1,3% in the quarter when compared to the first quarter of 2017. This growth was supported on a strong performance of our banking fees, which are 73% of total fees, which increased 3,4% in the quarter. Given the good results that we have seen so far, especially in our Central American operation and our pension fund manager, we now expect that fee income growth will surpass the growth in our deposit and loan portfolios by approximately 100 basis points during 2017.

Our other operating income for the period was COP 493,1 billion for the quarter, versus COP 533,1 billion in the previous quarter. This result was mainly affected by the performance of Corficolombiana's investments in the infrastructure sector, delays in the 4G infrastructure concessions and by the effect of the general slowdown of the economy and the performance of other non-financial sectors in which Corficolombiana holds equity positions.

As we have said in the past, we remain firm believers in the 4G infrastructure program and in the benefits that 4G construction and financing will have for the economy and the banking sector. Corficolombiana will be largely benefited as well. Therefore, we are working feverishly to get going on three of the four projects awarded to Corficolombiana. Our conviction of the benefits is such that we will put forth our own financing capacity behind these projects if need be.

Our consolidated efficiency ratio, measured as cost to income, was 46,9% in the second quarter of 2017 versus 45,9% during the first quarter of 2017 and 47,2% during the second quarter of 2016. This quarterly deterioration is partially explained by seasonality of the expenses. We are convinced that an integral, well-executed digitalization strategy is paramount to improve the client experience on the one hand and just as important to streamline costs. We have launched an effort in our largest bank as well as in our Central American operation and we expect to see clear results by the first quarter of next year. We will launch digitalization strategies in the rest of our banks during the next quarter and expect to see concrete results in the second quarter of next year.

Attributable net income for the quarter was 470,8 billion or 21 pesos per share, compared to 587 billion in the first quarter of 2017. As mentioned before, the result for the quarter was negatively affected by a 42% increase in provision expenses, a third of which is explained by provisions associated with Electricaribe, which amounted to COP 108 billion. Also, by greater provisions required in our consumer portfolio and our SME portfolio, by the economy slowdown barring on the non-financial sector industries in which we participate through Corficolombiana and finally by the delay of the initiation of 4G in general and Corficolombiana's projects in particular. As a result, our ROE for the quarter was 12,4%. For this year, however, we are now expecting our ROE closer to 13%.

With that, I pass on the presentation to Diego, who will expand on the highlights that I just shared with you. Thank you and have a good day.

Diego Solano Saravia, Chief Financial Officer

Thank you, Luis Carlos. I will now move to our consolidated results of Grupo Aval under IFRS, starting **on page 9** with our asset evolution.

As mentioned by Luis Carlos, consistent with the low GDP growth that has been prevailing during the first half of the year, this has been a low-growth quarter.

Total assets increased by 1.6% during the last quarter and 7% over the last twelve months. In absence of the effect of the Colombian peso fluctuations in Central America, assets were stable during the quarter and grew 5,7% during the last twelve months.

Asset dynamics, excluding FX during the quarter, resulted from an increase of 1,8 or COP 2,7 trillion growth in gross loans, offset by a decrease of 8,2% or COP 2,1 trillion in cash and 6.4% or COP 1,5 trillion in fixed-income portfolio. Other assets increased by 2,8%.

Broken down by regions, our Colombian assets remain stable while our Central American assets grew at 0.2% in dollar terms, a 5,9% increase when translated into Colombian pesos. This happened over the quarter.

As mentioned before, reductions in cash positions, particularly in Banco de Bogota, determined the growth dynamics of our assets in Colombia. Colombian assets grew by 4,5% over the last twelve months, while our Central American assets grew by 8,1% in dollar terms, a 13% decrease when translated into Colombian pesos.

Consolidated balance sheet structured continued shifting towards net loans. Net loans account for 68,1% of our assets as of June 30 2017, up from 66,6% in the previous quarter and 66% twelve months before.

Fixed income investments, particularly partially funded net loan growth over the quarter, accounted for 9,3% of our total assets as of June 30 2017, down from 10% a quarter earlier. Colombian assets accounted for 74,7% of our balance sheet as of June 2017 from 71,9% three months earlier and 72,2% as of June 2016. Our Central American operation accounted for the remaining 29,3%. The quarterly increase in the weight of our Central American operation is attributable to the depreciation of currency and more dynamic growth in Central America.

On page 10 we present our loan portfolio evolution. As mentioned in the past, loan growth is closely linked to GDP growth. Low economic growth has underpinned the recent loan growth of our Colombian operation. Loan growth of our consumer portfolio has been stronger than that of our commercial book.

Gross loans increased by 8,9% during the last twelve months. In absence of the effect of the peso depreciation in our Central American operation, 12-month growth would have been 7,6%. The last twelve months, our Colombian book grew at 6,8% and our Central American book grew by 9,4% in dollar terms or 14,4% when translated into pesos. Consumer, mortgage and commercial loans grew at 12%, 13,5% and 6,7% respectively during the same period.

Broken down by region, mortgage loans grew at 16,4% in Colombia and 6,9% in dollar terms in Central America. Consumer loans grew at 10,2% in Colombia and 10,5% in US dollar terms in Central America. Commercial loans grew at 4,8% in Colombia and 9,8% in dollar terms in Central America.

During the second quarter of 2017, gross loans increased by 3,4%. In absence of the effect of the peso appreciation in our Central American operation, 3-month growth would have been 1,8%. This increase resulted from the Colombian operation growing at 1,9% and the Central American operation increasing 1,5% in dollar terms, 7,3% in Colombian peso terms. Even though still soft, this growth incorporates an incipient improvement in loan dynamics.

The structure of our gross loan portfolio remains substantially stable if compared to the previous quarter. Commercial loans account for 58,8% of our portfolio, while consumer and mortgage loans account for 31,1% and 9,9% respectively.

Loans to individuals, which include consumer mortgage and microcredit loans, were 1,2 percentage points higher than twelve months earlier or 0.1 percentage points higher than the last quarter. Colombia accounted for 71% of our loan portfolio, maintaining the same level as three months and twelve months before. The variation of the Central American operation has been mainly due to the Colombian peso fluctuations. We expect

2017 loan growth in absence of FX movements to be in the 8% area.

On page 11 we present several loan portfolio quality ratios. In this quarter, we continue to experience some deterioration in the quality of our loan portfolio and an increase in our cost of risk. This performance is mainly explained by the deterioration of the consumer loan portfolio in Colombia, consistent with a softer urban labor market and a sluggish GDP growth, an increase in the consumer delinquency in Central America, in particular in Costa Rica and Panama, and in addition, as anticipated in our last call, cost of risk was influenced by Electricaribe.

Starting at the top left of the page you will find the evolution of our loans past due more than 30 days and our non-performing loans, both as a percentage of those loans, including interest account receivables. During this quarter, our delinquency ratio, measured as 30-days PDLs to total loans, increased by 17 basis points to 3,8%. Delinquency measured as NPLs to total loans deteriorated by 27 basis points from 2,2% in the first quarter of 2017 to 2,5% for the second quarter of 2017.

Moving to the right, unrealized net provision expenses net of recoveries or charged-off assets for the quarter were 2,7% of average loans, deteriorating from 1,9% three months earlier and twelve months earlier.

The Electricaribe impairments for the period accounted for 30 basis points of the quarter cost of risk. Impairment of our consumer portfolio accounted for 32 basis points of incremental cost of risk during the quarter, of which 20 are explained by Colombia and 12 by Central America.

Incremental cost of risk of the consumer portfolio is mainly driven by the higher impairment of the credit card portfolio in both regions and in personal and automobile loans in Colombia. At the bottom left, you will find the analyzed rate of charge-offs as a share of average NPLs. This ratio was 0,7 times during the second quarter of 2017.

Finally, on the bottom right, you will see several loan loss reserve coverage ratios. Our allowances were 3,1% of our total loans and cover 1,3% of our NPLs and 0,8% of our 30-days PDLs. We expect our cost of risk net of recoveries to be in the 2,4 to 2,5 area in 2017.

On page 12, you will find further detail on the quality of our loan portfolio. On this page, you´ll find the evolution of our loans past due more than 30 days and our NPLs as a percentage of total loans, both ratios calculated including interest account receivables. Mentioned on the previous page, our overall end-of-period delinquency ratio measured as 30-days PDLs to total loans increased by 17 basis points to 3,8%. Deterioration was driven mainly by the consumer portfolios during the quarter. Delinquency, measured as NPLs to total loans, deteriorated by 27 basis points to 0,5%.

Broken down by type of loan quarter on quarter, commercial loans experienced a 5 basis points deterioration to 3% when measured as 30-days PDLs and a 23 basis points deterioration to 2,5 when measured as NPLs. Consumer loans experienced a 40 basis deterioration to 5,2 when measured as 30-day PDLs. Colombia deteriorated 47 basis points to 5,6, while Central America deteriorated 31 basis points to 4,3%. Delinquency, measured as NPLs to total loans, deteriorated 37 basis points to 0,7%.

Mortgage loans slightly deteriorated from 3,4% to 3,5% when measured as 30-days PDLs and from 1,7% to 1,9% when measured based on NPLs.
The bottom of the page represents PDL evolution. Consumer loans were the main driver of PDL formation during this quarter, consistent with the soft economic performance as in COP 750 billion in new PDLs, COP 94 billion more than a quarter earlier. Consumer PDL formation in Colombia added COP 492 billion, while the Central American consumer PDL formation added COP 257 billion in new PDLs. Electricaribe affected the previous quarter with close to half a trillion pesos in PDL formation.

On page 13, we present funding and deposit evolution. There were no substantial changes in funding and deposit structure during this quarter. This quarter reflects the overall economic growth in Colombia. Total funding grew by 7,5% for the last twelve months and by 1,9% during the last quarter. In absence of the effect of the Colombian peso exchange rate fluctuations in Central America, 12-month and 3-months growth would have been 6,2% and 0,4% respectively.

Broken down by geography, Colombia funding grew by 5,4% for the last twelve months and increased by 0,6% during the quarter. Central American funding grew 8,3% in dollar terms or 15,2% in Colombian peso terms over the last twelve months and decreased 0,3% in dollar terms by 0,4% increase in Colombian peso terms over the last quarter. Deposits increased at 9,6 over the last twelve months and 2,3 during the last quarter. In absence of the effect of the peso depreciation in Central America, 12-month and 3-month growth would have been 8,3% and 0,7% respectively.

Broken down by geography, Colombia accounted for 71,6% of total deposits. Colombian deposits grew by 6,9% over the last twelve months and 0,5% during the quarter. Central American deposits grew at 11,9% in dollar terms or 16.9% in Colombian peso terms over the last twelve months and increased 1,3% in dollar terms, a 7,1% increase in Colombian peso terms during the quarter.

Our funding structure has shifted slightly towards deposits during the year. Our deposits now account for 76,6% of our total funding, up from 75,2% a year earlier and 76,4% three months earlier. Our deposits covered 96% of net loans.

As mentioned earlier, a decrease in cash mainly from the Colombian operation led to a decrease in our cash-to-deposit ratio back to 15.3%, the same as a year before. We expect deposit growth to be at a similar pace as that of loans.

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

Our total equity, defined as attributable equity plus minority interest, was COP 24.7 trillion as of the end of the second quarter of 2017. This implies a 4% increase over the last twelve months and a 4.3% increase during the last quarter. Attributable equity accounted for 62.8% of total equity as of June 2017 and was COP 15.5 trillion as of the end of June 2017, increasing 2.5% during the last twelve months and 4.3% during the last quarter.

On this chart, we also show the consolidated solvency of our banks. All of them show appropriate tier 1 and total solvency ratios. Tier 1 as of end of period ranged from 9.4% to 11.2%. The solvency ratios at the end of period were 14.2% for Banco de Bogota, 12.7% for Banco de Occidente, 11.2% for Banco Popular, and 12.4% for Banco AV Villas.

Starting **on page 16**, we present the evolution of our net interest margin. On the top of the page, we present the evolution of our average interest-earning assets. Our financial sector entities explain close to 95% of interest-earning assets. Our Promigas operation contributes to the interest-earning assets from the non-financial sector. These assets are mainly items that under IFRS are considered financial leases provided by the company.

On the bottom of the page, we present the evolution of our average interest-bearing liabilities. 5% of those are held on the balance sheets of our non-financial sector entities and our holding company.

In general terms, this financing has a longer maturity and carries a higher interest rate than those of our financial operation. The share of our liabilities has remained relatively stable over the last five quarters. However, we expect it to grow over the coming years due to the impact of the financing to be taken by the upcoming fourth-generation concession infrastructure projects.

On page 16, we present our yields on loans, cost of funds and spreads. Yields on loans, in particular that of the Colombian commercial portfolio reflects the fluctuations of the Central Bank intervention rate. Colombian corporate loan portfolio, which accounts for 47% of our total gross loans, is over 90% floating rate and reprises with a two-month [unintelligible] after the changes of the Central Bank intervention rate. The yield on consumer loans has been less sensitive to the Central Bank rate reductions, given that the substantial part of this portfolio has a fixed rate and that the market has been less aggressive in bidding down the prices of these loans, consistent with the higher delinquency ratios experienced over the past few quarters in this sector.

Our average consolidated yield on loans of the second quarter was 11.6%, increasing 23 basis points compared to the same period of 2016 and decreasing 15 basis points as compared to the last quarter of 2017. Yield on commercial loans fell by 31 basis points quarter on quarter, driven by a 38 basis points reduction in the yield of our Colombian commercial portfolio. The yield of our consumer portfolio increased 10 basis points, driven by a 25 basis points increase in our Central American consumer portfolio.

On average, cost of funds for our consolidated operation was 4.3% for the second quarter of 2017, 21 basis points lower than the 4.5 recorded a year earlier and 28 basis points below the 4.6 recorded during the first quarter of 2017. This results from a 38 basis points improvement in the cost of funds in Colombia during the quarter and stability in Central America.

Isolating the effect of the non-financial sector funding, the cost of funds for the financial sector of 4.2% decreased 17 basis points when compared to a year earlier and 25 basis points when compared to a quarter earlier. The cost of funds for the non-financial sector in the holding company [unintelligible] was 6.1%, decreasing by 101 basis points and 78 basis points over these periods. The sharp decline is mainly attributable to the non-financial sector's liability interest rates, sensitivity to inflation and DTF.

Finally, on this page our consolidated spreads increased by 13 basis points from the last quarter to 7.2%, an increase by 44 basis points compared to the same quarter a year earlier.

On page 17 we present our net interest margins for the financial sector and Grupo Aval's consolidated operations. The net interest margin of our consolidated operations, including net trading income from investments held for trading through profit and loss expanded 22 basis points during the first quarter from 5.9% to 6.1%. This increase resulted from a substantial expansion in the net interest margin on investments and a favorable performance of our net interest margin on loans. Consolidated net interest margin increased 52 basis points compared to a year earlier.

NIM for the financial sector expanded by 46 basis points to 6.3% versus the 5.8% reported a year earlier. Total net interest margin was 18 basis points wider than that of the previous quarter, driven by a substantially stronger NIM on investments.

Quarterly, net interest income was COP 2.8 trillion during the second quarter of 2017, a 16.9 increase compared to the same quarter a year earlier and 5.5 higher than the previous quarter. We expect full-year net interest margin to be slightly higher than the 5.6% reported for 2016. This is driven by a higher than expected net interest margin for the first half and builds on a margin compression during the second half, as the Central Bank rate adjustments are incorporated into our loan portfolio.

On page 18 we present net fees and other income. Gross fee income grew 8.9% compared to the same period a year earlier and 1.3% to the previous quarter. This grew by 10% and 1.4% respectively, compared to those periods when excluding the effect of FX movements in Central America.

Broken down by geography, Colombia accounted for 61% of total gross fees. Domestic fees grew by 9.3% compared to the same quarter twelve months earlier, while Central American fees grew at 11% in dollar terms, an 8.2% increase in Colombian peso terms over the same period.

At the bottom of the page, we present other income. Other income for the quarter was COP 493 billion. This result was affected by a lower contribution of the non-financial sector, non-consolidated equity investments and other income, when compared to the previous quarters included in this chart.

The lower result of the non-financial sector was mainly due to a lower contribution of our infrastructure sector. In particular the delay in the initiation and ramp up of our new toll road concessions have delayed income that should have replaced the phasing out of older concessions such as Coviandes. In addition, the rest of our portfolio, which includes hotels and agroindustry have been negatively affected by the slow economic cycle.

Lower income from the non-consolidated equity investments reflects the seasonality of dividends received, in particular the 32 billion dividend from Empresa de Energía de Bogotá received during the first quarter.

Finally, other operating income for the second quarter of 2017 was particularly high given a strong performance in FX. In addition, that quarter included tax returns of COP 60 billion, Ruta del Sol for COP 30 billion and other income.

Moving to page 19, we present some efficiency ratios. Our efficiency ratio, measured as operating expenses to total income of 46.9% during the quarter, improved from 47.2 recorded twelve months earlier and deteriorated from 45.9 recorded during the previous quarter. Improvement compared to a year ago or to the previous year's results and a better performance of our Central American operation. In Central America, this ratio improved from 51.8% during the quarter, down from 54.8 a year earlier and ended at 53.4% during the first quarter of 2017. In Colombia, this ratio deteriorated to 44.5 during this quarter, up from 43.5 a year earlier and 42.4 during the first quarter of 2017.

Our efficiency, measured as operating expense to average assets of 3.5% remained unchanged compared to the second quarter of 2016 and increased from 3.4 in the first quarter of 2017. Central America reported 4.4 during this quarter, improving 35 basis points from 4.8 reported during the second quarter of 2016 and remained substantially at the same level as the previous quarter. Colombia reported 3.1 during this quarter, up from 2.9 for both the first quarter of 2017 and the same quarter of 2016. We expect 2017 efficiency measured on a cost-to-income basis to be similar to 2016's. This result builds on compensating for headwinds from salary adjustments covered by union agreements that were well in excess of inflation.

Finally, **on page 20** we present our net income and profitability ratios. Attributable net income for the quarter was COP 471 billion or COP 21 per share. Return on average assets and return on average equity for the quarter were 1.3 and 12.4% respectively.

Before moving to questions and answers, I will now summarize our general guidance for 2017. We expect loan growth to be in the 8% area during 2017. Fee income is expected to grow at a slightly faster pace than loan volume.

We expect 2017 cost of risk net of recoveries to be in the 2.4 to 2.5% area. We expect full-year 2017 net interest margin to be slightly higher than that of 2016. Regarding the efficiency ratio, we expect it to be similar to 2016's. We expect 2017 marginal tax rate to be in the 34% area. Finally, we expect our 2017 ROE to be in the 12.5 to 13% area. This incorporates the higher expectations of cost of risk than previously anticipated.

I will now open it to questions.enim.

QUESTION AND ANSWER PERIOD

Operator

Thank you. We will now begin the question and answer session. If you have a question, please press * and then 1 on your touch tone phone. If you wish to be removed from the queue, please press the # sign or the hash key. If you're in a speaker phone, you may need to pick up the handset first before pressing the numbers. Once again, if you'd like to ask a question, please press * and then 1 on your touch tone phone.

The first question comes from Nicolas Riva, from Citi.

Nicolás Riva - Citi

Yes. Thanks Luis Carlos and Diego for taking my questions. Two questions from me and the first one is more general on the economy. We know that economic growth has been disappointing this year. I wanted you to discuss a bit more the expectations for economic growth for 2018 and really what should be the drivers of the expected pickup in economic growth. Is it basically lower interest rates, lower corporate taxes, more investments? What should be the drivers of economic growth next year?
The second question on margins, which I think was one of the positive highlights this quarter. I was positively surprised by what happened there. We saw an expansion of 20 basis points quarter on quarter, 50 basis points [unintelligible]. Given that interest rates have been decreasing this year in Colombia, what really explained the wider net interest margins in the second quarter? Was it more on a less competitive scenario from banks? What's the outlook for margins for next year? Thanks.

Luis Carlos Sarmiento Gutiérrez
Chief Executive Officer

Okay. Thanks for your question, Nicolas. Let me address the first question about economic growth. We are expecting, as I said, that the last two quarters of this year will grow much better than the first two quarters and that those last two quarters will keep their momentum into next year, into 2018. Consequently, I think next year we should see growth closer to 2.25 - 2.3% and maybe as high as 2.4%.

The drivers for that, on the one hand I do insist that all these infrastructure doldrums will be dealt with before the end of this year. I see all the Colombian financial system, at least the larger banks, waiting to get involved again in 4G infrastructure, but obviously holding up until the government solves this problem that we are having with the ANI and their reluctance to honor the agreement that they had signed with us with respect to getting paid. Not only the first payment to the banking system, which I believe is going to happen fairly soon, but the remaining payment to get the banks fully paid. Logically, I think, the rest of the banking system is waiting to see what happens with that and I think 4G will have a big impact.

I also think that as the lower rates permeate the economy, we will see better consumer demand and better quality on the consumer loan portfolio. I also think that once we start getting the full effect of the 2016 fiscal reform on corporate tax rates and the doing away with the equity tax, I think that we will see corporations coming back to the game and putting through their expansion plans and obtaining financing to do so. It will come from various fronts, to summarize, 4G, better consumer demand and better corporate profitability.

Having said all that, I think, as I said, 2018 should be a better year. Obviously as we move on these last two quarters of 2017, we will have a much better indication of what happens next year.

Just to finalize, we now have about 40 political candidates wanting to be president and I think that will filter pretty soon, as coalitions start to become clearer. When that happens, I think that it also tends to take away some of the anxiety of the economy and when you put all that together, we should have a better 2018.

Diego Solano Saravia, Chief Financial Officer

Nicolas, and moving to the second question on margins, perhaps what we are seeing here is a result of diversification. We are indeed seeing interest rates on loans falling, particularly on corporate loans. They have fallen around 40 basis points when you compare quarter on quarter. There is some reappraising still to happen, given that there is a lag of about a couple months between the Central Bank adjusting rates and floating rates to reappraise.

On the other hand, the funding side also has a lag, slightly shorter than the lag that we have seen on the corporate loans. Also, the Central American prices have been slightly going up and in Colombia on the consumer front something that appears to be happening is pricing has started to better incorporate deterioration of the consumer portfolio that we have seen.

If you have been following the news in Colombia, there's been a lot of pressure from the government asking the banks to adjust rates down. That is actually happening on the corporate level, but on the consumer side, given that [unintelligible] has gone up, there is less room for that to happen. The way that translates into prices is there is not a very aggressive competition between the banks to beat down the prices and to steal clients away. That is actually the mechanics how that pricing happens. The explanation for that is, it seems that most of the banks in the system are seeing something similar to what we have seen, and regardless if that has already shown up in their numbers.

Moving into next year, I believe that was the end of your question, what we expect to see depends very much on what happens with inflation and what happens with the Central Bank. On that front, what we believe should be happening is there's little room for additional reductions during this year. That could be another quarter, let's say, but nothing as substantial as what has happened before.

For next year, it very much depends on the success on getting inflation in shape. We believe that's going to happen, perhaps not as rosy as some of the analysts are pointing out to. We believe more in an inflation in the 3.5% area. That would imply Central Bank rates somewhere around 4.5% by year end.
Accompanying that, there should be some additional adjustment in margins. If you are to compare full year 2018 to full year 2017, you have

to bear in mind that we have had a particularly strong first half that implies that next year compared to this year could have --It is very early to tell, but it could be somewhere around a 20-basis point difference with what happened this year. This is a very preliminary estimate and it depends very much on what we see by the end of the year. us

Operator Our next question comes from Frederic de Mariz, from UBS.

Frederic de Mariz – UBS

Thank you and good morning everyone. Thank you Luis Carlos, Diego and team for the opportunity. I would like to make a follow up on the previous questions on the growth in Colombia. You mentioned that there was a bit of a concern on the consumer side and it might be related [unintelligible] However, we saw that most of the growth in Colombia came from credit cards and consumer lending, so I would like to hear your thoughts in terms of what kind of deceleration you would be expecting in consumer lending. Are you concerned with the portfolio? Are you changing anything to control the [unintelligible]

Also, on this question about the potential growth in Colombia, if the slow economy continues for another two quarters, are you concerned that maybe the tax cuts that were announced a few months ago could be revised? Maybe we could have another fiscal reform down the road? That's for Colombia.

And then just a second set of questions on Central America. Could you just quickly tell us in terms of trends, what you're expecting for the next two quarters, especially what kind of ROEs would you be expecting in the same region? Thank you very much.

Luis Carlos Sarmiento Gutiérrez
Chief Executive Officer

Alright. Let me try to answer your first question and then Diego can help me out if I leave anything out.
Yes, consumer grew more in relative terms, but in absolute terms it didn't really grow all that much. In terms of what concerns us and what could happen, yes, I think the first quarter we saw an effect from the increase in value added taxes and I think that that affected more consumer confidence than consumer ability to repay their loans. I think that that has been put in the back of their minds, but I do see, as I said, unemployment, especially urban unemployment, going up. When we look at the country's total unemployment rates, they don't look alarming, but if you look specifically at urban unemployment, and let's be honest, most consumer lending happens in cities, not in the rural areas as much, so obviously that is a concern to me.

The other thing that on the contrary bodes well for this is that, as Diego was saying, the Central Bank decrease in rates has not been transferred that much to the consumer loan portfolio rates and when you combine higher unemployment with high consumer rates, then obviously that doesn't bode very well for the health of the portfolios. I think that as we move on, we'll start to see relief on the consumer side because of that.

What else was?

Diego Solano Saravia: The strategy and the effect of a slow economy eventually on taxes.

Okay. Yes. Well, our strategy, what we have done is we are --Well, the first thing that we always do takes a little bit of time to gear up, but one thing that we are doing is strengthening collections and we are doing a group-wide revision of our collection policies. As always, we tend to look at all our banks, the four commercial banks here and the banking group in Central America. We tend to look who's better under this distressed economic environment and we try to emulate that in the rest of our banks. I think that we are starting to see some good consequences of that and we expect to see more.

We're also, as part of this digitalization strategy that is important to us, we've been working with consultants in the last few months and we finally put together an executable digital strategy that has started to be executed by Banco de Bogota and BAC and we'll keep going with the other banks. As part of that digital strategy, we are streamlining our processes around collections and that should help. We are also streamlining some of the credit granting processes. That should help.
So we're trying to do better what we do and we're paying a lot of attention. We're at a high level of discomfort with the current rates of cost of risk, but when we reach traditionally this high levels of

discomfort, we tend to get things in line and we hope this won't be the exception.

With regards to the tax reform, I wish I could say that there is no doubt in my mind that the 2016 tax reform will be implemented in full and that we'll be a happy family after that happens, but then again historical evidence in Colombia points to the contrary. I think we have had tax reforms every two years for the last fifty years or so, so it's hard to say whether the new president that is elected by 2018 – it'll be hard for a new president to run a new tax reform. That's for sure, so we probably have all the candidates saying that there won't be a new tax reform, but you know, we've heard that before as well.

Your point is very valid. The hole in fiscal revenues that will be created by a lower corporate tax rate and by doing away the equity tax has to be compensated with something. I think that the good news is that with these lower rates and with a stable dollar and with a stable oil price and with the current account in the trade balance deficit sort of getting aligned and getting better we might get better corporate results because we might get the commercial side of the economy, the business side of the economy, going again and if that happens, well, they should produce better income before taxes and any tax rate will have better results and better tax collections. I have said in the past and by the way, to finish, that if we have better income before taxes with the new tax rates we might compensate for the hole, but that's yet to be seen. We'll see how the economy keeps going in the next few quarters.

One thing that I said probably in New York two or three months ago and I still believe that is that we're going to have to sit down and take a hard look at the fiscal rule under which we live, which is a self-imposed constraint that I honestly don't think makes a lot of sense. I think that at some point we are going to have to revise what is our comfort level in terms of the fiscal deficit and I don't see a reason to self-impose that we have to bring it down to 1%. That gives the country inability to borrow and this country is very credit worthy. If we can borrow, then we can compensate the hole and if we compensate the hole we can live with the 2016 fiscal reform.

I don't know if my words just fall on deaf ears, but I'll keep insisting. I think that we have to take a hard look at that. So basically, to summarize your question regarding the 2016 fiscal reform, a bunch of things have to fall in line and if they do, we're okay. If they don't, we'll be having this conversation again in the next two quarters, I'm sure.

Diego Solano Saravia, Chief Financial Officer

Your final question was on Central America. Central America has been running at around a 15% ROE. Central America is a quite different story than Colombia, even though we have also seen some delinquency picking up there. There has been a number of positive aspects also happening. Our operation particularly has been very keen on improving efficiency, so part of what has been able to allow them to compensate the negative [unintelligible] on provision expenses has been a much tighter cost platform. They also have a faster pace of growth than what we are seeing and in general there's a number of items and different lines of PNL that have compensated for what has happened.

To wrap it to your question, we expect Central America to continue performing well. There's a couple countries as always that we're putting some attention on and you saw some volatility of El Salvador earlier this year. That is something that has been there and should remain in time. We've seen some discussions in Costa Rica, also about fiscal deficit that have been there. We are watchful of what the implication of the fiscal deficit looks like, and then Panama might be running at a lower growth rate. However, it's a country that continues to be quite healthy.

All in all, we have to deal with these differences amongst countries, but we continue seeing the region and particularly our operation in the region to be able to sustain this kind of ROEs.

Operator: Our next question comes from Jason [unintelligible] from Scotiabank.

Jason Mollin – Scotia

Hello everyone. My question is related to the run rate of profitability and return on equity. Clearly, the 12.5 to 13% that you're talking about for this year reflects this very high cost of risk partially related to Electricaribe, as well as the not so positive environment for the earnings related to Corficolombiana.

If we start with Electricaribe, as I understand your statements, that a third of the increase in provisions in this quarter were related to increasing provisions related to this exposure. So if provisions increased just over COP 300 billion quarter on quarter, is that –it's basically a third of 100 – if we want to try and isolate the ROE excluding that, would that be the right calculation?

Secondly, maybe just normalizing, adding on to that, just thinking about –you know, this doesn't seem like a normalized situation for Corficolombiana at all on the infrastructure side of things. Where should we think about the return on equity, excluding –and there's always something happens, right? But just kind of in a more normalized long-term perspective, how do you think about profitability for Grupo Aval?

Luis Carlos Sarmiento Gutiérrez
Chief Executive Officer

That's a great question. It's a question that we ask ourselves every day.
Let me try to answer because you hit exactly on the right points. On the one hand, much of the profitability of Aval and just about every profitable company in Colombia comes from the tax rate. If you want to know a run rate with a full 2016 fiscal reform in place, with Corficolombiana back to normal levels, with the country growing at 3.5% and with the specific credit problems behind us, I think our run rate should be 16%. I think that the ROE that we aspire to is 16% and I think we have the elements to get there.

However, there's a lot of ifs. If you heard me correctly, there's a lot of ifs. Electricaribe will be behind us eventually next year. I mean, one way or another we get the problem solved if we fully provision the exposure. Infrastructure, as I said, has to get going, but I also said that if the financial system is not willing or able to finance infrastructure and the 4G government program, we have an obligation which we will comply with to get the 4G concessions that were awarded to Corficolombiana going and right now we have the legal lending limits and we have the willingness, because we see the huge benefits for Corficolombiana and the group to finance ourselves our own programs, and we will get that going and that will replace, as you mentioned, and exceed, the decreasing profitability at the Corficolombiana level that has come regarding infrastructure on two fronts. On the one hand, because it lost the Concesionaria Ruta del Sol concession, which obviously did away with the profits that it was receiving from that, and secondly because some of its own old concessions [unintelligible] like the Bogota-Villavicencio original concession and others, so that's another if. We will get that going and we will get Corficolombiana back to its adequate levels. We will get this problem with Electricaribe behind us and the economy will rebound and will all that in mind, I think that again, that's our aspiration and we see a way to get to it.

I don't know Diego if you have any…

Diego Solano Saravia,
Chief Financial Officer

I think those are important points and if the full tax reform would have been in place this year, we would have been running with an ROE that should be in excess of 100 basis points above the kind of numbers that we are looking into, so that gives you a starting base that adds to the different actions and things that should happen, as Luis Carlos pointed out.

Operator: Our next question comes from Cristina Manotas, from Davivienda.

Cristina Manotas – Davivienda

Good morning. I just have one question. I would like to know what explains the annual growth of 85% of Corficolombiana's gross loans and which type of loan is it.

Luis Carlos Sarmiento Gutiérrez
Chief Executive Officer

Yes. When we look at Corficolombiana --I want to make sure that I understand your question. Corficolombiana does consolidate some loans that are financial and others that are non-financial. The type that is financial comes from a small leasing company that they have and the most relevant piece is the non-financial side that comes from Promigas.

Promigas, as we have mentioned in our past calls, has some contracts with some other customers that are accounted for under IFRS as leasing contracts. Particularly, there's something called the SPEC. That is a floating unit of gas in the Colombian coast that has contracts that generate this kind of accounting, so what you're seeing is particularly growth in that side.

Operator: Our final question comes from German Cristancho, from Davivienda.

German Cristancho – Davivienda

Good morning. Thank you for the call and the presentation. I would like to know more about the digitalization strategy. Could you give us some details, maybe some about the impact on profitability ratios and what you expect on the efficiency ratio? How will be the delivery of this strategy? Also, do you expect branches closing or reduction of labor force? In general terms, all the digitalization strategy, please. Thank you.

Luis Carlos Sarmiento Gutiérrez
Chief Executive Officer

We've been working very close with our consultants to put it together. It's a multifaceted strategy, as you can imagine, with so many banks. Also, as you can imagine, as we put together our digital strategies, we need to make sure that we are not executing many double efforts, so that when one of our banks gets a digital strategy in anything, like in a new product or in collection processes, etc., anything that you can imagine, we have to make sure that we use that to apply in the other banks and not to do it again, as that wouldn't be cost effective.

Obviously, as with all digital strategies, the main fronts are achieving a better customer experience and that is done through streamlining processes with customers to for example open accounts. I'll give you an idea. We now have a new product that we launched some weeks ago through Banco de Bogota, where our clients can now open their accounts in five minutes or less through an iPad sort of environment. That is turning out to be very good.

We've also done some streamlining in collections, as I said. It's too early to tell you exactly what goals we have, because we are revising them every day ourselves. We have very ambitious goals and obviously we are also very ambitious as to how much our investment would be, but we're revising that as well.

Finally, we have seen some efficiencies. We have seen already opportunity of some personnel reduction, which we already put in place first phase in Banco de Bogota and we were able to liberate some resources there and obviously we will see the results of that starting next year, once we've analyzed the cost of the layoffs.

So, you know, we'll give more details in the near future and I'm sure you'll see through your own bank intelligence all that we are doing and hopefully we'll be as successful as I think we can be. We'll talk more about it as we move on and as we get things accomplished.

Operator: Our next question comes from Natalia [unintelligible], from JP Morgan.

Natalia Corfield – JP Morgan

Good morning all. Thank you for taking my question. [unintelligible] I think I probably didn't get everything that was said during the call, but I understand that the first payment of the 50-60% of the total loans it's probably going to come soon because the suppliers and employees are reaching the threshold of 70% and then the banks will be able to get their portion.

Nevertheless, you mentioned that there was a problem with the decision of the tribunal and there's going to be a hearing on September 1st. I am trying to understand if this can delay the payments of the 50-60% of the loans that you are expecting to receive and also what happens to the 40%, if you have any idea of when the remaining portion could be received by the banks. Thank you.

Luis Carlos Sarmiento Gutiérrez
Chief Executive Officer

Let me see if I understood. They're basically two questions. Number one is how we're doing on the 70% of employees and suppliers and whether we get those done, the first payment will be made. It's one question that I understood. Then, secondly what should happen going forth in the arbitration and what repercussions should happen on the remaining payments, right?

On the 70%, as I said, number one, employees are done. Suppliers are very close. We're only about USD 2 million away from getting it done. It's a very painstaking process because the concessionary CRDS has to produce the bills, which then are analyzed by an expert hired by the ANI, then the expert's conclusions are analyzed by the ANI, then the ANI takes around… they take on an average three to four days per bill, which sort of brought it down to about thirty days, and then they give their authorization to the fiduciaria, who finally authorizes the payment, so we're finally close to getting it done. Now, your question specifically is because of what happened in the arbitration where the ANI did not comply with their obligation to present the termination agreement as a settlement between the parts, should that affect the first payment? The answer is categorically no, it shouldn't affect it. The first payment is not affected by it because the agreement is in place, it's signed, so it's a commitment and the agreement specifically says that with the two 70 percentages, the first payment will be made. What had to be ratified, specifically by the arbitration tribunal, is the full value of liquidation formula and basically that says we have to agree on what total liquidation value is going to be, but there is no doubt in anybody's mind and that is why the first payment will be made, that the full liquidation value will amply exceed the first payment.

Therefore, the first payment will be made as soon as we get that over and done with.
With regards to the remaining payments, basically as we said the banks are owed about USD 800 million. They'll get say USD 500 million in the first payment, they'll still be owed about USD 300 million and that has to be paid. Then, what we had agreed to was that the banks would be paid between now and the year 2021. That's what is in the agreement and that was supposed to be ratified by the tribunal. When the ANI did not show up and did not present the agreement as settlement, then what is happening is that the arbitration tribunal is saying "Okay, then we'll go ahead and proceed with our own competence to decide on how the agreement has to be looked". One of the things that they are going to decide is whether they like the agreement that we had signed and they might still ratify, not a settlement, but a pronunciation of the tribunal.

The problem with that is not necessarily that we will have to run the whole process. That's okay. We are very confident that the agreement is good enough. We are confident that the liquidation formula is good enough because it is the liquidation formula that was included in the concession contract to start with, so we are confident that the arbitral from the arbitration tribunal will eventually ratify the agreement. Once they do, we'll be 100% confident that the banks will be paid in full, but it's got to run its course. Unfortunately, this could take up to six months, whether if we had done it in a settlement, it would have been just one sitting with the judges and it would have been done. Now we have got for it to run its course, but as I said, we have a pretty solid background to make sure that what was in the agreement will eventually prevail and it will be finally approved.

To summarize, we are very confident that the banks will be paid in full. We are very confident that they will be paid in the next… That the first payment will be received shortly and that the remaining payments will be received in the next three years and we just have got to let it run its course through the tribunal.

Operator: We have no further questions at this time. I would like to turn the call back to Mr. Luis Carlos Sarmiento.

Luis Carlos Sarmiento Gutiérrez
Chief Executive Officer

Alright, I think that wraps it up, Sylvia. Thank you very much and thank you all for listening in. As always, we remain at your service should you have any additional questions that we can share with you the responses. We will see each other in the next quarter. Thanks again.

Operator

Thank you. Ladies and gentlemen, this concludes today's conference. Thank you for participating. You may now disconnect.