4Q2022 CONSOLIDATED EARNINGS RESULTS CALL TRANSCRIPT

GRUPO AVAL ACCIONES Y VALORES S.A.

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Operator: Welcome to Grupo Aval's Fourth Quarter 2022 Consolidated Results Conference Call. My name is Brent, and I will be your operator for today's call. Grupo Aval Acciones y Valores S.A., Grupo Aval is an issuer of securities in Colombia and in the United States SEC. As such, it is subject to compliance with securities regulation in Colombia and applicable U.S. securities regulations. Grupo Aval is also subject to the inspection and supervision of the Superintendency of Finance as a holding company of the Aval Financial conglomerate. The consolidated financial information included in this document is presented in accordance with IFRS as currently issued by the IASB. Details of the calculations of non-IFRS measures, such as ROAA and ROAE, among others, are explained when required in this report.

Banco de Bogota executed a spin-off of a 75% equity stake in BAC Holding International Corp., BHI, to its shareholders and Grupo Aval subsequently spun-off its equity interest to its shareholders on March 29, 2022. Prior to the spin-off, Banco de Bogota was the direct parent of BHI. Furthermore, on December 19, 2022, Banco de Bogota sold 20.89% of the outstanding investment of BHI through a tender offer. As of December 31, 2022, Banco de Bogota held a 4.11% of BHI. This investment is reflected as an investment at fair value through other comprehensive income. As a result, for comparability purposes, we have prepared and present supplemental unaudited pro forma financial information for the 12 months ended December 31, 2021, that assumes the spin-off was completed on January 1, 2021. As a result of the sale of 20.89% of BHI, in this presentation, we have reclassified the BHI's equity method to discontinued operation for the second and third quarter of 2022.

The supplemental unaudited pro forma financial information does not purport to be indicative of our results of operations or financial position had the relevant transactions occurred on the date assumed and does not project our results of operations or financial position for any future period or date. The pro forma financial information is unaudited and the completion of the external audit for the year ended December 31, 2022, may result in adjustments to the unaudited pro forma financial information presented herein, any such adjustments may be material. For further information, please see the supplemental unaudited pro forma financial information in our fourth quarter of 2022 earnings release.

This report includes forward-looking statements. In some cases, you can identify these forward-looking statements by words such as may, will, should, expects, plans, anticipates, believes, estimates, predicts, potential or continue or the negative of these and other comparable words. Actual results and events may differ materially from those anticipated herein as a consequence of changes in general, economic and business conditions, changes in interest and currency rates and other risks described from time to time in our filings with the Registro Nacional de Valores y Emisores and the SEC. Recipients of these documents are responsible for the assessment and use of the information provided herein. Matters described in this presentation and our knowledge of them may change extensively and materially over time, but we expressly disclaim any obligation to review, update or correct the information provided in this report, including any forward-looking statements, and do not intend to provide any update for such material developments prior to our next earnings report. The content of this document and the figures

included herein are intended to provide a summary of the subjects discussed rather than a comprehensive description. When applicable, in this document, we refer to billions as thousands of millions.

At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session.

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

Luis Carlos Sarmiento Gutierrez
President

Good morning, and thank you all for joining our fourth quarter 2022 conference call. Last quarter was an eventful one. Colombia's economy lost its momentum, inflation continued unabated Christmas holiday consumer demand disappointed, cost of fund sky-rocketed and banks that concentrate on consumer lending, couldn't reprice their loan portfolios quickly enough to compensate for the increased cost of deposits.

Notably, Banco de Bogota accepted a tender offer to sell 21% of its remaining 25% participation in BAC Holding International Corp., BHI, the holding company of the Central American Banking Group BAC Credomatic.

Let's dive right into it. As you may recall, in March 2022, Banco de Bogota completed the spin-off of 75% of BHI in favor of its shareholders and consequently retained a 25% stake in this holding company. Concurrently, Aval spun-off the BHI shares that it received from Banco de Bogota in favor of its shareholders, thus reducing our exposure to Central America to approximately 8.5% of our total assets.

In December 2022, Banco de Bogota accepted a tender offer for common shares of BHI at virtually the same price per share used as basis for the March spin-off presented by a company controlled by Grupo Aval's principal. The price was acceptable to the bank considering higher discount market rates and because it represented a 50% premium to the then trading price of the stock. As a result, the bank sold 20.89% of BHI, lowering its stake to 4.11%. This decision was driven by the same considerations that had led the bank to spin-off BHI in the first place.

This transaction increased Banco de Bogota's solvency ratio and improved its Net Stable Funding Ratio, NSFR or CFEN in Spanish, allowing for loan growth with reduced pressure on cost of funds. The transaction was well-timed, considering, as mentioned before, the accelerated adoption process of CFEN in Colombia, which resulted in a steep increase in the cost of funds as most Colombian banks competed almost exclusively offering ever-increasing rates for longer-term deposits.

As previously disclosed, Aval's 1Q22 results included extraordinary net income of COP 724 billion as a result of Banco de Bogota's spin-off of 75% of BHI. The 4Q22 sale of an additional 21% of BHI resulted in an extraordinary loss in Aval's P&L of COP 678 billion. Net, both transactions resulted in a onetime gain of COP 46 billion during 2022.

Moving on to the macro environment, during 2021 and 2022, the global economy consolidated a post-pandemic recovery driven by commercial activity and domestic consumption. Stronger demand combined with weaker supply as the supply chain was disrupted by the zero-COVID Chinese policy led to higher inflation. In turn, Central banks moved to contractionary monetary policies. As the supply chain has started to normalize, supply of gas and fertilizers, among others, affected greatly by the military conflict in Ukraine have attempted against the normalization of inflation. In fact, according to the IMF's latest projections, global growth will slow from 3.4% in 2022 to 2.9% in 2023.

Colombia experienced an outstanding recovery during 2021, which carried until the first 3 quarters of 2022. However, the country's dependence on imports, complications to transport agricultural products, a steep rise in food prices and the challenging political environment drove very high inflation, which in turn triggered monetary policy and the steepest increase in interest rates in this century.

Strong growth during the first 3 quarters of 2022 boosted Colombia's GDP to grow 7.5% during the year, one of the highest growths amongst all the emerging countries. Growth was driven by the strength of private consumption that grew 9.5% and by robust investment dynamics that grew 19.5%. Net exports had a negative impact on overall growth due to a 23.9% expansion of imports that exceeded a 14.9% increase in exports over the year.

On the supply side, growth in 2022 was driven by the recreation and entertainment sector that experienced a 37.9% annual growth, followed by communications growing at 14.2%, commercial activities growing at 10.7% and manufacturing that grew 9.8%. Meanwhile, the agriculture sector contracted 1.9% over the year due to higher input costs and bad weather.

Given the recent economic slowdown, the Central Bank has revised down its 2023 growth estimate from 0.5% to 0.2% below the 1.3% market consensus.

Furthermore, the IMF now expects GDP growth in Colombia to be 1.1% in 2023, lower than its previous 2.3% growth rate projection. Economic activity is likely to be dragged down by higher interest rates, persistent inflation, a softer labor market and uncertainty associated with a large pipeline of reforms, including labor, healthcare and the pension system. Accordingly, we now anticipate GDP growth at 1% for 2023.

As mentioned before, pricing pressures continued to build up in 2022 with food prices increasing more than 25% during the second half of the year. Accordingly, 12-month inflation reached 13.1% in December 2022, the highest since 1999. In January 2023, inflation continued to accelerate, reaching a 12-month inflation of 13.3%, with food prices accounting for 35% of the overall price increase. Going forward, lower global prices of fertilizers and better weather conditions should help to alleviate price pressures on the agri business sector, with inflation slowly easing during the next few months. While market consensus forecasts a 12-month inflation of 7.8% by the end of 2023, we expect it could reach 9%.

In this context, the Central Bank's contractionary monetary policy has dictated continued hikes of its repo rate up to its current 12.75% after a 75 basis point hike during January meeting, accumulating an 1,100 basis point hike since September 2021. Considering the persistence of inflation, we don't really rule out the possibility of 1 or 2 additional hikes, bringing the rate to 13.25% during the following months, shifting to lower rates during the second half of the year, which could lead to a year-end rate of close to 10.5%.

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The labor market continued to improve during 2022, but lately this improvement has started to slow down. In any case, the average 2022 unemployment rate fell to 11.2%, improving from 13.8% in 2021. In December, the national unemployment rate reached 11.3% versus 12.1% in December 2021. However, we do anticipate a softening of the labor market during 2023 given a softening in the creation of new jobs at the end of 2022, the slowdown in economic activity, the 16% increase in the minimum wage and anti- technical labor reform in the current contractionary monetary environment. We expect average annual unemployment to deteriorate to 12% in 2023.

Regarding the exchange rate, during the last few days, the peso has been volatile in the COP 4,750 to COP 4,950 per dollar range as a result of market jitters regarding higher interest rates in the U.S. and their effect on the Colombian economy, given its dependence on external financing. Additional volatility of the Colombian peso has been driven by uncertainty regarding the mentioned reforms, which appear to be oriented towards reducing the role of the private sector in certain industries, such as health, pensions and utilities. This adds to previous rhetoric regarding reducing or stopping all together, oil and gas exploration as part of an energy model transition towards cleaner alternative sources.

These reforms could reduce domestic savings and impact the country's external financing position, making it more vulnerable to external shocks.

Market consensus suggests that the country could end the year with a current account deficit of around 4.5% of GDP, which is likely to prevent the peso appreciating to its pre- pandemic levels.

Finally, on the fiscal front, at the end of 2022, the fiscal deficit was 5.5% of GDP, an improvement versus the 7.1% recorded in 2021, reflecting the strong rebound of the economy and the positive effect of higher oil prices and tax collection. Net public debt to GDP fell to 59.6% in 2022, down from 60.8% in 2021, due to a higher GDP growth in nominal terms despite the weakening of the peso during last year.

On the digital transformation front, during 2022, in accordance with our strategy, the vast majority of our traditional legacy products are now offered by our banks digitally. A material number of our internal operations have been digitalized. We're working to expand our ecosystems. And in the second semester, we launched a drive to enroll new clients in our digital wallet Dale!.

Our banks sold 2.2 million digital products, an increase of 43.7% versus 2021.

Digital transactions represented almost 70% of total transactions and increased by 43% over the year. In the same period, transactions conducted in our branches decreased approximately 13%.

Digital customers of Aval's banks approximate COP 5 million in Dale!, our digital wallet clients are running close to COP 1 million. At this rate, we should end the year with approximately 3.5 million to 4 million customers in Dale. Dale has also begun to participate in the dispersion of subsidies, which has been a decisive boost for the growth of other digital wallets in the market.

Finally, it has also successfully closed several Banking-as-a-Service agreements, including agreements with LifeMiles, WALO, and Plurall.

Finally, our data analytics continue to evolve and our cost of acquisition of new digital clients continued to drop as we improve our spending effectiveness supported by our database platforms, Augusta and Matilda developed by Aval digital labs.

During 2022, we continued strengthening our ESG efforts and improving our sustainability model. These are a few of our ESG milestones during the year. We reaffirmed our adhesion to the United Nation's Global pact and along with other banks, joined the financial initiative, UNEP FI. Grupo Aval subsidiaries received the Friendly Biz recertification in Banco de Bogota, Banco Popular, Banco de Occidente, Corficolombiana and Porvenir have been recognized by Great Place to Work as some of the best employers in the country.

The holding company measured its carbon footprint for the first time during 2022, analyzing the years 2019, 2020 and 2021 for scopes 1, 2 and 3. In 2021, we saw a reduction of 56% in our footprint when compared to 2019. Banco de Bogota designed its climate strategy aligned with Net Zero and published the first report following TCFD recommendations. Furthermore, Banco de Bogota is the first carbon-neutral bank in Colombia.

In 2022, the ESRA's diagnostic stage began in Banco de Occidente, Banco Popular and Banco AV Villas. We expect to conclude the ESRA's implementation process in 2023. Banco de Bogota and Corficolombiana were included in the Dow Jones Sustainability Index yearbook. Finally, in 2022, the CTIC, the Cancer Treatment and Research Center began operations and attended approximately 2,500 patients.

Regarding our financial results, Diego will refer next in detail to our financial performance during 2022. However, I would like to highlight the following: First, as addressed before, net income during the last quarter of the year included COP 0.68 trillion onetime negative effect caused by Banco de Bogota's decision to sell 20.89% of the stake it held in BHI in response to a tender offer. This negative non- recurring loss was enough to offset the quarter's net income from recurrent operations of COP 0.31 trillion. The COP 0.68 trillion non-recurring charge partially offset the COP 0.72 trillion non-recurring gain booked in the first quarter of 2022 after Banco de Bogota spun-off 75% of BHI.

During 2022, the net effect in Aval's P&L of BHI transactions amounted to a COP 0.05 trillion positive non- recurring gain. Total attributable net income for the year amounted to COP 2.5 trillion. However, absent of income from discontinued operations almost entirely related to BHI, Aval's 2022 attributable net income on a recurring basis reached COP 1.9 trillion. This result, however, is clearly divided in two, the positive macro environment during the first half of 2022, which led to net attributable income from continuing operations of COP 1.2 trillion and the acute economic downturn during the second half of the year, which led to net attributable net income from continuing operations of COP 0.7 trillion.

During the first half, our banking subsidiaries benefited from a rebound in loan growth, a favorable evolution of asset quality and higher recoveries of written-off loans. However, this environment changed materially during the second half of 2022, given the massive increase in the Central Bank intervention rate and the unprecedented speed at which monetary policy has been transmitted to the cost of funds of

banks due to the accelerated implementation in Colombia of CFEN. In fact, the spread between the Central Bank policy rate and rates paid for time deposits widened by as much as 400 basis points as banks raised to lower time deposits exclusively via higher rates. The speed and magnitude of these rate increases compressed margins in banks in general and more dramatically in banks with predominantly fixed-rate consumer loan portfolios.

On the other hand, higher interest rates favored NIM in our corporate banks, which have mostly variable interest rate commercial loan portfolios. This pressure should start to ease in 2023 as CFEN requirements have been met inflation subsides and the Central Bank starts to lower rates, while fixed rate loan portfolios start to mature and reprice.

Obviously, the rising rates also affected the yield curve, which in turn negatively affected fixed income securities portfolios, including the proprietary fixed income securities portfolio of our pension and severance fund manager, Porvenir.

Porvenir was also affected by a steep increase in life and disability insurance premiums, which directly lowered its fee income. Insurance premiums have been sharply rising after the pandemic accelerated insurance claims like never before. We remain highly watchful of the proposed wording of the pension reform, which has not been made public.

During 2022, Porvenir contributed 4.7% of our total net income. All in all, in line with our previous guidance, in 2022, Aval produced attributable net income of approximately COP 105 per share, return on average assets of 1.6% and return on average equity of 14%. Loan growth exceeded our expectations at 18% and loan quality, including cost of risk continued to improve.

Growth for 2023 will probably be close to 0 in real terms, which is equivalent to nominal growth of approximately 10%. However, cost of funding should rebound lower and NIMs should expand. The big question mark revolves around employment and the effect that this index could have over the quality of consumer loan portfolios.

We will, however, continue to navigate through this challenging environment, revise and participate to the extent of our abilities in the final wordings of the proposed reforms, deploy capital, device optimal funding strategies and as always, maintain cost control and loan pricing discipline.

I thank you for your attention, and now I'll pass on the presentation to Diego, who will explain in detail our business results and provide guidance for 2023.

Diego Fernando Solano Saravia
Chief Financial Officer

Thank you, Luis Carlos. I will now move to the consolidated results of Grupo Aval under IFRS. Starting on Page 8. Assets grew 16.2% during 2022 and 3.4% during the quarter. Over the year, net loans and leases increased their share of our mix with a trade up in the share of fixed income investments and cash and equivalents.

Moving to Page 9. Loans grew 18.1% over the year and 4.1% during the quarter, with similar performances in commercial and retail loans. Annual loan growth rates accelerated to 18.3% in commercial loans and to 17% in consumer loans. 12-month growth in consumer lending was driven by personal loans with a 33.7% increase followed by automobile loans and credit cards that grew 18.9% and 17.8%, respectively.

Payroll loans grew 11.2% over the year. Growth over the quarter was 4.5% for commercial loans and 3.1% for consumer loans. Though still high, the softer performance was driven by the impact of higher interest rates and loan demand and a deterioration in consumer confidence. Personal loans and credit cards, which account for 23% and 12% of our consumer portfolios grew

8.2% and 5.7%, respectively, during the quarter. Payroll loans and auto-financing, our main consumer secured products, grew 0.2% and 5.7%, respectively. These products account for 56% and 9% of our consumer portfolio.

Mortgages grew 21.8% year-on-year and 5.4% over the quarter. Loan growth has begun to decelerate in riskier products and segments. We anticipate slower growth of our loan portfolio during 2023, in line with the softer economic outlook, both locally and globally.

On Pages 10 and 11, we present several loan portfolio quality ratios. The quality of our loan portfolio improved during the y ear, both measured by stages and by PDLs. This resulted in a lower cost of risk over the year. Stage 1 loans now represent 87.2% of our gross loans, improving from 81.7% 12 month earlier and 86.3% 3 months earlier.

Regarding delinquencies, 90-day and 30-day PDLs improved 38 basis points and 30 basis points year- on-year. Over the quarter, there was a slight deterioration in both metrics due to a slower growth rate of our loan portfolio, a lower level of charge-offs and a higher 90-day PDL formation. Cost of risk net of recoveries for the year was 1.5%, down from 1.8% in 2021 and posted a 10 basis points increase over the quarter to 1.46%. Finally, the ratio of charge-offs to average 90-day PDLs was 0.56x for the quarter and 0.57x for 2022.

On Page 12, we present funding and deposit evolution. Funding increased 3.6% during the quarter, supporting loan growth. As a result, our deposit to net loans ratio remained high at 97%. The share of deposits in our funding mix remained relatively stable at 71%, while bonds lost space to banks and other funding. Deposits grew 17% year-on-year and 4.1% during the quarter. Time deposits gained share in our mix, anticipating the high requirements for Net Stable Funding Ratio, NSFR, applicable at the end of this month.

On Page 13, we present the evolution of our total capitalization, our attributable shareholders' equity and the capital adequ acy ratio of our banks. Our total equity decreased 21.9% over the year due to the spin- off of 75% equity stake in BHI on March 2022. Part of this transaction, our assets and equity decreased by COP 9.7 trillion. The impact of this transaction on attrib utable equity was COP 6.6 trillion. In addition, OCI tied to fixed income portfolio lost COP 0.9 trillion net of deferred taxes. Quart erly performance was driven by a onetime negative effect of the sale of 20.9% of BHI in December.

As of fourth quarter 2022, our banks reported Tier 1 and total solvency ratios similar to those reported for September 2022.

To strengthen Banco de Bogota and Grupo Aval capital bases their respective shareholders' meetings approved the distribution of stock dividends. Shareholders are required by law to accept stock dividends or else are paid in cash. Aval paid cash dividends of COP 0.1 trillion in March of 2022.

Banco de Bogota does not fully incorporate the benefit of exiting its investment in BHI given the reduction of its 4.1 minori ty stake in the company that poses a burden of 30 to 40 basis points to its primary capital ratio. Banco de Occidente increased its secondary capital to US 100 million increase in subordinated loans.

On Page 14, we present our yield on loans, cost of funds, spread and NIM. Interest rate behavior for 2022 was driven by the contractionary monetary policy implemented by the Central Bank. The year- end benchmark rate in Colombia increased 900 basis points during 2022 to 12%, while the average rate increased 528 basis points to 7.2% relative to 2021.

In addition, the speed at which monetary policy transmitted to cost of funds has been unprecedently passed due to the recently increased requirements of longer-term funding to comply with the net stable funding ratio or CFEN in Spanish introduced by the migration of Colombia to Basel III. The pressure on demand for time deposits increased the spread between those and the Colombian sovereign debt up to approximately 450 basis points above historical levels . We expect a substantial part of this phenomenon to be temporary. In fact, over the last few weeks, the spread has come down to 250 basis points above historical levels.

The magnitude and the speed of the increasing funding rate compressed the NIM of retail loans. This was due to the fact that some of the higher credit quality retail loans, such as payroll loans, were fixed rates.

We expect this compression to recede during the second half of 2023 as funding prices are expected to fall driven by the reduction in the Central Bank intervention rate loan portfolios continue repricing up and as the banking system fully adjusts to a tighter NSFR regulation. In the meantime, we expect the pressure for higher funding costs on NIM of our fixed rate retail portfolio to persist over the next few quarters.

The compression of margins happened mostly during the second half of the year as 2/3 of the Central Bank rate increase occurred during that period. During the fourth quarter, the NIM on loans contracted 40 b asis points to 4.15% and the spread between average yield and gross loans and average cost of funds contracted 39 basis points to 4.7%.

The cost of funds of our non-financial activity is included in an overall net interest margin distorting our numbers. In this context, net interest margin on loans of our banking segment contracted 41 basis points during the year to 5.29% in 2022. However, the higher funding cost of our non-financial activity resulted in an overall NIM on loans of 3.68% that contracted 67 basis points during the year. Bear in mind that the increase in interest expenses associated with the funding of our non-financial activity was offset by a stronger performance of the non-financial sector presented on the following page that benefits from inflation.

Tailwinds on our commercial lending activity that reprices promptly from a hawkish monetary policy led to 125 basis points increase to 4.55% in 2022's NIM on commercial loans of our banking segments.

On contrast, headwinds on our retail loans that have a longer repricing period led to a 228 basis points contraction to 6.2% in our 2022's NIM and retail loans of our commercial banking segments.

NIM on investments for 2022 decreased 49 basis points to minus 0.1%, reflecting the increase in cost of funds and the challenging performance of global capital markets throughout the year. NIM on investments includes the performance of mark-to-market investments held by Porvenir under mandatory stabilization reserves, which posted negative returns during 2022. NIM on investments of our banking segments decreased 22 basis points to 0.46%.

On Page 15, we present net fees and other income. Gross fee income for the year 2022 increased 2.1%, while net fee income decreased 5.2%. Gross fee income for the quarter fell 1.7% year-on-year and increased 1.3% quarter-on-quarter. Net fee income decreased 6.9% year-on-year and increased 0.4% quarter-on-quarter. Net fee income incorporates a substantial improvement in the banking and trust fees and a sharp decrease in the pension and severance fees.

Gross banking fees for the year increased 17.1%, reflecting the recovery of bancassurance merchant acquiring, debit and credit card fees, in line with strong loan growth and a dynamic domestic demand. Annual net pension and severance fees decreased 37%, mainly due to a higher insurance premiums associated with increased mortality rates during the pandemic and to a lesser extent to lower performance-based fees in line with capital market conditions.

Income of the non-financial sector was strong during 2022. Our infrastructure sector that is the largest contributor to our non-financial income grew 54.1% as financial assets from our concession agreements benefit from higher inflation and the depreciation of the Colombian peso. Fourth quarter performance was negatively impacted by cost overruns in some of our road concessions.

Energy and gas companies increased their contribution to our yearly non-financial sector by 4.6%, driven by higher gas transportation volumes, improvements in industrial consumption and aided by the depreciation of the Colombian peso.

In the fourth quarter, income was affected by tariff adjustments on gas transportation, lower income from construction activity in Peru and lower volumes driven by a softer industrial demand and scheduled maintenance.

Although low contributors to our non-financial sector, our hospitality and agricultural businesses had record high contribution to the non-financial sector in 2022. Hospitality business performance improved as room and food prices benefited from inflation and as occupancy ratios fully recovered to pre-pandemic levels.

Finally, on the bottom of the page, other income during 2022 was lower than a year earlier, mainly because of lower results in derivatives and foreign exchange gains and in net gains on sale of investments and OCI realization. Regarding derivatives and FX gains, exiting its business in BHI changed Banco de Bogota balance sheet from a long U.S. dollar position to a short U.S. dollar position. Given the prevailing interest rate differentials between the Colombian peso and the U.S. dollar, this change implies a net cost of managing this exposure through derivatives.

Regarding net gains on sale of investments and OCI realization, some of our subsidiaries realized losses on fair value OCI fixed income instruments, particularly during the fourth quarter. As a positive for other operating income, during the fourth quarter, we continued our PP&E optimization as in prior years, resulting in other income from operations of COP 85 billion.

On Page 16, we present some efficiency ratios. Our business units continued implementing cost contention initiatives during 2022. Total OpEx grew 9.1% during the year, well below inflation of 13.1%. Personnel expenses grew 7.6% during the year, while depreciation and amortization increased 6.4%.

General and administrative expenses increased 15.4% in 2022, of which 6 percentage points are explained by a 28% increase in operating taxes. In Colombia, the industry and commerce tax is based on gross income. As such, the base for taxes increased significantly during this rising interest rate cycle.

In addition, this tax is determined at a local regional level, given that the tariff structures were modified during 2022, allowing for each local government to set rates, some cities increased their tariffs substantially with excesses in some cases, where 2022 rates were 5x those applicable during 2021.

Quarterly OpEx grew 7% year-on-year, of which 4 percentage points are driven by taxes. Quarter-on- quarter growth was additionally affected by seasonal effects. Cost to assets for 2022 was 2.7%, down from 2.8% in 2021. Cost to income was

45.8%, up from 42.8% a year earlier. The deterioration in cost to income was mainly driven by the contraction in NIM and the decrease in pension fund fees.

Finally, on Page 17, we present our net income and profitability ratios. Attributable net income for 2022 was COP 2,483 billion or COP 107 per share, 27.5 % lower than the result for 2021. Attributable net income for continued operations was COP 1,889 billion, 24.7% lower than in 2021, while attributable net income from the discontinued operations was COP 594 billion.

During the quarter, the net income from continued operations at the Aval level reached COP 310 billion, while the losses from discontinued operations at the Aval level were COP 641 billion. As a result, our attributable net income for the quarter was a negative COP 330 billion. Discontinued operations for the quarter results from income from the equity method of BHI of COP 37 billion in October and November and a onetime loss of COP 678 billion associated with the sale of 20.9% of BHI.

The total onetime effects during 2022 of exiting the investment in BHI were COP 46 billion at the Aval level when considering the COP 724 billion onetime effects from spin-off recorded in the first quarter. Given that we recognize COP 548 billion of BHI's net income at the Aval level in addition to the COP 46 billion onetime effects of exiting BHI, the attributable net income from discontinued operations comes to COP 594 billion for the year.

Finally, our return on average assets and our return on average equity for the year were 1.6% and 14%, respectively. These ratios were negative 0.6% and negative 8% for the quarter.

Before moving into questions and answers, I will now summarize our general guidance for 2023. We expect loan growth to be in the 9% to 11% range with commercial loans growing in the 9% to 10% range and retail loans in the 11% to 12% range. We expect our cost of risk net of recoveries to be in the 1.5% to 1.6% range.

We expect full year NIM to be in the 3.75% area with NIM on loans in the 4.5% area. We expect cost to assets to be in the 2.5% to 2.6% range. We expect our fee income ratio to be in the 20% area. We expect our non-financial sector to be 70% of that for 2022. Finally, we expect a return on average equity to be in the 11% to 12% range.

We are now available to address your questions.

Question and Answer

Operator

[Operator Instructions] Your first question is from Yuri Fernandes with JPMorgan.

Yuri R. Fernandes
JPMorgan Chase & Co, Research Division

Okay. Perfect. Sorry, there was a line calling me here. I wasn't sure. So just on BHI, if you can provide the rationale for the sale, I guess, there were some related party transactions. So just why you decided to tender, decided to sell this now, like the rationale behind this tender? And on margins, I would like to

understand the impact of lower rates. In the past, we had a view that higher rates would be good for Aval. But funding was a surprise, right? It was a negative surprise, and maybe rates will start to come down later this year, right, maybe in the third Q, fourth Q. So my question is, should we start to see margins improving when rates come down? Like what is the impact of lower rates for Aval?

Luis Carlos Sarmiento Gutierrez
President

Understood correctly. This is Luis Carlos. As I understood correctly, you wanted to -- and I'm sorry, I have to ask, but the thing is that we got a terrible communication today and the call has fallen through about 3x or 4x. So if I understood correctly, you wanted to know the rationale behind the sale of BHI. Was that your first question Yuri?

Yuri R. Fernandes
JPMorgan Chase & Co, Research Division

That's it. Like why you actually sell this now, maybe not so in the future? Like what is the rationale for Aval to sell this now?

Luis Carlos Sarmiento Gutierrez
President

Okay. Well, as we've said before, when you look back at BHI or BAC Credomatic, when we purchased it, back 13 years ago, 2010, the size of that bank was about 1/3 of Banco de Bogota. And as time passed, and obviously, as you know, those financial statements are converted into dollars when they get consolidated under IFRS. And then the bank kept its investment as a dollar-denominator asset converted to pesos. And so via the increase in the size of the bank, the natural organic increase in the size of the bank in Central America, which is the bank has really done very well in that respect. And then additionally, with especially the devaluation of the peso against the dollar the bank grew to be about the same size as its owner, Banco de Bogota. So that was the first concern that we had because it really didn't make a lot of sense to us to have a bank that owns another bank it's same size.

Secondly, well, that was making cumbersome and complicated capital allocation decisions, dividend decisions and others. So that was the rationale that we finally said this, it really doesn't make a lot of sense to keep back under Banco de Bogota. So that was the reason that Banco de Bogota spun it off. Then once it -- and obviously, this was done concurrently. But once the bank was spun-off from Banco de Bogota, again, it didn't make a tremendous amount of sense to have it as Aval asset anymore because we wanted to unlock some value. We -- our estimates showed that by keeping back sort of buried under the whole Group Aval structure, it wasn't reflected its real value.

So that was the reason that we decided that we would spin it off of Aval and virtually go back to having under the same majority shareholder an international group and a domestic group. And so that's what led us to then have Grupo Aval, which we will keep as a domestic group and then international investments that our shareholders were invited to participate in. And -- but since there's been a couple of tender offers and people have -- some people have sold and some haven't. But now that's the structure, the remaining structure, as I said, is 2 groups, an international group and a domestic group.

Diego Fernando Solano Saravia
Chief Financial Officer

Let me take one on rates -- and perhaps something I should have emphasized more when I went through the presentation was what we're seeing at this point is a combination of 2 different forces. Number one, what the monetary policy from the Central Bank looks like that has raised interest rates and that we expect at some point during the latter part of this year to receive back partially and then during 2024 go back to numbers that are more in the historical average.

However, what has compressed our margins most during the last quarter of last year and into this year has been the adoption of the net stable funding ratio in Colombia that strongly disported the time deposit market.

To give you a very brief idea of the magnitude of this impact, the s and the zero-coupon sovereign curve has been around 50 to 100 basis points depending on maturity. What we saw during the last quarter of 2022, was this spread has gone up to 450 to 550 basis points. In late January, it was around 500 basis points and has dropped acutely since and is currently at around 200 to 300 basis points. So this means within what has happened during February, we've had receiving in that spread of 200 to 300 basis points in different points of the curve.

So what that did was unexpectedly, it generated a much higher cost of funds due to the fact that the banks were raising mainly time deposits to prepare to comply with the net stable funding ratio requirements that we have later this month. So what we're seeing is something that should adjust much faster, and it is what is happening with this distortion of the market that seems to be going back to historical levels.

And then on top of that, the third of the Central Bank. I went through a very extensive explanation just to say that what we expect to see is an adjustment over the next few quarters initially from the impact of these time deposits that we have to overpay in the market to basically adjust to the net stable funding ratio, the CFEN. And then we will be writing the rest of the curve that should do 2 different things. One for our retail portfolios, it should improve the NIM that we've been seeing over time. And then if it was only the Central Bank that was acting, we will see some compression in the commercial banking ratio -- the NIM for the commercial banking side.

However, given this distortion from the CFEN, we will also see an improvement in the margins for the commercial banks. All in all, we expect to see improvement in NIMs later this year. It will not happen immediately because it affected mainly time deposits, so you need to renew many of these time deposits to be able to capture the price. This will add up to 2 different things. On top of that, it is the fixed loans repricing in time, particularly the consumer lending side, plus the overall adjustment of the economy with lower inflation.

I apologize for a very long explanation, but I think your question is one of the 4 questions of what is happening in the banking sector nowadays, in Colombia.

Yuri R. Fernandes
JPMorgan Chase & Co, Research Division

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No, no. Typically, Diego, it helps a lot. So in the end, it was a competition for funding, so just for the new regulation mark and the Central Bank pressure per se, right? So once this competition and bank, they comply with the new liquidity requirements, things will play much better for the funding side. This is what I understood, right? So this is.

Luis Carlos Sarmiento Gutierrez
President

Yes, you got it right. Yes, and perhaps to add to that, what we've seen is a very quick adjustment to that given that it's already March, and the adjustment requirements are due end of March. So what we feel is most of the banks have already done what they need to do.

Operator

[Operator Instructions] We have no further questions. Sorry. Your next question is again from Yuri Fernandes with JPMorgan.

Yuri R. Fernandes
JPMorgan Chase & Co, Research Division

Luis Carlos and Diego, just a final follow-up on dividend payout. Your ROE guidance and your loan growth guidance, they are somewhat similar, right, both like the loan book growing like high single-digits, ROE 11% to 12%. So my question is, what is your view for dividend payout this year? Because given ROE, our visibility, is slightly under pressure, maybe your potential for dividend payout may be impaired by that, right? Like maybe if you don't want to give a lot of leverage, your payout should be lower. So again, how do you think about payout this year for Aval? And that's my final question.

Diego Fernando Solano Saravia
Chief Financial Officer

Okay. I think it's twofold. And you have some of our banks that exactly as you describe need to be much more careful with payout, particularly the banks. Are you still there, Yuri?

Yuri R. Fernandes
JPMorgan Chase & Co, Research Division

Yes, I'm here. I can listen you.

Diego Fernando Solano Saravia
Chief Financial Officer

Okay. I thought we had lost connection once again. The retail banks, mainly the retail banks need to be much more careful on their dividend payout. However, the more corporate banks have much more room for dividends. So we are actually in the process I can't be precise here because we are starting to give out information to the market at this point and how dividends will come out. However, we see that very broad distinction between a couple of our banks and the other 2 banks basically based on how they are performing as of today and the forward idea that we have and how they will be performing.

Luis Carlos Sarmiento Gutierrez
President

Yuri, just to expand then. So as Diego was saying, the 2 consumer-oriented banks, Villas and Popular, we're really taking a hard look at the convenience of their declaring and paying dividends. On the contrary, the 2 mostly commercial banks, Bogota and Occidente, we've had dividend policies over the years that say between 40% and 50%, and I don't think this year will be a big exception. And then we have a policy in Aval that we usually pay out cash dividends for the same amount that we receive cash dividends from the banks in Aval. So maybe that will help.

Operator

Your next question is from Juan Recalde with Scotiabank.

Juan Ignacio Recalde
Scotiabank Global Banking and Markets, Research Division

I have 2 questions. The first one is related to the guidance. What is the effective tax rate that is incorporated into your 2023 guidance? And the second question is related to the sustainable ROE. What is your expectation for the sustainable ROE for Grupo Aval?

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Diego Fernando Solano Saravia
Chief Financial Officer

Were you asking ROE was your second question?

Juan Ignacio Recalde
Scotiabank Global Banking and Markets, Research Division

Yes. The second one is in terms of sustainable ROE or long-term ROE expectations.

Diego Fernando Solano Saravia
Chief Financial Officer

Long-term ROE expectations. Yes, short-term ROE be 10% plus/minus -- I'm sorry, 11% to 12%. Long- term expectation, we expect to be going back to the 15% area once we see this adjustment in net interest margin that we described previously. What we're looking into for taxes is something in the order of magnitude of 36% in our consolidated figures.

Juan Ignacio Recalde
Scotiabank Global Banking and Markets, Research Division

Okay. Perfect. And do you think that in the medium to long term, the effective tax will remain close to that 36%? Or do you expect an increase in that?

Diego Fernando Solano Saravia
Chief Financial Officer

Well, we expect numbers in this order of magnitude into the future as long as there's no adjustments in tax reforms. Bear in mind that in addition to the general taxes, we have a very heavy burden on local taxes that we mentioned before. Overall, our tax pay has increased in a very substantial manner when you add up the operational taxes and also the net income tax.

Operator

There are no further questions at this time. I will now turn the call back over to the Chief Executive Officer, Mr. Luis Carlos Sarmiento Gutierrez.

Luis Carlos Sarmiento Gutierrez
President

Thank you, Brent. Thank you all for your [Technical Difficulty] if I get you this way. I am speaking on a cellular phone now. So all that I was saying, thank you for having been on the call today. And as you can tell, we have been through some challenging last few months, not precisely because of our results as much as because the environment here, the political and economical environment, it's tough to decipher. We have to see the wording of all the new reforms that are being talked about. The health reform is concerning. It won't affect us as much, but we will definitely be more affected by the other reforms, labor and pension and others. So we'll keep working especially our cost efficiency, loan pricing responsibility and we'll keep looking for pipe line to invest here and other places in the region for Corficolombiana as infrastructure projects here dwindle down. And obviously, in every call, we'll keep you abreast of what we're doing.

And I think with that, I'll let you go, and I thank you again all for being in the call.

Operator
Thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect