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GRUPO AVAL ACCIONES Y VALORES S.A.

4Q2016 CONSOLIDATED EARNINGS RESULTS CALL TRANSCRIPT

MARCH 28TH, 2017

Banco AV Villas · Banco de Bogotá · Banco de Occidente · banco popular · BAC | CREDOMATIC · Corficolombiana · porvenir

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Participants Question and Answer Session

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Domingos Falavina – JPMorgan
Alonso Aramburu – BTG
Frederic de Mariz – UBS
Sebastian Gallego – Credicorp Capital
Maria Rodriguez – Davivienda Corredores
Jason Mollin – Scotiabank
Nicolas Riva – Citi

Operator

Welcome to the Q4 2016 Consolidated Results Under IFRS Conference Call. My name is Richard, and I will be your operator for today's call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. Grupo Aval Acciones y Valores S.A. or 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 in 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 Bogota, Banco de Occidente, Banco Popular, and Banco AV Villas, Porvenir, and Corficolombiana - are subject to inspection and surveillance as financial institutions by the Superintendency of Finance. Although we are not a financial institution, until December 31st, 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 the presentation on that basis most appropriately reflected 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 July 1st, 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, second, third, and fourth quarter of 2016, and the comparative information for the relevant, unaudited, consolidated periods of 2015 presented herein 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 risks factors as evidenced in our Form 20-F available at the SEC webpage. Recipients of this document are responsible for the assessment and use of the information provided herein.

Grupo Aval will not have any obligation to update the information herein and shall not be responsible for any decision taken by investors in connection with this document. The content of this document and the unaudited figures included herein are not intended to provide full disclosure on Grupo Aval or its affiliates. When applicable, in this document, we refer to billions as thousands of millions.

I'll now turn the call over to Luis Carlos Sarmiento. You may begin.

Luis Carlos Sarmiento Gutiérrez, Chief Executive Officer

Thank you very much, Richard. Good morning, and thank you for joining our call. 2016's last quarter was incredibly dynamic for the country in general and for Grupo Aval specifically, as most of you already know. Events such as the government's intervention of Electricaribe in the month of November, Odebrecht December 21st Plea agreement with the Department of Justice in the USA, and Colombia's Congress approval of the fiscal reform on December 31st made the fourth quarter very different than the previous three. All these events have had or will have important consequences in our numbers.

Let me briefly talk about each of these. For starters, let me refer to Electricaribe. Electricaribe is a power utility company of the North West region of Colombia, which was acquired by Gas Natural Fenosa of Spain in the year 2000. Gas Natural made commitments to make certain investments in the power and distribution grid and at some point stopped investing after Electricaribe's past due accounts receivable skyrocketed. Gas Natural demanded that the government pass new regulations that would help in the collections process.

In the meantime, Electricaribe's service degraded and clients complained and called for the government's takeover of the Company. The government did not grant the regulations that Electricaribe had asked for and instead intervened the company. At the time of the intervention, Electricaribe had billings of approximately $1.5 billion, assets of approximately $2 billion, and financial obligations of approximately $0.5 billion. Of all the banks, we're owed approximately $175 million, which represents about 0.4% of our consolidated loan portfolio.

We have marked down the loan rating, and we're currently awaiting the government's decision with regards to the company's fate. We hope that it won't be long until it becomes clear when the banks can expect to be paid. During the fourth quarter, we booked approximately $15 million in provisions, and we'll book an additional 8 million in provisions during this year's first quarter regarding these loans.

With respect to Odebrecht, as we informed our investor community and the general public, on February 22, we reached an agreement with the Agencia Nacional de Infraestructura, ANI, to terminate and liquidate the Ruta del Sol contract. The initial calculation of the liquidation formula confirmed that the financial sector will be paid in full and that the Ruta del Sol shareholders would recover approximately 70% of their investment. To account for this possible loss, Corficolombiana booked an impairment of approximately $33 million during December 2016. The effect of this impairment in Aval's bottom line amounted to $15 million dollars.

Just yesterday, we signed an addendum to the termination and liquidation agreement, as a result of which the orderly liquidation of the company will start immediately and the banks will receive in a matter of weeks a first payment for approximately 60% of the total debt they are owed. The company's total debt amounts to approximately $800 million, 50% of which are owed to Aval's banks.

Finally, the fiscal reform was approved by Congress in the last day of 2016. This reform remedies some of the most negative points of the 2014 fiscal reform. Most importantly, the 2016 fiscal reform abolishes the wealth tax after 2017, gradually reduces corporate income taxes to 33% as opposed to the 2014 reform, which increased this tax to 43% by 2018. And finally, the reform increases the value-added tax to 19% from 16%. Raising that is significant, because it is the government's signal that it wishes that more Colombians partake in the solution of the country's fiscal deficit. The reform does establish a new 5% tax on dividends, when these are paid to foreign individuals or corporations, and of between 5% to 10% when paid to Colombian nationals. All in all, we estimate that the reform will be beneficial for Aval if one considers that, for example, the wealth tax cost our company about Ps. 8 per share in 2016 in earnings of PS. 96 per share. Also, Aval's corporate tax rate should decrease from the current 36% to approximately 31% by 2019.

Regarding the peace agreement with the FARC Guerrilla, Congress approved the new draft presented by the government in late October and, consequently, the demobilization of the guerrillas has begun. Thousands of men and women, members of the FARC, have relocated to specific areas in the country where they will surrender their arms and start the process of their integration into mainstream society.

With regard to Colombia's macroeconomic performance in the fourth quarter, I believe this quarter marked the beginning of the economy's recovery as most of the relevant economic trends began to improve. I also believe that, barring unforeseen circumstances, these improvements should consolidate during 2017. And in 2018, we will once again see healthy growth in the country. We now know that the economy only grew by 2% in 2016, one of the lowest growths recorded in more than a decade. This low growth was accompanied by high inflation which, on a 12-month basis, peaked at 9% during July and also by a high trade balance deficit, which averaged close to 4.5% during the year and by a fiscal deficit that approached 4% throughout 2016.

However, as I said before, notable improvements were observed during the last quarter. On the one hand, a combination of events, including the relative stabilization of the price of oil, which resulted on a more stable FX rate, a decrease in imports, and the Central Bank's contractionary monetary policy reversed the trend in inflation, which ended the year at 5.75% and by February 2017 had dropped to 5.18%. Thus, inflation is one of those improving macroeconomic trends. In fact, we expect that this trend will continue throughout this year and that by year-end, inflation will approach 4.5%.

As a result of this new trend in inflation, the Central Bank decreased its reference rate by 25 basis points in December. It has since reduced it further by 50 basis points. We believe this trend of rate reductions will continue throughout 2017 and that by the end of this year, the rate will reach about 6.25%. With the decrease in imports and with oil at a more stable price of approximately $50 per barrel, we have seen a reduction in the trade balance deficit to 3.1%. We expect that this improving trend will continue in 2017.

Finally, we expect that the fiscal reform will produce an increase in fiscal revenues and, thus, a contraction in the fiscal deficit to levels closer to 3.3% for 2017. All these improving trends should consolidate during 2017 and, thus, in 2017, we should see GNP growth of around 2.25%. We also expect better loan growth at around 9%.

However, the full effect of the consolidation of positive macroeconomic trends should start to be seen in 2018, when GNP growth should return to at least 3%. DTF is now running at approximately 35 basis points under the Central Bank's rate and the three-month IBR rate is already discounting further Central Bank rate cuts. This trend should bring relief to borrowers and better loan quality ratios to the banking system. We expect to see downward NIM corrections throughout 2017. In fact, we have estimated that a 100 basis point movements in the Central Bank rate moves our NIM on loans by approximately 10 basis points. We expect, therefore, that our average NIM for 2017 will remain unchanged when compared to our average NIM in 2016.

Unemployment at December 31st, 2016, was 8.7%, similar to the same ratio as of December 31st, 2015, of 8.6%. We are, therefore, not expecting significant deterioration in the quality of our consumer loan portfolios in 2017. With respect to our other major market, the Central American economy continues to grow at twice the pace of Colombia's growth. We remain cautious as to the effect of President Trump's policies' effects on the Central American Free Trade Agreement, CAFTA, and on the level of remittances sent by Central American immigrants to their home countries, especially to countries such as El Salvador and Honduras.

However, after examining how CAFTA is affecting the US economy, it would appear that this trade agreement is highly beneficial to the US as it has resulted in a clear positive trade balance towards that country. Therefore, we don't expect major changes for our import and export clients in the region. With regard to remittances, we remain observant as to any actual legal actions in the USA that might affect these. We are, however, somewhat relieved that 75% of our Central American business resides in Costa Rica, Panama, and Guatemala.

Now, turning to Aval's financial results, these are the main highlights. Diego will refer to each of these in more detail following this summary. Attributable net income for the year was PS. 2,139.9 billion or PS. 96 per share, 4.8% larger than the result of 2015. Excluding the one-time attributable wealth tax payment, attributable net income for the year was PS. 2,318.7 billion or PS. 104 per share. Attributable net income for the quarter was PS. 458.4 billion or PS. 21 per share. This quarter's attributable net income was negatively impacted by the events to which I referred.

Our total consolidated gross loan portfolio as of December 31st amounted to PS. 152 trillion, an increase of 7.2% versus a year before and up 5.2% in the quarter. In absence of the period's exchange rate movement, the gross loan portfolio would have grown by 8.7% in the last 12 months. As you can see most of the loan growth took place during the last quarter.

During the rest of the year, especially commercial loans growth was negatively impacted, as many borrowers placed on hold their loan applications until the uncertainty surrounding the fiscal reform was removed. A clear picture of what was to come only took place in the last quarter. We're now estimating loan growth excluding exchange rate movements of around 9% for 2017.

Our consolidated deposits amounted to PS. 144 trillion as of December 31st, an increase of 5.8% versus a year before and up 5.7% in the quarter, outpacing the growth of our loan book during that period. In absence of exchange rate movements, the deposits would have grown by 7.3% in the last 12 months. During 2017, we expect growth in deposits similar to the expected growth in our loan portfolio.

AVAL's average yield on loans made by our banks increased to 11.9% during the fourth quarter of 2016 versus the 11.7% yield recorded in the third quarter of this year and 10.1% a year ago. The average cost of funding in our banks increased to 5% during the fourth quarter of 2016 versus the 4.8% yield recorded in the third quarter of this year and 3.6% of a year-ago. The ratio of deposits-to-net loans closed at 95% in December 31st, 2016, unchanged when compared with the same ratio on September 30th, 2016, and only slightly changed when compared to the same ratio of 96% at the end of December 31st, 2015.

Our liquidity position remained strong when measured by cash and cash equivalents to deposits, which closed the year at 15.4%, slightly less than the 16.1% observed at September 30th, 2016. 5% of our total funding is more expensive funding obtained by the non-financial sector subsidiaries of Corficolombiana, while our earning assets are almost exclusively the Bank's assets. Therefore, this is relevant, as our total consolidated NIM has not traditionally broken out the NIM of our financial sector. Because of this, starting this presentation, we will add to our regular presentation an additional breakout to distinguish the financial sector NIM from the total consolidated NIM. As in the past, total consolidated NIM includes earning assets and funding liabilities for both our financial and non-financial subsidiaries.

Having said that, in 2016, we saw the NIM on loans of our financial sector expanding by close to 30 basis points, from 6.6% to 6.9%, partly as a result of a 243 basis points increase in the average Central Bank rate from 4.7% during 2015 to 7.1% during 2016. Total NIM for our financial sector was 5.9% during 2016 versus 5.7% in 2015, largely due to a substantial decrease in the NIM on investments of our financial sector, which decreased from 1.5% in 2015 to 0.7% in 2016.

Now, our consolidated total NIM on loans, financial and non-financial sectors, was 6.6% in 2016 versus 6.3% in 2015. Our consolidated NIM on investments, financial and non-financial sectors, was 0.6% in 2016 versus 1.3% in 2015. Our consolidated total NIM was 5.6% in 2016 versus 5.4% in 2015.

The 30 basis points difference between the NIMs of our consolidated results and the NIMs of exclusively our financial sector subsidiaries mainly reflect the impact of the more expensive funding to which I alluded obtained by our non-financial consolidated subsidiaries, such as Promigas and our toll road concessions. This funding is usually of a much longer tenure. Our average consolidated NIM for the full year 2017 should be similar to 2016's. However, we expect that this ratio will decrease as the year progresses.

Cost of risk for 2016 was 2.1% before recoveries and 1.9% after recoveries. These figures compared to 1.7% and 1.5% in 2015 and were mainly affected by the general slowdown of the Colombian economy, the 86 billion impairment of the loans to Pacific Rubiales, and the 50 billion impairment to the loans to Electricaribe and mass transportation companies in Bogota. The 50 billion impairments were both booked in the last quarter of 2016. In absence of these provisions, our cost of risk for 2016 would have been 2% gross of recoveries and 1.8% net of recoveries. For 2017, we are expecting a slight reduction in cost of risk before recoveries, which we are estimating between 1.9% and 2%.

Fee income as a percentage of total operating income remained strong during 2016 at 26.3%, slightly improving when compared to the 26.1% observed during 2015. We generally expect fee income increases in line with our loan portfolio increases in growth, and we don't foresee an exception during 2017.

Our consolidated efficiency ratio measured as cost to income was 47.3% in 2016, slightly improving from the 47.6% for 2015. During the fourth quarter of 2016, we saw a spike in our efficiency ratio due to an increase in IT and marketing expenses in connection with our bank's digital banking strategies, as well as expenses in Central America associated with the sale of BAC's credit card operation in Mexico. During 2017, we expect to register similar efficiency ratios of approximately 47%.

As of December 31st, 2016, all our banks showed appropriate Tier 1 capital ratios, between 9% and 10.3% levels, with which we feel comfortable to support expected growth during 2017. During 2016, excluding the effect of the wealth tax, our return on average assets and our return on average equity were 1.7% and 15.5%. Including this non-recurrent expense, our figures would have been 1.6% for return on assets and 14.3% for return on average equity. In 2017, we expect an increase in average return on equity of approximately 75 basis points.

I now pass on the presentation to Diego, who will expand on the highlights that I just shared with you. Thank you. And have a great day.

Diego Solano Saravia,
Chief Financial Officer

Thank you, Luis Carlos. I will now go to the presentation. I will start with an update on the macro environment in Colombia and Central America.

On Page five, we present the evolution of some key macro drivers in Colombia.

Annual 2016 GDP growth came at 1.95%. This was the third lowest growth year in the last 15 years with growth only being lower during 2001 during the Colombian mortgage crisis and 2009 during the US financial crisis.

2016 GDP growth was affected by multiple factors, many of those consequence of the oil shock suffered a couple years ago. This included the low contribution of the oil sector to GDP and the lower government spending growth, consequence of the fiscal deficit generated from the lower oil prices. In addition, high Central Bank rate, consequence of inflationary pressure, resulting from the aftermath of the Colombian peso depreciation, the "El niño" phenomenon, and the truckers' strike further slowed the Colombian economy.

We expect 2017 to be a continuation of 2016 growth cycle of which we believe we might have already seen the bottom. Stronger growth is expected to be recorded during the latter part of the year.

Three main drivers should contribute to stronger growth into the future. Number one, substantial reduction in interest rates; number two, room for stronger government spending relative to what was experienced during 2016; and third, lower taxes on businesses resulting from the 2016 tax reform that should favor investment. Even though substantial, the positive effect of those forces will take some time to materialize into actual economic output.

Some challenges are still to affect the earlier part of this year, particular the real interest rate continues to be high. The initial impact of the VAT increase will be slightly negative on consumption, and consumer confidence is still low. Overall, we expect 2017 growth to be slightly stronger than last year. We estimate 2017 GDP growth to be in the 2.25 area. GDP growth should continue to accelerate into 2018.

2016 was slightly negative for the labor market, consistent with a sluggish economic growth. Average 2016 unemployment was 9.2%, 29 basis points higher than the 2015 figure. Recovery on this front should come later this year as economic growth accelerates. On a positive note, the current account balance continues to improve.

The current deficit for the last quarter was 3.2%, 2.3 percentage points better than the 12-month figure reported earlier. Full-year current account deficit was 4.4%, a strong improvement compared to the 6.4% recorded during 2015.

On page six, we present inflation and some interest rate benchmarks.

Inflation continues to fall as expected. Prior shocks such as the strong depreciation of the Colombian peso, the truckers' strike, and the El Niño phenomenon have faded. 2016 12-month inflation closed at 5.75%, improving substantially from the 8.97% peak recorded during July last year. February 2017, the latest figure available stands at 5.2%, as the market, we expect it to continue declining throughout this year. We expect year end inflation to be in the 4.5% area.

Last Friday, the Central Bank cut its intervention rate 25 basis points, down to 7%, accumulating three quarters decrease since our last call. We expect the Central Bank to continue cutting its rate throughout 2017 as inflation continues to fall, likely reaching the 6 to 6.25 area by year-end. Finally, DTF is currently at 6.65%, having started to react to the Central Bank interest rate policy.

On page seven, you can find the evolution of oil prices and Colombian peso to US dollar exchange rate.

The Colombian peso-US dollar exchange rate ended December at PS. 3,000 or 4.2% weaker than three months earlier and 4.7% stronger than a year earlier. Fourth quarter average exchange rate was PS. 3,016 per dollar, 2.3% weaker than the previous quarter and 1.5% stronger than four quarters earlier. More stable oil prices in the $50 per barrel area have favored the reduction in volatility of the Colombian peso exchange rate relative to what we experienced over the past couple of years.

In addition, other events such as the expected interest rate hikes in the US, fluctuations of capital flows to Colombia, and the US political cycle have recently driven the movement of the Colombian peso. We expect those elements to continue determining FX volatility of the Colombian peso.

On pages eight and nine, we present charts on Central America and the macroeconomic drivers.

We continue to expect a stronger 2017 gr owth in that region compared to Colombia. Having said so, remittances are key in countries such as El Salvador and Honduras and relevant sources of income in Guatemala. Economic performance in those countries could be affected by President Trump's view on this front.

As in the past, we will continue to closely watch macroeconomic and political events in the region and align our strategic decisions and growth expectations accordingly.

I will now move to the consolidated results of Grupo Aval under IFRS. Starting on page 10 with our asset evolution.

Total assets grew by 3.4% during 2016 and 3.6% during the last quarter. In absence of the effect of the Colombian peso fluctuation in Central America, assets would have grown 4.9% and 2.4%, respectively.

Broken down by region:

A. Over the past 12 months, our Colombian assets grew at 4.2, while our Central American assets grew at 6.2% in dollar terms, a 1.2% increase when translated into Colombia pesos.
B. Over the fourth quarter of 2016, our Colombian assets grew at 1.6%, while our Central American assets grew at 4.1% in dollar terms (8.4% growth when translated into Colombian pesos).

Our consolidated balance sheet structure as of December 2016 was similar to that in place at the end of 2015 and September 2016 with a slight increase in the weight of our loans and leases in total assets. Our net loans accounted for 67.3% of our assets as of December 31, 2016, up from 65.5% a year earlier and 66.2% on the previous quarter.

Fixed income investments accounted for 10.1% of total assets as of December 31st, 2016, down from 11.3% as of December 2015. Colombian assets accounted for 71% of our balance sheet as of December 2016, slightly up from the 70.4% reported a year earlier. Central American operation accounted for the remaining 29%. This mix has been relatively stable throughout this year.

On page 11, we present our loan portfolio evolution. Gross loans increased by 7.2% during 2016.

In absence of the effect of the peso appreciation on our Central American operation, 12-month growth would have been 8.7%. Over this period, our Colombian book grew at 8.3% and our Central American book grew at 9.5% in dollar terms or 4.3% when translated into pesos.

Consumer, mortgage, and commercial loans grew at 11.1%, 9.4%, and 4.9% respectively during the same period. Broken down by region, mortgage loans grew 20.3% in Colombia and 8.6% in US dollar terms in Central America. Consumer loans grew 12.8% in Colombia and 13.4% in dollar terms in Central America and commercial loans grew 5.7% in Colombia and 6.6% in dollar terms in Central America.

The uncertainty generated by the 2016 tax reform discussion was one of the drivers of the slow growth in the commercial book in Colombia. During the fourth quarter of 2016, gross loans increased by 5.2%. In absence of the effect of the peso appreciation on our Central American operation, three-month growth would have been 4.4%. This growth resulted from the Colombian operation growing at 4% and the Central American operation growing at 8.4%, this is 4.0% in dollar terms. The structure of our gross loan portfolio remained stable when compared to the previous quarter. Commercial loans account for 59.1% of our portfolio, while our consumer and mortgage loans account for 31% and 9.7% respectively.

Loans to individuals, which include consumer, mortgage, and microcredit loans were 1.3 percentage points higher than a year earlier. Colombia accounted for 72% of our loan portfolio, stable compared to three months earlier and slightly up from 71% 12 months before. The variation in weight of our Central American operation has been mainly due to a Colombian peso fluctuations. We expect 2017 loan growth, in absence of FX movement, to be in the 9% area.

Moving to page 12, we present several loan portfolio quality ratios.

The overall quality of our loan portfolio was materially stable during the quarter. On the top left of the page, you will find the evolution of our loan past due more than 30 days and of our non-performing loans, both as a percentage of total loans, including interest account receivables.

During this quarter, our delinquency ratios measured as 30 days PDLs to total loans improved by 12 basis points to 3%. Delinquency measured as NPLs to total loans deteriorated 2 basis points to 2%.

Moving to the right. Full year 2016 net provision expenses was 2.1%, up from 1.7 a year earlier. Net of recoveries of charged-off assets, cost of risk was 1.9%. These ratios reflect the impact of Pacific exploration during the first half of the year and impairment losses of PS. 49 billion for Electricaribe and the SITP companies during the fourth quarter. Annualized net provision expenses net of recoveries of charged-off assets for the quarter were 2% of average loans deteriorating from 1.7% three months earlier and 1.6% reported 12 months earlier.

In the bottom left, you will find the ratio of charged-off assets as a share of average NPLs. Full year 2016 charge-offs were 0.9 times average NPLs, slightly higher than the 0.8 times recorded a year earlier. Annualized charge-offs were 0.9 times during the fourth quarter of 2016.

Finally, on the bottom right, you'll see several loan loss reserve coverage ratios. Our allowances are 2.8% of our total loans and cover 1.4 times our NPLs and 1 time our 30 days past due loans. We expect our cost of risk to be in the 1.9% to 2% area in 2017. This figure would be 20 basis points lower when accounting for recovery of charged-off assets. This cost of risk guidance incorporates additional provisions on Electricaribe and SITP of around 10 basis points of our loan portfolio.

On page 13, you will find further detail on the quality of our loan portfolio.

On this page, you will find the evolution of our loans past due more than 30 days and of our NPLs as a percentage of total loans. During this quarter, our overall end-of-period delinquency ratio measured as 30 days PDLs to total loans slightly improved by 12 basis points to 3%. During the quarter, our NPLs to Total Loans were materially at the same level recording a 2 basis points increase to 2.0%. Both ratios calculated as percent of Total Loans including interest account receivables.

Broken down by loan, on a quarterly basis:

Commercial loans improved by 13 basis points to 2.1% when measured as 30 days past due loans and remained stable at 1.8% when measured as NPLs. Consumer loans experienced a 9 basis points improvement when measured as 30 days PDLs and a 7 basis points deterioration when measured as NPLs to 2.3%.

Mortgage loans improved their quality from 3.3% to 3.1% when measured as 30 days PDLs and remain stable at 1.7% when measured based on NPLs.

Moving to page 14, we present funding and deposit evolution.

Total funding grew 3.4% during 2016 and by 4.3% during the last quarter. In absence of the effect of the Colombian peso fluctuations on Central America, 12-month and three months growth would have been 4.8% and 3.2%, respectively.

Broken down by geography:
Colombian funding grew 4.5% over the last 12 months and increased by 2.7% in the quarter.

Central American funding grew 5.4% in dollar terms or 0.5% in Colombian peso terms during 2016. Central American funding grew 4.6% in dollar terms (9% increase in Colombian peso terms) over the last quarter.

Deposits increased at 5.8% during 2016 and 5.7% during the last quarter. In the absence of the effect of the peso depreciation on Central America, 12-month and three-month growths would have been 7.3 and 4.5, respectively.

Broken down by geography:
Colombia accounted for 72.3% of total deposits.

Colombian deposits grew at 7.3% over the last 12 months and 4.5% during the last quarter.

Central American deposits grew at 7.4% in dollar terms, or 2.2% in Colombian peso terms, over 2016 and increased 4.4% in dollar terms (8.8% in Colombian peso terms) over the quarter.

Our funding and deposit structure had minor changes during the quarter:

Our deposits accounted for 76% of our total funding at end of period, up from 74% a year earlier. Our deposits covered 95% of our net loans.

And page 15 we present the evolution of our capitalization, our attributable shareholders equity and the capital adequacy ratios of our banks.

Our total equity defined as attributable equity plus minority interest was PS. 24.7 trillion as of the end of 2016. This is a 7.7% increase during 2016 and a 3.7% increase during the last quarter. Attributable equity accounted for 63.3% of total equity as of December 2016.

Attributable equity was PS. 15.6 trillion as of the end of December, increasing 7.1% during 2016 and 3% during the last quarter. On this chart, we also show the consolidated solvencies of our banks. All of them show appropriate Tier 1 total solvency ratios. Tier 1 as of the end of the year, ranged from 9% to 10.3%. The solvency ratio at end of period were 13.9% for Banco de Bogota, 12.8% for Banco de Occidente, 11.1% for Banco Popular, and 11.5% for Banco AV Villas.

Starting on page 16, we present the evolution of our net interest margin.

As mentioned by Luis Carlos, in the past, we have told you that our numbers are influenced by our structure that includes in addition to our financial institutions, the impact of our investments in non-financial companies and of our holding company.

In order to quantify this impact, we have provided on page 16 a breakdown of our interest-earning assets and funding between financial sector entities and non-financial sector plus hold.

On the top of the page, we present the evolution of our average interest-earning assets. Financial sector entities hold over 99% of interest-earning assets. Promigas' operation contributes most of 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. Main items that are accounted in this manner are PS. 1.1 trillion Liquefied Natural Gas regasification plant (SPEC) and a PS. 74 billion BOMT gas treatment plant project. Both of those were booked during the last quarter of 2016. In addition, Promigas historically provides financing mainly for appliances and home improvements to its customers. As of December 2016, these loans were PS. 303 billion.

On the bottom of page, we present the evolution of our average interest-bearing assets. 5.1% 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 the funding used by our financial operation. The share of our liabilities has remained relatively stable over the past five quarters. However, we expect it to grow over the coming years due to the impact of our financial closings in the upcoming fourth-generation concession infrastructure products.

On page 17, we present our yields on loans, cost of funds, and spreads.

Full-year yield on loans for our consolidated operations, including financial and non-financial operations, increased by 146 basis points, moving from 10% in 2015 to

11.4% in 2016. The figures for the financial sector were materially the same as for the consolidated operation.

Average yield on loans for the fourth quarter increased by 161 basis points compared to the same period of 2015 and slightly decreased by 19 basis points compared to the third quarter, partly explained by the start of operations of the non-financial sector projects mentioned before.

Average yield on loans for the financial sector increased by 179 basis points relative to the same quarter of 2015. Full-year cost of funds, which is shown on the middle of the page, of our consolidated operations rose by 111 basis points, from 3.5% for 2015 to 4.6% in 2016. This resulted from our financial sector entities increasing 110 basis points from 3.3% to 4.4% and our non-financial entities and Holdco cost of our funding increasing 128 basis points from 6% to 7.3%.

Our average cost of funds for our consolidated operations was 5% for the fourth quarter compared to 3.6% a year earlier and 4.8% in the third quarter. Cost of funds for the financial sector increased by 133 basis points and 14 basis points when compared to a year and a quarter earlier. Cost of funds for the non-financial sector and Holdco, net of eliminations, increased by 258 basis points and 83 basis points for the same period.

Finally, full-year spreads are shown at the bottom of page. Full-year spreads between consolidated average yield on loans and cost of funds increased by 35 basis points from 6.5% in 2015 to 6.9% in 2016. As for the financial sector entities, full-year spreads increased by 34 basis points, from 6.6% in 2015 to 7% in 2016. Spreads decreased by 36 basis points over the last quarter to 6.7% and increased by 21 basis points compared to the same quarter a year earlier. As mentioned, for the financial sector entities the spread between yields on loans and cost of funds remained stable for the quarter and increased by 46 basis points compared to four quarters earlier.

On page 18, we present our NIM for the financial sector and Grupo Aval's consolidated operation.

Full-year NIM, including net trading income from investments held for trading through profit and loss of our consolidated operation, increased by 21 basis points from 5.4 in 2015 to 5.6 in 2016. This increase resulted from an expansion on our NIM on loans and higher share of loans over average interest-earning assets.

The non-financial operations of our holding company had a 32 basis points negative effect on our consolidated 2016 NIM figures. Full year 2016 NIM, including net income from investments held for trading through profit and loss for financial operations, increased 22 basis points from 5.7% in 2015 to 5.9% in 2016. Full-year NIM on loans of our financial operations increased 27 basis points to 6.9% in 2016. NIM on loans was 7% in the fourth quarter of 2016, up from 6.6% a year earlier and stable compared to the previous quarter. Full-year NIM on investments of our financial operation contracted by 78 basis points to 0.7% in 2016. The NIM on investments was negative 0.4%, down from 1.1% a quarter earlier and 1.4% a year earlier.

Consolidated NIM increased 11 basis points compared to four quarters earlier from 5.4% to 5.5%. Compared to the previous quarter, total NIM decreased 29 basis points. NIM for the financial sector expanded during the quarter to 5.9% as compared to 5.7% reported during the same quarter a year ago. Compared to the previous quarter, total NIM have 20 basis points contraction, driven by a lower net interest margin on investments. The quarterly net interest income grew 5.3% from PS. 2.3 trillion in fourth quarter 2015 to PS. 2.4 trillion in fourth quarter 2016, decreased 2.9% versus the third quarter of 2016.

On page 19, we present net fees and other income.

We present fee income on the top of the page. Gross fee income grew 8.4% compared to the same period a year earlier and 6.3% compared to that received during the previous quarter. When excluding the effect of FX movements on our Central American operation, fees grew by 9.2% and 5.4% respectively compared to those periods.

Broken down by geography Colombia accounted for 58% of total gross fees. Domestic fees grew 8% over the last four quarters, while Central American fees grew 10.9% in dollar terms or 8.9% in peso terms over the same period. And the bottom of the page, we present other income. Other income for the quarter was PS. 773 billion and includes the result of our non-financial companies consolidated and non-consolidated companies, mainly from Corficolombiana.

On page 20, we present some efficiency ratios.

Our consolidated efficiency ratio measured as cost-to-income improved 33 basis points to 47.3% in full year 2016, down from 47.6% for 2015. Full-year improved 108 basis points to 43.3% in Colombia. Full-year efficiency deteriorated 47 basis points to 55.1% in Central America. For full year efficiency measured as operating expenses divided by average assets, efficiency was 3.5%, 15 basis points higher than that of 2015 at 3.4%. Full-year efficiency remained stable in Colombia at 2.9%, while full-year efficiency deteriorated 28 basis points to 4.6% in Central America.

Seasonally higher expenses in certain items negatively affected our efficiency ratio during the fourth quarter. Concentration of marketing and IT expenses in Colombia and one-time expenses in Central America associated with the sale of our credit card operation in Mexico, the disposal of non-core assets, and cost of termination of certain executives hindered our results on this front. Efficiency measured as operating expenses to total income was 52.1% in the quarter, up from 45.9% reported during the previous quarter.

Full-year figures show a 33 basis points improvement closing at 47.3%. Efficiency measured as operating expenses to average assets was 3.8% for the fourth quarter compared to 3.4% in the third quarter of 2016 to 3.5% in the fourth quarter of 2015. We expect 2017 efficiency measured on a cost-to-income basis to be stable compared to 2016. This result builds on compensating for headwinds from salary adjustments covered by union agreements that were well in excess of inflation.

Finally on page 21, we present our net income and profitability ratios.

Actual net income, net of the effect of PS. 179 billion, actual equity tax was PS. 2,319 trillion, 3.1% higher than that for the same period a year earlier. For the full year, return on assets and return on equity were 1.6% and 14.3%. Excluding the wealth tax payment, such numbers would have been 1.7% and 15.5% for 2016.

Return on average assets and return average equity for this quarter were 1.5% and 11.9%.

Before we move to Q&A, I will summarize the general guidance given in the previous pages. We expect loan growth in absence of FX to be in the 9% area for 2017.

We expect 2017 cost of risk, net of recoveries, to be -- to stay at the same level at a comparable level to 2016's level. We expect full year 2017 NIM on loans to be similar to 2016, resulting from a stronger first half and a lower second half as the reduction of Central Bank rates are priced into our loan portfolio.

Regarding efficiency ratios, we expect them to be stable compared to 2016. Finally, we expect 2017 return on equity to be in the 14.5% to 15% range. Further increases in return on equity could be expected to materialize as marginal tax rates in Colombia from 40% to 33% as incorporated in the 2016 fiscal report.

I will now open it to questions.

Questions and Answers

Operator

Our first question online comes from Jason Mollin from Scotiabank. Please, go ahead.

Jason Mollin, Analyst

Hello, everyone. Thank you for the opportunity to ask questions. My first question is on this 9% loan growth outlook. Can you give us some color on what kind of segmentation? Where are the segments that you think you're going to see the greatest growth in 2017?

And my second question is on strategic initiatives. You stated in your presentation that the efficiency ratio spiked in the fourth quarter, partially due to investments in IT and marketing for digital initiatives. Can you talk about the digital strategy? What was spent in 2016? And what are you expecting for 2017, I'm imagining that is in your efficiency expectation? Thank you.

Diego Solano Saravia,
Chief Financial Officer

Well, regarding the 9% loan growth, 2016 was a year, where we had a very different growth in the corporate and the consumer portfolio. The consumer portfolio grew in the 12% to 13% range, while the corporate portfolio grew around 7%. We expect these numbers to converge to the average growth. We have lower growth from the consumer portfolio than what we had last year and a slightly higher growth from the corporate segment. In order of segment such as the mortgage, loan portfolio will continue to outgrow both of the former.

Luis Carlos Sarmiento,
Chief Executive Officer

And regarding the strategic initiatives, we have undertaken; we've been working with a consultant, with McKinsey to develop for quite some months now, we've been developing a digital strategy for the Group and for each one of our banks. And we expect that in the next two or three months, we will start announcing some of our achievements. So stay put, and we will make sure to announce once we're ready. We're not quite ready to announce exactly what it is that we're working on. But hopefully, as I said, in the next two or three months, we will.

Operator

Thank you. Our next question on line comes from Nicolas Riva from Citi. Please, go ahead.

Nicolas Riva, Analyst

Yeah. Thanks, Diego and Luis, for taking my questions. The first one on operating expenses. If I look at the growth of OpEx, I mean, this is not something specific to a lot, that we see in most Colombian banks. Compared to inflation, OpEx really seems to be running quite above inflation. Your operating expenses grew 12% in '16. I know in some prior years, there was some noise from the weaker Colombian peso. But that was not the case in 2016. And so if you can discuss which factors are driving this OpEx growth quite above inflation? That's my first question.

And then my second question on Electricaribe. So you booked PS. 40 billion in loan loss provisions for this company. It looks like your exposure, the $175 million, is still much higher than this. So can you discuss how much of exposure now is covered with loan loss reserves and if you expect to make further provisions in 2017 for this company? Thank you.

Diego Solano Saravia, Chief Financial Officer

Okay. Let me take your first question on OpEx. We've had a few negatives during 2016. Part of those, in fact, are related to what happened with the exchange rate. The reason for that is our IT expenses in particular are dollar-denominated and were captured in different points in time depending on how contracts had been signed.

The other element that we have actually had two years in a row has been that the increase in minimum wages has well exceeded inflation. In addition, some of our labor agreements have demanded additional increases on top of what the minimum wage increases were. These had been some of the drivers for 2016, and it's a pity but they will also be affecting our numbers in 2017. And that's the reason why last year, even though we'd been targeting to reduce 100 basis points our cost-to-income ratio, we only achieved one-third of that last year. And this year, we are targeting to maintain it. We have some positive bias, but we would like to perform before we get that done.

Other things that are in place, that are happening but haven't been reflected, have been a freeze in certain countries, particularly in Central America, of the size of our payroll. And we are in the process of trying to materialize those. We prefer to stay at this point with our guidance on stable cost-to-income, but we're actually working very strong targeting to improve on that front.

Luis Carlos Sarmiento, Chief Executive Officer

And regarding Electricaribe, as you said, our exposure to Electricaribe is about $175 million dollars. And we did book approximately $15 million in provisions in 2016. This year, before March 31st, we would book an additional $8 million in provisions for a total of 23 million, which is about 13% of the size of the loan. At this point, and obviously, this is based on the conversations we've had with, one, the government and, secondly, the superintendents of finance. What is going on is that the government is exploring the different alternatives as to what to do with Electricaribe. As you know and as I mentioned, it was intervened, and the government is sort of running it.

What we have to wait and see is, what they decide to do with it. There are different alternatives. For example, they could decide to sell the company as a whole in which case, we would have to make sure that the repayment of our loans is guaranteed by the new owner. That's best scenario. They could break the company down and then sell it in different parts and then we will have to see if we have to now negotiate with the new owners.

Thirdly, they could decide to just sell the assets of the company and in which case, we would have to negotiate directly with the government to see how they can make us all in the banks.

So for now, what the superintendents have decided is that it is enough to rate the loan double C in which case 13% reserve is required. And obviously, as it becomes clearer to us what it is that it's going to happen, we will then have to see where that takes us. And as soon as we know, we'll make sure to inform you.

Operator

Thank you. Our next question comes from Carlos Macedo from Goldman Sachs. Please, go ahead.

Carlos Macedo, Analyst

Thanks. Good morning, gentlemen. A couple of questions. First, just a clarification on Nicolas' recent question. You talk about keeping your efficiency ratio flat year-over-year. What does that imply in terms of your target pace of growth for expenses? Are we going to see it decelerate then? Or how do you expect to manage that?

Second question, thank you for the guidance for the year. Just trying to get an idea how the pace is going to be for the year. Are we going to start off the year at a slower pace and then build up for loan growth. Bound to see more provisions, cost of risk higher at the beginning, particularly if you provision for the remainder of the risk that you mentioned before. I mean, how do we expect this to line up for the entire year? Thanks.

Diego Solano Saravia, Chief Financial Officer

Well, with regards to expense cost, in order to maintain the level given that as you might have noticed, our net interest margin should be growing. This implies that we're going to be growing above inflation in the 200 to 300 basis points area our cost base. The pace of the cost of risk that you were referring to will be somehow bumpy, I mean, on this kind of large corporate loans, as we Luis Carlos discussed. At this point, there is a bit level of uncertainty of what the mechanism, particularly for Electricaribe, will be. We have a lot of clarity of what's happening with Ruta del Sol. There was a previous concern that is no longer such. And then we have other corporate events that could be bumpier.

Regarding the more statistic part, the consumer SME portfolio, what we expect to see is basically a better performance during the second half of the year as the macro environment improves. This means we might have higher cost of risk on consumer during the beginning; the first half of the year, and slightly lower during the second half of the year.

Operator

Thank you. Our next question comes from Domingos Falavina from JPMorgan. Please, go ahead.

Domingos Falavina, Analyst

Hi, good morning, all. Thank you also for taking the call. My question is on NIMS. It seems to me the guidance you provided makes a lot of sense. Given the DTF, they should be very similar in '17 versus '16, just different trends. They went up throughout '16 from 6 to 7 and should reverse that when we look at '17. But once we go into 2018, I am assuming that the reference rates and the DTF they should continue to compress. So should we expect more material NIM compression into 2018 or not? And then I have a second question.

Luis Carlos Sarmiento, Chief Executive Officer

So let's address the first question first, Domingos. As you say, we do expect inflation to keep dropping and, as such, we do expect the Central Bank to continue cutting rates. And that should affect DTF and IBR. So, yeah, in all, because we have more of a percentage of commercial than consumer loans, we should see our NIMs continue to drop. However, the one thing that we've noticed in this country is that when rates drop, we will see growth picking up, which will give us more of a percentage of growth in loans and then we should see better quality due to lower rates. Just remember that, as I mentioned, we have established that about 100 basis point movement in Central Bank rates, it has an effect of about 10 basis points in our NIM on loans.

So that, yes, the answer is yes but we should be compensated with additional growth and better quality. And if you want, you can go ahead with the second question.

Domingos Falavina, Analyst

Yeah. Awesome. Thank you. It's very clear. Ruta del Sol, you mentioned, I think 33 million. And then I remember you mentioning that 25% would be the estimated impact on equity and that that translated into 15 million of earnings. So my question is basically, is the 33 million the full 25% rate incorporated? Or is there something that will spill into other quarters? And why this 33 million impairment only translated into 15 million of earnings?

Luis Carlos Sarmiento, Chief Executive Officer

Okay. So the answer is as follows. About 70% of the shareholders' investment in the Company should be recovered. So 30% of it should be lost. At this point, 30% of Corficolombiana's investment is $33 million. Because we share 44% of the economics of Corficolombiana at the Aval level, remembering that that we only own directly and indirectly about 58% of Corficolombiana. But when you take into account that we don't own 100% of the banks through which we own that 58%, then only 44% of it trickles up to Aval. And that's why we only receive 44% of the 33% in Aval's bottom line, which corresponds to about $15 million dollars.

Operator

Thank you. Our next question comes from Alonso Aramburu from BTG. Please, go ahead.

Alonso Aramburu, Analyst

Hi, good morning. Thank you for the call. I have two questions: First, there is an other operating income result of PS. 218.5 billion, which more than doubled from the previous quarter. So I was wondering if you can explain what drove that result.

And second, thinking about Corficolombiana, some of the 4G infrastructure projects, when should we seeing results in the P&L from some of the projects that are being developed over the next few years? Thank you.

Diego Solano Saravia, Chief Financial Officer

I'll take the first one and Luis Carlos will take the second. On the other income, we had a fewer tax during the fourth quarter. We have some offsetting, FX being the main two of those, a negative on Ruta del Sol that we mentioned of around $33 million dollars. And then we have a positive on the valuation of Credibanco, which is a credit card operation that was of around $60 million. So we have those two offsetting things, being larger the positive than the negative one.

And the income from the non-financial companies, it's basically Promigas and Epiandes, which had the higher performance and that was what drove the change between the fourth and third quarter.

Luis Carlos Sarmiento, Chief Executive Officer

With regard to the 4G concessions that Corficolombiana was awarded, mainly Villavicencio-Yopal, Pacífico 1, Mulaló-Loboguerrero, and the 30 kilometers of Bogota-Villavicencio for the additional lanes that are to be built. Two of those projects have started and are moving on nicely, those being Pacifico and Bogota-Villavicencio. Villavicencio-Yopal will start in the fourth quarter of this year and then Mulaló-Loboguerrero at this point it depends on a whole bunch of consultations that are being carried on with the local communities, and that has been a tough process, but our expectation is that we will start, say, the third quarter of 2018. Therefore, those projects, they start generating construction income as they start to be built. Therefore three of those will have some income this year. The fourth one will only start generating income in truth in about 2019. We do expect that, in all, those four projects in the next three to four years will double the income that we're now receiving from concessions, toll roads, and airports as compared to what we are seeing today in 2016. So we should start to, to answer your question, we should start receiving income in 2017. And by 2020-'21, we should have doubled the income that we're receiving from our concessions to-date based on those four new projects.

Operator

Thank you. Our next question comes from Frederic de Mariz from UBS. Please, go ahead.

Frederic de Mariz, Analyst

Thank you. Good morning, everyone. And I have two questions, actually follow-ups on the previous ones. The first one has to do with Ruta del Sol and the Odebrecht case that you've provided a lot of details on. My question is quite generic. I'm curious to understand what you have changed internally in terms of processes or any types of workflows since you've been aware -- made aware of the case? I know this impacted you and other players, other banks in the country. So I'm curious to see what steps you have taken internally.

And then my second question has to do with competition. I just wanted to get your thoughts, any color on the latest debts in competition, especially on the funding side, if you're seeing any changes; if the other banks, the other financial groups are being more aggressive, more present, or it's pretty stable? Thank you.

Luis Carlos Sarmiento, Chief Executive Officer

All right. So let me take the first question on the Odebrecht catastrophe. The one thing that we've got to bear in mind and is that, that is the only concession in which we have participated, where we were not majority shareholders or controllers. That being the case in this concession, in all honestly, we did not control, did not consolidate, and didn't even have the legal possibility to block decisions. But having said that, that really has not given us an excuse to not do something.

So the one thing that we have changed is that we are now, and we have decided that from now on forward we will require from potential partners, be it that they are majority or minority shareholders. We will require that their code of ethics is at least as strong as ours. And we will just require that they certify that before we solidify a partnership relationship.

Obviously with Odebrecht, and anybody who is read enough about it, will know that basically they kept this very well disguised. They had a department, an area of the company in Brazil that was solely dedicated to that so that their foreign partners, as ourselves, didn't even have an idea that that was going on, because obviously we weren't given an opportunity to conduct due diligence in Brazil of their companies. And even if we had, they would have probably hidden it very well, because they'd been doing it for many many years and nobody had really caught on. But in any case we're not going to remain just with our arms across our chest. We will take actions, and we have started to take actions.

Diego Solano Saravia, Chief Financial Officer

With regards to your second question on competition, Colombia has always been quite competitive. We have the market if you break it down into the five main players: this is Aval, Bancolombia, Davivienda, BBVA, and Corpbanca/Itaú, you're adding up around 80% of the market. We expect the market to continue being quite competitive as had been in the past. No real changes in structure of competition are foreseen at this point.

Operator

Thank you. Our next question on mic comes from Sebastian Gallego from Credicorp Capital. Please, go ahead.

Sebastian Gallego, Analyst

Good morning everyone. Thanks for the presentation. I have two questions: My first question is, if you can provide a timeline or timing regarding the decision by the legal authorities regarding Ruta del Sol and the timing also for the payments for the banks.

And a follow-up on that actually is, when do you expect projects from the second wave to start reaching financial close? Thank you.

Luis Carlos Sarmiento, Chief Executive Officer

On the timing for Ruta del Sol, I think the addendum that we signed to the contract yesterday is of key importance because it means that we will have the funds to start an orderly liquidation of the company as soon as next Monday. That means that we will finally be able, because we were precluded by law before, but we will finally be able to start terminating the jobs of all the employees at the construction company, and bear in mind, that's about 6,000 laymen. And we will be able to start liquidating the employees of that concessionaire. That's not too many people, about 100 people.

Once we do that, and that can be done fairly quickly, we will immediately, and by immediately, I mean in the next two days, pay the banks their first payment, which is about 60% of the total that is owed to the banks. There is a schedule of payments that guarantee that the banks will then receive a second payment in 2017. And by then, the remaining loan won't be that big. But it will take another two or three years to finish paying for it.

Obviously, when you take into account that according to the current terms of the syndicated loans, the banks would have been paid by the year 2029 or so. They are really receiving the money much much quicker than they would have, had they stayed in the project. So that's the thing.

And as far as financial closings on the second wave of projects: some of them are occurring as we speak. I can't really assure you of what would happen with those that are not our second wave projects. But I do know that Corficolombiana is getting ready to close on Pacifico 1 and will close very quickly on Bogotá-Villavicencio.

So that I would imagine, and I'm sure your question has to do with probably you've heard that financial closings aren't as easy as they used to be. But what I have heard from most of the financial sector, from our competitors, and from foreign banks is that they were all very, very expectant to see what would happen to the Ruta del Sol loan. I think that as they see these payments coming in, they should be able to relax and see that, that in fact an infrastructure project that virtually failed not because of the project itself but because of what happened before. In any case signifies that banks will be paid regardless. And I think that, that will open the gate again to finish these financial closings that everybody is so dependent on.

Operator

Thank you. Your last question comes from Maria Rodriguez from Davivienda Corredores. Please, go ahead.

Maria Rodriguez, Analyst

Hello. Thank you very much for the call. I have actually two questions. The first one is regarding additional provision expenses with Bogota's massive transportation system for the first quarter of the year. And the second one is regarding your NIM guidance and the NIM guidance for Central America and from Colombia. Thank you.

Diego Solano Saravia, Chief Financial Officer

Okay. I think I understood your first question. But could you rephrase the second one? I didn't get it.

Maria Rodriguez, Analyst

Yeah. In terms of guidance, you are expecting to keep similar guidance for 2017. I was wondering how much is it from Central America, the contribution from Central America and the contribution from Colombia? Thank you.

Diego Solano Saravia, Chief Financial Officer

Okay. Regarding the additional provisions on the SITP, it's basically basing around $15 million dollars additional provisions during this year. Regarding Central America, we expect Central America to continue contributing similar to what we had last year, given that our base case is a pretty stable FX scenario. Central America might outperform Colombia slightly but not enough to change the numbers materially.

To clarify my answer to Carlos Macedo from before, I wanted to make sure that I was clear that I was referring to the trailing inflation, therefore, at 300 basis point increase would being the 8% to 9% increase of growth rate in expenses. It might be misunderstood if you were to adjust that to 2017 inflation.

Operator

Thank you. We have no further questions at this time. I'd like to turn the call over to Mr. Sarmiento for closing remarks.

Luis Carlos Sarmiento, Chief Executive Officer

Alright, Richard. Well, thank you very much. Sorry, we took a little bit longer than usual with our presentation. Please, forgive us. We'll try to make it a little bit more summarized, going forward. But excellent questions from everybody today. And we'll hope to see in the next one. Thank you very much.

Operator

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