



3Q2025 CONSOLIDATED EARNINGS RESULTS CALL TRANSCRIPT

GRUPO AVAL ACCIONES Y VALORES S.A.

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Operator

Welcome to Grupo Aval's Third Quarter 2025 Consolidated Results Conference Call. My name is Regina, 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 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. Unconsolidated financial information of our subsidiaries in the Colombian banking system are presented in accordance with Colombian IFRS as reported, the Superintendency of Finance. Details of the calculations of non-IFRS measures such as ROAA and ROAE, among others, are explained when required in this report. 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 this document 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.

With us today are Ms. María Lorena Gutiérrez Botero, Chief Executive Officer; Mr. Diego Solano, Chief Financial Officer; Mr. Jorge Castaño, Corporate VP of Financial Assets and Efficiencies; Ms. Paula Durán, Corporate VP of Sustainability and Strategic Projects; Mr. Jorge Otalvaro, VP of Synergies at Aval Valor Compartido; and Mr. Camilo Pérez, Banco de Bogotá's Chief Economist. I will now turn the call over to Ms. María Lorena Gutiérrez Botero, Chief Executive Officer. Ms. María Lorena Gutiérrez Botero, you may begin.

Maria Lorena Gutierrez Botero (CEO)

Thank you. Good morning, everyone, and thank you for joining us for our third quarter 2025 conference call. I am here with Diego Solano, our CFO; Jorge Castaño, Corporate VP of Financial Assets and Efficiencies; Paula Durán,

Corporate VP of Sustainability and Strategic Projects; Jorge Otalvaro, VP of Synergies at Aval Valor Compartido; and Camilo Pérez, Chief Economist of Banco de Bogota.

This quarter we reached a year-to-date net income of 1.4 trillion Pesos — 88% higher than the same period of 2024. Net income for the quarter was COP 521.0 billion, the highest quarterly figure in 3 years, growing 25.3% over the year and 5.3% over the quarter. This performance reflects a stronger Net Interest Income, a continued improvement in Past Due Loans, a pick-up in loan growth, and the results of our cost contention efforts.

Before addressing our financial performance, I will share the progress made in some of our strategic projects:

First, our banks have continued working on improving their deposit mix towards retail funding. We launched accounts and saving pockets with a special remuneration rate and repositioning our bank's favorable account value proposition to both individuals and business. We also introduced product offerings to face increased competition, including short-term deposits and savings accounts with competitive rates. As a result of the above, peso-denominated deposits from individuals grew 22% over the year with saving and checking accounts growing 11% and term deposits 31%.

Second, in addition to deposits, our efforts to deepen our presence in the consumer segment considers increasing our share of lending products where we are underweight and revamping our payment value proposition. We aim to increase our market share in credit cards where we have a space to grow. On this front, we entered an alliance with Visa that grant us exclusivity in Colombia for the FIFA World Cup.

Third, on October 6, the Central Bank immediate payment system officially started operations, offering every day at any time instant and free transfers. This system will reduce the use of cash and promote financial inclusion. In Colombia, 75% of monetary transactions are with cash. We estimate these numbers could go down to 55% in future years, considering Brazil's peak experience. Given this opportunity in September 2025, we launched Gou Payments, our own instant payments with world-class infrastructure that will improve our time to market and offer innovative, safe and user-friendly solutions.

Fourth, as we mentioned in the past, we are simplifying our processes through transversal initiatives, capturing value in our operational and administrative processes. This effort is based upon our main guiding principle, our external and internal customers go first. I will now invite Jorge Otalvaro to go into more detail on Gou Payments and our synergies plan executed through Aval Valor Compartido. Jorge.

Jorge Otalvaro (VP of Synergies at Aval Valor Compartido)

Thank you, María Lorena. Good morning. At Grupo Aval, we are fully committed to driving the immediate payment system led by Central Bank in Colombia. Gou Payments will serve as our payment platform for the group's entities and will also enable fintechs, trust companies, and other players to connect the payment system where our value proposition is autonomy, differentiation, and agility in time to market with the Central Bank across all channels.

Our strategy includes strength of the processing capabilities, traditional and instant payments, and clearing house services for Aval Banks and third parties. We are ready to launch innovative solutions that deliver a competitive edge, including interoperability for account-to-account merchants and payments, advanced capabilities in cash management, payment collections, QR solutions and open ecosystem for third parts.

Our 4 banks and Dale, were the first and only players in Colombia, offering seamless credit cash transfers via WhatsApp, merging into our clients' day-to-day habits and offering an easy experience. We will measure success by the impact on cash reduction and the adoption of services by new clients,

prioritizing cash management and excellence in B2B services. Let me mention our performance during the first month of credit, more than 8 million keys to individuals, 62% of them which are Tag Aval, the only customizable alphanumeric key in the market, more than 10 million transactions. We also have a market share over 45% in merchant keys with more than 1 million keys. And finally, we processed more than 10 million transactions with a total amount of COP 2 trillion.

Now let me share our results on synergies and efficiencies at Aval Valor Compartido, AVC. In 2025, we focused on identifying potential synergies and implementing action plans to capture efficiencies through standardization and process mastering while raising productivity and control standards. After analyzing 30 administrative and operational processes, we initially selected 8 key processes for our synergy model. Administrative processes include procurement, property management, facility management, talent acquisition, payroll and physical security, currently serving Banco de Bogotá, Banco de Occidente, Aval Valor Compartido, and Gou Payments. Other entities will be incorporated in the coming months.

A second wave to be launched next year will focus on operational synergies, particularly in back office banking processes and IT synergies such as cloud, data center operations, and optimization of our physical channel network. Some of the key achievements in 2025 are 40% reduction in procurement cycle time, 50% simplification of active contracts, and we also launched the Aval Real Estate portal, and we could by 2/3 the commercialization times for other real estate owned.

In cybersecurity, we designed the cybersecurity synergy strategy, prioritizing the security operational center, SOC and the centralization of the critical tools. The SOC service points coverage increased from 16 to 23 connected companies. We also launched the Aval talent portal that will reduce 20% in real time to hire. Finally, talking about ATMs and banking agents, we are the first to implement Near Field Communication, NFC technology in Colombia, and we developed also a machine learning model to optimize coverage of Aval Bank's physical service points.

Thank you all for your attention. Maria Lorena.

Maria Lorena Gutierrez Botero (CEO)

Thank you, Jorge. Last year, we announced the acquisition of Corficolombiana share in the trust company and the broker deal, and we launched Aval Fiduciaria while simultaneously creating Aval Investment Banking. We are now moving into the second phase by integrating the trust funds, trust state and fiduciary, separation of Fiduciaria Bogotá, Fiduciaria Occidente, Fiduciaria Popular into Aval Fiduciaria. With this strategy, Aval further expanding its leadership in the asset and wealth management business in Colombia and abroad. Now I invite Jorge Castaño, our VP, to share with you our advancements and perspective in the Aval Asset Management business. Jorge?

Jorge Castano Gutierrez (VP of Financial Assets and Efficiency)

Thanks, María Lorena, and good morning, all of you. As María Lorena mentioned before, this operation is part of our extended corporate strategy aimed at improving operational efficiency, diversifying revenue streams and

strengthening our competitive position in key markets as the non-banking financial services. The initiative is expected to deliver meaningful financial and operational benefits over time, supporting sustainable growth and resilience in an evolving economic environment.

Aval Fiduciaria is set to become the largest fiduciary in Colombia by assets under management with COP 201 trillion and the leading institution in fee income with 21% of the market share. The company will oversee more than 5,500 trust funds and diversify our range of products and services, serving retail, small and medium enterprise, corporate and institutional clients. Through Aval Casa de Bolsa, we will strengthen our capabilities in fixed income, equities, derivatives, and FX markets, enhancing long-term value creation and consolidating our leadership in the Colombian financial sector.

Next year, Aval Fiduciaria will continue to strengthen its position in the fiduciary market. We expect to increase our share of total industry fees and consolidate our position as the #1 player. In 2026, fee income is projected to grow around 13.2% versus 2025, exceeding COP 635 billion. We also expect tailwinds from deepening of the commercial model with Banco de Bogotá and Banco de Occidente and implementation of the new integrated commercial model with our other banks.

By business line, we are targeting funds fee growth of 20%, explained by increase in assets under management, well above the sector's expected 12.7% and administration growth of 15.4% compared with 7.1% for the industry, supporting our ability to capture superior value in 2026. This transaction will also unify fiduciary risk management policies and operational processes and importantly, enhance commercial synergies across our other business segments.

In addition, we expect to capture cost efficiencies in the medium term. We are working to strengthen Aval Fiduciaria's product portfolio and customer service. We will have an integrated commercial model in coordination with our 4 banks across the country as well as with Porvenir and Aval Casa de Bolsa. Their offering also incorporates cash management solutions and offshore investment access via digital platforms and corresponding agreements in Panama and the USA.

The integration also accelerates the rollout of enhanced digital investment channels, enable better penetration across retail, small and middle enterprise and corporate clients and supporting a materially higher distribution capacity across Grupo Aval's client base. The transaction has already received regulatory approval by the financial superintendents and the required corporate approvals are expected to be received by month end. We aim for Aval Fiduciaria to start operation as a single company with unified clients facing challenges by January 2, 2026. That's all from me for now.

Maria Lorena Gutierrez Botero (CEO)

Thank you, Jorge. Now Paula will go over our sustainability achievements for this quarter. Paula?

Paula Duran Fernandez (Corporate VP of Sustainability and Strategic Projects)

Thank you, María Lorena, and good morning, everyone. The most relevant sustainability highlights for Grupo Aval in the quarter includes the definition of our sustainable strategy with a vision that further connects our business goals to our ESG impact. We call it sustainable ROE, R for returns with purpose, O for opportunities for all, and E for

environmental value. Across all three pillars, we have defined specific goals and actions in close collaboration with our entities.

Starting with our returns with purpose pillar, this quarter, all our entities participated in the CSA assessment of the Dow Jones Sustainability Index. Results will be released at the end of the year, but preliminary scores already reflect significant progress compared to global industry leaders. During the quarter, we also received several recognitions for our sustainability achievements. Banco de Bogotá, Corficolombiana, and Promigas were included by Forbes Colombia among the 50 leading companies in sustainability for this year. Additionally, the Global Compact Network Colombia announced the Sustainable Development Best Practices Award where Banco de Bogotá, Porvenir, and Promigas won in five different categories: gender equality, climate actions, reduced inequalities, and decent work, and economic growth.

In terms of sustainable finance, we continue to achieve strong results. Our sustainable portfolio reached COP 35 trillion with 78% representing our social portfolio and 22% our green portfolio. In line with our commitment to the energy transition and the development of resilient infrastructure in Colombia, we have consolidated our position as a leading player in the structuring and financing of major projects nationwide.

Under the leadership of Aval Banca de Inversión, Banco de Bogotá and Banco de Occidente participated in the financing of the “Tunel de Oriente”, a landmark infrastructure project connecting Medellín with the “Jose Maria Cordova” International Airport expected to generate over 2,000 direct jobs. Additionally, Grupo Aval led the COP 1.9 trillion refinancing for the Ibagué-Cajamarca hall. We're also leaders in financing of social projects that incorporate more than 800,000 panels, expanding clear energy generation and strengthening the country's renewable infrastructure.

Moving to the opportunities for all pillar, quarterly highlights include our participation in the Vamos Pa'lante 2025 campaign led by University of Los Andes and W Radio to support young people from vulnerable backgrounds to complete their university studies. All of our entities, branches and ATMs are open for donation to the campaign, which is expected to benefit 1,200 students through university scholarships.

Our entities also continued advancing social programs focused on financial inclusion, education, SMEs and productive projects. Our progress on diversity, equity, and inclusion was also recognized by AEQUALES ranking, where three of our companies were ranked among the top 10 in Colombia in their categories.

Regarding our flagship social initiative, Misión La Guajira, we continue delivering on our commitment. Since its launch 1.5 years ago, we have brought water, energy, and connectivity to vulnerable communities, benefiting more than 21,000 people and 3,000 families across 80 communities. On the environmental balance front, during this quarter, we defined Grupo Aval's climate strategy, which establishes a comprehensive road map to strengthen the management of risks and impacts associated with climate change. The strategy adopts IFRS 2 guidelines and TNFD recommendations in line with the financial superintendence of Colombia's regulation with clear goals to reduce emissions by 51% by 2030 and to promote carbon neutrality by 2050.

We reaffirm our commitment to a low-carbon economy aligned with the Paris Agreement and Colombia's National sustainability objectives. It is also worth noting that beyond our entity's individual progress Banco de Bogotá

became the first bank in Latin America to report under the TNFD standards, assessing the impact of its operational nature.

In conclusion, we continue delivering across all ESG dimensions, remaining firmly committed to achieving a sustainable ROE, proving that profitability and sustainability are not competing goals for two sides of the same vision, creating lasting value for people, for the planet and for the country. Thank you.

Maria Lorena Gutierrez Botero (CEO)

Thank you, Paula. Now moving to the macro environment. Let me share some key trends affecting our business. Monthly data indicates that in the third quarter, the Colombian economy continued to perform positively, primarily driven by increased household demand. The main sectors driven growth remain public administration, entertainment and e-commerce. Looking ahead, we expect GDP growth of 2.7% in 2025 and 2.8% in 2026. The inflation has stalled.

Inflation reached 5.5% in October, surpassing the 2024 year-end figure of 5.2%. We now expect inflation to close at 5.3% in 2025 and 4.2% in next year. This view incorporates an upward pressure in the coming months, particularly driven by ongoing minimum wage discussions.

The fiscal environment remains challenging. The government approved the 2026 national budget at COP 546.9 trillion. However, this lacks a clear path back to the fiscal rule suspended this year. Analysts project a fiscal deficit of minus 7.5% of GDP in 2025, worse than 7.1% forecast in the medium-term fiscal framework. In September, the Central Bank kept its policy rate unchanged at 9.25%, maintaining a cautious stance amid persistent inflationary pressures. We expect rates to remain steadily through early 2026 with cost begins in the second quarter of 2026, ending the year at 8.25%. Camilo will now elaborate on our economic outlook. Camilo?

Camilo Pérez Álvarez (Banco de Bogotá's Chief Economist)

Thank you, María Lorena. Good morning to all attendees. In the third quarter, the Colombian economy extended its upward trend to such an extent that annual growth rate is estimated to be around 3% for this quarter, a high since 2022. Domestic demand continued to explain its strong performance of local activity. Consumer companies returned to positive territory and has now been trending upwards for more than 2 years, while the national unemployment rate reached its lowest level ever for a third quarter, averaging 8.5% -- coupled with solid household income, both from employment and unemployment sources, Colombians continue to increase their consumption, especially of goods, which has also been supported by credit. Consumer loans reached their highest annual growth rate since 2023 in the third quarter.

Furthermore, the increased domestic demand has also been supported by a high influx of tourists with more than 7 million visitors so far this year through August, a record high. For its part, government current and investment spending grew in real terms by more than 3% in the third quarter, also supporting economic activity. In this context, the best-performing economic sectors continue to be those most dependent on demand from both residents and nonresidents as well as the public sector, such as commerce, entertainment, transportation, accommodation, manufacturing, food services, and finance.

On the export side, the best results are seen in coffee, processed foods, gold, bananas, and textiles, especially leather, which offset the decline observed in oil and coal exports. Regarding investment, the persistent lag in construction, especially buildings continues to hinder the sector's potential improvement, which is only supported by civil works, machinery, equipment, and biological resources investment. The investment recovery could improve after 2026 elections if uncertainty dissipates. Given this context, but acknowledging global risks and the local electoral cycle, the 2025 growth projection remains at 2.7%, close to the potential level and higher than the figures for 2023 and 2024. For 2026, the economy could improve to 2.8% growth.

Turning to prices. This inflation process stalled in the third quarter with inflation reaching 5.2% in September, the same level as the year-end figure for 2024. In October, inflation increased to 5.5%. Inflationary pressures have persisted in food due to higher input costs, goods due to increased domestic demand, and non-rental services due to higher labor costs resulting from the minimum wage adjustment, the implementation of the labor reform and the reduction of the working hours per week.

In this scenario, inflation is expected to end 2025 around 5.3%, above the 2024 level. As a consequence and pending the definition of the 2026 wage, the Central Bank has kept its benchmark interest rate stable at 9.25%. This level could remain for much of 2026 if inflation and its expectations do not show significant improvement. For the time being, interest rates remain restricted as the Central Bank acknowledges this, especially for investment. While for households, a limited impact is expected since the positive trend in consumption is based mainly on resources other than credit.

On the fiscal front, favorable global financial conditions for emerging economies, debt management operations and stronger normal GDP growth will reduce interest payments to between 3.2% and 3.8% of GDP compared to the 4.7% of GDP projected in the medium-term fiscal framework. However, the primary deficit, which excludes interest payments, will approach historical highs, exceeding 3% of GDP and above the 2.4% projected by the government. If this occurs, the deficit will only be surpassed by those observed during the local crisis at the end of the 1990s and the pandemic.

Despite the challenging state of the public finances between the end of June and September, the exchange rate fell from COP 4,102 per dollar to COP 3,970 per dollar, following the global weakening of the dollar. Furthermore, the government's monetization of dollars obtained from operations with international banks, the total return swap and external bond issuances led the Colombian peso to become the best performing currency in Latin America. Given that the government still has dollar excess balances and expects to issue new bonds for up to EUR 5 billion and obtain direct credit from international banks for up to USD 1 billion, monetization will continue to impact the exchange rate.

Ultimately, these flows would offset the effects of electoral uncertainty, which is expected to increase as the elections approach. Finally, the current account deficit is expected to widen from minus 1.8% of GDP in 2024 to minus 2.6% of GDP in 2025, driven by a stronger recovery in imports than exports, both in goods and services where terms of trade would be affected by lower commodity prices. It is important to note that for the first time ever, remittances surpassed oil exports as the economy's main source of foreign currency. This further strengthens the diversification of the export basket.

To sum it up, it is important to highlight that we are currently at the beginning of the congressional and presidential elections, which will be held in the first half of 2026. It is too early to draw conclusions about the election results, but the economic scenarios are based on the expectation that Colombia will have a government that will need to be more fiscally disciplined, promote private investment by reducing uncertainty and generally make public policy decisions that promote economic growth. That will be all for my part.

Maria Lorena Gutierrez Botero (CEO)

Thank you, Camilo. Moving to financial results. Our financial performance continued to improve with net income for the quarter reaching COP 521 billion, resulting in an 11.5% return on equity. The improvement throughout this cycle has been driven by consistent positive trends in the core business metrics of our banking segment. In addition, Porvenir was a strong contributor to our quarterly results. Gross loans and deposits grew 2.1% and 0.4% over the quarter, reaching 4.6% and 8.5% over 12 months. Consumer loans had the strongest quarterly growth in 10 quarters at 1.5%.

As we had anticipated in our last call, commercial loan dynamics recovered significantly, growing 2.1% during the quarter. The strong performance in commercial lending includes benefits from the joint efforts of our banks with Aval Banca de Inversión. Peso-denominated commercial loans grew 3.1% over the quarter, the fastest pace in the last 8 quarters. Given our exposure to U.S. dollar-denominated loans, the 3.6% appreciation of the peso over the quarter had a negative impact on growth metrics.

Our net interest income grew 11.6% to COP 2.9 trillion during the quarter, while our net interest margin improved to 4.3%, incorporating a consolidated NIM on loans of 4.6%. 90 days PDLs were 3.3%, the lowest level since the fourth quarter of 2022. Our cost of risk for the quarter was 1.9%. During the quarter, our investment portfolios performed well, driving NIM over investment. The performance of Porvenir's stabilization reserve during the quarter was struck. Now I would like to pass the call to Diego, who will give you our results. Diego?

Diego Fernando Solano Saravia (CFO)

Thank you, Maria Lorena. I will start on Pages 12 and 13 with a few charts showing the growth rate and quality of our loan portfolio relative to the rest of the Colombian banking system. For comparability reasons, these are on consolidated figures under Colombian IFRS as published by the Superintendency of Finance.

Starting on Page 11 for the 12 months ending in August 2025 commercial loans and mortgages for the system grew 0.8% and 5.8% in real terms, while consumer loans contracted 2.4% in real terms. Year-on-year, Aval Banks gained 56 basis points of market share in consumer loans, 188 basis points for mortgages and last 77 basis points in commercial loans.

This yielded year-on-year market share losses of 9 basis points in total loans. For the last 3 months, loans grew 1.6% in the system. This market growth begins to show signs of recovery, considering a 0.8% partly inflation. Mortgages grew 2.8% and commercial loans, 1.1% in nominal terms over the quarter. While consumer loans maintained their growth trajectory with 1.7% increase for the quarter.

On Page 12. Loan quality for both the system and the Aval Banks showed an improvement during the quarter in most loan categories. Our banks continue to exhibit better loan portfolio quality than the system in gross loans, mortgage loans and consumer loans.

I will now move to the consolidated results of Grupo Aval under IFRS. On Page 13, assets grew 7.2% year-on-year and 2.4% over the quarter to COP 344 trillion. Fixed income investments, which account for 17% of our assets reached COP 58 trillion, growing 24% year-on-year and 9.3% during the quarter.

Gross loans, which account for 59% of our assets reached COP 203 trillion, growing 4.6% year-on-year and 2.1% over the quarter. Growth metrics were affected by the 3.6% appreciation of the Colombian peso spike during the quarter and 6.1% over 12 months. This peso appreciation reduced gross loan growth in 1.1 percentage points year-on-year and 0.6 percentage points quarter-on-quarter.

Peso-denominated loans that account for 84% of gross loans grew 6.1% year-on-year and 2.8% during the quarter. While dollar-denominated loans, which account for 16% of gross loans grew 3.4% year-on-year and 1.8% in the quarter in dollar terms. Given the appreciation of the Colombian peso, our dollar-denominated loans contracted 2.9% year-on-year and 1.8% quarter-on-quarter in peso terms. Although retail loans continued to drive our growth, commercial loans have shown positive signs for the quarter. Consumer loans grew 4.1% year-on-year and 1.5% in the quarter.

Gross loans growth continues to recover, increasing 4.4% year-on-year and 1.1% during the quarter. While personal loans grew 7.6% year-on-year and 4% during the quarter. Auto loans 1.9% year-on-year and 0.1% during the quarter; and finally, credit cards contracting 3.4% year-on-year and 0.4% during the quarter.

Mortgages where we continue to be underweighted grew 18% year-on-year and 3.5% over quarter. Finally, commercial loans expanded 2.2% year-on-year and 2.1% during the quarter, this incorporates a negative impact of the peso appreciation of 1.4 percentage points year-on-year and 0.8% quarter-on-quarter. We expect our 2025 loan growth to be in the 4.5% area incorporating a negative effect of the peso appreciation on a dollar-denominated loans.

On Page 14, we present the evolution of funding and deposits. Total funding increased 8.1% year-on-year and 2.9% during the quarter. Total bank borrowings grew 19% year-on-year, in line with the expansion of our investment portfolio and account for 8.8% of total funding. Deposits that account for around 3/4 of our funding grew 8.5% year-on-year or 0.4% quarter-on-quarter. Our deposits to net loan ratio closed at 109%.

On Page 15, we present the evolution of our total capitalization, our attributable shareholders' equity and the capital adequacy ratio of our banks. Our total equity increased 2.9% in the quarter and 5.6% year-on-year, while our attributable equity increased 3.7% during the quarter and 5.9% year-on-year. Total solvency and Tier 1 ratio evidenced an increase in all of our banks.

On Page 16, we present our NIMs. Net interest income reached COP 2.9 trillion, increasing 20.6% year-on-year and 11.6% during the quarter, driven by the strong performance of our trading investment income. Part of the quarterly net interest income was offset by hedging and derivatives that I will comment later, when covering other income.

Total NIM increased 35 basis points to 4.35% quarter-on-quarter. Our consolidated NIM on loans expanded 21 basis points year-on-year and contracted 6 basis points during the quarter to 4.4%, while NIM on investments improved to 4.13%. NIM on loans incorporates a 60 basis points year-on-year expansion of NIM on retail loans to 5.9% and a 13 basis points year-on-year contraction of NIM on commercial loans to 3.28%.

Focusing on our banking segments. The NIM on loans was 4.88%, materially stable year-on-year. This incorporates a 41 basis points year-on-year increase in NIM on retail loans to 6.4% and a 39 basis point year-on-year decrease in NIM on commercial loans to 3.72%. The total NIM of our banking segment expanded 17 basis points from the quarter to 4.74% due to the same dynamics that affected our consolidated NIM.

On Page 17, we present our yields on loans, cost of funds and spreads. On a consolidated basis, the average yield on loans for the quarter decreased 2 basis points quarter-over-quarter to 11.7%, while the average 3-month IBR fell 6 basis points to 9.2%. Our consolidated cost of deposits remained relatively flat during the period, while our cost of funds slightly increased by 7 basis points quarter-on-quarter to 6.83%. The increase in the cost of funds is mainly attributable to a higher repo position related to our fixed income business. Finally, the Central Bank kept its policy rate unchanged at 9.25% throughout the third quarter and a persistent inflationary pressures. We expect this level to remain over the following few quarters with rate cuts beginning by the end of 2026.

On Pages 18 through 20, we present several loan portfolio quality ratios. Starting on Page 18, loan pay portfolio quality further strengthened during the quarter. PDL metrics continued to improve in all categories. 30-day PDL formation for the quarter reached COP 1.083 trillion, 23% lower than for third quarter 2024. 30-day PDLs were 4.64%, a 17 basis points improvement over 3 months and 113 basis points improvement over 12 months. 90-day PDLs were 3.37%, a 15 basis point improvement in the quarter and a 93 basis point improvement over 12 months.

Commercial 30-day PDLs were 4.29% and 8 basis points improvement quarter-on-quarter and 110 basis points year-on-year. 90-day PDLs were 3.69%, an 18% improvement over the quarter and 105 basis points over the year. Consumer 30-day PDLs improved 39 basis points for the quarter and 136 basis points year-on-year to 4.68%, while 90-day PDLs improved 13 basis points during the quarter and 84 basis points year-on-year to 2.71%. Mortgages 30-day PDLs and 90-day PDLs improved 2 basis points and 5 basis points, respectively, over the quarter. Finally, the ratio of charge-offs to average 90-PDLs was 0.71x.

On Page 20, coverage measured as allowances for Stages 2 and 3 as a percentage of Stages 2 and 3 loans was 31.9%, increasing 38 basis points relative to a quarter earlier. The shareable portfolio classified as Stage 1 grew to 89.1%, while Stage 3 fell for a fourth consecutive quarter to 5.8%, driven by improvements across all portfolios.

On Page 20, cost of risk net of recoveries slightly increased this quarter to 1.9% in line with our expectations for the year. We expect 2025 cost of risk to be in the 1.9% area. Cost of risk net of recoveries from consumer loans improved 33 basis points to 3.9%. This includes a 41 basis point improvement in personal loans and to 7.7% while cost of risk for payroll loans was 1.9%. Cost of risk net for commercial loans was 1%.

On Page 21, we present net fees and other income. Gross fee income grew 11.8% year-on-year and 7.5% quarter-on-quarter. Net fee income increased 11.5% and 8%, respectively, over these time periods. Both pensions and trust fees increased over the quarter due to high performance-based management fees driven by positive returns on financial markets.

Banking fees increased 4.7% above loan growth. Our income from the nonfinancial sector was 88% of that reported in third quarter 2024 due to a lower contribution from the infrastructure sector.

Finally, on the bottom of the page, the quarter-on-quarter decrease in operating income is mainly driven by derivatives and FX losses of COP 211 billion. These were mainly explained by hedging strategies of trading income in around our fixed income instruments.

On Page 22, we present some efficiency ratios. Cost to assets for the quarter was 2.7%, including 9 basis points relative to a quarter earlier and increased 9 basis points year-on-year. Our quarterly cost-to-income improved 124 basis points to 50.7% over the quarter driven by the positive performance of our NIM. Quarterly expenses fell 1.4% quarter-on-quarter and grew 10.3% year-on-year.

General and administrative expenses fell 0.8% quarter-on-quarter and reached 16% year-on-year. The year-on-year increase was driven by operating taxes, which account for 26% of this category and explain 7.9 percentage points of the year-on-year growth in administrative expenses. Personnel expenses grew 1.4% over the quarter and 4.8% year-on-year, well below the 9.5% increase in Colombia's minimum wage.

Finally, on Page 23, we present our net income and portfolio ratios. Attributable net income for the quarter was COP 521 billion or COP 21.9 per share, increasing 25.3% relative to the third quarter of 2024, the highest since second quarter 2023. Our return on average assets and return on average equity for the quarter were 1% and 11.5%, respectively.

I will now summarize our general guidance for 2025 and 2026. For 2025, we expect return on average equity to be in the 10.5% area with loan growth in the 4.5% area with commercial loans growing in the 2% area and retail loans growing 8.5% area. This incorporates an expected negative impact of the peso appreciation of 2 percentage points on commercial loan growth.

We expect our consolidated NIM in the 4% area with NIM on loans in the 4.5%. NIM of our banking segment in the 4.6% area with NIM on loans in the 5.1% area. Cost of risk net of recoveries in the 1.9% area cost of assets in the 2.75% area, income from the nonfinancial sector of 85% for that of 2024 and fee income ratio in 21%.

Now moving to our initial view for 2026. We expect loan growth in the 8% area with commercial loans growing at 7% in retail loans growing at 9%. Total NIM in the 4.3% area with NIM on loans in the 5.2% area. NIM of the banking segment is the 5% area with NIM on loans for banking segment is in the 5.6% area.

Cost of risk net of recoveries in the 2% area cost to assets in the 2.8% area, income from the nonfinancial sector of 1.3x that for 2025, a fee income ratio of only 1%. Finally, we expect our 2026 return on average equity to be in the 12% to 12.5% range.

Maria Lorena Gutierrez Botero (CEO)

Thank you, Diego. Finally, looking ahead, 2026 will be challenging for Colombian businesses, particularly during the first part of the year. The electoral cycle will bring political uncertainties that can be expected to bring volatility in the financial markets and delay investment decisions.

In addition, the market consensus anticipates a high Central Bank real integration rate to prevail incorporate fiscal balance concerns and inflationary pressures due to a high minimum wage increase. Even though we recognize this to be a challenging environment, we remain positive for the continued recovery of the industry in which we operate.

This view is supported on expectation of a sustained expansion of economic activity, a stable labor market, a slight improvement in asset quality, a reduction in average cost of funds relative to the year and opportunities for further banking penetration resulting from the introduction of Bre-B.

In addition, we are working hard and focused on unlocking fundamental value supported on our strategic pillars. First, we expect to improve our presence in loans and deposits in the retail segment adding to the segment and businesses where we already lead, which will result in improvement in NIM and further growth.

We continue working on improving the alignment of the strategy and the culture of our banks around a more client-centric experience further differentiation in target segments and products of each one of the business units as well as the redesign and centralization of key processes in Aval Valor Compartido, AVC.

We expect these elements to translate into a better customer experience, shorter innovation cycles and time to market and more competitiveness in our cost structure. We are committed to having a positive impact on the community and those we serve without losing focus on commercial and financial performance.

Finally, regarding year-to-date share price performance, the price of our preferred shares has increased by 82%, 1.6x that of the MSCI Colcap. Our ADR increased by 116%, 7.3x that of the S&P500.

We are evaluating several options to further liquidity of our local shares and our ADR. On this front, we reached an agreement with JPMorgan. The depository bank of our ADR program to reduce by 80% the conversion cost of the issuance and cancellation of the ADRs in the United States. This measure will be effective starting next Monday, November 17 through next month and year April 17, 2026. So now we are open to questions.

Q&A

Operator

Our first question will come from the line of Brian Flores with Citibank.

Brian Flores (Citibank)

The first question is more of a request. If you could repeat the guidance, I think you focus only on general loan growth and ROE for '25 and '26. It would be great. I try to catch it, but honestly, I have bad hearing. So apologies on that.

On the second point, I wanted to ask you on the contribution from trading and other operating income. Do you think these levels are sustainable because we have seen good contribution from these lines in the second quarter and also in this third quarter. So just if we can think about these levels on a recurring basis. And my last question on your NIM profile. It seems the NIM on loans declining, but also the NIM in investments is increasing very healthily. So also, how recurring do you think this is?

Diego Fernando Solano Saravia (CFO)

Brian, I think those are great questions. Let me start with the easiest and just to recap our loan growth guidance. For this year, we are guiding to 4.5% with retail loans growing at 8.5% and 2% and that 2% includes a relevant negative impact of FX over our U.S. dollar-linked loans.

For next year, we're guiding into 8% with a similar growth on the retail front, retail growing at 9% and commercial growing at 7%. 7% built in a seeing a combination of not having the negative impact and eventually having a positive income from FX and then reflecting growth over the past few months and I would say over the past quarters recovering on that front. Then I think questions 2 and 3 are linked and we're thinking on how to better transmit this to you guys.

On the training front, you have to read 3 lines, when you look at our numbers. You have to look at what is happening in net interest margin, what is happening on the trading income and what is happening on the derivatives front. That's why I emphasized during the call that we had a negative effect from derivatives that affected the results and the fixed income front.

What I'm gearing to is when you take into account those lines, our performance has been strong. However, given that we are conservative there and we go hedged, we are trying to lock in the kind of returns that we're looking into. The area where we had an upside during this quarter was we had a very strong performance from Porvenir. We expect to continue seeing positive performance from Porvenir, but this was a particularly strong quarter. So all in all, that is going on in the numbers.

And the other question that you asked regarding the trends of peso of loans and investments having built an effect of having grown our fixed income portfolio that is in a relevant portion financed with repos. So we didn't want to change our methodology. But if you earmark the cost of those repos to fixed income, you see a better performance on the loan side, however, for comparability, we didn't want to move things around in each one of the quarters.

To try get to the substance of your question, what we're seeing is we are seeing an improvement in pricing of loans and actually something that is built into our guidance is we are working on improving our mix, both on the asset side and on the liability side.

So you see in the guidance, we are guiding into a better number for NIM for next year, but also a slightly worse number on the cost of risk side that what that is doing is it's bringing in that we've been growing more on some of the products that we haven't grown in the past, and we're making a richer mix on the asset side.

We're doing basically the same on the liability side, where we're growing our deposits from the retail base from individuals that is helping us progressively and is built into those numbers. So bottom line, we are positive on the evolution of NIM. It's still shy of what were the stable numbers we used to run on before we saw this long cycle because of the Central Bank policy. But a lot of this is growth that is not dependent on Central Bank policy, what we're building in our numbers.

Sorry for the long explanation, I think your questions were very relevant to understand how we're looking into the future.

Brian Flores (Citibank)

No, it was very helpful. If I can, just a very quick follow-up. Can you repeat please the levels of cost of risk and ROE for both '25 and '26?

Diego Fernando Solano Saravia (CFO)

ROE for this year, 10.5% area and for next year, 12% to 12.5% range. And cost of risk for this year, 1.9% and for next year, 2%.

Operator

Our next question will come from the line of Diego Marquez with JPMorgan.

Diego Marquez (JPMorgan)

So just a quick follow-up there on asset quality. So we're seeing most metrics improving cost of risk down at 1.9%, similar to what you guided. Just to get a sense on what you expect to reach and what you expect going forward? And also a quick question on coverage. So we saw stable 90-day NPLs ratios of 130%. So what level should we work with going forward? Do you expect this to continue?

Diego Fernando Solano Saravia (CFO)

Could you repeat your second question? I'm sorry, I'm not sure I caught it.

Diego Marquez (JPMorgan)

Yes. Just on coverage. So we saw levels of 130% it has been stable for the 90-day NPLs. So just going forward, what level should we expect?

Diego Fernando Solano Saravia (CFO)

Okay. And your first question, I have to be shortsighted on the answer to this one because it's very macro dependent. For next year, we're looking in this area of cost of risk that built in that we're closer to ending the cycle of recovery. So that's why we are not including any substantial improvement or any relevant improvement in cost of risk as a measure.

It depends very much on how further years look like, what our sustainable costs of risks would look like. But -- what this built in is a growth, shy of 3% for GDP in Colombia, a stable labor market and a slight reduction in rates by the end of next year that should support that kind of level with a change in mix towards these kind of assets that I mentioned before then the coverage side is very much mechanics and how you provision under full IFRS.

So it's not a target. It's a result -- it depends on how our different stages are behaving, therefore, what kind of provisions we're making and our write-off policies. So this basically is destroying that I would pay much more attention on a new PDL formation, where you can anticipate how things are going to evolve into the future where the trend has been consistently positive for our banks.

Operator

Our next question will come from the line of Daniel Mora with CrediCorp Capital.

Daniel Mora (Credicorp Capital)

I have questions. First is regarding Opex and efficiency ratios. How should we think about the synergies coming from Aval Valor Compartido. What will be the targeted efficiency ratio and the potential impact on ROE in 2026 and the years ahead, because if I'm not mistaken, it seems that the guidance of cost to assets suggest an increase from 2.5% to 2.8%. I would like to understand if Opex will be in line with inflation or above or below? That would be my first question.

And the second one is very short, is I would like to understand the impact on interest expenses this quarter, especially the interbank borrowings. I would like to know what was behind that? And if this is one-off or should we expect a similar impact going forward?

Diego Fernando Solano Saravia (CFO)

Okay. Starting with your last question, I think that's in the line of Brian's question. What we've been doing over the past few quarters is we've been increasing our position in FX and that position is being financed with repos and that's what is driving our repo position. So it has a repo financing that investment in securities plus the derivatives on top where we're locking in some of these results.

So the reason why you see more expenses, there is more volume that's the key driver, tied to a larger positive carry on the other side of the balance sheet. Then regarding Opex, Colombia is facing pressure for next year on the inflation side. We've built into our numbers, a minimum wage increase that could be in the order of 11%. So when you start out with loan growth, that is in the 8% area, and you into account that you have a minimum wage plus inflation ending year at 5.3%, you have a pressure on expenses that begins there.

Then the other part of your question, I think, is that the most relevant thinking to the future and it says, we've only begun to work on the Aval Valor Compartido initiative. We started with admin processes. Those processes are being implemented, there are some restructuring costs associated to those that delay in some way, when you start seeing the net result what is being done there.

However, as Jorge Otalvaro mentioned, we have a large aspiration there, and we're moving into our next phase where we're going to touch on back office and operational process over next year. And when we have additional information there we can touch back on that to give you a better idea of what we expect to achieve.

Operator

And there are no further questions at this time. Ms. Maria Lorena Gutierrez Botero, I turn the call back over to you.

Maria Lorena Gutierrez Botero (CEO)

Okay. Thank you to your attendance on today's conference call. This is the last time we meet in 2025. So see you next year. And I wish you all a happy holiday season. Merry Christmas, Happy New Year. So thank you for being with us.

Operator

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