3Q2017 CONSOLIDATED EARNINGS RESULTS CALL TRANSCRIPT

GRUPO AVAL ACCIONES Y VALORES S.A.

THIRD QUARTER 2017 CONSOLIDATED EARNINGS RESULTS CALL TRANSCRIPT

Operator

Ladies and Gentlemen welcome to Grupo Aval third quarter 2017 conference call under full IFRS my name is Jason and I will be your operator for today´s call. At these time participants are in listen only mode, later we will conduct a questions and answers session.

Grupo Aval Acciones y Valores S.A. Grupo Aval, is an issuer of securities in Colombia and in the United States, registered with Colombia's National Registry of Shares and Issuers (Registro Nacional de Valores y Emisores) and the United States Securities and Exchange Commission, SEC. As such, it is subject to the control of the Superintendency of Finance and compliance with applicable US securities regulation as a foreign private issuer under Rule 405 of the US Securities Act of 1933. Grupo Aval is not a financial institution and is not supervised or regulated as a financial institution in Colombia.

As an issuer of securities in Colombia, Grupo Aval is required to comply with periodic reporting requirements and corporate governance. However, it is not regulated as a financial institution or as a holding company of banking subsidiaries and thus, is not required to comply with capital adequacy regulations applicable to banks and other financial institutions. All of our banking subsidiaries, (Banco de Bogotá, Banco de Occidente, Banco Popular, Banco AV Villas), Porvenir and Corficolombiana, are subject to inspection and surveillance as financial institutions by the Superintendency of Finance.

Although we are not a financial institution, until December 31, 2014, we prepared the unaudited consolidated financial information included in this quarterly report in accordance with the regulations of the Superintendency of Finance for financial institutions and generally accepted accounting principles for banks to operate in Colombia, also known as Colombian Banking GAAP, because we believe that presentation on that basis must appropriately reflect our activities as a holding company of a group of banks and other financial institutions.

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

Because of our recent migration to IFRS and recent implementation of IFRS accounting principles, the unaudited consolidated financial information for the second and third quarter of 2017 and the third quarter of 2016 may be subject to further amendments. This report may include forward-looking statements, which actual results may vary from those stated herein as a consequence of changes in general, economic and business conditions, changes in interest and currency rates and other factors, as evidenced in our Form 20-F available at the SEC webpage. Recipients of this document are responsible for the assessment and use of the information provided herein.

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

I will now turn the call over to Mr. Luis Carlos Sarmiento Gutierrez, President and CEO of Grupo Aval. Mr. Sarmiento, you may begin.

Luis Carlos Sarmiento Gutiérrez
Chief Executive Officer

Good Morning Jason, thank you and good morning all and thank you very much for joining our 2017 third quarter results call. Allow me to start by updating you in reference with who recurring items in the agendas of our quarterly calls: Ruta del Sol and Electricaribe and they I will also refer to our exposure to SITP.

Regarding Concesionaria de Ruta del Sol Dos CRDS first I will briefly recap where we left this tortuous story during our last quarterly call. As you may recall I was excited to report that the creditor banks were close to receiving our first partial payment as CRDS have just about fulfilled the two required obligations for that payment to be effective stipulated under the agreement signed with the ANI on February 22nd and modified on March 27th of this year.

I did also mention that in the August 3rd arbitration proceedings where we had expected to settle with the ANI and to receive the arbitrator's ratification of the concession´s liquidation formula established under the terms of the agreement, the ANI stated its unwillingness to abide by the formula they had agreed to in the binding document. The ANI has since taken this stands to a new level and has proceeded to ignore the rest of its obligation under the agreement including the obligation to effect the mentioned first payment.

The arbitration tribunal which is expected to meet again on September 1st, has failed to reconvene since due to several postponements. in contrast with the lack of progress at the arbitration tribunal there have been significant movement on two other fronts: first in the administrative state court which is handling the class actions to which I have referred in the past and secondly in Congress a couple of days after our last call, the State Court ordered CRDS to present to the ANI an updated detailed inventory of all of its liabilities including its financial obligations as of October 31st and also ordered the ANI to review this information and at most 20 labor days later, to use the almost 5 million dollars already allocated to pay to Ruta del Sol to start paying these obligations.

CRDS complied with the court order the ANI reviewed the information sent by the company and a follow up for a couple of additional information requests which have been answered. Therefore, in our estimate the ANI now has until approximately December 11th to comply with its own court mandated obligation. So it looks as though the banks will receive a first substantial payment not as a result of the termination agreement but instead as a result of a court order. Additionally, just last week both chambers of congress approved a modification of article 32 of Law 1508 2002 also known as the infrastructure law as a result of which specific language which inserted into the law that specifies how to liquidate the concessions declared null after events similar to those that terminated the CRDS concession. In our opinion the liquidation formula inserted in the modified law serves fairly validate the liquidation for a concession declared null and thus terminated. If the ANI abides by the state court order and by the mentioned modification of the law the financial system will soon receive the long awaited first payment and the sponsors will have a definitive liquidation value and a timeline to receive such payments. With regard to Electricaribe, I mentioned you in our last call that both the government and the financial system had agreed to work in a solution to financially save the company and to eventually pay the company´s debt to the financial system. The banks and the government through the Financiera de Desarrollo Nacional, the FDN, hired investment banks to come up with possible solutions. We were recently told that the FDN is ready to meet to discuss their findings and to share the finance of the banks. In the meantime, Gas Natural from Spain the majority owner of Electricaribe has expressed its willingness to sit down with the government to explore ways in which they can take back the company. Gas natural is confident that with some regulatory and legal adjustments, Electricaribe is salvageable. We still believe that this is a long-term possibility at best and therefore we have continued to put long last provisions to cover our exposure.

I had mentioned that we will constitute provisions for 70% of our 200-million-dollar exposure during 2017 and I can now report that as of today´s call we are almost there. We have also started to make provisions for our exposure to certain companies associated with Bogota´s mass transportation system SITP. Our total exposure to this company is approximately 160 million dollars and as of September 30th we had constituted provisions for approximately 13% of such exposure. By year end, we expect to have full accumulated provisions equivalent to 16% of our exposure and our current plan is to bring provisions up to 50% of our exposure during 2018.

As this is an essential service to Bogota, we remain very attentive to the Mayor´s handling of this situation. We are fairly confident that sooner than later the creditor banks will be called to participate in a city of Bogotá´s sponsored refinancing of this debt. This refinancing will probably entail a long-term solution as well. We will revisit this problem credits situation during our next call.

Regarding the current macroeconomic environment, although it is way too early to point to a definitive trend towards an acceleration of growth it is probably a safe bet to declare that the worst of deacceleration is behind us. In fact, there are a few of macroeconomic indicators that would seem to point in that direction. To start with, inflation numbers have been surprisingly low during 2017, and just recently broke the 4% barrier on a last 12-month basis.

It might just be that inflation for 2017 will come in at approximately this same 4% number. Not long ago we should remember that inflation on a 12- month basis had risen above 9%. The Central Bank lived up to its mandate and fought hard against losing control of this index though the application of a contractionary policy which drove rates up to a high of 7 and ¾% almost at the end of 2016.

And once the inflation trend started to ease, so did the bank´s monetary policy which has decreased its rate by 300 basis points since its highest point last year. The Centrals Bank´s monetary policy should in the medium term help with consumer delinquencies as rates dropped and prices of consumers goods hold. We do not see much more room for easing but nevertheless we expect that 2018´s inflation will come in closer to 3,5%. Another contributing factor to a controlled inflation numbers is the oil exports which have diminished as a percentage of total exports from 50%in 2014 to 33% in 2017. This has helped to diminish the volatility of the peso- dollar exchange rate and therefore has made the price of imports more stable. The reduced volatility in the price of imports has also contributed to keep prices down and thus inflation. To close this look, imports have also grown in 2017 in a much lesser rate than exports, in fact as of August 2017, exports had grown by almost 20 percent while imports grew 5,7%. Consequently, Colombia's trade deficit is also taken a turn in the right direction we expect this indicator to end this year at 3,8% and further correct to 3,5% during 2018.

The country's fiscal deficit has slowly started to turn in the right direction and for this year we expected to come in around3,6%. However, we insist that the fiscal route should be examined to avoid sending the country in a chase of an unattainable fiscal deficit objective that might be deviate attention from Colombia's most present growth goals.

Just recently, three rating agencies expressed that a modification of the fiscal rule will not be credited negatively for the country. This is just food for thought, though. In any case, the country's growth in the third quarter was 2% after observed growths of 1,2 % in the second quarter, and 1,3% in the 2017´s first quarter. Taking into account that the last quarter of 2016 ruled at 1.6 % we should see better growth during this year´s last quarter for a total growth during 2017 of approximately 1,7%. Next year, we expect to see growth closer to between 2,4 and 2,5%.

However, to achieve this better growth we believe that 4G infrastructure projects must get underway in earnest as well as those projects. We hope that the resolution of Ruta del Sol liquidation will be the trigger to this necessary component of next's year growth strategy. In the meantime, our very own Corficolombiana lack lustered results for this year have been largely affected by this low start in its own 4G infrastructure projects.

We remain concerned with unemployment and specifically urban unemployment. This indicator continues to be our main worry as this relates to the health of our consumer portfolios and it is the major reason why we have made an effort to stay the quality portfolios in lieu of growth. This strategy has probably resulted in slower growth than our peers, but in our opinion, has proven right.

Evidence of this success is observable upon comparing the quality of the loan portfolios of our banks which is the rest of the financial system. During this year´s third quarter our pension fund manager Porvenir also continued to perform very favorably supported in one, the increasing new funds coming into its system and secondly by the high returns of its assets on their management.

Our Central American operation which is 30% of our business now, continues to perform strongly. Growth seen in backs loan book in dollars is greater than the growth of our Colombian loan portfolios half the risk is controlled despite some events in Costa Rica and Panama. Efficiency is improving and sustained. As we have said before, back continue to be an integral part of our strategy as it has proven to be an excellent investment for a while and a great source of diversification. Now turning to our long financial results I will briefly refer to it the main highlights and then pass this to Diego who will refer in detail to our business results.

Partly as a result of our strategy and partly due to the slow economy and a consolidated basis during the third quarter, our total loan declined from 0.2 % versus the second quarter of 2017 which is a 0,9% increase in absence of the impact of close to 4% revaluation of the currency during the period.

In the last twelve months our consolidated loan book grew by 7,9% which is 7,3% in absence of FX movements. Our thirty-day PDL´s are 90 days NPL´s deteriorated by approximately 20 basis points in the quarter to 4% and 2.7% respectively. The positive element in this quarter is that our consumer portfolio quality improved 10 basis points versus the previous quarter. This is clearly differentiating us versus our peers as our indicators continue to show deterioration while they continue to grow faster than we do. A second positive element is that the PDL formation continues to show a positive trend. Cost of risk for the quarter net of recoveries was 2,6 versus 2,7% in the previous quarter including our 150 billion pesos provision expense related to Electricaribe 180 billion pesos versus during the second quarter. Electricaribe accounted for 40 basis points of the cost of risk during the quarter.

In sync with the slow economy total deposites declined by 2,2% in the quarter which is minus 1,1% excluding the impact of FX movement in our central American operation in the last twelve months.
In the last twelve months, deposits grew by 7, 9% which is 7,3% excluding FX movements. Partly is a consequence of a continued growth slow down and partly is a consequence of the FX revaluation of the period the third quarter was one in which our consolidated equity ratios improved.

Our total equity to total assets ratio improved from 7,7% in June 2017 to 11% in September 2017 and our tangible capital ratio improved from 7,6% to 8%. On a positive note improving our net assets sensitiveness despite continuing to see a deep declining interest rate environment our NIM only declined by approximately fifteen basis points to 5.9% during the quarter. During 2017, NIM resilience is offset to some extent increasing the operation expense and thus is limited to a negative impact to the increase in the cost of risk in the ROE. Declining interest rates are expected to continue as well as NIMS but we expect that our cost of risk will also decline setting up ourselves for a stronger ROE in 2018. Our consolidated xx loans remain constant at 7% during the quarter and our consolidated NIM in total investments had a mediocre performance with a ratio of 0,3 % versus 1,4% in the previous quarter.

Our income group grew by 4% in the quarter when compared with the second quarter of 2017. This performance continues to surpass the growth of our balance sheet. Our other operative income for the period was 525.2 billion pesos for the quarter versus 493.1 billion pesos in the previous quarter supported by a better performance for our non-financial sector. Our consolidated efficiency ratio shows a slight improvement measured as cost to income it takes 48% in the third quarter versus 46,9% during this year´s second quarter. Our implicit tax rate was 40.3% which compares negatively to 35.6% during the previous quarter. There are several reasons for this including the generation of more taxable income, and because in this quarter we did not have as many tax recoveries as for the first semester of this year.

In conclusion, to specific credit exposures, to problem clients such as Electricaribe and SITP, to slow growth, to the slow start of 4G infrastructure projects and to the tax rate which were partially offset by a comparatively better loan portfolio quality and healthy growth in income, net income for the quarter was 137.9 billion pesos or 20 pesos per share compared to 47.8 billion pesos in the second quarter of this year.

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 good day.

Diego Solano Saravia, Chief Financial Officer

Thank you, Luis Carlos. I will now move to the consolidated results of Grupo Aval under IFRS starting in page 9 with our asset´s evolution. As mentioned by Luis Carlos growth was slow during the quarter consistent with a poor GDP cycle. In absence of the effect of the Colombian peso fluctuations on Central America assets were stable during the quarter and grew 4.8 during the last twelve-months. In peso terms total assets decreased by 1.2% this quarter and increased 5.4% for the last 12 months. Assets dynamics excluding FX during the quarter resulted from a 0.9% or 1.4 trillion pesos increasing growth loans and a 2% or 0,5% trillion pesos increasing total financial assets health for investments.

These were offset by a 21.5% or 1.3 trillion pesos decrease in interbank and overnight funds mainly in Colombia and a 3.6% or 0.3 billion pesos decrease in cash mainly in Central America. Over the quarter our Colombian assets likely decreased 4.5% during the quarter while our Central American assets grew at 0.9% in dollar terms, a 2,9% decrease when translated into Colombian pesos. As mentioned before, reductions in the interbank and overnight funds particularly in Banco de Bogota and AV Villas determined the growth dynamics of our assets in Colombia. Over the twelve months period ended on September our Colombian assets increased 3.8% while our Central American assets grew 7.5% in dollar terms a 9.6 increase when translated into Colombian pesos. Consolidated balance sheet structure remains substantially stable net loans and fixed income investments accounted for 68% and 9.6 % of total assets respectively at the end of this period.

Given that 3.7% appreciation of the Colombian peso during the quarter our Colombian operation slightly increased its share of assets by 51 basis points to 71.2%.

At page ten we present our loan portfolio evolution. As mentioned in our recent calls the slow economic cycle has driven the modest growth experienced throughout this year. Loan growth resulted from a slow loan demand and our Colombian corporate customers and tighter consumer and underwriting practices throughout our operation.

Considering the economic slowdown our transfer has emphasized products and segments with lower risk profiles. At the retail front we have been prioritizing mainly unpaid roll loans and cross selling of personal loans and credit cards to existing customers. Mortgages continue to be a source of growth in Colombia given our still low market share. Gross loans increased 7.9% during the last twelve months and contracted 0.2% during the quarter. In absence of the effect of the peso depreciation in our Central American operation twelve months and three months growths would have been 7.3 and 0.9% respectively.

Colombia accounted for 71.6% of gross loan book. Colombian loans grew at 6.7% during the twelve-month period and 0.3% during the quarter. Colombian consumer and mortgage loans continue to grow stronger and corporate loans expanding 2% and 4% respectively over the quarter. This growth was partially offset by a 0.8% contraction of the corporate loan portfolio mainly in the food, beverage and tobacco industry construction and transportation and communications. Central America continues to be a more dynamic than Colombia growing at 8.7% in dollar terms for the twelve-month period, 10,9 when translated into Colombian pesos and 2.4% in dollar terms during the quarter a 1.4% contraction when translated into Colombian pesos.

Quarterly growth was led by growth in Costa Rica, Panama and Honduras where loans expanded over 3%.

Growth in the region was stronger in public services which grew at 13.6% , construction which grew at 25% and transportation and communication that grew at 6.3%.

Broken down by type of loan over the last twelve months mortgages grew 16.2% in Colombia and 5% in dollar terms in Central America.

Consumer loans grew 8.6% in Colombia and 8.3% in dollar terms in Central America. Commercial loans grew 5.2% in Colombia and 11.1% in dollar terms in Central America. The structure of our gross commercial loan portfolio continues to shift slightly towards loans to individuals which include consumer mortgages and micro-credit loans weighed 41.6% at end of period. It is 0.6

percentage points and 0.3 percentage points more than twelve months and three months respectively. We expect 2017 growth on loans in absence of FX movements to be in the 6.7% area in 2017 and in 9 to 10% area in 2018.

On page 11 we present several loan portfolios quality ratios. In this quarter we continued to experience a slight deterioration of our loan portfolio mainly driven by an additional deterioration of our corporate loan portfolio in Colombia. On a positive note the increasing delinquency of the Colombian consumer portfolio that we had reported on the previous quarters paused hinting that the cycle might be reverting soon. This improvement in performance of the consumer portfolio resulted in a slight decrease of our cost of risk despite of an increase in provisions of the Electricaribe exposure. It is worth pointing out that that consistent with what we had experienced in previous credit quality cycles our Colombian portfolio has performed better than the rest of the market. Year today our consolidated and Colombian consumer PDLs have deteriorated a 7 basis points to 5.6% of our Colombian gross loans. This compares well with the rest of the Colombian market as PDLS have deteriorated a 182 basis points to 7.6%.

Our better than market performance is mainly explained by a higher weight of our payroll loans and a mix and a more conservative underwriting and consumer loans along 2017.

Starting on the top left of the page you will find the evolution of our loans past due more than 30 days and our NPL´s represented including interest account receivables. During this quarter our delinquency ratios measured as 30 days PDLs to total loans increased by 23 basis points to 4%. Delinquency measured as NPLs to total loans deteriorated by 22 basis points to 2.7%.

Moving to the right analyzed net provision expense net of recoveries of charged off assets for the quarter was 2.6% of average loans showing a 10 basis points improvement as compared to the last quarter.

Even though still high relative to our historic performance this result is a slight improvement down from 2.7% recorded three months earlier. The Electricaribe and SITP impairments for the period accounted for 47 basis points of the quarter´s cost of risk 40 points Electricaribe and 7 basis points SITP. This is 17 basis points more than 30 basis points consumed a quarter earlier 28 basis points for Electricaribe and 2 basis points for SITP.

High cost of risk of the consumer portfolio has been mainly driven by higher than historic impairment losses in credit cards in both regions and in personal and auto loans in Colombia. Impairment on consumer portfolio explain 15 basis points of improvement in total cost of risk during the quarter.

Of those 9 basis points are explained by Colombia and 6 basis points by Central America. In Colombia the improvement was led by a reduction in cost of risk of credit cards and auto loans. Bottom left we present the annual as a share or average NPLS´. This ratio continues at 0.7 points. Finally on bottom right you will see several loan coverage ratios 3.4% of our total loans and covered 1.2 times our NPL and 0.8 times our 30 days PDL´s. We expect 2017 cost of risk net of recoveries to be in the 2.4% area. We foresee an improvement to 2 and ¼ area for the next year as the consumer credit cycle starts to revert and a lower impact of large exposure such as Electricaribe. These are figures under IFRS 39 guidance on the impact under IFRS 9 will be included in our year-end report.

On page 12 you will find further detail on the quality of our loan portfolio. As mentioned on the previous page our overall end of period delinquency ratio measured as 30 days PDls to total loans increased by 23 basis points to 4.0%. Deterioration was driven mainly by commercial portfolio during the quarter the right delinquency measured as NPLs to total loans deteriorated 22 basis points to 2.7%.
Broken down by type of loan quarter on quarter, commercial loans experience a 40 basis points deterioration to 3.4% when measured as 30 days PDLs. Colombia deteriorated 47 basis points to 4% while Central America deteriorated 10 basis points to 1%.

Delinquency measured as NPLs to total loans deteriorated 35 basis points to 2.8%. In Colombia we see deterioration coming by middle market and MFE customers.

Consumer loans experienced a 10basis points improvement to 5.1% when measured as 30 days PDLS and remained stable when measured as NPLS.

Mortgage loans deteriorated 19 basis points to 3.7% when measured as 30 days PDLS and 9 basis points 2% when measured as NPLs.

Bottom of the page we present PDL evolution. Commercial loans were the main drivers of PDL formation during the quarter adding 437 billion pesos a 181 billion pesos more than the quarter earlier. However consumer loans PDLs formation receded 177 billion pesos to 572 billion pesos mainly driven by credit cards and personal loans.

On page 13 we present deposits and funding evolution. Our funding structure was substantially stable with deposits representing slightly more than 76% of total funding and a cost ratio over 57% of our deposits. Liquidity measured as cash to deposits was close to 15%. This slight decrease is explained by reduction in excess cash positions in Central America that we built earlier through the year as a reaction to the town quake in Salvador during the first quarter of this year. Over a twelve-month period deposits have evolved igniting loans maintaining ratio at 95%. Total funding grew 6.2% over the last twelve months and decreased by 1.5% during the quarter.

Deposit increased 7.9% over the last twelve months and increased 2.2% during the last quarter. In absence of the effect of Colombian peso exchange rate fluctuations in Central America twelve months and three months funding growths would have been 5.7 and -4.5% respectively. For twelve months and three months deposits would have been 7.3 % and 1.1% contraction respectively.

Colombia accounted for 72.5% of the total funding and 71.8% of total deposits. Funding in Colombia grew 5.1% over the last twelve months and decreased 0.8% during the quarter while deposits grew 6% over the last twelve months and decreased 1.8% during the quarter.

A contraction during the quarter was driven by Banco de Bogota, which reduced its time deposits by 5.8% while maintaining a healthy deposit to net flown ratio of 99%.

Central American funding grew 7.3% over twelve months in dollar terms for 9.4% in Colombian peso terms an increase over the last quarter of 4% in dollar terms 3.4% decrease in Colombian peso terms.

Deposits grew 10.8% in dollar terms or 12.9 in Colombian peso terms over the last twelve months and increase of 0.8 in dollar terms a 3% decrease in Colombian peso terms during the quarter.

Lower deposit growth in Central America resulted from an adjustment in liquidity described earlier. We expect deposits for 2017 and 2018 to grow slightly below loans.

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

Attributable equity plus minority interest was 25.2 trillion pesos as of the end of the third quarter of 2017. This implies a 5.9 increase over the last twelve months and a 1.9 increase during the last quarter. Attributable Equity accounted for 63.1 % of total equity as of September 2017 and was 15.9 trillion pesos as of the end of this period. Increasing 4.9% during the last twelve months and 2.4 in the last quarter.

Mainly earnings generated in this quarter explained equity growth during the period. Consolidated solvencies at the end of the period were 14% for Banco de Bogota, 12.7 for Banco de Occidente, 10.9% for Banco Popular and 12.4 for Banco Av Villas due to end of period ratios rate ranged from 9.4% for Banco de Bogota to 11.1%. All of our banks show appropriate Tier 1 and total solvency ratios.

Starting on page 15 we will present the evolution of net interest margin. As mentioned in the past, even though minor, our non-financial sector activities have some impact on our net interest margin ratio. For the benefit of comparison with other financial institutions, we provide in this page information on the relevance of our non-financial sector activities in our operation. Financial sector activities contribute with almost all our earning income assets. Financial sector entities account for close to 99% of our interest earning assets, HoldCo operations contribute to most of the income earning assets for the non-financial sector.

These assets are mainly items that were incorporated late last year that are considered financial issues provided by the company under IFRS. Even tough in our funding associated with our non- financial activities and HoldCo account to 5.2%

of total funding and 8% of total interest expense. In general, the non-financial sector carries higher cost than those of our financial operations given their longer maturities and higher risk premium. The total weight of our non-financial operation reduced our net increase margin in 21 basis points. The share of our liabilities has remained relatively stable over the past five quarters however we expect it to grow for the coming years due to the impact of the financing of the fourth generation concession infrastructure projects.

Moving to page 16, we present our yield on loans, cost of funds and spreads. In this quarter yields and loans and cost of funds fell at similar paces leaving the spreads substantially stable at 7.2% and 10 basis points higher than the quarters earlier. The average consolidated yield and loans for this quarter was 11.3% decreasing 61 basis points compared to the same period of 2016 and 27 basis points as compared to the previous quarter. Yield reduction was driven by our Colombian commercial portfolio the yield of the consumer portfolio remained basically stable during the quarter. Yield on commercial loans fell 48 basis points quarter and quarter to 8,8% driven by a 64 basis points reduction in the yield of our commercial Colombian portfolio to 9.3%.

The yield of our commercial portfolio in Colombia reflects the fluctuations of the Central Bank´s interventions rate that in average has fallen 108 basis points from the quarter to 119 points compared to four quarters earlier. Our Colombian corporate loan portfolio which accounts to 47% of total gross loans is over 90% floating rate and reprices with a few months lack to changes in the Central Bank intervention rate.

The yield on consumer loans has been less sensitive to the Central Bank rate reductions given that a substantial part of this portfolio has a fixed rate and that the market has been less aggressive in bidding down the prices of those loans consistent with higher delinquency ratios experienced over the past few quarters.

The average yield of our consumer loan portfolio was 16.8 % during the quarter. The average cost of funds of our consolidated operation was 4.1% during the quarter, 21 basis points lower than the 4, 8% recorded a year earlier and 23 basis points below the 4.3% recorded a quarter earlier.

This results from 33 basis points improvements in the cost of funds in Colombia and stability in Central America.

Isolating the effect of the non-financial sector funding the cost of funds for the financial sector of 4% decreased 70 basis points when compared to a year earlier and 26 basis points compared to a quarter earlier. The cost of funds for the non-financial sector in holding companies net of eliminations of 6.3% decreased by 85 basis points when compared to a year earlier and increased 26 basis points when compared to a quarter earlier.

The sharp decline versus a year earlier is mainly attributable to the non-financial sectors liability interest rate sensitivity to inflation and BPF. The quarterly increase is attributable to group Aval´s 400 billion pesos bond issuance in the Colombian market On June 28th fully impacting the quarter´s PDL as compared to the last quarter.

We believe that the favorable behavior of our spread and loans is mainly due to a temporary reprise in gaps and incorporation of a high-risk premium on certain loans. We expect this environment to unwind a more dynamic economy with higher growths and improvement in credit quality of consumer loans next year.

On page 17, our net interest margin for the financial sector and Grupo Aval consolidated operations is presented. Our quarterly net interest margin was 2.7 trillion pesos showing a 10.7 increase when compared to the same quarter a year earlier and an increase of 1.2% when compared to the previous quarter.

Consolidated net interest margins on loans remains stable at 7% compared to the previous quarter and expanded 19 basis points compared to four quarters earlier. This resulted from the spread dynamics described on the previous chart.

However, our NIM investments contracted to 0.3%, 108 basis points short of that recorded a quarter earlier. These lower than average performance resulted from an upward shift in the yield curve of 26, 13 and 20 basis points in the one year, five year and ten year segments of the curve.

As a result, the NIM of our consolidated operation including net trading income from investments helped to the profit and loss decrease 14 basis points during the quarter from 6.1% to 5.9%.

Our consolidated NIM increased 15 basis points when compared to a year earlier. Our NIM excluding net traded income for investments xxx through profit and loss was stable at 5.9%. Isolating the 21 basis points effect of our non-financial activities at NIM at 6.1% was 12 basis points lower than that of the previous quarter and increased 7 basis points when compared to a year earlier.

We expect full year 2017 NIM to be 20 basis points higher than that of 2016 this performance would revert 40 to 50 basis points during 2018 resulting from pricing into consumer loans the reduction in Central Bank rates and lower cost of risk as well as higher share up loans priced under a low interest rate environment.

On page 18 we present fees and other income. Gross fee income grew 8.5% compared to the same period a year earlier and 1% to the previous quarter. Fees grew by 8.1% and 0.2% respectively compared to those periods when excluding the effect of FX movements on Central America. Growth was slightly stronger than that of our loan portfolio and was driven by transactional fees from banking services. Banking fees continue to account for close to ¾ of the income followed by pension and severance funds management which contribute to up to 17%.

Broken by geography Colombia accounted for 61% of total gross fees. Domestic fees grew 7.6% compared to the same quarter twelve months earlier while central American fees grew 9% in dollar terms a 10% increase in Colombian peso terms over the same period.

At the bottom of the page we present other income. Other income for the quarter was 525 billion pesos other income increased by 6.5 % driven during the quarter driven by higher income from the non-financial sector mainly from our energy and gas companies.

This result was 15.3% lower than four quarters earlier affected by the lower contribution of our toll road concessions and constructions xxxxx by the termination of Ruta del Sol 2.

On page 19 we present our efficiency ratios our cost controlling initiative has delivered positive results. Accumulative operating expenses as of September increased by 3.7 compared to the same nine months a year earlier or 6.8% when excluding the wealth tax.

This result comes in spite of the low growth experienced throughout the year and the high labor union wage increase that resulted from high inflation that was prevailing in the last year for setting union wage salaries at Banco de Bogota.
Our efficiency ratio measured that operating expenses to total income of 46.8% during the quarter was likely better than the 46.9% recorded three months earlier and one percentage point higher than that recorded for the quarters before.

In Colombia this ratio improved to 44.1% down from 44.5% reported in the second quarter and deteriorated when compared to the 42.1% reported four quarters earlier.

It is worth mentioning that among other initiatives Banco de Bogota eliminated 400 positions in Colombia generating a onetime cost of approximately 16 billion pesos absence of this onetime cost early efficiency would have been 58 points lower than the quarter.

In Central America this ratio improved to 52,5% down from 53.7% a year earlier and deteriorated from 51% during the second quarter of 2017.

Our efficiency measured as operating expense over assets at 3.5% remain unchanged compared to the previous quarter and increased from 3.4 % in the third quarter of 2016.

The Central America and Colombian operations reported 4.4% and 3.1% respectively through this quarter.

Compared to four quarters earlier Central America improved 26 basis points from 0.7% while Colombia was up from the 2% then recorded.

Both regions remain substantially stable compared to the previous quarter.

Regarding efficiency ratio we expect to maintain our current cost to assets for the full year 2017 and to improve 10 basis points for 2018.

Finally, on page 20 we present our net income and profitability ratios. Attributable net income was 438 billion pesos or 19.7 pesos per share accumulated 1496 billion pesos or 67,1 pesos per share year to date.

Return on average assets and return on average equity for the quarter were 1.3% and 11.2% Before we move to questions and answers I will now summarize the general guidance for 2018.

We expect 27 on loan growth to be in the 6 to 7 area and 9 to 10% area in 2018.

Deposit growth will be slightly below growth for both years. We expect 2017 cost or risk and recoveries to be in the 2.4% area. We expect an improvement of xxx area as the consumer credit cycle starts.

To revert, 2018 will still carry some burden from SITP and Electricaribe. This figures are under ES39 guidance and the impact of IFRS will be disclosed later in our year-end report. We expect full year 2017 NIM to be 20 basis point higher that that of 2016.

This performance would revert 40 to 50 basis points during 2018 resulting from the pricing into consumer loans of the reduction in Central Bank rates and the lower cost of risk.

We expect seeing income to grow at a slightly faster pace than loan volume regarding the efficiency ratio we expect to maintain our current cost for assets for full year 2017 with an improved 10 basis points in 2018.

We expect our marginal tax rate to be in the 35% area in 2017 and 33 % for 2018.

Finally we expect our 2017 ROE to be in the 12% area picking up to 13% in 2018.

We now open for questions and answers.

QUESTION AND ANSWER PERIOD

Operator

Thank you. We will now begin the questions and answers session. If you have a question, please press star and then one in your touch tone phone. If you wish to be removed from the queue, please press the pound sign or the hash key. If you are using a speakerphone you may need to pick up the hand set first before pressing the numbers. Once again, if you have a question please press star then one on your touch tone phone.

The first question is Gabriel Norega from UBS.

Gabriel Norega - UBS

Hi everyone, thank you for the opportunity to ask questions. My first question is regarding your loan growth with some variables growing close to 9% on this quarter and I just want to understand what lines you are expecting to contribute to this contraction to unreach your target of 67% this year and more over as we go into 2018 which signs do you expect to show a stronger growth and my second question is regarding assets quality. We have seen deterioration increase once again in this quarter, I just want to get a bit more color of where you believe we are and the asset´s quality cycle and what should be expected going into 2018. Thank you.

The second question on margins, which I think was one of the positive highlights this quarter. I was positively surprised by what happened there. We saw an expansion of 20 basis points quarter on quarter, 50 basis points [unintelligible]. Given that interest rates have been decreasing this year in Colombia, what really explained the wider net interest margins in the second quarter? Was it more on a less competitive scenario from banks? What's the outlook for margins for next year? Thanks.

Diego Solano Saravia, Chief Financial Officer

Thank you, Gabriel. Regarding loan growth we expect to see some pick up from our corporate portfolio, we started to see some reaction that is in line with our seasonality that we usually have around the end of the year cycle as the process, the cycle continues to improve and the consumer portfolio we expect our willingness to lead in this segment to increase. This ties very much with your second question and it is around where in the NPL cycle are we. The way to think about it, is there basically a sequence of facts that needs to happen, you first need to see a GDP starting to grow faster, what follows that is an improvement in unemployment and you finally start to see a substantial recovery of consumer NPL´s particularly.

We have already started to see some pick up in the economy of the around we are moving up to 2% up from 1.20 we saw during the first couple quarters but also a very slow quarter at year end last year. On the unemployment front, signals are not yet that clear, however we have started to see a pause in the deterioration of our consumer loan portfolio, that hints there could be something already happening in the economy. In that sense, we haven't changed our guidance for this year even though we have already seen a better performance of the economy during the third quarter.

We haven't yet seen the improvements in unemployment that would give us more confidence to see a recovery in consumer´s factor. The other thing that you need to take into consideration is that rates have lowered in a very substantial manner. This is very important, first, for the corporate companies where loans are floating therefore the relieve on their cost has already began to happen from several months ago already and on the consumer´s front in the absence of rate reduction rates for consumers should have gone up given the higher cost of rates that we had experienced. Part of the reason why this happened perhaps we acted faster than the Central Bank some Government officials would expect is that we have to price in this I would not say lower quality but higher cost of risk.

If the process continues and we continue to see this recovery we expect to see prices and consumer loans to fall as well and as we pick up in underwriting the number of dian loans that are priced under this environment will be higher to what we have experienced, so the combination of all these full transfer prices as well to the consumers.

This is a very long way to tell you that we do expect to see rates impact in a very variable way not only growth but also loan quality.

Operator Our next question comes from Next question Nicolas Riva from Citi.

Nicolás Riva – Citibank

Thanks for taking my question. I guess my question is a follow-up on the question that Gabriel did, and if I look right now at your cost of risk, clearly you are running well above historical average, but you already said that next year you are expecting to see an improvement in the economy and therefore a decline in the cost of risk. However, if I look at your projection for next year, which I believe you said around 2 to 3% for the cost of risk that is still quite above the historical average if you go back ten years of about 1.6% specially for a bank we are more focused on commercial loans, so my question is when do you think you can go back to that more normalized historical levels for cost of risk?

Diego Solano Saravia, Chief Financial Officer

Nicolas you are right we do have a positive bias and the guidance that we gave of two and a quarter, but we haven't yet seen some of the facts that we would love to see to adjust those numbers down. Our main concern of why these numbers shouldn't improve much faster than you would imagine reverting to historical averages is that GDP is not expected to return to the 4,5% growth rates that we were accustomed to see. It is a new reality where might revert to something around low 3%s and to the number of things happening in the economy.

Under these environment, we prefer to be cautious on our expectations of recovery, we have already seen that happening but the number where we will stop we still need to get to understand much better. We believe that if 2019 growth starts to pick up or evidence a better growth for 2019 up years we can become more positive as the year progresses, but you know we are pretty fact-based that we would like to see unemployment figures and other figures also improve.

The other event that is dealt into these numbers as we also have is I see our provision numbers as Luis Carlos mentioned we should be moving up to 50% provisions with the information we have at this point so we also could go back into the number and that it is number substantially lower.

Operator Our next question comes from Next question Jason Mollin from Scotiabank.

Jason Mollin – Scotiabank

Thank you. You are kind of addressing that question on provisioning, so this includes the calculation includes as you said include cooking in some high provisions is that for the full year? should we be seeing this next full year 2018 cooking those in and if we take that out what kind of runway of profitability are you looking for 13% or are we for next year well below where you were operating before or this year would be the large credit advance. I am just trying to get a sense of what´s behind this limited improvement but limited improvement in return on equity.

Diego Solano Saravia, Chief Financial Officer

You are absolutely right this is the main driver of this guidance. Trying to summarize what Luis Carlos said at the very beginning we have some things that will not help us that much next year but there is a few that will be quite positive and that is why we come up at 13% at this point the negatives are we see some contraction in the net interest margin and then we also see growth even though picking up from this year not yet up to the point we would like to see it. The positive tough not yet as positive as we would like to see it, moving further into the cycle, is the cost of risk which the cost of risk is higher than it should be in the longer term and that is the reason why we brought down our estimate for the next year in 13% in absence of this we should be getting closer to 14% once these issues are cleared out.

Operator Our next question comes from Next question Sebastian Gallego from Credicorp capital.

Sebastina Gallego – Credicorp Capital

T The First one regarding your risk capital going forward particularly on the commercial front and most specific on infrastructure after you comment that on the infrastructure law. What is your view after the law is supposed to be passed and the details you mentioned on Ruta del Sol and my second question is also related but another question regarding Grupo Solarte. They are having some legal investigations going on on these group which is also part of 4G concessions, I just wanna know if you could share with us the exposure to this group from above and even from the financial system. Thank you.

Diego Solano Saravia, Chief Financial Officer

Well, regarding the risk capital in commercial infrastructure it continues to be very strong I think that as we have mentioned over the past calls, the appetite for infrastructure has been temporarily hindered because of the delay in seeing payments to Ruta del Sol and as Luis Carlos emphasized at the beginning of this conversation we are very positive and seeing that payment being done even though is been delayed and in that sense we do not see any impact in our mid to long term appetite for infrastructure. What we expect to see as I believe is expected results for this kind of cycle is the kind of sponsors that will be able to commit to infrastructure projects will be none after the learnings of this year should be stronger and larger due to changing of the profile that we expect to see in sponsors, but we continue to expect infrastructure to be a key piece of our portfolio.

Luis Carlos Sarmiento Gutiérrez Chief Executive Officer

Regarding your question on Grupo Solarte a couple of things. Number one as you said Grupo Solarte is having some problems with regard to a previous contract that they had in Bogotá Tunjuelo- Canoas in which they participated with regrettable people, but we do not know any details we do not really know what went on there as you know Solarte is also a very minority shareholder in Ruta del Sol and in that capacity obviously we are not affected either way by the Solarte group being such a minority shareholder in Ruta del Sol. We do work with the Solarte Group as a client and our exposure to that group is a little bit under 50 million dollars and is fully guaranteed not only in terms of collateral but also in a cash sorts or repayment so the way we are guaranteed in those credits almost gives us peace of mind that number one the credit that we have granted the Solarte Group has nothing to do with the case for which they are being apparently indicted and we don't know that is going to happen but so the credit that we have to the Group is not related to that case, secondly as a minority shareholder in Ruta del Sol really there is no problem there and thirdly our credits are very well and fully guaranteed so we shouldn't have a problem there we are not counting that as one of our problems. We are however, very observant of what goes on with the Solarte Group.

Operator Our next question comes from Next question Cristina Manotas from Davivienda Corredores.

Cristina Manotas – Davivienda Corredores.

Good morning. I just have one question. I would like to know what is your perspective about the new infrastructure law on financial closures in infrastructure projects that are expected for the next year.

Luis Carlos Sarmiento Gutiérrez Chief Executive Officer

Ok we return to the modification of article 32 of law 1508 of 2012, which I believe you are referring to. We are very confident that the modification the way that it was proposed is going to be very beneficial to the 4G projects in terms both of financing being available to them after as you know as well as our sales there has been a law in financing and in financial closings of the 4G projects, a big reason for that law is that banks as you know Davivienda included a have state out of financing pending the law for the modifications to be passed. As we know the modifications passed and the important thing about it is that it clarifies and more than that it specifies how to liquidate a concession that is declared null such as the case of or similar to what is happening to Ruta del Sol.

The important thing is that banks now know going forward and if a situation like that arises again now banks will know exactly what money they will get and when they will get it and how is calculated and they won´t have to go through this I would call it a torture that´s happened this year and all the situation around trying to decide when this first payment is going to be made and when the rest of the payments are going to be made so in all, to answer your question, we see it very positively the news on the modification to the law as with respect to article 32 there are two other articles there that we believe are just as important number one is as you know they have now by law, documentation required to participate in or to put out a bid will be identical in all cases and therefore this what we call custom bids that have happened in the past will no longer happen and thirdly there is the other article that says that banks can step in now in case of a concession being declared null which is something that is important to a bank because as you know most of this projects are good projects and very profitable and banks should not suffer the consequences of the sponsors incurring in some kind of illegal activities as Odebrecht did so again just to summarize we are very happy with what happened obviously as you can see the law now only has to be sanctioned by the President , there are still people raising opinions and after the law had passed at both chambers there are still people raising their voices and trying to get the law to change but we feel that both the Ministry of Finance and the President, they are both very intent on getting this law passed, signed, sanctioned and getting it done and having the financial system again actively participating in 4G.

Operator: We have no further questions at this time: Mister Sarmiento do you have any closing remarks?

Luis Carlos Sarmiento Gutiérrez Chief Executive Officer

No, I just wanted to thank everybody as always for participating in our calls, we are striving to do better as always, we have a myriad of plans that we will be putting in place to make sure that we do so and as our quarters go on we hope to improve every single one of the previous ones, again thanks for participating in the call and we will see u during our next call.

Operator

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