Grupo Aval Acciones y Valores S.A.

Full Rating Report

Ratings

Grupo Aval Acciones y Valores S.A.

Long-Term Foreign-Currency IDR	BBB
Short-Term Foreign-Currency IDR	F3
Long-Term Local-Currency IDR	BBB
Short-Term Local-Currency IDR	F3
Support Rating	5
Support rating Floor	NF
Senior Unsecured Guaranteed Debt Issued by Grupo Aval Ltd	BBB

Sovereign Risk

Foreign-Currency Long-Term IDR	BBB
Local-Currency Long-Term IDR	BBB

Outlooks

Foreign-Currency Long-Term IDR	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

Financial Data

Grupo Aval Acciones y Valores S.A.

(COP Bil.)	03/31/18	12/31/17
Total Assets (USD Mil.)	83,552.4	79,598.9
Total Assets	232,279.0	236,538.5
Total Equity	24,107.7	25,871.2
Operating Profit	1,215.8	4,922.3
Net Income	951.3	3,162.4
Operating Profit/Risk Weighted Assets (%)[a]	N.A.	2.69
Operating ROAA (%)	2.10	2.15
Operating ROAE (%)	19.73	19.83
Fitch Core Capital/ Weighted Risks (%)[a]	N.A.	10.29
Tier 1 Ratio (%)[a]	N.A.	9.19

[a]Estimate. N.A. – Not available.
Source: Grupo Aval.

Related Research

Fitch 2018 Outlook: Latin American Banks (Economic Outlook Improving, but Challenges Remain) (December 2017)

Analysts

Theresa Paiz-Fredel
+1 212 908-0534
theresa.paiz@fitchratings.com

Andres Marquez
+57 1 484-6770
andres.marquez@fitchratings.com

Key Rating Drivers

Strong Competitive Position: Grupo Aval Acciones y Valores S.A.'s (Grupo Aval, or GA) ratings primarily reflect the business and financial profile of its main operating subsidiary, Banco de Bogota. Low double leverage, good cash flow metrics and a sound competitive position in multiple markets also support GA's ratings. Grupo Aval is Colombia's largest bank holding company (26.2% consolidated market share by assets at December 2017) and a top contender in Central America (8.9% of market share by assets in the region through its subsidiary BAC).

Good Asset Quality: On a consolidated basis, asset quality remains good and reflects diversification and the specific strengths within each of the group's banks. Given weaker economic activity in Colombia and Central America, and slowed growth in assets and loans in particular, impaired loan ratios have deteriorated.

Asset Quality Affected Profitability: Grupo Aval has a sound and credible track record of solid long-term planning and good execution. GA regularly meets budgets and achieves short-term goals; when it falls short, it is usually due to extraordinary events and/or changing circumstances. Isolated, specific corporate exposures affected the consolidated PDL ratio during 2017. As a result, an important increase in impairment losses during 2017 negatively affected GA's profitability.

Moderate Double Leverage: On an unconsolidated basis, Grupo Aval's double leverage is moderate (1.10x at December 2017) and is expected to remain fairly stable unless the group embarks on rapid asset or inorganic growth, which is not Fitch Ratings' base case scenario in the short term.

Long-Term, Consistent Strategy: Grupo Aval has a consistent, multibrand strategy; each of its four banks in Colombia caters to specific segments and carries out its own commercial strategy that, at times, involves competing with sibling banks. However, synergies exist and are exploited whenever possible. Moreover, despite the challenges of operating four largely independent banks, according to management, this structure enables the group to capture business that would otherwise be left to competitors.

Challenging Capitalization: GA's consolidated ratio of tangible common equity to tangible assets remained stable at around 7.9% in 2017, but this still lagged Grupo Aval's historical average of roughly 9.0% pre-2015. Fitch expects GA's capitalization ratio to keep improving due to slower overall growth and sustained profitability.

Wide and Stable Deposit Base: GA as a whole enjoys a wide, ample depositor base that funds all lending activities at a relatively low cost. There are differences among the banks in terms of concentration or access to capital markets, but the loan portfolio at each individual bank is almost entirely funded by customer deposits.

Rating Sensitivities

Sustained Performance: Grupo Aval's Issuer Default Rating will track Bogota's. However, the relationship between these two entities' ratings could also be affected in the event of a material and sustained increase in Grupo Aval's double-leverage metrics (above 1.2x) combined with a deterioration in the holding company's liquidity position and liquidity management.

Heightened Leverage: A change in the dividend flows from the operating companies or debt levels at the holding company that affects Grupo Aval's debt coverage ratios could also be detrimental to its ratings.

Operating Environment

Challenging Operating Environment has Stressed Loan Quality

Colombian banks' financial performance in 2018 will depend on the pace of the economic recovery. Fitch expects the system's medium-term nominal loan growth to be in the 8% to 10% range, which is lower than it was prior to 2015. Fitch expects delayed infrastructure projects to resume, which will tap banks and boost overall credit demand amid lower interest rates. Fitch believes that asset deterioration peaked during first half of 2018, and we expect a mild improvement over the next 18 months. The more stable operating environment, in addition to steady interest margins, should allow the system's overall profitability to recover as asset growth resumes. The base scenario for the recovery of the NPL ratio is that infrastructure projects resume operations in 2018 and payments of capital continue, if not, recovery will be much slower than expected due to the size of these portfolios.

The largest Colombian banks, such as Banco de Bogota, Bancolombia and Davivienda, have operations spread throughout Central America representing between 20% and 45% of total loans. Such operations provide a benefit in terms of diversification given that Central American economies are less correlated with Colombia and more correlated with the improving economic trends in the U.S.

Colombia's financial regulation continues to move gradually toward Basel III standards. Capital regulation has gradually improved but still lags the region's best practices. Regulations concerning bank holding companies and forbearance were passed during the last quarter of 2017. Banks will start to use loss absorbing hybrid capital that is eligible as Tier II capital in 2018. New rules to improve the quality of capital under Basel III guidance have been proposed and are in consultation with market participants. In Fitch opinion, gradual adoption of Basel III standards should lead to improved bank capital adequacy and be positive for credit profiles. The quality of bank capital should also improve. Capitalization remains Colombian banks' main credit weakness compared to similarly rated international peers, although Fitch expects this will improve gradually.

Company Profile

Colombia and Central America's Largest Banking Conglomerate

Grupo Aval is Colombia's largest bank holding company (26.2% consolidated market share by assets at December 2017) and a top contender in Central America (8.9% of market share by assets in the region through BAC). At December 2017, in addition to 36,988 banking correspondents, GA had 1,421 branches and 3,781 ATMs in Colombia, while BAC had 694 branches and 1,993 ATMs in Central America (CA).

Low-Risk, Profitable Business Model

GA has a diverse and stable universal banking business model based on intermediation and complementary financial services (trust, brokerage, pension fund management, investment banking and advisory, among others). Internally, GA is organized into three core areas in charge of finance, risk and IT that are complemented by internal control and investor relations. The core areas consolidate reporting from each operating subsidiary, ensure compliance with local and foreign regulation, and create guidelines and core policies that govern all businesses in a consistent manner. In addition, the board of directors actively participates in major decisions (e.g. credit and IT) when a coordinated effort is required.

Related Criteria

Bank Rating Criteria (June 2018)

Management and Strategy

Experienced Management Team

While the holding company by itself has a very streamlined organization, key executives have ample expertise in the banking and financial services industries. GA is tightly controlled by the main shareholder, but each of its operating companies enjoys autonomy and has experienced and deep managerial teams.

Managers share the overarching corporate culture and contribute their own experience. The group's top management values hands-on experience and seeks cross-fertilization. The same approach is applied to each new subsidiary. Local expertise is identified, retained and empowered. It is made accountable for each subsidiary's performance.

Corporate Governance

GA's board of directors is composed of seven principal members and seven alternate members, each of whom serves a one-year term and may be re-elected indefinitely. GA is listed in NYSE and it follows Sarbanes-Oxley regulation.

Clear, Long-Term Strategy

Grupo Aval has a consistent, multibrand strategy; each of its four banks in Colombia caters to specific segments and carries out its own commercial strategy that, at times, involves competing with sibling banks. Some synergies exist and are exploited whenever possible, but the challenges of operating four largely independent banks are, according to management, offset by the group's ability to capture business that would otherwise be left to competitors.

Among the main strategies to pursue growth and profitability, GA seeks to further penetrate the Colombian and Central American markets, continue capitalizing on synergies and improving efficiencies, and diversifying sources of income.

Individual growth strategies are left to each bank that develops its own products and services autonomously. A similar approach was implemented at BAC, but, as expected, some cross-fertilization is taking place as Bogota contributes its corporate lending know-how to BAC and taps into BAC's ample experience in credit cards and consumer lending.

GA's main objectives include further penetrate the Colombian market, continue capitalizing on synergies and improving efficiencies, expand services and product offering and diversify sources of income, further penetrate the Central American market, pursue other selected acquisitions and increase controlling interests in GA's subsidiaries.

Consistent Execution

Grupo Aval has a sound and credible track record of adequate long-term planning and good execution. Budgets and short-term plans are largely achieved, and, whenever changes occur, they are usually due to adjustments in light of events and/or changing circumstances. In 2017, issues related to the credit quality of Electricaribe, Bogotá's Mass Transportation System (SITP) and Consorcio Ruta del Sol (CRDS), negatively affected the group's overall results as well as those of the banks and Corficolombiana since these exposures required additional provisions and provided less income in the case of the highways in Corficolombiana.

Risk Appetite

Conservative Risk Appetite

Broad risk management guidelines are set forth by the holding company, but each bank has autonomy to set its own risk policies. Fitch views these risk policies as conservative given detailed underwriting processes, sophisticated scoring models, conservative collateral requirements, well defined credit approval limits and ongoing monitoring processes at each bank. Best practices are shared, and market and operational risk policies have been largely harmonized. Credit decisions are taken at the bank level following each institution's internal policies that include, among others, formal credit committees for corporate/middle-market lending and automated, scoring/credit factory processes for retail.

GA's risk policies at the bank level tend to be quite conservative, with relatively low loan to value ratios, direct payroll deduction structures and low risk/volatility investments. To prevent undesired risk taking, credit officers in middle-market and small- and medium-sized enterprise (SME) segments may have full credit cycle responsibilities (lending and collection); traders' compensation is structured so as to encourage balanced risk taking. Risk controls are deemed adequate as each bank uses effective tools and has successfully maintained robust asset quality. The group's investment policy is also conservative, focusing on the underlying credit quality, limited market risk/volatility and diversification.

Adequate Risk controls Underpin Asset Quality

Each banking subsidiary is responsible for its credit decisions and risk management, but at GA level there is an oversight of the implementation of appropriate risk management controls and the group has established upward loan reporting processes. The holding risk management staff meets on a weekly basis to discuss the subsidiaries' loan portfolio, developments in the industry, risks and opportunities.

To prevent excessive concentrations of credit risk at an individual, economic group, country or economic sectors level, each bank of Grupo Aval maintains updated indices to limit concentration. The exposure limit by a banking subsidiary of Grupo Aval to an individual client or economic group depends on the risk profile of the client (or economic group), the nature of the risk of the debtor and the experience of each banking subsidiary in a specific market or sector.

The policies with respect to operational risk for GA and the rest of the banks of the Group comply with the guidelines established by the Superintendency of Finance (which, in turn, follows the Basel II Accord of 2004), and the U.S. Sarbanes-Oxley Act of 2002.

To comply with these guidelines, each bank established an operational risk unit independent of the operational and control area within its organizational structure. This area establishes and defines policies, methodologies and the procedures for communicating all information related to operational risk.

Expansion has moderated since 2015. A low point in the economic cycle and the resulting increased risk led to decelerated growth in both assets and loans at all four banks.

Moderate Market Risk

Grupo Aval monitors and oversees market risk at a consolidated level through reports received from its banking subsidiaries in charge of managing their own market risk. Grupo Aval on an unconsolidated basis does not have material market risk; however, the banks have substantial market risk, primarily as a result of their lending, trading and investment businesses. The primary market risks to which GA is exposed are interest rate risk, foreign exchange rate risk, variations in stock price risk and investment fund risk.

Market risk is monitored by a specialized market risk management area. Comprehensive procedures are in place to ensure that trading, accounting, counterparty selection, trading limit adherence and trade documentation comply with internal policies and guidelines. The market risk unit reports daily trading positions and mark-to-market values for investments; in addition, it calculates a VaR and performs back testing and sensitivity analysis.

Grupo Aval´s banks analyze their interest rate exposure dynamically. Scenario modelling considers renewal of existing positions, financing alternatives and hedges. Considering these scenarios, the banks calculate the profit and loss impact for a given change in interest rates. Based on Grupo Aval's calculations, a 50bp change in interest rates would result in a gain or loss of 2.5% of net income or 0.4% of FCC. At the consolidated level, Grupo Aval reported an open short position of 2.6% of FCC. On a consolidated basis, Aval reported that the investment portfolio's VaR for 2017 was COP 1,316 billion (or 7.3% of FCC).

Financial Profile

Asset Quality

Asset Quality Metrics

(%)	2017	2016	2015	2014
Growth of Gross Loans	4.95	7.16	20.58	16.83
Impaired Loans/Gross Loans	2.75	1.95	1.66	1.71
Reserves for Impaired Loans/Impaired Loans	128.22	143.87	157.93	157.60
Impaired Loans Less Reserves for Impaired Loans/Fitch Core Capital	(6.82)	(7.60)	(8.95)	(7.49)
Loan Impairment Charges/Average Gross Loans	2.46	1.87	1.48	1.62

Source: Grupo Aval, Fitch Solutions. 2014: Colgaap; 2015- 2017: IFRS.

Each bank operates in a particular segment/business, potentially presenting some asset/product concentration. However, on aggregate, the group has a very well-diversified loan portfolio with roughly 58% of the loans granted to corporate customers and 42% to retail customers as of March 2018. No single industry represents more than 7% of the gross portfolio.

GA's consolidated main exposures, excluding those to consumer and retail, were to construction, manufacturing, public services, transportation and communications. Concentration by obligor is also very moderate. Specific corporate names such as Electricaribe, SITP and CRDS negatively affected asset quality. 90-day past due loans (PDLs) totaled 2.86% at March 2018 (up from 2.22% at March 2017). Given its target market and portfolio mix, Banco de Bogota's asset quality is among the strongest within GA and its domestic peers, while Banco Popular benefits from its payroll lending structure. Asset quality ratios also compare quite well with those of banks specialized in these segments.

Given the lower economic activity in Colombia and Central America, and the slower growth in assets and loans in particular, impaired loan ratios deteriorated in 2016 as anticipated by Fitch. In addition, isolated, specific corporate exposures affected the PDL ratio during 2017. Nevertheless, Fitch notes that this is not the result of a systemic situation in the Colombian economy.

Loan loss reserves are adequate at 1.5x 90-day PDLs, a level considered adequate given the group's conservative policies and sound capital generation. Gross charge offs remained moderate and stable (about 1.7% of average gross loans), reflecting the dominant policy of not charging off loans unless all collection efforts are exhausted

Limited Risk in Other Assets

At March 2018, GA's investment portfolio was about 88% debt securities and 12% equity investments. The latter include Corficolombiana's equity stakes in various sectors. Debt securities are mostly from the Colombian government and government agencies. The rest include a mix of bonds from corporations, foreign governments and financial institutions.

Earnings and Profitability

High Impairment Charges Pressure Profitability

Profitability

(%)	2017	2016	2015	2014
Net Interest Income/Average Earning Assets	5.71	5.26	5.20	6.09
Non-interest Expense/Gross Revenues	50.15	50.42	51.50	33.68
Loans and Securities Impairment Charges/Pre-impairment Operating Profit	44.98	33.80	27.08	30.99
Operating Profit/Average Total Assets	2.15	2.55	2.62	2.27
Operating Profit/Risk-weighted Assets (Estimate)	2.69	3.04	2.78	N.A.
Net Income/Average Equity	12.74	14.86	15.41	12.76

N.A. – Not available.
Source: Grupo Aval, Fitch Solutions. 2014: Colgaap; 2015- 2017: IFRS.

An important increase in impairment losses during 2017 impacted GA's profitability. This is the result of the slower economic cycle and credit specific situations with the three corporate loans in the four banks and Corficolombiana: Electricaribe, CRDS and SITP. Loans and securities impairment charges to pre-impairment operating profit swelled to 44.98% and 41.81% at December 2017 and March 2018 respectively, up from around 30% on average for the period 2014-2016. By contrast, non-interest expenses remained constant, as a result of the group's objective of controlling costs.

Capitalization and Leverage

Capital Metrics

(%)	2017	2016	2015	2014
Fitch Core Capital/Weighted Risk (Estimate)	10.29	9.75	8.42	N.A.
Tangible Common Equity/Tangible Assets	7.92	7.90	7.29	9.74

N.A. – Not available.
Source: Grupo Aval, Fitch Solutions. 2014: Colgaap; 2015- 2017: IFRS.

GA's consolidated ratio of tangible common equity to tangible assets remained stable at around 7.9% in 2017, but this still lagged its historical average of roughly 9.0% from before 2015. Fitch expects the improving trend in capitalization ratio to continue due to slower overall growth and sustained profitability.

Based on its projections, Fitch expects Aval's capital ratios to be in line with those of its peers over the medium-term due to the bank's consistent internal capital generation and a moderate dividend policy. Recently the Ministry of Finance and Public Credit issued a draft regulatory framework that would bring Colombian regulation more in line with that of other countries in the region with respect to Basel III. In Fitch's opinion, this change would improve the banks' FCC ratios. Fitch will closely follow the final regulation and the next steps to be taken by individual banks to comply with the new minimum capitalization requirements.

Funding and Liquidity

Wide and Stable Deposit Base

Funding

(%)	2017	2016	2015	2014
Loans/Customer Deposits	102.72	105.35	104.05	98.57
Interbank Assets/Interbank Liabilities	N.A..	N.A.	N.A.	54.34
Customer Deposits/Total Funding (Excluding Derivatives)	77.38	75.97	74.19	78.31

N.A. – Not available.
Source: Grupo Aval, Fitch Solutions. 2014: Colgaap; 2015- 2017: IFRS.

GA as a whole enjoys a wide, ample depositor base that funds all lending activities at a relatively low cost. There are differences among the banks in terms of concentration or access to capital markets, but the loan portfolio is almost entirely funded by customer deposits at each individual bank.

Deposits fund about two-thirds of the consolidated balance sheet and are mostly term deposits (40% of deposits at March 2018) and savings (37% of deposits), while the rest is demand (23%). Other sources of funding include interbank funding (about 3% of assets) and long-term bonds (about 9% of total funding). Given ample access to capital markets in Colombia and abroad, and the need to better match assets and liabilities, GA's banks are increasingly tapping capital markets, especially through Banco de Bogota.

Unconsolidated Leverage, Debt Service and Double Leverage

GA's unconsolidated balance sheet is very simple, as it basically has cash and investments on one side and loans and capital on the other. Revenues are almost exclusively dividends and income by participation method, with a small contribution from the yield of cash investments and other fees and commissions billed to the operating companies for the coordination and planning services provided by the holding company.

GA maintains enough cash on hand to cover its outstanding debt, minimizing the risk of declining dividend inflows.

Assuming a conservative dividend growth scenario, Fitch expects the EBITDA to interest ratio of about 7.0x and its debt to EBITDA ratio to stay stable at roughly 2.0x. Moderate increase on the dividend flows from the main operating subsidiaries may result in a steady enhancement of such metrics in the absence of new financial debt.

GA's double leverage remained well below the 120% threshold. It had increased during 2012, then declined and was 110.58% at December 2017 (111.41% as of March, 2018). Solid internal capital generation should underpin GA's double leverage and debt coverage ratios. Nevertheless, these metrics could be negatively affected if the banks grow too fast or GA engages in a new merger or acquisition without a corresponding increase in capital, which is not expected by Fitch in the short term.

Debt Ratings

The ratings for Grupo Aval Limited's senior secured debt are aligned with those of Grupo Aval, as this entity guarantees the senior bonds issued by the former.

Grupo Aval Acciones y Valores S.A. — Income Statement

(Years Ended Dec. 31)	Three Months First-Quarter 2018[a] (USD Mil.) Unaudited	Three Months First-Quarter 2018[a] (COP Bil.) Unaudited	Three Months First-Quarter 2018[a] As % of Earning Assets	2017[a] (COP Bil.) Audited — Unqualified	2017[a] As % of Earning Assets	2016[a] (COP Bil.) Audited — Unqualified	2016[a] As % of Earning Assets	2015[a] (COP Bil.) Audited — Unqualified	2015[a] As % of Earning Assets
Interest Income on Loans	1,566.3	4,354.3	9.36	17,900.0	9.34	16,665.5	9.22	13,004.1	7.51
Other Interest Income	84.5	234.9	0.51	841.9	0.44	881.5	0.49	1,071.5	0.62
Dividend Income	N.A.	N.A.	—	50.4	0.03	28.0	0.02	33.6	0.02
Gross Interest and Dividend Income	**1,650.8**	**4,589.2**	**9.87**	**18,792.3**	**9.80**	**17,575.0**	**9.73**	**14,109.2**	**8.15**
Interest Expense on Customer Deposits	467.6	1,299.9	2.80	5,848.8	3.05	5,812.3	3.22	3,832.2	2.21
Other Interest Expense	201.8	561.0	1.21	2,378.9	1.24	2,580.2	1.43	1,919.2	1.11
Total Interest Expense	**669.4**	**1,860.9**	**4.00**	**8,227.7**	**4.29**	**8,392.4**	**4.65**	**5,751.5**	**3.32**
Net Interest Income	**981.4**	**2,728.3**	**5.87**	**10,564.6**	**5.51**	**9,182.6**	**5.08**	**8,357.8**	**4.83**
Net Fees and Commissions	413.8	1,150.3	2.47	4,579.0	2.39	4,259.7	2.36	3,662.3	2.12
Net Gains (Losses) on Trading and Derivatives	(32.5)	(90.3)	(0.19)	561.4	0.29	724.7	0.40	245.2	0.14
Net Gains (Losses) on Assets and Liabilities at FV	18.7	52.0	0.11	209.9	0.11	181.0	0.10	153.1	0.09
Net Gains (Losses) on Other Securities	89.4	248.4	0.53	489.8	0.26	351.1	0.19	484.1	0.28
Net Insurance Income	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Other Operating Income	29.9	83.2	0.18	1,196.5	0.62	2,197.8	1.22	1,871.6	1.08
Total Non-Interest Operating Income	**519.3**	**1,443.6**	**3.10**	**7,036.6**	**3.67**	**7,714.3**	**4.27**	**6,416.3**	**3.71**
Total Operating Income	**1,500.7**	**4,171.9**	**8.97**	**17,601.2**	**9.18**	**16,896.9**	**9.35**	**14,774.0**	**8.53**
Personnel Expenses	332.4	924.1	1.99	3,671.1	1.92	3,531.1	1.95	3,111.3	1.80
Other Operating Expenses	450.6	1,252.7	2.69	5,155.9	2.69	4,988.7	2.76	4,497.8	2.60
Total Non-Interest Expenses	**783.0**	**2,176.8**	**4.68**	**8,827.0**	**4.61**	**8,519.8**	**4.72**	**7,609.1**	**4.40**
Equity-accounted Profit/(Loss) — Operating	33.9	94.2	0.20	172.0	0.09	N.A.	—	N.A.	—
Pre-Impairment Operating Profit	**751.5**	**2,089.3**	**4.49**	**8,946.2**	**4.67**	**8,377.1**	**4.64**	**7,164.9**	**4.14**
Loan Impairment Charge	330.3	918.2	1.97	3,854.7	2.01	2,713.7	1.50	1,908.1	1.10
Securities and Other Credit Impairment Charges	(16.1)	(44.7)	(0.10)	169.2	0.09	117.9	0.07	32.2	0.02
Operating Profit	**437.3**	**1,215.8**	**2.61**	**4,922.3**	**2.57**	**5,545.5**	**3.07**	**5,224.7**	**3.02**
Equity-accounted Profit/(Loss) — Non-operating	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Goodwill Impairment	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Non-recurring Income	0.0	0.0	0.00	0.0	0.00	28.4	0.02	0.0	0.00
Non-recurring Expense	0.1	0.2	0.00	7.0	0.00	N.A.	—	N.A.	—
Change in Fair Value of Own Debt	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Other Non-operating Income and Expenses	74.0	205.8	0.44	N.A.	—	N.A.	—	N.A.	—
Pre-tax Profit	**511.3**	**1,421.4**	**3.06**	**4,915.2**	**2.56**	**5,573.8**	**3.09**	**5,224.7**	**3.02**
Tax Expense	169.1	470.1	1.01	1,752.8	0.91	2,056.9	1.14	1,879.0	1.09
Profit/Loss from Discontinued Operations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	N.A.	—
Net Income	**342.2**	**951.3**	**2.05**	**3,162.4**	**1.65**	**3,516.9**	**1.95**	**3,345.7**	**1.93**
Change in Value of AFS Investments	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Revaluation of Fixed Assets	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Currency Translation Differences	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Remaining OCI Gains/(Losses)	N.A.	N.A.	—	75.4	0.04	302.2	0.17	278.6	0.16
Fitch Comprehensive Income	**342.2**	**951.3**	**2.05**	**3,237.8**	**1.69**	**3,819.1**	**2.11**	**3,624.2**	**2.09**
Memo: Profit Allocation to Non-controlling Interests	127.2	353.6	0.76	1,200.0	0.63	1,377.1	0.76	1,304.3	0.75
Memo: Net Income after Allocation to Non-controlling Interests	215.0	597.7	1.29	1,962.4	1.02	2,139.9	1.18	2,041.4	1.18
Memo: Common Dividends Relating to the Period	N.A.	N.A.	—	1,307.5	0.68	1,260.9	0.70	1,276.5	0.74
Memo: Preferred Dividends and Interest on Hybrid Capital Accounted for as Equity Related to the Period	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—

[a]Exchange rate: First Quarter 2018 – USD1 = COP2,780.04; 2017 – USD1 = COP2,971.63; 2016 – USD1 = COP3,000.71; 2015 – USD1 = COP3,149.47.
N.A. – Not available.
Source: Grupo Aval.

Grupo Aval Acciones y Valores S.A. — Balance Sheet

(Years Ended Dec. 31)	Three Months First-Quarter 2018[a] (USD Mil.)	Three Months First-Quarter 2018[a] (COP Bil.)	Three Months First-Quarter 2018[a] As % of Assets	2017[a] (COP Bil.)	2017[a] As % of Assets	2016[a] (COP Bil.)	2016[a] As % of Assets	2015[a] (COP Bil.)	2015[a] As % of Assets
Assets									
Loans									
Residential Mortgage Loans	5,692.3	15,824.7	6.81	16,151.3	6.83	14,683.5	6.55	13,418.1	6.19
Other Mortgage Loans	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Other Consumer/Retail Loans	17,868.4	49,675.0	21.39	50,382.9	21.30	46,928.0	20.94	42,230.5	19.49
Corporate and Commercial Loans	32,778.2	91,124.8	39.23	92,149.8	38.96	89,579.6	39.98	85,413.1	39.42
Other Loans	148.6	413.2	0.18	409.7	0.17	399.4	0.18	399.3	0.18
Less: Reserves for Impaired Loans	2,495.9	6,938.6	2.99	5,618.5	2.38	4,261.4	1.90	3,718.3	1.72
Net Loans	**53,991.7**	**150,099.1**	**64.62**	**153,475.2**	**64.88**	**147,329.1**	**65.75**	**137,742.7**	**63.57**
Gross Loans	**56,487.6**	**157,037.7**	**67.61**	**159,093.7**	**67.26**	**151,590.6**	**67.65**	**141,461.0**	**65.29**
Memo: Impaired Loans Included Above	1,615.4	4,491.0	1.93	4,382.0	1.85	2,962.0	1.32	2,354.4	1.09
Memo: Loans at Fair Value Included Above	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Other Earning Assets									
Loans and Advances to Banks	N.A.	N.A.	—	N.A.	—	N.A.	—	0.0	0.00
Reverse Repos and Securities Borrowing	2,158.4	6,000.5	2.58	7,279.1	3.08	3,569.6	1.59	4,085.0	1.89
Derivatives	348.7	969.5	0.42	383.7	0.16	630.7	0.28	1,058.7	0.49
Trading Securities and at FV through Income	2,631.8	7,316.4	3.15	7,082.3	2.99	6,164.2	2.75	6,474.9	2.99
Available for Sale Securities	7,024.2	19,527.5	8.41	18,614.2	7.87	18,392.5	8.21	19,684.9	9.08
Held to Maturity Securities	1,017.2	2,827.9	1.22	2,899.0	1.23	2,570.5	1.15	2,395.3	1.11
Other Securities	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Total Securities	**10,673.2**	**29,671.8**	**12.77**	**28,595.5**	**12.09**	**27,127.2**	**12.11**	**28,555.1**	**13.18**
Memo: Government Securities included Above	N.A.	N.A.	—	17,903.8	7.57	17,504.7	7.81	25,496.7	11.77
Memo: Total Securities Pledged	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Equity Investments in Associates	339.0	942.4	0.41	1,043.0	0.44	1,146.6	0.51	927.6	0.43
Investments in Property	289.0	803.5	0.35	783.8	0.33	610.2	0.27	538.2	0.25
Insurance Assets	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Other Earning Assets	32.2	89.5	0.04	101.4	0.04	259.5	0.12	199.5	0.09
Total Earning Assets	**67,832.2**	**188,576.3**	**81.19**	**191,661.6**	**81.03**	**180,673.0**	**80.63**	**173,106.8**	**79.89**
Non-Earning Assets									
Cash and Due From Banks	7,801.2	21,687.7	9.34	22,336.8	9.44	22,193.0	9.90	22,285.0	10.28
Memo: Mandatory Reserves Included Above	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Foreclosed Real Estate	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Fixed Assets	2,030.9	5,645.9	2.43	5,870.2	2.48	5,949.3	2.66	5,975.8	2.76
Goodwill	2,367.3	6,581.3	2.83	6,901.1	2.92	6,824.9	3.05	7,056.0	3.26
Other Intangibles	306.1	851.0	0.37	848.7	0.36	735.0	0.33	612.9	0.28
Current Tax Assets	243.7	677.4	0.29	907.5	0.38	584.2	0.26	564.7	0.26
Deferred Tax Assets	69.6	193.5	0.08	139.4	0.06	195.0	0.09	920.5	0.42
Discontinued Operations	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Other Assets	2,901.4	8,065.9	3.47	7,873.2	3.33	6,919.3	3.09	6,157.7	2.84
Total Assets	**83,552.2**	**232,279.0**	**100.00**	**236,538.5**	**100.00**	**224,073.7**	**100.00**	**216,679.3**	**100.00**

[a]Exchange rate: First Quarter 2018 – USD1 = COP2,780.04; 2017 – USD1 = COP2,971.63; 2016 – USD1 = COP3,000.71; 2015 – USD1 = COP3,149.47.
N.A. – Not available. *Continued on next page.*
Source: Grupo Aval.

Grupo Aval Acciones y Valores S.A. — Balance Sheet (Continued)

(Years Ended Dec. 31)	Three Months First-Quarter 2018[a] (USD Mil.)	Three Months First-Quarter 2018[a] (COP Bil.)	Three Months First-Quarter 2018[a] As % of Assets	2017[a] (COP Bil.)	2017[a] As % of Assets	2016[a] (COP Bil.)	2016[a] As % of Assets	2015[a] (COP Bil.)	2015[a] As % of Assets
Liabilities and Equity									
Interest-Bearing Liabilities									
Total Customer Deposits	54,593.4	151,771.7	65.34	154,885.2	65.48	143,887.1	64.21	135,954.6	62.74
Deposits from Banks	5,856.0	16,279.8	7.01	18,205.3	7.70	17,906.6	7.99	18,750.6	8.65
Repos and Securities Lending	2,507.6	6,971.1	3.00	4,970.4	2.10	6,315.7	2.82	9,474.9	4.37
Commercial Paper and Short-term Borrowings	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
Customer Deposits and Short-term Funding	**62,956.9**	**175,022.6**	**75.35**	**178,060.9**	**75.28**	**168,109.4**	**75.02**	**164,180.1**	**75.77**
Senior Unsecured Debt	6,671.4	18,546.8	7.98	12,668.2	5.36	12,092.2	5.40	14,457.9	6.67
Subordinated Borrowing	N.A.	N.A.	—	6,434.0	2.72	6,476.0	2.89	2,109.2	0.97
Covered Bonds	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Other Long-term Funding	1,077.6	2,995.7	1.29	2,998.1	1.27	2,725.7	1.22	2,506.6	1.16
Total Long-term Funding	**7,749.0**	**21,542.5**	**9.27**	**22,100.3**	**9.34**	**21,293.9**	**9.50**	**19,073.8**	**8.80**
Memo: o/w Matures in Less Than One Year	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Trading Liabilities	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Total Funding	**70,705.9**	**196,565.1**	**84.62**	**200,161.3**	**84.62**	**189,403.3**	**84.53**	**183,253.9**	**84.57**
Derivatives	283.7	788.6	0.34	312.1	0.13	684.1	0.31	1,481.0	0.68
Total Funding and Derivatives	**70,989.5**	**197,353.7**	**84.96**	**200,473.4**	**84.75**	**190,087.5**	**84.83**	**184,734.9**	**85.26**
Non-Interest Bearing Liabilities									
Fair Value Portion of Debt	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Credit Impairment Reserves	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Reserves for Pensions and Other	706.7	1,964.6	0.85	1,930.8	0.82	1,718.0	0.77	1,622.5	0.75
Current Tax Liabilities	143.2	398.2	0.17	330.8	0.14	405.1	0.18	669.7	0.31
Deferred Tax Liabilities	653.3	1,816.1	0.78	1,696.8	0.72	1,246.8	0.56	1,222.4	0.56
Other Deferred Liabilities	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Discontinued Operations	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Insurance Liabilities	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Other Liabilities	2,388.0	6,638.7	2.86	6,235.5	2.64	5,957.2	2.66	5,523.5	2.55
Total Liabilities	**74,880.7**	**208,171.3**	**89.62**	**210,667.3**	**89.06**	**199,414.5**	**89.00**	**193,773.0**	**89.43**
Hybrid Capital									
Preferred Shares and Hybrid Capital Accounted for as Debt	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Preferred Shares and Hybrid Capital Accounted for as Equity	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Equity									
Common Equity	5,375.7	14,944.8	6.43	16,287.0	6.89	14,851.9	6.63	14,567.6	6.72
Non-controlling Interest	3,296.0	9,162.9	3.94	9,584.2	4.05	9,057.7	4.04	8,338.7	3.85
Securities Revaluation Reserves	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Foreign Exchange Revaluation Reserves	N.A.	N.A.	—	N.A.	—	N.A.	—	N.A.	—
Fixed Asset Revaluations and Other Accumulated OCI	N.A.	N.A.	—	N.A.	—	749.6	0.33	N.A.	—
Total Equity	**8,671.7**	**24,107.7**	**10.38**	**25,871.2**	**10.94**	**24,659.2**	**11.00**	**22,906.3**	**10.57**
Memo: Equity plus Preferred Shares and Hybrid Capital Accounted for as Equity	8,671.7	24,107.7	10.38	25,871.2	10.94	24,659.2	11.00	22,906.3	10.57
Total Liabilities and Equity	**83,552.4**	**232,279.0**	**100.00**	**236,538.5**	**100.00**	**224,073.7**	**100.00**	**216,679.3**	**100.00**
Memo: Fitch Core Capital	5,998.3	16,675.4	7.18	18,121.5	7.66	17,099.2	7.63	15,237.4	7.03

[a]Exchange rate: First Quarter 2018 – USD1 = COP2,780.04; 2017 – USD1 = COP2,971.63; 2016 – USD1 = COP3,000.71; 2015 – USD1 = COP3,149.47.
N.A. – Not available.
Source: Grupo Aval.

Grupo Aval Acciones y Valores S.A. — Summary Analytics

(%,Years Ended Dec. 31)	Three Months First-Quarter 2018	2017	2016	2015
Interest Ratios				
Interest Income/Average Earning Assets	9.79	10.16	10.07	8.78
Interest Income on Loans/Average Gross Loans	11.17	11.42	11.45	10.08
Interest Expense on Customer Deposits/Average Customer Deposits	3.44	3.94	4.21	3.07
Interest Expense/Average Interest-bearing Liabilities	3.79	4.23	4.55	3.42
Net Interest Income/Average Earning Assets	5.82	5.71	5.26	5.20
Net Interest Income Less Loan Impairment Charges/Average Earning Assets	3.86	3.63	3.71	4.01
Net Interest Income Less Preferred Stock Dividend/Average Earning Assets	5.82	5.71	5.26	5.20
Other Operating Profitability Ratios				
Operating Profit/Risk Weighted Assets	N.A.	2.69	3.04	2.78
Non-Interest Expense/Gross Revenues	52.18	50.15	50.42	51.50
Loans and securities impairment charges/Pre-impairment Operating Profit	41.81	44.98	33.80	27.08
Operating Profit/Average Total Assets	2.10	2.15	2.55	2.62
Non-Interest Income/Gross Revenues	34.60	39.98	45.66	43.43
Non-Interest Expense/Average Total Assets	3.77	3.85	3.92	3.82
Pre-impairment Operating Profit/Average Equity	33.91	36.03	35.40	33.00
Pre-impairment Operating Profit/Average Total Assets	3.61	3.90	3.85	3.60
Operating Profit/Average Equity	19.73	19.83	23.43	24.06
Other Profitability Ratios				
Net Income/Average Total Equity	15.44	12.74	14.86	15.41
Net Income/Average Total Assets	1.65	1.38	1.62	1.68
Fitch Comprehensive Income/Average Total Equity	15.44	13.04	16.14	16.69
Fitch Comprehensive Income/Average Total Assets	1.65	1.41	1.76	1.82
Taxes/Pre-tax Profit	33.07	35.66	36.90	35.96
Net Income/Risk Weighted Assets	N.A.	1.73	1.93	1.78
Capitalization				
FCC/FCC-Adjusted Risk Weighted Assets	N.A.	10.29	9.75	8.42
Tangible Common Equity/Tangible Assets	7.42	7.92	7.90	7.29
Equity/Total Assets	10.38	10.94	11.00	10.57
Basel Leverage Ratio	N.A.	N.A.	N.A.	N.A.
Common Equity Tier 1 Capital Ratio	N.A.	N.A.	N.A.	N.A.
Fully Loaded Common Equity Tier 1 Capital Ratio	N.A.	N.A.	N.A.	N.A.
Tier 1 Capital Ratio	N.A.	9.19	10.15	10.37
Total Capital Ratio	N.A.	13.13	14.20	13.55
Impaired Loans Less Reserves for Impaired Loans/Fitch Core Capital	(14.68)	(6.82)	(7.60)	(8.95)
Impaired Loans Less Reserves for Impaired Loans/Equity	(10.15)	(4.78)	(5.27)	(5.95)
Cash Dividends Paid & Declared/Net Income	N.A.	41.35	35.85	38.15
Risk Weighted Assets/Total Assets	N.A.	77.40	81.28	86.82
Risk Weighted Assets — Standardized/Risk Weighted Assets	N.A.	N.A.	N.A.	N.A.
Risk Weighted Assets — Advanced Method/Risk Weighted Assets	N.A.	N.A.	N.A.	N.A.
Loan Quality				
Impaired Loans/Gross Loans	2.86	2.75	1.95	1.66
Growth of Gross Loans	(1.29)	4.95	7.16	20.58
Reserves for Impaired Loans/Impaired Loans	154.50	128.22	143.87	157.93
Loan Impairment Charges/Average Gross Loans	2.36	2.46	1.87	1.48
Growth of Total Assets	(1.80)	5.56	3.41	20.24
Reserves for Impaired Loans/Gross Loans	4.42	3.53	2.81	2.63
Net Charge-offs/Average Gross Loans	N.A.	0.73	0.21	(0.06)
Impaired Loans + Foreclosed Assets/Gross Loans + Foreclosed Assets	2.86	2.75	1.95	1.66
Funding and Liquidity				
Loans/Customer Deposits	103.47	102.72	105.35	104.05
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Total Funding (Excluding Derivatives)	77.21	77.38	75.97	74.19
Interbank Assets/Interbank Liabilities	N.A.	N.A.	N.A.	0.00
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.
Growth of Total Customer Deposits	(2.01)	7.64	5.83	19.81

N.A. – Not available.
Source: Grupo Aval.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.