Fitch Ratings

Banks

Colombia

Grupo Aval Acciones y Valores S.A.

Full Rating Report

Ratings

Grupo Aval Acciones y Valores S.A.

Long-Term FC IDR	BBB
Short-Term FC IDR	F3
Long-Term LC IDR	BBB
Short-Term LC IDR	F3
Support Rating	5
Support Rating Floor	NF

Sovereign Risk

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

Outlooks

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

Financial Data

Grupo Aval Acciones y Valores S.A.

	3/31/16	12/31/15
Total Assets (USDm)	71,012.8	69,380.6
Total Assets (COPbn)	214,872.2	218,512.0
Total Equity (COPbn)	22,815.1	23,561.7
Operating Profit (COPbn)	1,369.5	5,043.3
Published Net Income (COPbn)	795.6	4,357.0
Comprehensive Income (COPbn)	795.6	4,357.0
Operating ROAA (%)	2.54	2.53
Operating ROAE (%)	23.72	23.09
Internal Capital Generation (%)	13.98	8.56
Tangible Equity / Tangible Assets (%)	7.44	7.54
Tier 1 Ratio (%)	n.a.	n.a.
Net Income (COPbn)	795.6	4,357.0

Related Research

2016 Outlook: Andean Banks (December 2015)

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Key Rating Drivers

Strong Competitive Position: Grupo Aval Acciones y Valores S.A.'s (Grupo Aval, or GA) ratings are driven by the business and financial profile of its subsidiaries, particularly its main operating subsidiary, Banco de Bogota. The group maintains a sizable presence in Central America and a 30% market share in Colombia through a multibrand strategy.

Sound Financial Standing: Driven by the consistent performance of its operating companies and its relatively moderate leverage at the holding company level, GA enjoys a well-diversified balance sheet with a moderate risk profile and a consistent, above-average profitability.

Long-Term, Consistent Strategy: Operating in a concentrated market with strong local players, the banks of Grupo Aval have established specialized franchises in their respective target markets. GA's individual banks have quite different profiles but similar financial strength; the consolidated group is a sound all-around competitor boasting adequate growth and profitability.

Moderate Double Leverage: On an unconsolidated basis, GA's double leverage is moderate (1.04x at December 2015) and expected to remain stable unless the group embarks in rapid asset or inorganic growth, which is a scenario not expected by Fitch Ratings in the short term.

Challenging Capitalization: GA's consolidated capital has remained fairly stable over time, but individual banks can see changes according to their acquisitions or earnings generation. GA's consolidated ratio of tangible common equity to tangible assets ended in 2015 at 7.5%, a lower level compared to the average of around 9.0% in previous years, partially explained by the change in accounting standards and the impact in the Colombian Peso (COP) depreciation in the amount of foreign assets which impacted Banco de Bogota.

Sustained Operating Performance: GA's banks maintained their good performance, reflecting their structural strengths, adroit risk management, and sound core earnings.

Robust Asset Quality: Owing to its diversification and to specific strengths within each bank (e.g. low-risk portfolio, payroll lending, and sound credit process), asset quality remained strong; furthermore, past-due loans (PDLs) are adequately covered by loan loss reserves.

Rating Sensitivities

Sustained Performance: Grupo Aval's issuer default ratings (IDRs) would be underpinned by a sustained performance at each operating company, stronger debt service coverage ratios, and improved operating conditions in Central America that would reduce the risk the group takes in this region. Further improvements in the regulation of bank holding companies in Colombia may also be beneficial.

Heightened Leverage: On the other hand, a substantial increase in the group's leverage (double leverage consistently above 120%) or a decline in the dividend flows from the operating companies that would, as a whole, result in a deterioration of its debt coverage ratios, would pressure Grupo Aval's ratings.

Operating Environment

Macroeconomic Challenges Represent Downside Risk for Economic Prospects

Colombia has entered a period of slower growth marked by lower commodity prices and reduced foreign direct investment after an average economic expansion of 4% for the 2009–2014 period. Economic growth has been well diversified by sector and region and, quite importantly, has driven up employment and disposable income. Growth reached 3.1% in 2015 reflecting external financing availability, government programs, and increased public regional and local spending. Fitch expects growth to average 2.3% in 2016 reflecting tighter monetary policy and weaker public spending, before recovering to 3.0% and 3.5% in 2017 and 2018, respectively, on the back of higher oil prices and the full year execution of the 4G infrastructure program.

Exchange rate flexibility has helped the transition to the new external environment, but the pass-through has increased inflationary pressures. Strong depreciation of the Colombian peso, the impact of El Nino, and a still-dynamic domestic demand have pushed inflation above the inflation target of 3.0% (plus or minus 1.0%) and could average 7.0% in 2016. Although these factors could ease in coming months, core inflation and inflation expectations have also increased significantly above the target range.

The Colombian banking system is highly concentrated, as three banks account for over 50% of the system's total assets. In spite of this concentration, competition is fierce and poised to intensify as smaller players consolidate and challenge the market leaders. Colombia's capital markets have also grown rapidly and are among the largest in the region with very active institutional investors and a range of issuers. The depth of the financial system is moderate, compared with the region's leading markets, but has been improving and should further develop as the integrated regional market with Peru, Chile, and Mexico consolidates.

Colombia's financial regulator has enacted regulation to move towards Basel III, tightening capital requirements, demanding capital of a better quality, and proactively monitoring loan growth. The recent publication of regulations concerning the use of hybrid capital as secondary capital reflects the government's commitment to update its standards, but the extent of these measures remains unclear. The regulator defined the framework for Tier II capital but gave a window of one more year to continue using old style subordinated bonds that lack of equity credit under Basel III and Fitch's methodology. Colombian regulation has gradually improved but still lags the region's best practices, although it has conservative elements such as the risk-weighted assets calculation and the counter-cyclical reserves.

Company Profile

Colombia and Central America's Largest Banking Conglomerate

Grupo Aval is Colombia's largest bank holding company (27.8% consolidated market share by assets at December 2015) and a top contender in Central America (9.3% of market share by assets in the region through BAC Credomatic [BAC]). At December 2015, in addition to 31,353 banking correspondents, GA had 1,433 branches and 3,808 ATMs in in Colombia, as well as BAC has 704 branches and 1,815 ATMs in Central America.

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

Related Criteria

Global Bank Rating Criteria (July 2016)

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.

Management

Experienced and Deep Management

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.

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 reelected indefinitely. The term for the current directors expires on March 31, 2017. GA is listed in NYSE and it follows Sarbanes-Oxley regulation.

Clear, Long-Term Strategy

Grupo Aval has a consistent multibrand strategy; each one 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 the 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.

Key strategic decisions (e.g. acquisition of BAC, new core banking platform) are taken at the holding company level considering each entity's focus, strengths, and needs. Individual growth strategy is left to each bank that develops its own products and services in a quite autonomous way. 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.

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 to events and/or changing circumstances.

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; the latter are generally conservative. 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.

Risk controls are deemed adequate as they use effective tools and have successfully maintained a robust asset quality.

Rapid organic and inorganic growth before 2013 has given way to a more moderate expansion. GA has generally acquired very strong banks and, by relying on an empowered, accountable local management, has seamlessly integrated its acquisitions. Moreover, acquisitions have been accompanied by adequate capitalization and medium-term funding.

Moderate Market 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 trades 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.

Financial Profile

Asset Quality

Robust Asset Quality

Asset Quality Metrics

(%)

	1Q16	2015	2014	2013
Growth of Gross Loans	(2.97)	23.85	16.83	20.60
Impaired Loans /Gross Loans	1.54	1.56	2.60	2.40
Reserves for Impaired Loans/Impaired Loans	175.36	164.45	132.67	144.58
Impaired Loans Less Reserves for Impaired Loans/Fitch Core Capital	(10.63)	(9.17)	n.a.	n.a.
Loan Impairment Charges/Average Gross Loans	1.88	1.53	1.62	1.64

Source: Grupo Aval, Fitch.

Each bank operates in a particular segment/business, hence presenting some asset/product concentration, but on aggregate the group has a very well diversified loan portfolio with roughly two-thirds of the loans granted to corporate customers and one-third to retail customers. No single industry represents more than 10% of the gross portfolio.

GA's consolidated main exposures, excluding those to consumer and retail, were to manufacturing, public services, transportation, and communications. Concentration by obligor is also very moderate. Asset quality at the consolidated level remained sound, 90-day past due loans (PDLs) totaled at 1.54% at March 2016 (rather stable compared to 1.56% at December 2015). Given its target market and portfolio mix, Banco de Bogota has one of the best asset qualities while Banco Popular benefits from its payroll lending structure. BO and AV Villas show PDL levels below GA's average, reflecting their concentration on the consumer/SME segments. However, these figures compare quite well with those of banks specialized in these segments.

Loan loss reserves are adequate at 1.7x 90-day PDLs, a level considered adequate given the group's asset quality, conservative policies, and sound capital generation. Charge-offs remained moderate (around 1% of average gross loans), reflecting the dominant policy of not charging off loans unless all collection efforts are exhausted.

Moderate Risk in Investments

At March 2016, GA's investment portfolio is about 80% debt securities and 15% equity investments. The latter include Corficolombiana's equity stakes in various infrastructure, hospitality, and energy projects. Debt securities are mostly from government and government agencies (roughly 80%), including a large share of short-term TES (i.e. Colombian Treasury bills), a common instrument to manage liquidity for which Bogota, BO and BP are market makers. The rest include a mix of bonds from corporations, foreign governments, and financial institutions. Investment policy is quite conservative focusing on the underlying credit quality, limited market risk/volatility and diversification.

Earnings and Profitability

Strong Growth and Resilient Margins Drive Performance

Profitability

(%)

	1Q16	2015	2014	2013
Net Interest Income/Average Earning Assets	5.38	5.11	6.09	6.68
Non-Interest Expense/Gross Revenues	53.59	52.62	54.38	53.14
Loans and Securities Impairment Charges/Pre-Impairment Operating Profit	32.85	28.20	30.99	27.22
Operating Profit/Average Total Assets	2.54	2.53	2.27	2.75
Operating Profit/Risk-Weighted Assets	n.a.	n.a.	n.a.	n.a.
Net Income/Average Equity	13.78	15.18	12.76	16.94

Source: Grupo Aval, Fitch.

During 2015 the group contained operating costs, stabilizing efficiency calculated as non-interest revenues and loan loss. Hence, profitability stood at 1.66% (return on average assets) while return on average equity improved to 15.18% at December 2015, from 12.76% at Dec 2014.

When broken down by subsidiary, GA’s revenues roughly reflect its asset structure. With Bogota as the largest contributor (about 60% of net income), BO and BP contribute about 17% and 12% respectively while the other smaller subsidiaries contribute with the rest.

Capitalization and Leverage

Stable Capital Metrics

Capital Metrics

(%)

	1Q16	2015	2014	2013
Fitch Core Capital/Weighted Risk	n.a.	n.a.	n.a.	n.a.
Tangible Common Equity/Tangible Assets	7.44	7.54	9.74	8.86
Total Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
Internal Capital Generation	13.98	8.56	11.33	14.35

Source: Grupo Aval, Fitch.

GA’s consolidated capital has remained fairly stable over time, but individual banks can see changes according to their acquisitions or earnings generation. In general terms, the group seeks to achieve a balanced growth and manages capital in centralized manner, upstreaming dividends and making contributions as necessary.

GA’s consolidated ratio of tangible common equity to tangible assets ended in 2015 at 7.5%, a lower level compared to the average of around 9.0% in previous years, partially explained by the change in accounting standards and the impact in the COP depreciation in the amount of foreign assets which impacted Banco de Bogota specially. Inorganic growth has put pressure on capital ratios and, despite a healthy internal capital generation, the group’s growth has required additional capital injections. Capital should be underpinned by slower overall growth and sustained profitability.

Grupo Aval and Bogota announced measures in June 2016 and September 2016 to reverse the deterioration of the bank's capital base. Grupo Aval and Bogota switched the accounting treatment for the 38% share of Corficolombiana to the equity method (versus full consolidation, which will be held on Grupo Aval's books) in order to strengthen the capital position of the bank and focus their consolidated management on the financial business. The latter change, which was implemented during June 2016, brings an immediate positive impact because the risk-weighted assets (RWA) and intangibles from infrastructure and 4G concessions will no longer detract from Bogota's capitalization.

In addition, Bogota is studying and analyzing the impacts of a merger between Banco de Bogotá Colombia and Leasing Bogotá Panamá, its vehicle that carries BAC's investments. Projections made by Fitch show that, supported in the bank's consistent internal capital generation and a moderate dividend policy, capital ratios will be in line to its peers in the midterm.

Funding and Liquidity

Ample Liquidity Funds Growth

Funding

(%)

	1Q16	2015	2014	2013
Loans/Customer Deposits	112.86	116.83	113.35	114.65
Interbank Assets/Interbank Liabilities	11.55	43.69	36.36	3.34
Customer Deposits/Total Funding (Excluding Derivatives)	78.25	75.29	75.57	75.74

Source: Grupo Aval.

GA as a whole enjoys a wide, ample depositor base that funds all lending activities at a relatively low cost. Of course there are differences among the banks in terms of concentration or access to capital markets, but the customer deposits fund in almost every case 100% (and more) of the loan portfolio.

Deposits fund about two-thirds of the consolidated balance sheet and are mostly term deposits (about 39% of deposits at March 2016 and outpacing savings accounts) and savings (37% of deposits) while the rest is demand (24%). Other sources of funding include interbank funding (about 12% of assets) and long-term bonds (7%). Given the ample access to capital markets in Colombia and the need to better match assets and liabilities, GA's banks are increasingly recurring to 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 hand and loans (unsecured debt) and capital on the other. Revenues are almost exclusively dividends and revaluations (over 95% at March 2016), 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.

According to Fitch's calculations (assuming a conservative dividend growth scenario), the EBITDA to interest ratio improved above 6.0x and its debt to EBITDA ratio declined to the 1.6x–2.4x range. The expected increase on the dividend flows from the main operating subsidiaries and the possible inclusion of dividends from the pension fund business may result in a steady enhancement of such metrics in the absence of new financial debt.

Finally, GA's double leverage remained well below the 120% threshold. It had increased during 2012, then declined and is now 104% (December 15) range, stable compared to year-end 2014. Continued profitability should underpin GA's double leverage and debt coverage ratios, but these metrics could be affected if the banks grow too fast or GA engages in new M&A without a corresponding increase in capital, which is a scenario not expected by Fitch in the short term. Some changes in accounting standards such as the early adoption of the international accounting standard 27 (IAS 27) could result in changes in Aval's double leverage calculation due to the elimination of valorization in assets and capital accounts. Nevertheless, Fitch doesn't expect that this results in a change in the financial profile of Aval's Separate Financial Statements.

Debt Ratings

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

Grupo Aval Acciones y Valores S.A.

Income Statement

	3/31/16			12/31/15		12/31/14		12/31/13	
	3 Mos - 1st Qtr USDm Unaudited	3 Mos - 1st Qtr COPbn Unaudited	As % of Earning Assets	Year End COPbn Audited - Unqualified	As % of Earning Assets	Year End COPbn Audited - Unqualified	As % of Earning Assets	Year End COPbn Audited - Unqualified	As % of Earning Assets
1. Interest Income on Loans	1,291.2	3,902.6	9.10	13,014.5	7.49	10,361.2	7.44	9,286.3	7.66
2. Other Interest Income	86.9	262.7	0.61	923.1	0.53	1,525.3	1.10	1,497.1	1.24
3. Dividend Income	n.a.	n.a.	-	22.1	0.01	298.5	0.21	326.4	0.27
4. Gross Interest and Dividend Income	1,378.2	4,165.3	9.71	13,959.7	8.03	12,185.0	8.75	11,109.8	9.17
5. Interest Expense on Customer Deposits	411.9	1,245.0	2.90	3,832.2	2.21	3,086.5	2.22	2,624.8	2.17
6. Other Interest Expense	199.5	603.1	1.41	1,919.2	1.10	1,241.9	0.89	1,177.6	0.97
7. Total Interest Expense	611.5	1,848.1	4.31	5,751.5	3.31	4,328.4	3.11	3,802.4	3.14
8. Net Interest Income	766.7	2,317.2	5.40	8,208.2	4.72	7,856.6	5.64	7,307.4	6.03
9. Net Gains (Losses) on Trading and Derivatives	43.9	132.8	0.31	74.1	0.04	(1,002.2)	(0.72)	(39.4)	(0.03)
10. Net Gains (Losses) on Other Securities	48.9	147.8	0.34	4.6	0.00	33.2	0.02	96.4	0.08
11. Net Gains (Losses) on Assets at FV through Income Statement	13.8	41.7	0.10	32.6	0.02	n.a.	-	n.a.	-
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	347.5	1,050.3	2.45	3,625.1	2.09	3,162.8	2.27	2,814.4	2.32
14. Other Operating Income	171.6	518.6	1.21	2,392.0	1.38	1,795.8	1.29	934.0	0.77
15. Total Non-Interest Operating Income	625.7	1,891.2	4.41	6,128.4	3.53	3,989.6	2.87	3,805.4	3.14
16. Personnel Expenses	290.2	877.0	2.04	3,138.5	1.81	2,523.3	1.81	2,320.3	1.91
17. Other Operating Expenses	456.0	1,378.1	3.21	4,404.8	2.53	3,918.1	2.81	3,584.6	2.96
18. Total Non-Interest Expenses	746.1	2,255.1	5.26	7,543.3	4.34	6,441.4	4.63	5,904.9	4.87
19. Equity-accounted Profit/ Loss - Operating	28.5	86.2	0.20	230.4	0.13	n.a.	-	n.a.	-
20. Pre-Impairment Operating Profit	674.8	2,039.5	4.75	7,023.7	4.04	5,404.8	3.88	5,207.9	4.30
21. Loan Impairment Charge	221.3	668.8	1.56	1,981.0	1.14	1,675.0	1.20	1,417.4	1.17
22. Securities and Other Credit Impairment Charges	0.4	1.2	0.00	(0.5)	(0.00)	n.a.	-	n.a.	-
23. Operating Profit	453.1	1,369.5	3.19	5,043.3	2.90	3,729.8	2.68	3,790.5	3.13
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	263.1	0.19	236.1	0.19
29. Pre-tax Profit	453.1	1,369.5	3.19	5,043.3	2.90	3,992.9	2.87	4,026.6	3.32
30. Tax expense	189.9	573.9	1.34	1,728.0	0.99	1,449.0	1.04	1,414.7	1.17
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
32. Net Income	263.2	795.6	1.85	3,315.3	1.91	2,543.9	1.83	2,611.9	2.16
33. Change in Value of AFS Investments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
36. Remaining OCI Gains/(losses)	n.a.	n.a.	-	1,041.7	0.60	n.a.	-	n.a.	-
37. Fitch Comprehensive Income	263.2	795.6	1.85	4,357.0	2.51	2,543.9	1.83	2,611.9	2.16
38. Memo: Profit Allocation to Non-controlling Interests	108.9	329.2	0.77	1,318.1	0.76	875.2	0.63	1,011.4	0.83
39. Memo: Net Income after Allocation to Non-controlling Interests	154.3	466.4	1.09	1,997.2	1.15	1,668.7	1.20	1,600.5	1.32
40. Memo: Common Dividends Relating to the Period	n.a.	n.a.	-	1,297.9	0.75	n.a.	-	n.a.	-
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate	USD1 = COP3022.35000			USD1 = COP3149.47000		USD1 = COP2392.46000		USD1 = COP1922.56000	

Grupo Aval Acciones y Valores S.A.

Balance Sheet

	3/31/16			12/31/15		12/31/14		12/31/13	
	3 Mos – 1st Qtr USDm	3 Mos – 1st Qtr COPbn	As % of Assets	Year End COPbn	As % of Assets	Year End COPbn	As % of Assets	Year End COPbn	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	4,413.3	13,338.5	6.21	13,418.1	6.14	9,034.7	5.09	6,520.1	4.23
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	13,967.5	42,214.7	19.67	42,141.8	19.29	33,166.4	18.67	27,801.3	18.02
4. Corporate & Commercial Loans	28,134.4	85,032.0	39.62	89,331.5	40.88	62,764.8	35.34	54,855.6	35.55
5. Other Loans	130.5	394.5	0.18	399.3	0.18	7,790.2	4.39	7,336.8	4.76
6. Less: Reserves for Impaired Loans	1,262.2	3,814.7	1.78	3,718.3	1.70	3,413.7	1.92	3,073.0	1.99
7. Net Loans	45,383.6	137,165.0	63.91	141,572.4	64.79	109,342.4	61.56	93,440.8	60.56
8. Gross Loans	46,645.7	140,979.7	65.69	145,290.7	66.49	112,756.1	63.48	96,513.8	62.55
9. Memo: Impaired Loans included above	719.8	2,175.4	1.01	2,261.0	1.03	n.a.	-	n.a.	-
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	959.4	2,899.6	1.35	0.0	0.00	n.a.	-	n.a.	-
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Trading Securities and at FV through Income	2,171.7	6,563.5	3.06	17,858.1	8.17	5,054.6	2.85	7,517.8	4.87
4. Derivatives	549.4	1,660.4	0.77	1,058.7	0.48	1,088.1	0.61	191.8	0.12
5. Available for Sale Securities	6,739.3	20,368.4	9.49	894.5	0.41	20,478.8	11.53	16,432.4	10.65
6. Held to Maturity Securities	757.2	2,288.4	1.07	10,722.4	4.91	3,057.6	1.72	3,348.4	2.17
7. Equity Investments in Associates	289.8	875.8	0.41	927.8	0.42	n.a.	-	n.a.	-
8. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Total Securities	10,507.2	31,756.5	14.80	31,461.5	14.40	29,679.1	16.71	27,490.4	17.82
10. Memo: Government Securities included Above	7,428.3	22,450.9	10.46	25,496.7	11.67	18,295.4	10.30	18,475.4	11.97
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	182.2	550.6	0.26	538.2	0.25	n.a.	-	n.a.	-
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	51.2	154.6	0.07	199.5	0.09	223.5	0.13	253.6	0.16
15. Total Earning Assets	57,083.5	172,526.3	80.38	173,771.6	79.52	139,245.0	78.40	121,184.8	78.54
C. Non-Earning Assets									
1. Cash and Due From Banks	7,069.4	21,366.3	9.96	22,338.5	10.22	18,693.5	10.52	16,096.6	10.43
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	134.1	0.08	109.2	0.07
4. Fixed Assets	1,910.6	6,021.4	2.69	5,975.8	2.73	2,276.0	1.28	2,044.8	1.33
5. Goodwill	2,258.5	6,825.9	3.18	7,056.0	3.23	5,626.7	3.17	4,968.0	3.22
6. Other Intangibles	210.3	635.5	0.30	612.9	0.28	n.a.	-	n.a.	-
7. Current Tax Assets	157.6	476.3	0.22	235.8	0.11	n.a.	-	n.a.	-
8. Deferred Tax Assets	210.2	635.2	0.30	1,909.1	0.87	378.1	0.21	159.1	0.10
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	2,112.7	6,385.3	2.98	6,612.3	3.03	11,261.3	6.34	9,724.9	6.30
11. Total Assets	71,012.8	214,872.2	100.00	218,512.0	100.00	177,614.7	100.00	154,287.4	100.00
Exchange rate	USD1 = COP3022.35000			USD1 = COP3149.47000		USD1 = COP2392.46000		USD1 = COP1922.56000	

Grupo Aval Acciones y Valores S.A.

Balance Sheet

	3/31/16			12/31/15		12/31/14		12/31/13	
	3 Mos - 1st Qtr USDm	3 Mos - 1st Qtr COPbn	As % of Assets	Year End COPbn	As % of Assets	Year End COPbn	As % of Assets	Year End COPbn	As % of Assets
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	10,973.9	33,167.1	15.45	33,879.2	15.50	30,250.5	17.03	25,971.5	16.83
2. Customer Deposits - Savings	16,599.6	50,169.7	23.38	50,298.1	23.02	42,283.1	23.81	42,479.6	27.53
3. Customer Deposits - Term	17,716.6	53,545.9	24.95	51,776.9	23.70	41,858.6	23.57	32,739.3	21.22
4. Total Customer Deposits	45,290.2	136,882.7	63.78	135,954.1	62.22	114,392.2	64.40	101,190.4	65.59
5. Deposits from Banks	5,479.8	16,561.9	7.72	18,820.0	8.61	4,589.5	2.58	5,123.6	3.32
6. Repos and Cash Collateral	3,066.8	9,268.8	4.32	9,405.5	4.30	n.a.	-	n.a.	-
7. Commercial Paper and Short-term Borrowings	0.0	0.0	0.00	0.0	0.00	7,470.9	4.21	525.6	0.34
8. Total Money Market and Short-term Funding	53,836.7	162,713.4	75.81	164,179.6	75.14	126,452.6	71.19	106,839.6	69.25
9. Senior Unsecured Debt (original maturity > 1 year)	5,239.9	15,836.9	7.38	14,457.9	6.62	19,625.2	11.05	22,608.2	14.65
10. Subordinated Borrowing	n.a.	n.a.	-	2,109.2	0.97	n.a.	-	n.a.	-
11. Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Other Long-term Funding	868.0	2,623.4	1.22	2,506.7	1.15	n.a.	-	n.a.	-
13. Total LT Funding (original maturity > 1 year)	6,107.9	18,460.3	8.60	19,073.8	8.73	19,625.2	11.05	22,608.2	14.65
14. Derivatives	425.2	1,285.2	0.60	1,481.0	0.68	1,681.5	0.95	226.1	0.15
15. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
16. Total Funding	60,369.9	182,458.9	85.01	184,734.4	84.54	147,759.3	83.19	129,673.9	84.05
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	642.2	1,941.0	0.90	1,773.3	0.81	652.4	0.37	308.5	0.20
4. Current Tax Liabilities	201.5	609.0	0.28	525.2	0.24	155.1	0.09	188.6	0.12
5. Deferred Tax Liabilities	412.0	1,245.2	0.58	2,394.0	1.10	288.7	0.16	297.5	0.19
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	16.2	0.01	101.2	0.07
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	204.7	0.12	309.5	0.20
9. Other Liabilities	1,896.9	5,733.0	2.67	5,523.5	2.53	6,073.5	3.42	5,207.7	3.38
10. Total Liabilities	63,522.5	191,987.1	89.45	194,950.3	89.22	155,149.9	87.35	136,086.9	88.20
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	6.9	0.00	5.0	0.00
G. Equity									
1. Common Equity	4,757.9	14,380.1	6.70	14,877.7	6.81	15,633.6	8.80	12,246.9	7.94
2. Non-controlling Interest	2,814.0	8,505.0	3.96	8,684.0	3.97	7,368.2	4.15	6,472.2	4.19
3. Securities Revaluation Reserves	n.a.	n.a.	-	n.a.	-	(543.9)	(0.31)	(523.6)	(0.34)
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Total Equity	7,572.0	22,885.1	10.66	23,561.7	10.78	22,457.9	12.64	18,195.5	11.79
7. Total Liabilities and Equity	71,094.4	214,872.2	100.11	218,512.0	100.00	177,614.7	100.00	154,287.4	100.00
8. Memo: Fitch Core Capital	5,103.2	15,423.7	7.19	15,892.8	7.27	16,741.8	9.43	13,227.5	8.57
9. Memo: Fitch Eligible Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate	USD1 = COP3022.35000			USD1 = COP3149.47000		USD1 = COP2392.46000		USD1 = COP1922.56000	

Grupo Aval Acciones y Valores S.A.

Summary Analytics

	3/31/16 3 Mos - 1st Qtr	12/31/15 Year End	12/31/14 Year End	12/31/13 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	10.91	10.03	10.01	10.73
2. Interest Expense on Customer Deposits/ Average Customer Deposits	3.67	3.07	2.89	2.97
3. Interest Income/ Average Earning Assets	9.68	8.68	9.44	10.16
4. Interest Expense/ Average Interest-bearing Liabilities	4.05	3.42	3.15	3.29
5. Net Interest Income/ Average Earning Assets	5.38	5.11	6.09	6.68
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	3.83	3.87	4.79	5.38
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	5.38	5.11	6.09	6.68
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	44.94	42.75	33.68	34.24
2. Non-Interest Expense/ Gross Revenues	53.59	52.62	54.38	53.14
3. Non-Interest Expense/ Average Assets	4.19	3.78	3.92	4.29
4. Pre-impairment Op. Profit/ Average Equity	35.32	32.16	27.11	33.78
5. Pre-impairment Op. Profit/ Average Total Assets	3.79	3.52	3.29	3.78
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	32.85	28.20	30.99	27.22
7. Operating Profit/ Average Equity	23.72	23.09	18.71	24.58
8. Operating Profit/ Average Total Assets	2.54	2.53	2.27	2.75
9. Operating Profit / Risk Weighted Assets	n.a.	2.84	n.a.	n.a.
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	13.78	15.18	12.76	16.94
2. Net Income/ Average Total Assets	1.48	1.66	1.55	1.90
3. Fitch Comprehensive Income/ Average Total Equity	13.78	19.95	12.76	16.94
4. Fitch Comprehensive Income/ Average Total Assets	1.48	2.18	1.55	1.90
5. Taxes/ Pre-tax Profit	41.91	34.26	36.29	35.13
6. Net Income/ Risk Weighted Assets	n.a.	1.87	n.a.	n.a.
D. Capitalization				
1. FCC/FCC-Adjusted Risk Weighted Assets	n.a.	8.96	n.a.	n.a.
2. Fitch Eligible Capital/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
2. Tangible Common Equity/ Tangible Assets	7.44	7.54	9.74	8.86
3. Tier 1 Regulatory Capital Ratio	n.a.	7.70	n.a.	n.a.
4. Total Regulatory Capital Ratio	n.a.	10.85	n.a.	n.a.
5. Common Equity Tier 1 Capital Ratio	n.a.	n.a.	n.a.	n.a.
6. Equity/ Total Assets	10.65	10.78	12.64	11.79
7. Cash Dividends Paid & Declared/ Net Income	n.a.	39.15	n.a.	n.a.
8. Internal Capital Generation	13.98	8.56	11.33	14.35
E. Loan Quality				
1. Growth of Total Assets	(1.67)	21.26	15.12	21.21
2. Growth of Gross Loans	(2.97)	23.85	16.83	20.60
3. Impaired Loans/ Gross Loans	1.54	1.56	n.a.	n.a.
4. Reserves for Impaired Loans/ Gross Loans	2.71	2.56	3.03	3.18
5. Reserves for Impaired Loans/ Impaired Loans	175.36	164.45	n.a.	n.a.
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	(10.63)	(9.17)	n.a.	n.a.
7. Impaired Loans less Reserves for Impaired Loans/ Equity	(7.16)	(6.19)	n.a.	n.a.
8. Loan Impairment Charges/ Average Gross Loans	1.88	1.53	1.62	1.64
9. Net Charge-offs/ Average Gross Loans	n.a.	1.1	1.26	1.07
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	1.54	1.56	0.12	0.11
F. Funding and Liquidity				
1. Loans/ Customer Deposits	102.99	106.87	98.57	95.38
2. Interbank Assets/ Interbank Liabilities	17.51	0.00	n.a.	n.a.
3. Customer Deposits/ Total Funding (excluding derivatives)	75.55	74.19	78.31	78.17
4. Liquidity Coverage Ratio	n.a.	n.a.	n.a.	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.

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