FitchRatings

Banks

Colombia

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

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.)	3/31/17	12/31/16
Total Assets (USD Mil.)	78,852.0	74,673.6
Total Assets	227,112.6	224,073.7
Total Equity	23,705.4	24,659.2
Operating Profit	1,358.7	5,581.6
Operating ROAA (%)	2.44	2.57
Operating ROAE (%)	22.79	23.65
Internal Capital Generation (%)	15.63	9.15
Fitch Core Capital/ Weighted Risks (%)	N.A.	N.A.
Tier 1 Regulatory Ratio (%)	N.A.	N.A.
Net Income	913.7	3,516.9

N.A. – Not applicable.

Related Research

2017 Outlook: South American Banks (Exc. Brazil) (December 2016)

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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. Grupo Aval is Colombia's largest bank holding company (26.1% consolidated market share by assets at December 2016) and a top contender in Central America (8.7% of market share by assets in the region through BAC Credomatic [BAC]).

Sound Financial Standing: GA has contained its operating costs, underpinning an improvement in efficiency ratios at the end of March 2017. By subsidiary, GA's revenues roughly reflect its asset structure with Bogota as the largest contributor (about 65% of net income).

Long-Term, Consistent Strategy: 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.

Moderate Double Leverage: GA's double leverage remained well below the 120% threshold. Solid internal capital generation should continue to 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, a scenario that Fitch does not expect in the short term.

Challenging Capitalization: GA's consolidated capital has remained fairly stable over time, although it is weak relative to that of similarly rated entities. Capitalization trends of individual banks have been affected by their acquisitions or earnings generation.

Sustained Operating Performance: GA's banks maintained a financial performance in line with their current ratings, reflecting their structural strengths, adroit risk management and sound core earnings.

Robust Asset Quality: Each bank operates in a particular segment/business, potentially presenting some asset/product concentration. However, in the aggregate, the group has a well-diversified loan portfolio. Given the lower economic activity in Colombia and Central America, and the slower growth in assets and loans in particular, impaired loans have experienced a cyclical deterioration since 2015, as expected by Fitch.

Rating Sensitivities

Sustained Performance: Grupo Aval's IDR would remain at the same level as Bogota's and would move in tandem with any rating actions on its main operating subsidiary. However, the relativity between these two entities' ratings could be affected in the event of a material and sustained increase in Grupo Aval's double-leverage metrics (above 1.2x) or a deterioration of debt coverage ratios.

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

Operating Environment

Colombian Banks Resistant to Economic Turmoil

As anticipated by Fitch, the economic slowdown pressured Colombian banks' asset quality metrics. We expect this cyclical deterioration to continue in 2017. Fitch expects the deteriorating trend in the banking system's loan quality ratios, particularly in the more risky consumer and microfinance segments, to continue in 2017. Overall profitability should remain steady or mildly deteriorate for those with concentrations in these specific sectors. Nevertheless, persistent economic weakness, higher unemployment and exchange rate volatility will likely pressure credit costs in 2017.

Despite monetary easing, Fitch expects GDP growth to remain flat in 2017 due to lower than expected oil prices and still weak consumer confidence in the first half of this year. Nevertheless, easing inflation, a gradual recovery of economic activity and commodity prices, as well as lower borrowing costs should boost credit demand in the second half of 2017. Economic growth is expected to rise to 3.2% in 2018, closer to Colombia's potential GDP growth rate of 3.5%.

Inflation is likely to end the year at 4% due to the persistence of inflationary pressures, driven in part by the increase of the general VAT and a 7% increase in the minimum wage. The 4% inflation rate is at the upper limit of the central bank's 3 +/-1% target. After increasing rates by a cumulative 300bps since September 2015, the central bank entered a monetary easing phase as inflation and inflation expectations began to converge with its target, reducing the policy rate by 200bps since December 2016.

The central bank and Financial Superintendence regulate banks and other financial intermediaries. Colombia's financial regulator enacted regulation to move toward Basel III, and Colombian capital regulation has gradually improved but still lags the region's best practices. Regulations concerning the use of loss-absorbing hybrid capital are positive in Fitch's view, although banks are not likely to issue these types of instruments until 2018. Fitch believes that local regulatory capital ratios will continue to diverge materially from more stringent globally accepted capital metrics. Banks report the liquidity ratio under a GAP methodology, and new rules to improve the quality of capital under Basel III guidance and capital holding requirements are in the process of being adopted.

Company Profile

Colombia and Central America's Largest Banking Conglomerate

Grupo Aval is Colombia's largest bank holding company (26.1% consolidated market share by assets at December 2016) and a top contender in Central America (8.7% of market share by assets in the region through BAC). At December 2016, in addition to 26,438 banking correspondents, GA had 1,438 branches and 3,809 ATMs in Colombia, while BAC had 351 branches and 1,930 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 local and foreign regulation, and create guidelines and core policies that govern all businesses

Related Criteria

Global Bank Rating Criteria (November 2016) 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 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.

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.

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, which are considered conservative by Fitch. 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 values, 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.

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 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.

Financial Profile

Asset Quality

Asset Quality Metrics

(%)	1Q17	2016	2015	2014
Growth of Gross Loans	(0.66)	7.16	22.76	16.83
Impaired Loans/Gross Loans	2.22	1.95	1.66	1.71
Reserves for Impaired Loans/Impaired Loans	131.02	143.87	157.93	157.60
Impaired Loans Less Reserves for Impaired Loans/Fitch Core Capital	(6.37)	(7.60)	(8.95)	(7.49)
Loan Impairment Charges/Average Gross Loans	1.96	1.85	1.47	1.62

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

Each bank operates in a particular segment/business, potentially presenting some asset/product concentration. However, in the aggregate, the group has a very well-diversified loan portfolio with roughly 60% of the loans granted to corporate customers and 40% to retail customers as of March 2017. 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 2.22% at March 2017 (up from 1.66% at December 2015). 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. Isolated, specific corporate exposures affected the PDL ratio during first-quarter 2017. Nevertheless, Fitch notes that this is not the result of a systemic situation in the Colombian economy.

Loan loss reserves are adequate at 1.3x 90-day PDLs, a level considered adequate given the group's conservative policies and sound capital generation. Chargeoffs remained moderate (about 1.7% of average gross loans), reflecting the dominant policy of not charging off loans unless all collection efforts are exhausted.

Moderate Risk in Other Investments

At March 2017, GA's investment portfolio was 86% debt securities and 14% 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.

The group's investment policy is quite conservative, focusing on the underlying credit quality, limited market risk/volatility and diversification.

Earnings and Profitability

Profitability

(%)	1Q17	2016	2015	2014
Net Interest Income/Average Earning Assets	5.88	5.26	5.20	6.09
Non-Interest Expense/Gross Revenues	37.52	45.75	43.43	33.68
Loans and Securities Impairment Charges/Pre-Impairment Operating Profit	35.32	33.66	27.08	30.99
Operating Profit/Average Total Assets	2.44	2.57	2.62	2.27
Operating Profit/Risk Weighted Assets (Estimate)	N.A.	3.06	2.78	N.A.
Net Income/Average Equity	15.32	14.86	15.41	12.76

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

GA has contained its operating costs, underpinning an improvement in efficiency ratios by the end of March 2017. By subsidiary, GA's revenues roughly reflect its asset structure. With Bogota as the largest contributor (about 65% of net income), BO and BP contribute about 20% and 8.6%, respectively, while the other smaller subsidiaries contribute with the rest.

As a result of a bribery scandal that involved Odebrecht in Colombia, Corficolombiana suffered losses in 2016. Corficolombiana (via Episol, its infrastructure sponsor) was exposed to the Odebrecht scandal due to its participation in Concesionaria Ruta del Sol (CRDS). The final decision taken by the government and the ANI (National Infrastructure Agency) was to liquidate the concession contract on Feb. 22, 2017. This resulted in a loss of COP102 billion, or about USD35 million, which was provisioned during 2016. After this, Corficolombiana, with its infrastructure arm, will continue with the rest of its concessions and does not anticipate any other additional risks.

Capitalization and Leverage

Improving Capital Metrics

Capital Metrics

(%)	1Q17	2016	2015	2014
Fitch Core Capital/Weighted Risk (Estimate)	N.A.	9.75	8.42	N.A.
Tangible Common Equity/Tangible Assets	7.42	7.90	7.29	9.74
Total Regulatory Capital Ratio	N.A.	N.A.	N.A.	N.A.
Internal Capital Generation	15.63	9.15	9.03	11.33

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

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 balanced growth and manages capital in a centralized manner, upstreaming dividends and making contributions as necessary.

GA's consolidated ratio of tangible common equity to tangible assets reached 7.90% as of YE16, improving since YE15 (7.29%), but this still lagged its historical average of roughly 9.0%. This deterioration was partially explained by the change in accounting standards and the impact of the COP depreciation in the amount of foreign assets, which especially affected Banco de Bogota. Inorganic growth has put pressure on capital ratios, and, despite healthy internal capital generation, capital injections were required to fund the group's growth in the past. Fitch expects the improving trend in capitalization ratio to continue due to slower overall growth and sustained profitability.

Grupo Aval and Bogota announced measures in June 2016 and September 2016 to reverse the deterioration of the former'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 Bogota and focus their consolidated management on the financial business.

The latter change, which was implemented during June 2016, has an immediate, positive impact on the bank because the risk weighted assets (RWAs) and intangibles from infrastructure and 4G concessions will no longer detract from Bogota's capitalization. It also resulted in a profit for Bogota due to the difference between the fair value of the bank's investment in Corficolombiana at the date when control was lost and its book value at that date, plus reclassification of other comprehensive income items to income for the period.

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 with those of its peers in the midterm.

Funding and Liquidity

Ample Funding Sources

Funding

(%)	1Q17	2016	2015	2014
Loans/Customer Deposits	102.63	105.35	104.05	98.57
Interbank Assets/Interbank Liabilities	N.A.	N.A.	N.A.	54.34
Customer Deposits/Total Funding (Excluding Derivatives)	76.36	75.97	74.19	78.31

N.A. – Not available.
Source: Grupo Aval, Fitch. 2014: Colgaap; 2015–March 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 (about 42% of deposits at March 2017) and savings (34% of deposits), while the rest is demand (23%). Other sources of funding include interbank funding (about 8% of assets) and long-term bonds (7%). 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 (unsecured debt) and capital on the other. Revenues are almost exclusively dividends and income by participation method (over 95% at March 2017), 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 to remain at about 5.0x and its debt to EBITDA ratio to stay at roughly 2.0x. 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 was 109.66% at December 2016. 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

	Three Months First-Quarter 2017[a] (USD Mil.)	Three Months First-Quarter 2017[a] (COP Bil.)	2016[a] COP Bil.)	2015[a] (COP Bil.)	2014[a] (COP Bil.)	2013[a] (COP Bil.)	2012[a] (COP Bil.)
Interest Income on Loans	1,559.2	4,491.0	16,665.5	13,004.1	10,361.2	9,286.3	8,699.2
Other Interest Income	82.6	238.0	881.5	1,071.5	1,525.3	1,497.1	1,546.4
Dividend Income	30.0	86.5	28.0	33.6	298.5	326.4	99.3
Gross Interest and Dividend Income	**1,671.9**	**4,815.5**	**17,575.0**	**14,109.2**	**12,185.0**	**11,109.8**	**10,344.9**
Interest Expense on Customer Deposits	548.3	1,579.2	5,812.3	3,832.2	3,086.5	2,624.8	2,650.8
Other Interest Expense	211.8	610.0	2,580.2	1,919.2	1,241.9	1,177.6	1,245.4
Total Interest Expense	**760.1**	**2,189.2**	**8,392.4**	**5,751.5**	**4,328.4**	**3,802.4**	**3,896.2**
Net Interest Income	**911.8**	**2,626.3**	**9,182.6**	**8,357.8**	**7,856.6**	**7,307.4**	**6,448.7**
Net Gains (Losses) on Trading and Derivatives	11.2	32.2	724.7	245.2	(1,002.2)	(39.4)	214.9
Net Gains (Losses) on Other Securities	1.3	3.8	546.3	484.1	33.2	96.4	10.7
Net Gains (Losses) on Assets at FV through Income Statement	15.3	44.2	181.0	153.1	N.A.	N.A.	N.A.
Net Insurance Income	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Net Fees and Commissions	392.4	1,130.2	4,259.7	3,662.3	3,162.8	2,814.4	2,395.4
Other Operating Income	127.3	366.7	2,031.1	1,871.6	1,795.8	934.0	1,901.9
Total Non-Interest Operating Income	**547.6**	**1,577.1**	**7,742.7**	**6,416.3**	**3,989.6**	**3,805.4**	**4,522.9**
Personnel Expenses	310.9	895.6	3,531.1	3,111.3	2,523.3	2,320.3	2,212.4
Other Operating Expenses	449.1	1,293.6	4,981.0	4,497.8	3,918.1	3,584.6	4,034.5
Total Non-Interest Expenses	**760.1**	**2,189.2**	**8,512.0**	**7,609.1**	**6,441.4**	**5,904.9**	**6,246.9**
Equity-accounted Profit/(Loss) — Operating	30.0	86.5	N.A.	N.A.	N.A.	N.A.	N.A.
Pre-Impairment Operating Profit	**729.3**	**2,100.7**	**8,413.3**	**7,164.9**	**5,404.8**	**5,207.9**	**4,724.7**
Loan Impairment Charge	255.7	736.4	2,713.7	1,908.1	1,675.0	1,417.4	1,044.4
Securities and Other Credit Impairment Charges	1.9	5.6	117.9	32.2	N.A.	N.A.	N.A.
Operating Profit	**471.7**	**1,358.7**	**5,581.6**	**5,224.7**	**3,729.8**	**3,790.5**	**3,680.3**
Equity-accounted Profit/(Loss) — Non-operating	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Non-recurring Income	1.5	4.3	N.A.	N.A.	N.A.	N.A.	N.A.
Non-recurring Expense	1.4	4.1	7.7	N.A.	N.A.	N.A.	N.A.
Change in Fair Value of Own Debt	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Other Non-operating Income and Expenses	N.A.	N.A.	N.A.	N.A.	263.1	236.1	139.5
Pre-tax Profit	**471.8**	**1,358.9**	**5,573.8**	**5,224.7**	**3,992.9**	**4,026.6**	**3,819.8**
Tax Expense	154.6	445.2	2,056.9	1,879.0	1,449.0	1,414.7	1,368.0
Profit/(Loss) from Discontinued Operations	0.0	0.0	0.0	N.A.	N.A.	N.A.	N.A.
Net Income	**317.2**	**913.7**	**3,516.9**	**3,345.7**	**2,543.9**	**2,611.9**	**2,451.8**
Change in Value of AFS Investments	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	40.4
Revaluation of Fixed Assets	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Currency Translation Differences	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Remaining OCI Gains/(Losses)	N.A.	N.A.	302.2	278.6	N.A.	N.A.	-555.4
Fitch Comprehensive Income	**317.2**	**913.7**	**3,819.1**	**3,624.2**	**2,543.9**	**2,611.9**	**1,936.8**
Memo: Profit Allocation to Non-controlling Interests	113.4	326.7	1,377.1	1,304.3	875.2	1,011.4	955.4
Memo: Net Income after Allocation to Non-controlling Interests	203.8	587.0	2,139.9	2,041.4	1,668.7	1,600.5	1,496.4
Memo: Common Dividends Relating to the Period	N.A.	N.A.	1,260.9	1,276.5	N.A.	N.A.	N.A.
Memo: Preferred Dividends Related to the Period	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

[a]Exchange rate: First-Quarter 2017 – USD1 = COP2880.24; 2016 – USD1 = COP3000.71; 2015 – USD1 = COP3149.47; 2014 – USD1 = COP2392.46; 2013 – USD1 = COP1922.56; 2012 – USD1 = COP1771.54. N.A. – Not applicable.
Source: Grupo Aval Acciones y Valores S.A.

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

	Three Months First-Quarter 2017[a] (USD Mil.)	Three Months First-Quarter 2017[a] (COP Bil.)	2016[a] COP Bil.)	2015[a] (COP Bil.)	2014[a] (COP Bil.)	2013[a] (COP Bil.)	2012[a] (COP Bil.)
Assets							
Loans							
Residential Mortgage Loans	5,073.8	14,613.9	14,683.5	13,418.1	9,034.7	6,520.1	4,348.3
Other Mortgage Loans	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Other Consumer/Retail Loans	16,267.5	46,854.2	46,928.0	42,230.5	33,166.4	27,801.3	23,380.2
Corporate & Commercial Loans	30,806.6	88,730.3	89,579.6	87,971.0	62,764.8	54,855.6	45,514.2
Other Loans	137.5	396.0	399.4	399.3	7,790.2	7,336.8	6,786.6
Less: Reserves for Impaired Loans	1,524.1	4,389.7	4,261.4	3,718.3	3,413.7	3,073.0	2,545.6
Net Loans	**50,761.3**	**146,204.7**	**147,329.1**	**140,300.6**	**109,342.4**	**93,440.8**	**77,483.7**
Gross Loans	**52,285.4**	**150,594.4**	**151,590.6**	**144,018.9**	**112,756.1**	**96,513.8**	**80,029.3**
Memo: Impaired Loans Included Above	1,163.3	3,350.5	2,962.0	2,354.4	N.A.	N.A.	N.A.
Memo: Loans at Fair Value Included Above	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Other Earning Assets							
Loans and Advances to Banks	N.A.	N.A.	N.A.	0.0	N.A.	N.A.	N.A.
Reverse Repos and Cash Collateral	1,770.4	5,099.3	3,569.6	1,527.1	N.A.	N.A.	11.6
Trading Securities and at FV Through Income	2,279.3	6,565.0	6,164.2	6,474.9	5,054.6	7,517.8	5,650.7
Derivatives	287.4	827.7	630.7	1,058.7	1,088.1	191.8	454.3
Available for Sale Securities	6,271.6	18,063.6	18,392.5	19,684.9	20,478.8	16,432.4	14,150.8
Held to Maturity Securities	915.5	2,636.8	2,570.5	2,395.3	3,057.6	3,348.4	3,249.7
Equity Investments in Associates	393.9	1,134.5	1,146.6	927.6	N.A.	N.A.	N.A.
Other Securities	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total Securities	**11,918.1**	**34,326.9**	**32,474.1**	**32,068.5**	**29,679.1**	**27,490.4**	**23,517.1**
Memo: Government Securities Included Above	N.A.	N.A.	17,504.7	25,496.7	18,295.4	18,475.4	12,671.2
Memo: Total Securities Pledged	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Investments in Property	220.1	633.9	610.2	538.2	N.A.	N.A.	N.A.
Insurance Assets	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Other Earning Assets	83.6	240.9	259.5	199.5	223.5	253.6	716.0
Total Earning Assets	**62,983.1**	**181,406.4**	**180,673.0**	**173,106.8**	**139,245.0**	**121,184.8**	**101,716.8**
Non-Earning Assets							
Cash and Due From Banks	8,520.9	24,542.3	22,193.0	22,285.0	18,693.5	16,096.6	13,398.9
Memo: Mandatory Reserves Included Above	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Foreclosed Real Estate	N.A.	N.A.	N.A.	N.A.	134.1	109.2	92.0
Fixed Assets	1,992.2	5,738.0	5,949.3	5,975.8	2,276.0	2,044.8	1,738.7
Goodwill	2,306.8	6,644.0	6,824.9	7,056.0	5,626.7	4,968.0	2,842.2
Other Intangibles	262.8	756.9	735.0	612.9	N.A.	N.A.	N.A.
Current Tax Assets	300.6	865.8	584.2	564.7	N.A.	N.A.	N.A.
Deferred Tax Assets	50.1	144.4	195.0	920.5	378.1	159.1	120.3
Discontinued Operations	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Other Assets	2,435.5	7,014.8	6,919.3	6,157.7	11,261.3	9,724.9	7,380.4
Total Assets	**78,852.0**	**227,112.6**	**224,073.7**	**216,679.3**	**177,614.7**	**154,287.4**	**127,289.3**

[a]Exchange rate: First-Quarter 2017 – USD1 = COP2880.24; 2016 – USD1 = COP3000.71; 2015 – USD1 = COP3149.47; 2014 – USD1 = COP2392.46; 2013 – USD1 = COP1922.56; 2012 – USD1 = COP1771.54. N.A. – Not applicable. *Continued on next page.*
Source: Grupo Aval Acciones y Valores S.A.

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

	Three Months First-Quarter 2017[a] (USD Mil.)	Three Months First-Quarter 2017[a] (COP Bil.)	2016[a] COP Bil.)	2015[a] (COP Bil.)	2014[a] (COP Bil.)	2013[a] (COP Bil.)	2012[a] (COP Bil.)
Liabilities and Equity							
Interest-Bearing Liabilities							
Customer Deposits — Current	11,853.8	34,141.9	35,307.0	33,879.2	30,250.5	25,971.5	21,052.4
Customer Deposits — Savings	17,502.6	50,411.8	50,573.9	50,298.1	42,283.1	42,479.6	33,545.9
Customer Deposits — Term	21,589.4	62,182.6	58,006.1	51,777.4	41,858.6	32,739.3	26,865.0
Total Customer Deposits	**50,945.9**	**146,736.3**	**143,887.1**	**135,954.6**	**114,392.2**	**101,190.4**	**81,463.3**
Deposits from Banks	6,377.4	18,368.5	17,906.6	18,750.6	4,589.5	5,123.6	5,156.5
Repos and Cash Collateral	2,772.3	7,984.8	6,315.7	9,474.9	N.A.	N.A.	N.A.
Commercial Paper and Short-term Borrowings	0.0	0.0	0.0	0.0	7,470.9	525.6	781.8
Total Money Market and Short-term Funding	**60,095.5**	**173,089.6**	**168,109.4**	**164,180.1**	**126,452.6**	**106,839.6**	**87,401.6**
Senior Unsecured Debt (Original Maturity > Year)	5,650.7	16,275.4	18,568.2	14,457.9	19,625.2	22,608.2	19,368.1
Subordinated Borrowing	N.A.	N.A.	N.A.	2,109.2	N.A.	N.A.	N.A.
Covered Bonds	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Other Long-term Funding	968.7	2,790.1	2,725.7	2,506.6	N.A.	N.A.	N.A.
Total Long-term Funding (Original Maturity > Year)	**6,619.4**	**19,065.5**	**21,293.9**	**19,073.8**	**19,625.2**	**22,608.2**	**19,368.1**
Derivatives	215.0	619.2	684.1	1,481.0	1,681.5	226.1	410.6
Trading Liabilities	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total Funding	**66,929.9**	**192,774.3**	**190,087.5**	**184,734.9**	**147,759.3**	**129,673.9**	**107,180.3**
Non-Interest Bearing Liabilities							
Fair Value Portion of Debt	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Credit Impairment Reserves	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Reserves for Pensions and Other	615.7	1,773.3	1,718.0	1,622.5	652.4	308.5	337.5
Current Tax Liabilities	247.3	712.2	405.1	669.7	155.1	188.6	410.8
Deferred Tax Liabilities	509.0	1,466.0	1,246.8	1,222.4	288.7	297.5	214.7
Other Deferred Liabilities	N.A.	N.A.	N.A.	N.A.	16.2	101.2	419.4
Discontinued Operations	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Insurance Liabilities	N.A.	N.A.	N.A.	N.A.	204.7	309.5	288.4
Other Liabilities	2,319.7	6,681.4	5,957.2	5,523.5	6,073.5	5,207.7	4,320.0
Total Liabilities	**70,621.6**	**203,407.2**	**199,414.5**	**193,773.0**	**155,149.9**	**136,086.9**	**113,171.1**
Hybrid Capital							
Pref. Shares and Hybrid Capital Accounted for as Debt	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Pref. Shares and Hybrid Capital Accounted for as Equity	N.A.	N.A.	N.A.	N.A.	6.9	5.0	4.9
Equity							
Common Equity	5,166.9	14,881.8	14,851.9	14,567.6	15,633.6	12,246.9	7,963.7
Non-controlling Interest	3,063.5	8,823.6	9,057.7	8,338.7	7,368.2	6,472.2	5,575.4
Securities Revaluation Reserves	N.A.	N.A.	N.A.	N.A.	(543.9)	(523.6)	(146.7)
Foreign Exchange Revaluation Reserves	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Fixed Asset Revaluations and Other Accumulated OCI	N.A.	N.A.	749.6	N.A.	N.A.	N.A.	720.9
Total Equity	**8,230.4**	**23,705.4**	**24,659.2**	**22,906.3**	**22,457.9**	**18,195.5**	**14,113.3**
Total Liabilities and Equity	**78,852.0**	**227,112.6**	**224,073.7**	**216,679.3**	**177,614.7**	**154,287.4**	**127,289.3**
Memo: Fitch Core Capital	5,660.8	16,304.5	17,099.2	15,237.4	16,741.8	13,227.5	11,271.1

[a]Exchange rate: First-Quarter 2017 – USD1 = COP2880.24; 2016 – USD1 = COP3000.71; 2015 – USD1 = COP3149.47; 2014 – USD1 = COP2392.46; 2013 – USD1 = COP1922.56; 2012 – USD1 = COP1771.54. N.A. – Not applicable.
Source: Grupo Aval Acciones y Valores S.A.

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

(%)	Three Months First-Quarter 2017[a]	2016[a]	2015[a]	2014[a]	2013[a]	2012[a]
Interest Ratios						
Interest Income on Loans/Average Gross Loans	12.05	11.45	10.04	10.01	10.73	11.65
Interest Expense on Customer Deposits/Average Customer Deposits	4.41	4.21	3.07	2.89	2.97	3.50
Interest Income/Average Earning Assets	10.79	10.07	8.78	9.44	10.16	11.03
Interest Expense/Average Interest-bearing Liabilities	4.64	4.55	3.42	3.15	3.29	3.86
Net Interest Income/Average Earning Assets	5.88	5.26	5.20	6.09	6.68	6.87
Net Interest Income Less Loan Impairment Charges/Average Earning Assets	4.23	3.71	4.01	4.79	5.38	5.76
Net Interest Income Less Preferred Stock Dividend/Average Earning Assets	5.88	5.26	5.20	6.09	6.68	6.87
Other Operating Profitability Ratios						
Non-Interest Income/Gross Revenues	37.52	45.75	43.43	33.68	34.24	41.22
Non-Interest Expense/Gross Revenues	52.08	50.29	51.50	54.38	53.14	56.94
Non-Interest Expense/Average Assets	3.94	3.91	3.82	3.92	4.29	5.23
Pre-impairment Operating Profit/Average Equity	35.23	35.65	33.00	27.11	33.78	34.23
Pre-impairment Operating Profit/Average Total Assets	3.78	3.87	3.60	3.29	3.78	3.96
Loans and Securities Impairment Charges/Pre-impairment Operating Profit	35.32	33.66	27.08	30.99	27.22	22.11
Operating Profit/Average Equity	22.79	23.58	24.06	18.71	24.58	26.66
Operating Profit/Average Total Assets	2.44	2.57	2.62	2.27	2.75	3.08
Operating Profit /Risk Weighted Assets	N.A.	3.06	2.78	N.A.	N.A.	N.A.
Other Profitability Ratios						
Net Income/Average Total Equity	15.32	14.86	15.41	12.76	16.94	17.76
Net Income/Average Total Assets	1.64	1.62	1.68	1.55	1.90	2.05
Fitch Comprehensive Income/Average Total Equity	15.32	16.14	16.69	12.76	16.94	14.03
Fitch Comprehensive Income/Average Total Assets	1.64	1.76	1.82	1.55	1.90	1.62
Taxes/Pre-tax Profit	32.76	36.90	35.96	36.29	35.13	35.81
Net Income/Risk Weighted Assets	N.A.	1.93	1.78	N.A.	N.A.	N.A.
Capitalization						
FCC/FCC-Adjusted Risk Weighted Assets	N.A.	9.75	8.42	N.A.	N.A.	N.A.
Tangible Common Equity/Tangible Assets	7.42	7.90	7.29	9.74	8.86	9.06
Tier Regulatory Capital Ratio	N.A.	10.15	10.37	N.A.	N.A.	N.A.
Total Regulatory Capital Ratio	N.A.	14.20	13.55	N.A.	N.A.	N.A.
Common Equity Tier Capital Ratio	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Equity/Total Assets	10.44	11.00	10.57	12.64	11.79	11.09
Cash Dividends Paid & Declared/Net Income	N.A.	35.85	38.15	N.A.	N.A.	N.A.
Internal Capital Generation	15.63	9.15	9.03	11.33	14.35	17.37
Loan Quality						
Growth of Total Assets	1.36	3.41	20.24	15.12	21.21	14.16
Growth of Gross Loans	(0.66)	7.16	22.76	16.83	20.60	14.41
Impaired Loans/Gross Loans	2.22	1.95	1.63	N.A.	N.A.	N.A.
Reserves for Impaired Loans/Gross Loans	2.91	2.81	2.58	3.03	3.18	3.18
Reserves for Impaired Loans/Impaired Loans	131.02	143.87	157.93	N.A.	N.A.	N.A.
Impaired loans less Reserves for Impaired Loans/Fitch Core Capital	(6.37)	(7.60)	(8.95)	N.A.	N.A.	N.A.
Impaired Loans less Reserves for Impaired Loans/Equity	(4.38)	(5.27)	(5.95)	N.A.	N.A.	N.A.
Loan Impairment Charges/Average Gross Loans	1.96	1.87	1.48	1.62	1.64	1.40
Net Charge-offs/Average Gross Loans	7.05	1.62	1.26	1.26	1.07	0.53
Impaired Loans + Foreclosed Assets/Gross Loans + Foreclosed Assets	2.22	1.95	1.63	0.12	0.11	0.11
Funding and Liquidity						
Loans/Customer Deposits	102.63	105.35	104.05	98.57	95.38	98.24
Interbank Assets/Interbank Liabilities	N.A.	N.A.	0.00	N.A.	N.A.	N.A.
Customer Deposits/Total Funding (Excluding Derivatives)	76.36	75.97	74.19	78.31	78.17	76.29
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

N.A. – Not applicable.
Source: Grupo Aval Acciones y Valores S.A.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.