4Q2017 CONSOLIDATED EARNINGS RESULTS CALL TRANSCRIPT

GRUPO AVAL ACCIONES Y VALORES S.A.

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FOURTH QUARTER 2017 CONSOLIDATED EARNINGS RESULTS CALL TRANSCRIPT

Operator

Welcome to the 4 Quarter 2017 Consolidated Results under IFRS Conference Call. My name is Sylvia and I will be the operator for today´s call. At this time our participants are in a listen only mode. Later we will conduct a question and answer session.

Grupo Aval Acciones y Valores S.A. (Grupo Aval) is an issuer of securities in Colombia and in the United States registered with the Colombia´s National Registry of Shares and Issuers (*Registro Nacional de Valores y Emisores*) and the United States Securities and Exchange Commission (*SEC)*. As such, it is subject to the control of the Superintendency of Finance and compliance with applicable U.S. securities regulation as a "foreign private issuer" under Rule 405 of the U. S. Securites Act of 1933.

All of our banking subsidiaries (Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas) Porvenir and Corficolombiana, are subject to inspection and surveillance as financial institutions by the Superintendency of Finance. Although we are not a financial institution, and as a result of the enactment of Law 1870 of 2017, also known as the Law of Financial Conglomerates, starting on September 2018, Grupo Aval will be subject to the supervision and regulation of the Superintendency of Finance. Grupo Aval, as the holding company of its financial conglomerate will become responsible for the compliance with capital adequacy requirements, corporate governance standards, financial risk management and internal control framework and criteria for identifying, managing and revealing the conflicts of interest, applicable to its financial conglomerate.

Pursuant to the Law 1314 of 2009, since January 1st, 2015, financial entities and Colombian issuers of publicly traded securities such as Grupo Aval, must prepare its financial statements in accordance with IFRS. IFRS is applicable under the Colombian regulation differs in certain aspects from IFRS as currently used in the IASB.

The unaudited consolidated financial information included in this document is presented in accordance with IFRS as currently issued by the IASB. Details of the calculations of non-GAAP measures such as ROAA and ROAE, among others, are explained when required in this report.

This report may include forward-looking statements, which actual results may differ from those stated herein as a consequence of changes in general, economic and business conditions, changes in interest and currency rates and other risks factors as evidenced in our Form 20-F available at the SEC webpage. Recipients of this document are responsible for the assessment and the use of the information provided herein. Grupo Aval will not have any obligation to update the information herein and shall not be responsible for any decision taken by investors in connection with this document. The content of this document and the unaudited figures included herein are not intended to provide full disclosure on Grupo Aval or its affiliates.

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

Today´s conference from Grupo Aval call will be conducted by Mr. Luis Carlos Sarmiento, President and CEO, Mr. Diego Solano Chief Financial Officer and Mrs. Tatiana Uribe Financial Planning and Investor Relations Officer.

I will now turn the call over to Mr. Luis Carlos Sarmiento, Mr. Sarmiento you may begin.

Luis Carlos Sarmiento Gutiérrez

Chief Executive Officer

Thank you, Sylvia. Good morning to all and thank you very much for coming to our 2017 fourth quarter results call. I am going to start by referring to Colombia macroeconomic results during 2017. In summary, 2017 was a somewhat disappointing year. A little over a year ago, our expectation was that, after continued deceleration of growth since 2013 and growth of only 2% on 2016, 2017 would be the year in which a reversal of the trend would take place. However, the year´s GDP finished at only 1.8%, albeit with a stronger second semester than the first. The sectors that contributed to the GDP growth were financial services, social services, taxes, agroindustry and commerce. The sectors that mitigated growth were transportation, construction, industry and mining. The good news is that, as we said on our last call, it is probably a safe bet to declare that the worst of the economic deceleration is behind us. In essence, it now appears as though we were off by a year in terms of our predictions and we now feel that several indicators have aligned to support a growth recovery in 2018. For example, inflation finished the year at 4.09% which compares favorably to the 5.75% of the year before and almost within the Central Bank´s target for the first time in the last four years. Because of controlled inflation expectations, the Central Bank rate continued to show an expansionary trend decreasing from a high of 7.75% in late 2016 to 4.75% as of December 31st, 2017. The Central Bank made an additional 25 basis points cut in rates in January, 2018 to 4.5%. We believe that there is room for an additional 25 basis points cut before this first semester is over. Notably, Colombia is back in positive real interest rate territory. The twin deficits continues to improve. On the fiscal front, the deficit met the expected level per the adjusted fiscal rule of 3.6% which compares favorably with the 4% of 2016. The current account deficit also improved to 3.3% from 4.3% in 2016. The current account deficit improved largely benefited from a substantial improvement in trade balance. As a fact, at the end of 2017 the trade balance deficit was a slight 0.5%. Just as important, the dependence on oil of the country´s exports have declined significantly, as oil exports in 2017 accounted for only 34% of total exports when compared to this same ratio in 2013 which was closer to 53%. The tendency of the twin deficits should continue to improve throughout 2018 as a consequence of an increase in non-traditional exports a reduction in imports, a larger fiscal contribution from Ecopetrol and sustained prices of oil in the 60to 70 dollar range. The last two years the peso dollar exchange rate has moved within an acceptable range between 2800 and 3100 pesos per dollar, as a result of dollar inflows and outflows from movements in local capital markets portfolio positions belonging to foreign investors and, albeit not as much as four years ago, as a result of changes in oil prices. We expect to see a similar performance of the exchange rates throughout 2018. As a consequence, our views are aligned with those of the analysts in regard to growth and inflation, which we now estimate in approximately 2.5% and 3.2% for 2018. We currently favor growth in specific areas of the economy such as transportation, construction, industry and mining. Because of the current political cycle given the Presidential elections, we have experienced some volatility in the economy and expect some more in the first few months of this year. The volatility is resorting to the past as a consequence of last Sunday´s congressional elections and will probably die out after the second-round of the Presidential election in July. Therefore, we expect that in meeting our projected growth, the second half of the year would be of greater growth than the first. However, we are far from believing that the current state of the economy or even 2018´s economic projections are satisfactory. For starters, even if the projected growth of 2.5% is achieved, we should be still be aiming for a 4 to 4.5% rate. We are still probably two to three years away from that. As we have said before, to achieve this better growth we believe that 4G infrastructure projects must get underway as well as those projects financings. We hope that the resolution of Ruta del Sol´s liquidation and additional amortization of the banks loans for this project will be the triggers to this necessary component. Additionally, 12 months average urban unemployment, a direct monitor of the pace of the economy, deteriorated 60 basis points from 10% in 2016 to 10.6% in 2017. Given the impact that we see on consumer loans, this level is a point of concern as it represents a headwind in the path of improvement of the consumer's book cost of risk. Average urban unemployment is expected to continue to be close to the 10% area, but it should improve as internal demand and production gain momentum. Also related to the consumer loan portfolio, household consumption contracted in the first two quarters of 2017 affected by the high interest rates scenario and the impact of 3 percentage point increase in Value Added Taxes included in the 2016 Fiscal Reform. However, we believe that the household consumption will improve in 2018. In fact, we are already seeing this trend in the first months of the year through a better behavior of our more recent consumer lending trends. As I mentioned before, last Sunday we had congressional elections in Colombia. Additionally, ex-President Uribe´s party and the left-wing party conducted primaries to decide who their Presidential candidates will be in May. The results of the election could be summarized as follows:

- First, more than 14 million votes were casted.
- Secondly, the voters on the primaries for ex-President Uribe´s party outnumbered the voters of the left-wing party´s candidate by almost two to one. This might be an indication of voter's sentiment during the upcoming first round presidential election in May.A clear majority of Congress will be in the hands of the right and central right parties both very much pro-markets.

The results have already started to ease concerns within the business community because from a legislative standpoint, it is clear that Congress will promote rather than oppose market friendly regulation. We expect that no single Presidential candidate will achieve at least 51% of the votes during the May presidential elections and therefore, a second round of elections will be held on the month of July between the two top contenders.

Regarding Central America´s economy growth during 2017, although moderate, was still more than twice that of Colombia´s. Panama, Honduras and Nicaragua were the fastest growing countries in the region with growths in the 5% area. The region continues to be benefited by a robust US economy. However, Central American countries must strive to achieve agreements among themselves and within each country to support growth opportunities for the business communities. Additionally, fiscal deficits must be dealt with through comprehensive reforms and more vigilance of tax evasion. We expect similar growth for the region for 2018 with Costa Rica, which is in an election year and Panama growing slower, but El Salvador and Guatemala picking up the slack. Central America has to continue to position itself as an essential bridge between North and South America, sitting on vast amount of natural resources and a superb labor force well trained specially in technological fields. The region must keep up and continue these or higher levels of growth in order to minimize the impacts of much-needed fiscal adjustments.

Now let´s move away from the economy and instead and let´s take a general look into our businesses.

For a while, we, as well as our competitors, have been talking about the push to digitalize our operations as an essential component to face a more competitive future in which most probably, only those with larger capacities to invest in technology will be able to differentiate themselves in a business that will tend to commoditize itself such as the financial business.

The differentiation that digitalization affords financial institutions will be achieved primarily in two aspects:

One the innovative product geared towards future generations of clients more interested in online than any other type of shopping and especially through cost optimization in all existing and new operational processes. Towards this goal, I am proud to say that the digital transformation of Grupo Aval is well underway with the creation of two Digital Labs which will eventually be merged into one and the appointment of a new Chief Digital Officer, an executive recruited from Silicon Valley with a double major from MIT and a MBA from Stanford. Aval´s CDO has been empowered to lead this new agenda across all of Aval´s entities. Her charge is three-fold. One, to align all of Aval´s banks in a short vision for a digital future, two, to capture operational and strategic synergies across our existing digital platforms and three, to develop and scale digital best practices across the group, particularly in the areas of advanced analytics, design thinking, agile methodologies and user centered design. Results are starting to become apparent in Banco de Bogota, BAC and Porvenir.

In Banco de Bogota, in just within nine months of launching the Bogotá Digital Lab, the bank has already taken to market three products. Its first product, an omni channel 100% digital savings account, accessible via mobile, web and selected branches, has already produced meaningful results. Total account openings exceeded 15,000 in just a few months, and in branches where the solution has been deployed, digital openings represent over 50% of total openings. Moreover, the bank has accelerated its efforts to migrate consumer transactions to its mobile and web banking platforms. Today, it has over a million unique active clients registered in these channels and its growth rate is over 30%. The total number of transactions on mobile and web is increasing at a clip of over 40% per year. Banco de Bogota is also the first bank in Colombia to offer its financial services via social media, both on Twitter and Facebook, utilizing artificial intelligence and bots. To-date, it has thousands of clients registered and over two hundred thousand interactions and transactions. While these are clearly rebost figures, the opportunity to continue growing in these channels certainly still exists, particularly on our monetary transactions.

A third front to highlight is its implementation of advance analytics and machine learning modules to optimize the utilization of data on specific use cases. A couple of the models it has successfully put to work include optimizing consumer lending collections and reducing customer churn by anticipating pain points. These models have already generated a positive ROI by increasing provision recoveries and increasing the bank´s net customer base.

Finally, and perhaps most importantly, the digital effort in Banco de Bogota has been a 100% self-funded. In other words, it has not required a single peso in additional expense to our budget but rather functioned as a reallocation of resources across the bank and its auto financed initiative. In other words, it's been important to increase our efficiency ratio and will continue to keep growing forward.

In BAC, moblie banking transactions grew by over 60% within 2017 and digital sales grew by over 17%. In Central America, a third of our client transactions is digital, a higher share than in Colombia, and two out of every three transactions are being done in digital channels. Besides, the bank is redesigning over 30% of its banking processes to make life easier for the clients by significantly improving their cycle time by, for instance, eliminating redundant requirements and simplifying formats.

Porvenir is also leading the digital transformation in this industry, as more than 90% of services requirements made by their affiliates and more than of 15% of pensional requirements were successfully done digitally.

We have also set a goal to keep our costs controlled through the migration of transactions from our branches to our digital channels. In that respect, last year we reduced the percentage of monetary transactions done through branches from 34% to 30%. We also increased the number of mobile transactions by a 157% in Colombia and 60% in Central America where we have more than two hundred million transactions done through mobiles. And we have converted into digital clients one of every four individual clients in Colombia and one of every three in Central America.

As a consequence of the above, we have been able to reduce our physical branch network for the first time in the last decade, mainly in our Colombian operation. Although the number of branches closed is not huge, just only close to 20 branches that we have closed, we do value the trend.

We are strong believers in digitalization as another avenue of creating value in the near future for our group and therefore we will put a lot of emphasis on it. I believe that it is also worthwhile mentioning the achievements of Porvenir, our pension fund manager in Colombia, which continues to consolidate itself as the number one player in the market with over 10 million affiliates and over 129 trillion pesos of AUMs up to year 2017.

Before we address our financial results, allow me to provide a brief update in reference to our largest commercial problem loans: Ruta del Sol, Electricaribe and SITP.

Regarding Concesionaria Ruta del Sol 2, or CRDS, on December 22nd of last year, the ANI authorized a first payment to the creditor banks. This payment, although a cause for optimism, fell short of the expectations of the financial system. In fact, the payment for eight hundred billion pesos, fell way short of the total exposure of twenty-four hundred billion pesos. The payment was furthermore applied, as previously agreed with the government; first, to accrued and unpaid interest and secondly to principal. In that respect, principal outstanding was reduced to nineteen hundred billion pesos of which roughly nine hundred billion pesos correspond to loans with Aval banks.

The ANI´s authorization for payment was a result of a judicial order issued by the Cundinamarca´s State Court which specifically ordered the ANI to pay all good standing creditors of CRDS. The creditor banks have since filed a complaint letter in the Court asking to the ANI to be ordered to pay or established a schedule of payments for the rest of the money owed. Meanwhile, in a painstakingly slow procedure the Arbitration Tribunal has not yet rendered a ruling with respect to the nullity of the Concession contract and/or the way to liquidate it if it is declared null. We are following closely all proceedings and will report when we have a clearer vision of things to come. In the meantime, we booked provisions for 12.5% of our credit outstanding as of December 31st, 2017.

With regard to Electricaribe, we continued to make provisions in the last quarter of 2017, bringing the accumulated percentage to 70% of our loan exposure which approximates 600 billion pesos. Our plan is to continue increasing this number to 80% as of the end of 2018´s first quarter.

On a more positive note, although we cannot confirm it, it might be that Electricaribe has generated interest for one or more other electric utility operators. We have expressed our preliminary desire to operate it and to make the company financially viable. If this ever materializes, new oxygen might be given to the company´s financial obligations. It would be premature to assume that a resolution to this problem loan is in sight, and speculative to guess the extent to which the creditor banks would have to refinance the loans, but this news is probably the only cause for optimism since this problem began over a year ago.

Regarding SITP, Bogota´s mass transportation system, an essential element to getting this problem resolved is the willingness of the city of Bogota to renegotiate terms with the bus owners and operators. Until recently, it was unclear that the Mayor was willing to undertake this challenge. As a result, we started to book provisions against our 500 billion exposures and as of December 31st, 2017 we have booked provisions for 13% of the loans outstanding. The good news here is that incipient talks have commenced between the Mayor´s office and the SITP operators. Although it is also premature in this case to speculate as to the end result of those talks, it is more than we could ever reported as of last quarter. We will continue to assess the situation and we will report back to the market when we see positive developments. Barring positive news we are projecting additional provisions up to 50% of our exposure in the next few months. Other general but impactful considerations going forward in 2018 are:

First, the regulation of the law of conglomerates that was passed last year, is on their way, and we have kept in close touch with the Superintendence and Finance Ministry to understand firsthand its implications. As of now, we have seen drafts of the regulations surrounding minimum capital positions for financial holding companies and based on the latest drafts, we are very comfortable with the implications of regulations in Aval´s capital. We are expecting to have final drafts before the end of this quarter.

We have also seen a first draft of the proposed implementation of Basel 3 in Colombia. We believe that Basel 3 will be phaaced in a 6-year period commencing some time in 2018 or 2019. As far as we know, Basel 3 will bring with it a reduction in risk weighted assets, a relief in the way banks take into account investments in other financial entities that they do not control such as Corficolombiana, a different treatment of the OCI account, a larger minimum required Tier 1 ratio, and a requirement to fully deduct goodwill from Tier 1 capital. We will communicate to the market our projections as soon as a definitive document is made available to us.

On January 1st, we adopted IFRS 9 and therefore, starting with the first quarter of this year our results will reflect the adoption of this accounting standard. The project included the definition of a unified framework for the development of statistical models for each of the loan products. As a result of the project, we established the increased of the loan loss reserves required by IFRS 9, which were accounted against retained earnings upon its adoption. We did not experience a material impact on our capital ratios because of this adoption and although our cost of risk going forward will be somewhat affected by IFRS 9, we do not expect these impacts to be material.

Finally, turning to our financial results I will briefly run over the main highlights and then pass this over to Diego who will refer in detail to our business results.

In summary our results for the year were mixed. We had a year of slow growth in the balance sheet with close to 5% year on year growth in our gross loan portfolio. This result was a combination of a 3% growth in our Colombian book and an 8% in our Central American book. Slow growth was driven by the corporate book which on a consolidated basis grew on a 2.9%. Our retail book, on the other hand showed stronger growth of 7.4%

in consumer loans and 10% in mortgages. Growth in deposits was positive on a relative basis and helped us close this year with a deposit to net loan ratio of 0.96 times versus 0.95 times in 2016. As growth was slow, our tangible capital ratio remained stable in the year and finished at 7.9%.

Despite a decrease in the Central Bank rate, NIM for the year improved to 5.9% with a NIM on loans of 6.9% and a NIM on investments of 0.7%. This NIM expansion was a result of a less margin on loans booked at lower yields, a lag on repricing of the corporate book and less pricing competition within the Colombian system as all of the banks were affected by the credit cycle and its impacts on cost of risk. Provision expense and cost of risk severely impacted our results. Average cost of risk on the year finished at 2.5% with specific portfolio exposures further detailed in this conference call contributing with about 30 to 40 basis points of such ratio. The remaining part of the deterioration of this ratio, which in 2016 had averaged 1.9%, was driven by a deterioration in the Colombian consumer portfolio, a reflection of deteriorating households' economics conditions and slight deterioration in our Central American business.

Fee income on the other hand, performed positively in the year growing as expected at a better rate than the loan portfolio. This performance was based on strong fiduciary, pension and banking fees. The latter stronger in Central America than in Colombia. Operating expenses were controlled with a year on year growth of less than 4%. As a consequence, our consolidated results show an improvement in our cost to income ratio of 50 basis points from 47.3% in 2016 to 46.8% in 2017. Other income of treasury operations plus the results of our non-financial entities and non- consolidated entities declined for the year. This decline was driven by negative results in some of Corficolombiana´s investments and by the absence of some non-recurrent valuation gains reported in 2016.

As a consequence of all of the above, and despite a 37% year on year increase in provision expense, our net income for the year ended in 1.96 billion pesos or 88 pesos per share almost unchanged when compared with 2016. Our ROAA for the year was 1.4% and ROAE for the year according to our guidance was 12.5%. It is important to once again highlight the fact that extraordinary provisions related to the three problems loans to which I referred above, accounted for more than 10 pesos in earnings per share and robbed the company on more than 100 basis points of ROAE.

With this, I pass the presentation on to Diego who will expand on these highlights that I just shared with you.

Thank you and good day.

Diego Solano Saravia, Chief Financial Officer

Thank you, Luis Carlos. I will now move to the consolidated results of Grupo Aval under IFRS starting on page 9 with our assets evolution. As mentioned by Luis Carlos, some early signs of recovery have been observed lately. Assets growth during the quarter was slightly stronger than the one observed in the previous periods. Low asset growth during 2017, as well as a slight recovery, are consistent with GDP dynamics. Total assets increased by 3.7% during this quarter and

5.6% over the last 12 months. The impact of foreign exchange fluctuations on balance sheet growth was not relevant to determine our operational growth for this period as the year-end Colombian peso to US dollar exchange rate was only 0.6% stronger than the year earlier and 1.6% weaker than the 3 months before. Over the 12-month period ended on December 31st, our Colombian assets increased 4.6% and our Central American Assets grew 8% when translated into Colombian pesos. Over the quarter our Colombian assets increased 2.5% while our Central American assets grew 6.8% when translated into Colombian pesos. Loan growth was the main driver of our assets dynamics, increasing 4.9% during 2017 and 2.4% during the quarter. In addition, fixed income investments grew 6.2% in the last quarter contributing to our quarter results. Consolidated balance sheet structure remained substantially stable and our Colombian operation slightly decreased its share in assets by 85 basis points to 70.3%.

On page 10 we present the evolution of our loan portfolio. This quarter delivered a better loan growth than previously recorded throughout the year. Even though the improvement was across the board, consumer and mortgage lending in Colombia and Central America were the strongest contributors. As mentioned in our recent calls, the slow economic cycle in Colombia has driven the modest loan growth experienced throughout this year. Loan growth resulted from a soft loan demand in Colombian corporate customers and the tightening of consumer and SME underwriting policies starting at the end of 2016 to incorporate our view in the economic cycle. This tightening resulted in a better quality of our retail portfolios relative with other larger market players.

Our banks have emphasized growth in products and segments with lower risk profiles. On the retail front, we have prioritized payroll loans and cross-selling of personal loans and credit cards to existing clients. Mortgages continue to be a source of growth in Colombia given our still low market share. Unsecured consumer lending, in which we have grown less than the market has suffered more during this cycle. As discussed, loan growth accelerated during the quarter and accounted for close to 40% of our annual growth. Gross loans increased 4.9% during the last 12 months and 2.4% during the quarter in peso terms. Even though still low relative to historic performance, our Colombian loan portfolio started to grow at a faster pace than that observed during the previous quarters. Colombian loans grew 4% on a 12-month period and 1.4% during the quarter. Colombian consumer and mortgage business continues to lead the growth of our Colombian operation, expanding 2.1% and 6.1% respectively during the quarter and 7.7% and 17.4% respectively over 2017.

Colombian corporate loan portfolio posted a 0.6% expansion during the quarter and 1.4% over 2017. This performance is still shy from the sustainable growth. A delay in investment decisions, in part explained by the elections cycle and the political uncertainty, has prolonged the slow cycle in corporate loan demand that began 24 months ago. Central America continues to be more dynamic than Colombia, growing 7.3% when translated into Colombian pesos in a 12-month period and 4.9% during the quarter. Most of the growth for the quarter came from Costa Rica which grew at 5.3%, Guatemala which grew at 4.1% and Panama which grew 2.2%.

Broken down by type of loan, annual growth in Central America was 8.8%, 6.8% and 5.3% for commercial, consumer and mortgage loans. The structure of our gross loan portfolio continues to shift slightly towards loans to individuals, aligned with a strategy, reaching 42% at the year end. Colombian operations accounted for 71% of gross loan book. We expect 2018 loan growth in absence of FX movements to be in the 7% to 9% area.

On pages 11 and 12, we present several loan portfolio quality ratios. Results seemed that the worst of the Colombian credit cycle could be close to an end for Aval. Positive trends in asset quality such as lower PDL formation, cost of risk showing signals of stabilization and slightly stronger debt coverage ratios, point in that direction. Caution is still due as consumer 30 days PDL formation continues to be high. Full year cost of risk net of recoveries of charged off assets deteriorated by 61 basis points to 2.5% of which the three corporate cases displayed by Luis Carlos, Electricaribe, Ruta del Sol and SITP, accounted for 34 basis points or more than half of that increase. The remaining deterioration is mainly attributable to higher cost of risk in consumer credit cards, 13 basis point increase, personal loans, 10 basis points increase, and other commercial loans which generated 4 basis points increase in this ratio.

With regard to Electricaribe, our exposure at year-end 2017 was 210 million dollars of which we had provisioned close to 70%, contributing 25 basis points to cost of risk during the year. We expect coverage to increase to 80% in the first part of 2018. In absence of new developments in the restructuring process, the remainder 16 million dollars of this exposure could be provisioned throughout 2018.

In Ruta del Sol, our exposure at year-end of 2017 was 310 million dollars after receiving pending interests and 100 million dollars in amortization of principal. At year-end close to 13% had been provisioned with 7 basis points impact in 2017 cost of risk. For these provisions we will depend on the definitive liquidation value of the concession.

Regarding the SITP companies, our exposure at year-end 2017 was 165 million dollars of which we had provisioned close to 13% contributing 3 basis points to cost of risk during the year. Given current available information an additional 30 basis points of coverage could be required during 2018. The impact of these three exposures accounted for 49 basis points of the quarter´s annualized cost of risk. Cost of risk in Colombia and Central America increased from 1.9% to 2.7% and 1.9% to 2.1% respectively during 2017.

Finally, as mentioned by Luis Carlos, Aval adapted IFRS 9 as of January 1st, 2018 even though preliminary, our current estimates point to an additional 1.2 trillion pesos in allowance for impairment of loans and receivables. As a result, loan loss reserve coverage ratios will increase by slightly more than 20%. In addition, this adjustment will have a deferred tax effect associated to minority interest reducing the expected negative impact on attributable equity to 0.6 trillion pesos. We expect IFRS 9 to require slightly higher provision expenses than IAS 39 as in a stable environment provisions associated with portfolio growth will be higher. We expect our cost of risk for 2018 to be similar to that for 2017.

On page 12 you will find further details on the quality of our loan portfolio. As mentioned on the previous page, new PDL formation hints to positive developments over the next few quarters. New 30-day PDL formation was the lowest of the year almost 30% below than the previous quarter and less than half of that in the peak during the first quarter of the year. Even though, caution is still required given the still high PDL formation in consumer, we have started to observe some positive signals in our more recent loans.

30-day PDL to total loans improved during the quarter by 8 basis points to 3.9% driven mainly by the improvement in the commercial portfolio in both regions and stability in the quality of our consumer loan portfolio. Delinquency measured as 90 days PDL´s to total loans deteriorated by 4 basis points to 2.75%. We expect lower new PDL formation during the full year 2018 compounded with a more dynamic loan growth to have a positive impact on our PDL ratios.

On page 13, we present funding and deposit evolution. Funding structure shifted towards deposits that now represent slightly more than 77% of total funding at year-end. In addition, our CASA ratio grew by 59% for our deposits. We maintain strongly liquidity positions for cash to deposit ratio of over 14%. The repricing structure of our funding has enabled us to capture the benefits of the Central Bank rate reductions as we will show later in this presentation. Deposits grew faster than loans 307 basis points more during the quarter to 269 basis points throughout the year. Deposits to net loan ratios increased to 96%.

By region, Colombia accounted for 72% of total funding and 71% of total deposits. Deposits in Colombia grew 6.2% over the last 12 months and 4.7% during the quarter while total funding grew 4.9% over the last 12 months and by 2.5% during the quarter.

Central American deposits grew 11.3% in Colombian peso terms over the last 12 months and 7.2% increase in Colombian peso terms during the quarter. Total funding grew 7.7% in Colombian pesos terms over the last 12 months and 7.2% over the last quarter. We expect deposits to grow at a similar pace for our loan portfolio during 2018.

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

Earnings generated, net of dividends paid explain most of the 4.9% and 4.4% of annual growth in total equity and attributable equity. All of our banks show appropriate Tier 1 and a total solvency ratio. Consolidated Tier 1 ratio at the end of period ranged from 8.8% for Banco de Bogotá to 10.9% for AV Villas. Total Solvency Ratio ranged between 10.5% for Banco Popular to 13.5% for Banco de Bogotá. The regulator has indicated that it plans to announce at the end of June of this year adjustments to the current solvency matrix to further convert it to Basel 3.

Based in our initial conversation and the regulators presentation, we understand that this convergence would take place over a six year period and will include issues such as: higher equity requirements in the form of AT instruments, full deduction of good will from Tier 1 including that booked pre-august 2012 and a relieve in aspects where Colombian regulation is more stringent than international standards such as risk weighting of certain assets, the treatment of unconsolidated investments in financial subsidiaries and selective capital credit of OCI account. We will share more details of our understanding of the changes and their impact on our banks solvency ratio once further clarity exists on this new regulation and the timeline on its implementation.

Based on our current solvency ratio, and currently available information, we expect all of our banks to comply with initial solvency regulations and to be able to adjust over time to increases in requirements.

Starting on page 15, we present the evolution of Net Interest Margin. Financial Sector Activities contribute with almost all our interest earning assets. Financial sector entities accounted for close to 99% of our interest earning assets. Our Promigas operation contributes most of the interest earning assets for the non-financial sector. Funding associated with non-financial activities and holding company account for 5.1% of total funding and 7.7% of total interest expense of 2017. The higher cost of funds is due to longer maturities and higher risk premiums of these activities.

On page 16, we present our yield on loans, cost of funds and spreads. The yield on loans and cost of funds dynamics were determined by the Central Bank´s intervention rate evolution. The year-end Central bank rate fell 275 basis points from 7.5% to 4 and 3 quarters percent as of December 31st, 2017, while the average rate fell 98 basis points from 7.1% in 2016 to 6.1% in 2017. Our total yield on loans fell 3 basis points to 11.4% for 2017, resulting from a 40 basis points decrease in yield of commercial loans of our Colombian banks and a 5 basis points decrease in Central American commercial loans. This was offset, in part, by an 8 basis points and 14 basis point increase in the yields of consumer and mortgage loans. Our yield on commercial loans fell less than the Central Bank intervention rate, as the full impact of adjustment has not been fully incorporated into our floating corporate loans yet and we have set higher pricing on new loans for certain sectors. Yield on consumer loans, which are mainly fixed, increased given the introduction of higher risk premiums on new loans, lower competitive pressure and low growth rate.

During the quarter yield on commercial loans fell 33 basis points to 8.4% driven by a 46 basis points reduction in the yield of our Colombian commercial portfolio to 8.9% partly compensated by an increase of 21 basis points in our Central American commercial portfolio. Our funding mix allowed us to capture a proportionally larger portion of Central Bank rate decrease than what was priced into loans. Our average cost of funds decreased 33 basis points to 4.2% compared year on year as deposits have rapidly incorporated the decline in the interest rates scenario as well as lower pressures from loan growth that has allowed us to reduce rates paid in particular to large corporate and government entities. The 33 basis points decrease in cost of funds resulted from a 47 basis points improvement in Colombia during the year and stability in Central America. For the quarter, the average cost of funds was 4%, 9 basis points lower than the earlier quarter.

A 31-basis points expansion in spread between loans and cost of funds as a result from the relatively stable yield on loans the reduction in cost of funds described before. We believe that this favorable behavior of our spread and loans is mainly due to temporary repricing gaps and incorporation of a high-risk premiums on certain loans. We expect this environment to unwind as, our yield on loans fully incorporates Central Bank rate cuts and a more dynamic economy with higher growths, more competitive pressure and improvement of consumer loans.

On page 17 we present our NIM for the financial sector and Grupo Aval´s consolidated operation. The performance of our Net Interest Margin was driven by the favorable performance of our cost of funds and the resilience of our yield on loans described in the previous chart. Our full year net interest income was 10.5 trillion pesos showing a 14.9% increase when compared to 2017. Our quarter net interest income was 2.8 trillion pesos. The NIM of our consolidated operation, including net trading income from investments held for trading through profit and loss for 2017, expanded 34 basis points from 5.6% to 5.9% and was relatively stable during the quarter. Our NIM, excluding net trading income from investments held for trading through profit and loss for the year, increased 42 basis points from 5.4% to 5.8%. Consolidated NIM and loans for 2017 increased 37 basis points to 6.9% compared to full year 2016 and remained stable during the quarter. This resulted from the spread dynamics described on the previous chart. As previously said in the call, we believe this favorable behavior to be due to temporary repricing gaps that should unwind as the Central Bank rates are fully incorporated into the prices and the economic dynamics continue to improve during this year.

Our NIM and investment increased by 4 basis points to 0.67% in 2017. During the quarter our NIM and investments improved 17 basis points to 0.4% driven by the downward shift in the yield curve. Our non-financial activities had a negative impact of 22 basis points on NIM. We expect our total NIM to contract 30 to 40 basis points for 2018, resulting from pricing into consumer loans, the reduction of the Central Bank rates and a higher share of loans priced under the lower interest rate environment to enter our mix.

On page 18, we present net fees and other income. Gross fee income for the full year 2017 grew 6.6% faster than the growth for assets and loans. This performance resulted from a 12.5% increase in pension and severance funds management fees, a 13.1% increase of trust and portfolio management fees and a 5.6% increase in banking fees. We expect fee income to continue growing at a slightly higher rate than our balance sheet in 2018. Broken by geography, Colombia accounted for 60% of total gross fees for 2017. Domestic fees were 8.1% when compared to 2016 while Central American fees grew 7.9 in dollar terms in 2017.

In the bottom of the page, we present other operating income. Other operating income for the year was 2.3 trillion pesos, this is 730 billion lower than the year earlier. Some events mentioned on our previous calls such as the sale of our share of CIFIN to Transunion, the valuation of Credibanco as a result from changing it to a limited liability company and higher tax recoveries in 2016, explain close to two thirds of this decrease in operating income. The remainder of this decrease was explained by lower dynamics in 2017 and had a positive effect of "El Niño" phenomenon on our gas business during 2016. In addition, lower exchange trends in 2017 affected these numbers.

On page 19, we present some efficiency ratio. Cost and fund initiatives have delivered positive results. Personnel and administrative expenses increased 3.1% during the year. This result compares favorably to our 5.7% inflation in Colombia for 2016, which set the base to 2017 wage and price increases. Cost control in Central America continued to be a key contributor to the positive results. Our efficiency ratios measured as operating expenses to total income of 46.5% in 2017 was 76 basis points better than the 47.3% recorded for 2016. This ratio improved in Central America to 52% down from 55.1% in 2016 and slightly increased to 43.9 in Colombia. Our efficiency measured as operating expenses to average assets of 3.5% remained unchanged for both years. Central America and Colombia recorded ratios of 4.4% and 3.2% respectively for 2017. Regarding efficiency ratios, we expect to improve 10 basis points on a cost to asset basis in 2018 to 3.4%.

Finally, on page 20, we present our net income and profitability ratios. Attributable net income for 2017 was 1,962 billion or 88 pesos per share. Attributable net income for the quarter was 467 billion pesos or 21 pesos per share.

In spite of an improvement in NIM, fees and efficiency, our cost of risk negatively affected our profitability. Return on average assets and return on average equity through the year was 1.4% and 1.5% respectively.

Before we move in into questions and answers I will now summarize our general guidance for 2018. We expect 2018 loan growth to be in the 7% to 9% area. Deposit growth will be fairly similar to that of loan growth. We expect 2018 cost of risk, net of recoveries, to be in the 2.5% area including the impact of the adoption of IFRS 9. We expect full 2018 NIM to be 30 to 40 basis points lower than that for 2017. We expect fee income to grow at a slightly faster pace, better than loan volume. Regarding efficiency ratios we expect to improve 10 basis points on a cost to asset basis. We expect no material change in our marginal tax rate. Finally, we expect our 2018 ROAE to be in the 12.5% to 13% area.

We are now available for your questions.

Q&A

Thank you. We will now begin the question and answers session. Questions will be taken through audio only. We ask that you please limit yourself to one question only and reprogram for more. If you have a question, please press star and one on your touch tone phone. If you wish to be removed from the queue press the pound or the hash key. If it is a speaker phone you may need to pick up the hand set first before pressing the numbers. Once again, if you have a question, please press star then one on your touch tone phone.

Our first question comes from Sebastian Gallego from Credicorp Capital.

Question: Hi, good morning everyone thanks for the presentation. I have two questions can you comment on the current situation in Costa Rica given the high fiscal deficit, depreciation of the exchange rate and what is your strategy within this operation. Second question is regarding capital particularly on Banco de Bogotá this is the first time since the fourth quarter 2016 that Tier 1 ratio falls below 9%. Could you comment on that and why is that? Thank you.

Answer: Ok, let me take the first one and do you want to take the second one? Yes. Regarding the first one which is Costa Rica we, are you said, following very closely the presidential elections this year on the one hand, secondly, we are very much of following the very high fiscal deficit the country is running and obviously because of the two preceding items then devaluation is starting to pick in in the country. We have as a strategy, we have slowed down a little bit our growth, secondly we continued to hedge entirely our equity which protects us against that devaluation so we have not suffered the consequences and thirdly we have, as we did in Colombia at the beginning of last year, we have strengthened our underwriting parameters to make sure that the country´s situation will not filter through in our results. As I said in my presentation that all combined why we expect that Costa Rica will not grow as much as it did in 2017, but instead that lack of growth will be picked up by el Salvador and Guatemala which are doing and are expected to do better this year. So, to summarize we are fully conscious of what you are mentioning, and we are following it very, very closely. We do feel however that Costa Rica has the means and the will to get out of this situation, it just needs a stronger will to correct its fiscal deficit and it needs to do it firstly with a pretty strong and stringent fiscal reform. I think that all the candidates right now are aware of that and will probably see that as part of the first decisions they take once they come into power. The country though remains healthy and remains a strong country with a dimensional and very strong working force and our Bank itself in Costa Rica is really doing well with the exception of last year it showed a bit of an increase in the cost of risk motivated by all that we have talked about, which has since been recovering and its looking better this year. So, all in all I would say that we are watching it closely, we are aware of it, we have taken some measures, but we are still comfortable with the bank itself.

Regarding your second question Sebastian there is two main reasons why this number was reduced during the quarter, the main one was we moved from bi-annual shareholders getting to an annual period for dividend to be declared, therefore we had to consume higher reserves in this process. The other element that affected this number and affected this number throughout the system was the change in the way that market valuate risk is accounted for in risk weighted assets, this generates around the 20 basis-points consumption of solvency. We have to say that Banco de Bogota is expecting its Tier 1 ratio at the end of this quarter to be way over 9%, way over I mean 9 and a quarter percent as of March 31st so that some of those numbers that you notice will be remedied.

Our next question comes from Rodrigo Sanchez from UltraSerfinco.

Question: Good morning guys thank you for the presentation. I also have two questions. The first one is which type of loans do you expect would have the fastest growth and the slower in 2018 and my other question is what impact could it represent the liquidation of Pizano considering that Grupo Aval is the largest shareholder of the company, are you expecting to recover anything from the liquidation or are you expecting to make any provisions on this company in particular. Thank you.

Answer: Ok I will take the second one. Regarding Pizano, as you said, it's a company that is partly owned by Corficolombiana if you remember how our structure works the effect on Aval on anything affecting Corficolombiana the effect of that in Aval is about 44% and then you have to remember that Corficolombiana owns around 50% of Pizano therefore, whatever happens with the liquidation of Pizano will have an impact of about 20% in Aval. Having said that, the impact that we are expecting of the liquidation of Pizano in dollar terms is of about 25 million dollars, in that respect the impact of that liquidation in Aval´s balance sheet be of about 5 million dollars, and, as you know 5 million dollars in a total income of about 650 million dollars is really not material, fortunately.

Regarding your other question on loan growth, we expect to see consumer loan to continue to grow strongly as well as mortgages and then what will change throughout the year, what we expect to changing is the cycle of corporate loans. Corporate loans have had a very slow growth over the past three years already, initially given the discussions on tax reform then last year, around volatility and the low economic cycle and lately due to the discussion on elections. These events are starting to fade and at least the one regarding elections has a due date that is soon to come. We believe there is a substantial amount of pipeline of investment in companies that hasn´t been delivered yet. Therefore, we should expect to see a pick up in the pace of corporate loans and that might be the main change throughout the year.

We have no further questions at this time. I will turn the call over to Mr. Luis Carlos

Luis Carlos Sarmiento Gutiérrez

Presidente

Sarmiento for his final remarks.

Sylvia thank you very much and thanks to all for your attendance. We are as always working hard we will communicate with the market as soon as new developments are obtained regarding all the issues that we talked about and we will see you back for our first two 4Q 2018 results.

Thank you very much and have a great day.

Thank you very much and this concludes this conference call thank you for participating now we disconnect.