BANCOLOMBIA SA
Form 20-F
April 29, 2014

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON April 29, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 20-F

(Mark One)

.. REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013
OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from .... to……………..
OR

.. SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report……………….

Commission file number: 001 - 32535

BANCOLOMBIA S.A.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Republic of Colombia

(Jurisdiction of incorporation or organization)

Carrera 48 # 26-85, Avenida Los Industriales
Medellín, Colombia

(Address of principal executive offices)

Alejandro Mejia Jaramillo, Investor Relations Manager

Carrera 48 # 26-85, Medellín, Colombia

Tel. +574 4041837, Fax. + 574 4045146, e-mail: almejia@bancolombia.com

(Name, Telephone, E-Mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each Class	Name of each exchange on which registered
American Depositary Shares	New York Stock Exchange
Preferred Shares	New York Stock Exchange*

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* Bancolombia's preferred shares are not listed for trading directly, but only in connection with its American Depositary Shares, which are evidenced by American Depositary Receipts, each representing four preferred shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act.
Not applicable
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
Not applicable
(Title of Class)
Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the
period covered by the annual report.

Common Shares **509,704,584**

Preferred Shares **342,122,416**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes x No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to
Section 13 of 15(d) of the Securities Exchange Act of 1934.
Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports),
and (2) has been subject to such filing requirements for the past 90 days.
Yes x No¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ¨ No¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definitions of "accelerated filer and large, accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

(Do not check if a smaller reporting company)

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP	International Financial Reporting Standards as issued by the International Accounting Standards Board	Other	x

If “Other” has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow.
Item 17 ¨ Item 18 x

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No x

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS.)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ¨ No ¨

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CERTAIN DEFINED TERMS

Unless otherwise specified or if the context so requires, in this annual report:

References to “ADSs” refer to our American Depositary Shares (one ADS represents four preferred shares).

References to the “Annual Report” refer to this annual report on Form 20-F.

References to “Banagrícola” refer to Banagrícola S.A., a company incorporated in Panama, including its subsidiaries on a consolidated basis, unless otherwise indicated or the context otherwise requires.

References to “Banca de Inversión” refer to Banca de Inversión Bancolombia S.A. Corporación Financiera, a Subsidiary of Bancolombia S.A. organized under the laws of the Republic of Colombia that specializes in providing investment banking services.

References to “Banco Agrícola” refer to Banco Agrícola S.A., a banking institution organized under the laws of the Republic of El Salvador, including its subsidiaries on a consolidated basis, unless otherwise indicated or the context otherwise requires.

References to “Bancolombia”, the “Bank”, “us” , “we” or “our” refer to Bancolombia S.A., a banking institution organized und the laws of the Republic of Colombia, which may also act under the name of Banco de Colombia S.A., including its subsidiaries on a consolidated basis, unless otherwise indicated or the context otherwise requires.

References to “Bancolombia Panama” refer to Bancolombia (Panama) S.A., a Subsidiary of Bancolombia organized under the laws of the Republic of Panama that provides banking services to non-Panamanian customers.

References to “Banistmo” refer to Banistmo S.A., a banking institution organized under the laws of the Republic of Panama, Panama, formerly known as HSBC Bank Panama S.A., including its subsidiaries on a consolidated basis, unless otherwise indicated or the context otherwise requires.

References to “Central Bank” refer to the Central Bank of Colombia. (*Banco de la República*).

References to “Colombia” refer to the Republic of Colombia.

References to “Colombian GAAP” refer to the generally accepted accounting principles in Colombia.

References to “Colombian banking GAAP” refer to Colombian GAAP as supplemented by the applicable regulations of the SFC.

References to “Conavi” refer to Conavi Banco Comercial y de Ahorros S.A. as it existed immediately before the Conavi/Corfinsura merger.

References to the “Conavi/Corfinsura merger” refer to the merger of Conavi and Corfinsura with and into Bancolombia, with Bancolombia as the surviving entity, which took effect on July 30, 2005 pursuant to a Merger Agreement dated February 28, 2005.

References to “Congress” refer to the national congress of Colombia.

References to “Corfinsura” refer to Corporación Financiera Nacional y Suramericana S.A., as it existed immediately before the Conavi/Corfinsura merger, taking into account the effect of its spin-off of a portion of its investment portfolio effective July 29, 2005.

References to “DTF” refer to the *Depósitos a Término Fijo* rate, the weighted average interest rate paid by finance corporations, commercial banks and financing companies in Colombia for term deposits with maturities of 90 days.

References to “Factoring Bancolombia” refer to Factoring Bancolombia S.A. Compañía de Financamiento, a Subsidiary of Bancolombia organized under the laws of Colombia that specializes in accounts receivable financing.

References to “Fiduciaria Bancolombia” refer to Fiduciaria Bancolombia S.A. Sociedad Fiduciaria, a Subsidiary of Bancolombia organized under the laws of Colombia which provides trust and fund management services.

References to “Grupo Agromercantil” refer to Grupo Agromercantil Holding S.A., a company organized under the laws of the Republic of Panama, of which Bancolombia has 40% of its voting shares, and is the parent company of Banco Agromercantil of Guatemala, and its subsidiaries.

References to “Leasing Bancolombia” refer to Leasing Bancolombia S.A. Compañía de Financiamiento, a Subsidiary of Bancolombia organized under the laws of Colombia that specializes in leasing activities, offering a wide range of financial leases, operating leases, loans, time deposits and bonds.

References to “NYSE” refer to the New York Stock Exchange.

References to “peso”, “pesos” or “COP” refer to the lawful currency of Colombia.

References to “preferred shares” and “common shares” refer to our issued outstanding and fully paid in preferred and common shares, designated as *acciones con dividendo preferencial sin derecho a voto* and *acciones ordinarias*, respectively.

References to “Renting Colombia” refer to Renting Colombia S.A., a Subsidiary of Bancolombia organized under the laws of Colombia which provides operating lease and fleet management services for individuals and companies.

References to “Representative Market Rate” refer to *Tasa Representativa del Mercado*, the U.S. dollar representative market rate, certified by the SFC. The Representative Market Rate is an economic indicator of the daily exchange rate on the Colombian market spot of currencies. It corresponds to the arithmetical weighted average of the rates of purchase and sale of currencies of interbank transactions of the authorized intermediaries.

References to “SEC” refer to the U.S. Securities and Exchange Commission.

References to “SMEs” refer to Small and Medium Enterprises

References to “SMMLV” refer to *Salario Mínimo Mensual Legal Vigente.*

The effective legal minimum monthly salary in Colombia. In 2013, the effective legal minimum monthly salary in Colombia was COP 589,500.

References to “Subsidiaries” refer to subsidiaries of Bancolombia in which Bancolombia holds, directly or indirectly, more than 50% of the outstanding voting shares.

References to “Superintendency of Finance” or “SFC” refer to the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*), a technical entity under the Ministry of Finance and Public Credit (*Ministerio de Hacienda y Crédito Público*) with functions of inspection, supervision and control over the entities involved in financial activities, capital markets, insurance and any other services related to the management, use or investment of resources collected from the public.References to “U.S.” or “United States” refer to the United States of America.

References to “U.S. dollar”, “USD”, and “US$” refer to the lawful currency of the United States.

References to “UVR” refer to *Unidades de Valor Real*, a Colombian inflation-adjusted monetary index calculated by the board of directors of the Central Bank and generally used for pricing home-mortgage loans.

References to “Valores Bancolombia” refer to Valores Bancolombia S.A. Comisionista de Bolsa, a Subsidiary of Bancolombia organized under the laws of the Republic of Colombia that provides brokerage and asset management services.

The term “billion” means one thousand million (1,000,000,000).

The term “trillion” means one million million (1,000,000,000,000).

Our fiscal year ends on December 31, and references in this Annual Report to any specific fiscal year are to the twelve-month period ended December 31 of such year. CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains statements which may constitute forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are not based on historical facts but instead represent only the Bank’s belief regarding future events, many of which, by their nature, are inherently uncertain and outside the Bank’s control. The words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “plan”, “predict”, “target”, “forecast”, “guideline”, “should”, “project” and similar words and expressions are intende identify forward-looking statements. It is possible that the Bank’s actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements.

Information regarding important factors that could cause actual results to differ, perhaps materially, from those in the Bank’s forward-looking statements appear in a number of places in this Annual Report, principally in “Item 3. Key Information – D. Risk Factors” and “Item 5. Operating and Financial Review and Prospects”, and include, but are not limited to: (i) changes in general economic, business, political, social, fiscal or other conditions in Colombia, or in any of the other countries where the Bank operates; (ii) changes in capital markets or in markets in general that may affect policies or attitudes towards lending; (iii) unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; (iv) inflation, changes in foreign exchange rates and/or interest rates; (v) sovereign risks; (vi) liquidity risks; (vii) increases in defaults by the Bank’s borrowers and other loan delinquencies; (viii) lack of acceptance of new products or services by the Bank’s targeted customers; (ix) competition in the banking, financial services, credit card services, insurance, asset management, remittances, business and other industries in which the Bank operates; (x) adverse determination of legal or regulatory disputes or proceedings; (xi) changes in official regulations and the Colombian government's banking policy as well as changes in laws, regulations or policies in the jurisdictions in which the Bank does business; (xii) regulatory issues relating to acquisitions; and (xiii) changes in business strategy.

Forward-looking statements speak only as of the date they are made and are subject to change, and the Bank does not intend, and does not assume any obligation, to update these forward-looking statements in light of new information or future events arising after the date of this Annual Report.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Accounting Principles

The Bank's audited Consolidated Financial Statements are prepared following the accounting practices and the special regulations of the SFC, or, in the absence of such regulations, Colombian banking GAAP. Together, these requirements differ in certain significant respects from generally accepted accounting principles in the United States ("U.S. GAAP"). Note 31 to the Bank's audited Consolidated Financial Statements included in this Annual Report provides a description of the principal differences between Colombian banking GAAP and U.S. GAAP as they relate to the Bank's audited Consolidated Financial Statements and provides a reconciliation of consolidated net income and consolidated stockholders' equity for the years and dates indicated herein. References to Colombian banking GAAP in this Annual Report are to Colombian banking GAAP as supplemented by the applicable regulations of the SFC.

For consolidation purposes under Colombian banking GAAP, financial statements of the Bank and its Subsidiaries must be prepared under uniform accounting policies. In order to comply with this requirement, financial statements of foreign Subsidiaries were adjusted as required by Colombian regulations.

For 2013, the Bank's Consolidated Financial Statements include entities in which it holds, directly or indirectly,a majority of the outstanding voting rights. The Bank consolidates directly Leasing Bancolombia S.A., Fiduciaria Bancolombia S.A., Banca de Inversión, Compañía de Financiamiento Tuya S.A., Bancolombia Puerto Rico Internacional Inc., Bancolombia Panama S.A., Valores Bancolombia S.A. Comisionista de Bolsa, Factoring Bancolombia S.A. Compañía de Financiamiento, FCP Fondo Colombia Inmobiliario S.A., Patrimonio Autónomo Cartera LBC and Banistmo S.A. Some of the Bank's Subsidiaries also consolidate their own subsidiaries. Bancolombia Panama consolidates Bancolombia Cayman S.A., Sistema de Inversiones y Negocios S.A. Sinesa, Suleasing International USA, Inc. and Banagrícola (which, in turn, consolidates Inversiones Financieras Banco Agrícola S.A. IFBA, Banco Agrícola, Arrendadora Financiera S.A. Arfinsa, Credibac S.A. de C.V., Valores Banagrícola S.A. de C.V., Banagrícola Guatemala S.A., and Bagrícola Costa Rica). Banca de Inversión consolidates BIBA Inmobiliaria S.A.S., Valores Simesa S.A., Inversiones CFNS S.A.S. (which, in turn, consolidates CFNS Infraestructura S.A.S., Vivayco S.A.S. and Uff Móvil S.A.S.). Leasing Bancolombia consolidates Leasing Perú S.A., Renting Colombia (which, in turn, consolidates Arrendamiento Operativo CIB S.A.C., Fondo de Inversión en Arrendamiento Operativo Renting Perú, Capital Investments SAFI S.A., and Transportempo S.A.S.). Valores Bancolombia consolidates Valores Bancolombia Panama S.A. and Suvalor Panama Fondo de Inversión S.A. Fiduciaria Bancolombia consolidates FiduPerú S.A. Sociedad Fiduciaria and Banistmo consolidates Banistmo Investment Corporation S.A., Financiera Flash S.A., Grupo Financomer S.A., Financomer S.A., Leasing Banistmo S.A., Seguros Banistmo S.A., Securities Banistmo S.A., Banistmo Capital Markets Group Inc., Banistmo Asset Management Inc., Anavi Investment Corporation S.A., Williamsburg International Corp., Van Dyke Overseas Corp., M.R.C. Investment Corp., Inmobiliaria Bickford S.A., Desarrollo del Oriente S.A., Bien Raices Armuelles S.A. , Steens Enterpresies S.A., Ordway Holdings S.A. and Inversiones Castan S.A. See "Item 4. Information on the Company – C. Selected

Organizational Structure" for an organizational chart depicting Bancolombia and its subsidiaries.

Currencies

The Bank maintains accounting records in pesos. The audited Consolidated Financial Statements of Bancolombia as of December 31, 2013, and 2012 and for the three years ended December 31, 2013 (collectively, including the notes thereto, the "Financial Statements") contained in this Annual Report are expressed in pesos.

This Annual Report translates certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, such peso amounts have been translated at the rate of COP 1,926.83 per USD 1.00, which corresponds to the Representative Market Rate calculated on December 31, 2013 the last business day of the year. The Representative Market Rate is computed and certified by the SFC, on a daily basis and represents the weighted average of the buy/sell foreign exchange rates negotiated on the previous day by certain financial institutions authorized to engage in foreign exchange transactions (including Bancolombia). The SFC also calculates and certifies the average Representative Market Rate for each month for purposes of preparing financial statements and converting amounts in foreign currency to pesos. Such conversion should not be construed as a representation that the peso amounts correspond to, or have been or could be converted into, U.S. dollars at that rate or any other rate. On April 28, 2014, the Representative Market Rate was COP 1,942.37 per USD 1.00.

Rounding Comparability of Data

Certain monetary amounts, percentages and other figures included in this Annual Report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

This Annual Report refers to certain websites as sources for certain information contained herein. Information contained in or otherwise accessible through these websites is not a part of this Annual Report. All references in this Annual Report to these and other internet sites are inactive textual references to these URLs, or “uniform resource locators”, and are for your informational reference only.

The Bank maintains an internet site at www.grupobancolombia.com. In addition, certain of the Bank’s Subsidiaries referred to in this Annual Report maintain separate internet sites. For example, Banco Agrícola maintains an internet site at www.bancoagricola.com. Information included on or accessible through Bancolombia’s internet site or the internet site of any of the Subsidiaries of the Bank is not part of this Annual Report.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The selected consolidated financial data as of December 31, 2013 and 2012, and for each of the three fiscal years in the period ended December 31, 2013 set forth below has been derived from the Bank's audited Consolidated Financial Statements included in this Annual Report. The selected consolidated financial data as of December 31, 2011, 2010 and 2009, and for each of the two fiscal years in the period ended December 31, 2010 set forth below have been derived from the Bank's audited Consolidated Financial Statements for the respective periods, which are not included herein.

The selected consolidated financial data should be read in conjunction with the Bank's Consolidated Financial Statements, related notes thereto, and the reports of the Bank's independent registered public accounting firms.

Differences Between Colombian banking GAAP and U.S. GAAP Results

The Bank's Consolidated Financial Statements have been prepared in accordance with Colombian banking GAAP, which are the accounting principles and policies that are summarized in "Note 2. Summary of Significant Accounting Policies" to the Bank's Consolidated Financial Statements included in this Annual Report. These accounting principles and policies differ in some significant respects from U.S. GAAP.

Consolidated net income attributable to the controlling interest under U.S. GAAP for the year ended December 31, 2013 was COP 1,415,635 million (compared with COP 1,633,563 million for fiscal year 2012 and COP 1,043,636 million for fiscal year 2011). A reconciliation of consolidated net income and consolidated stockholders' equity under U.S. GAAP is included in "Note 31. Differences between Colombian Accounting Principles for Banks and U.S. GAAP" to the Consolidated Financial Statements included in this Annual Report.

	As of and for the year ended December 31,					
	2013[(1)]	2013	2012	2011	2010	200
	(in millions of COP and thousands of USD [(1)]*, except per share and per American Depositary Share (“ADS*					
CONSOLIDATED STATEMENT OF OPERATIONS:						
Colombian banking GAAP:						
Interest income	USD 4,219,721	COP 8,130,684	COP 7,661,883	COP 5,945,594	COP 4,960,640	CO
Interest expense	(1,620,342)	(3,122,126)	(2,894,860)	(2,042,006)	(1,571,581)	
Net interest income	2,599,379	5,008,558	4,767,023	3,903,588	3,389,059	
Provisions for loans, finance leases and accrued interest losses, net of recoveries [(2)]	(603,415)	(1,162,679)	(1,072,520)	(596,417)	(512,585)	
Provision for foreclosed assets and other assets, net of recoveries	(35,250)	(67,921)	(38,353)	(2,288)	(35,130)	
Net interest income after provisions	1,960,714	3,777,958	3,656,150	3,304,883	2,841,344	
Fees and income from services and other operating income, net	1,430,578	2,756,481	2,640,137	2,359,821	2,115,970	
Operating expenses	(2,407,726)	(4,639,280)	(4,162,382)	(3,606,348)	(3,098,479)	
Net operating income	983,566	1,895,159	2,133,905	2,058,356	1,858,835	
Net non-operating income excluding minority interest	28,247	54,427	40,938	87,406	99,293	
Minority interest (loss)	(9,012)	(17,364)	(5,723)	(11,351)	(13,217)	
Income before income taxes	1,002,801	1,932,222	2,169,120	2,134,411	1,944,911	
Income taxes	(216,467)	(417,095)	(467,074)	(470,517)	(508,417)	
Net income	**USD 786,334**	**COP 1,515,127**	**COP 1,702,046**	**COP 1,663,894**	**COP 1,436,494**	**CO**
Weighted average of Preferred and		851,827,000	845,531,918	787,827,003	787,827,003	

Common Shares outstanding[3]										
Basic and Diluted net income per share[3]	USD 0.92	COP 1,779		COP 2,013		COP 2,112		COP 1,823		CC
Basic and Diluted net income per ADS	3.69	7,116		8,052		8,448		7,292		
Cash dividends declared per share		776		754		708		669		
Cash dividends declared per share (stated in U.S. dollars)		0.40		0.43		0.36		0.35		
Cash dividends declared per ADS		3,104		3,016		2,832		2,675		
Cash dividends declared per ADS (stated in U.S. dollars)		1.61		1.71		1.46		1.40		
U.S. GAAP:[4]										
Net income attributable to the controlling interest	USD 734,696	COP 1,415,635	(6)	COP 1,633,563	(6)	COP 1,043,636	(6)	COP 1,544,761	(6)	CC
Basic and Diluted net income per common share [5]	0.86	1,662		1,932		1,325		1,961		
Basic and Diluted net income per ADS [5] [6]	3.45	6,648		7,728		5,300		7,844		

(1) Amounts stated in U.S. dollars have been converted at the rate of COP 1,926.83 per USD 1.00, which is the Representative Market Rate calculated on December 31, 2013 (the last business day of 2013), as reported by the SFC. Such translation should not be construed as representations that the Colombian pesos amount represent, or have been or could be converted into, United States dollars at that or any other rate.

(2) Represents the provision for loans, accrued interest losses and other receivables, net and recovery of charged-off loans. Includes a provision for accrued interest losses amounting to COP 51,774 million, COP 48,085 million, COP 31,852 million, COP 33,540 million and COP 46,840 for the years ended December 31, 2013, 2012, 2011, 2010 and 2009 respectively.

(3) The weighted average of preferred and common shares outstanding for fiscal year 2013 includes 342,122,416 preferred shares and 509,704,584 common shares, for fiscal year 2012 includes 335,827,334 preferred shares and 509,704,584 common shares, and for fiscal years 2011, 2010 and 2009, includes 278,122,419 preferred shares and 509,704,584 common shares.

(4) Refer to "Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP" of our Consolidated Financial Statements included in this Annual Report.

(5) Net income per share under U.S. GAAP is presented on the basis of net income available to common stockholders divided by the weighted average number of common shares outstanding (509,704,584 for 2013, 2012, 2011, 2010 and 2009). See "Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP".

(6) Basic and diluted net income per ADS for any period is defined as basic and diluted net income per share multiplied by four as each ADS is equivalent to four preferred shares of Bancolombia. Basic and diluted net income per ADS should not be considered in isolation, or as a substitute for net income, as a measure of operating performance or as a substitute for cash flows from operations or as a measure of liquidity.

CONSOLIDATED BALANCE SHEET

	As of the year ended December 31,										
	2013[(1)]		2013		2012		2011		2010		2009
	(in millions of COP and thousands of USD [(1)], except per share and per American Depositary Share ("AD										
CONSOLIDATED BALANCE SHEET											
Colombian banking GAAP:											
Assets:											
Cash and due from banks	USD	5,930,695	COP	11,427,441	COP	7,144,015	COP	6,818,307	COP	5,312,398	COP
Funds sold and securities purchased under		2,066,194		3,981,205		1,025,082		910,690		842,636	

agreements to resell													
Investment securities, net		7,165,028		13,805,790			12,554,311			9,958,191		8,675,762	
Loans and financial leases, net		44,318,393		85,394,012			66,739,040			58,575,846		46,091,877	
Accrued interest receivable on loans and financial leases, net		290,929		560,572			524,041			439,189		317,532	
Customers' acceptances and derivatives		312,643		602,409			783,014			741,296		784,888	
Accounts receivable, net		797,796		1,537,218			1,243,263			1,016,985		797,715	
Premises and equipment, net		1,137,452		2,191,677			1,341,698			1,622,311		1,174,625	
Premises and equipment under operating leases, net		1,515,017		2,919,181			2,191,928			1,380,057		1,006,108	
Foreclosed assets, net		53,749		103,565			84,818			53,194		70,277	
Prepaid expenses and deferred charges, net		358,585		690,932			772,930			785,456		319,864	
Goodwill, net		1,862,750		3,589,203			571,373			679,861		750,968	
Other assets		1,344,234		2,590,110			2,088,947			1,697,648		1,185,977	
Reappraisal of assets		738,480		1,422,926			851,920			783,989		764,529	
Total assets	USD	67,891,945	COP	130,816,241		COP	97,916,380		COP	85,463,020	COP	68,095,156	COP
Liabilities and stockholders' equity:													
Deposits	USD	44,921,752	COP	86,556,579		COP	64,158,720		COP	52,434,492	COP	43,538,967	COP
Borrowings[3]		6,491,539		12,508,092			5,271,508			7,458,926		5,250,587	
Other liabilities		9,995,028		19,258,724			16,879,197			16,576,242		11,358,462	
Stockholder' equity		6,483,626		12,492,846			11,606,955			8,993,360		7,947,140	
Total liabilities and stockholders' equity	USD	67,891,945	COP	130,816,241		COP	97,916,380		COP	85,463,020	COP	68,095,156	COP
U.S. GAAP:													
Stockholders' equity attributable to the controlling interest	USD	6,303,905	COP	12,146,554	(2)	COP	11,145,490	(2)	COP	8,589,202	COP	8,069,346	COP
Stockholders' equity per share[4]		7,400		14,259			13,182			10,902		10,243	

Stockholders' equity per ADS[(4)]	29,601	57,036	52,728	43,608	40,972

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(1) Amounts stated in U.S. dollars have been converted at the rate of COP 1,926.83 per USD 1.00, which is the Representative Market Rate calculated on December 31, 2013 (the last business day of 2013), as reported by the SFC. Such translation should not be construed as representations that the Colombian pesos amount represent, or have been or could be converted into, United States dollars at that or any other rate.

(2) Refer to "Note 31, Differences between Colombian Accounting Principles for Banks and U.S. GAAP" to the Consolidated Financial Statements included in this Annual Report.

(3) Includes other interbank borrowing, development and other domestic banks.

(4) The weighted average (rounded to the nearest million) of preferred and common shares outstanding was 852 million for the fiscal year ended December 31 2013, 845 million for the fiscal year ended December 31 2012 and 788 million for the fiscal year ended December 31, 2011, 2010 and 2009. Stockholders' equity per share is equal to stockholders' equity under U.S. GAAP divided by the weighted average of preferred and common shares outstanding, stockholders' equity per ADS is equal to stockholders' equity per share multiplied by four preferred shares of Bancolombia (Each ADS is equivalent to four preferred shares of Bancolombia). Stockholders' equity per share and stockholders' equity per ADS should not be considered in isolation, or as a substitute for net income, as a measure of operating performance or as a substitute for cash flows from operations or as a measure of liquidity. The non-GAAP financial measures described in this footnote are not a substitute for the GAAP measures of financial performance and should not be considered as an alternate measure of stockholders' equity as determined on a consolidated basis using amounts derived from the consolidated balance sheet prepared in accordance with Colombian banking GAAP.

See "Item 8. Financial Information – A. Consolidated Statements and Other Financial Information – A.3. Dividend Policy", for information about the dividends declared per share in both pesos and U.S. dollars during the fiscal years ended December 31, 2013, 2012, 2011, 2010 and 2009.

SELECTED RATIOS

	As of and for the year ended December 31,				
	2013	2012	2011	2010	2009
	(Percentages, except for operating data)				
SELECTED RATIOS:[1]					
Colombian banking GAAP:					
Profitability ratios:					
Net interest margin[2]	5.48	6.49	6.17	6.38	7.22
Return on average total assets[3]	1.37	1.92	2.20	2.27	2.01
Return on average stockholders' equity[4]	12.76	15.97	20.22	19.71	19.59
Efficiency Ratio:					
Operating expenses as a percentage of interest, fees, services and other operating income	59.75	56.19	57.58	56.28	50.89

Capital ratios:					
Period-end stockholders' equity as a percentage of period-end total assets	9.55	11.85	10.52	11.67	11.37
Period-end regulatory capital as a percentage of period-end risk-weighted assets(5)	10.61	15.77	12.46	14.67	13.23
Credit quality data:					
Non-performing loans as a percentage of total loans(6)	1.82	1.76	1.52	1.91	2.44
"C", "D" and "E" loans as a percentage of total loans	4.11	3.96	3.82	4.32	5.11
Allowance for loan and accrued interest losses as a percentage of non-performing loans	253.33	268.96	306.94	274.36	241.08
Allowance for loan and accrued interest losses as a percentage of "C", "D" and "E" loans(7)	112.27	119.30	121.69	121.45	115.25
Allowance for loan and accrued interest losses as a percentage of total loans	4.62	4.72	4.65	5.24	5.89
OPERATING DATA:					
Number of branches(8)	1,090	993	952	921	889
Number of employees(9)	28,759	24,820	24,126	22,992	21,201

(1) Ratios were calculated on the basis of monthly averages.

(2) Net interest income divided by average interest-earning assets.

(3) Net income divided by average total assets.

(4) Net income divided by average stockholders' equity.

(5) For an explanation of risk-weighted assets and Technical Capital, see "Item 4. Information on the Company – B. Business Overview – B.8. Supervision and Regulation – Capital Adequacy Requirements".

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(6) Non-performing loans are small business loans that are past due 30 days or more, mortgage and consumer loans that are past due 60 days or more and commercial loans that are past due 90 days or more. (Each category includes financial leases.)

(7) The decrease in this coverage ratio is explained by the formation of PDLs during the year, which was faster than the pace of increase in allowances in the balance sheet. See “Item 4. Information on the Company – E. Selected Statistical Information – E.3. Loan Portfolio – Classification of the loan portfolio and Credit Categories for a description of “C”, “D” and “E” Loans”.

(8) Number of branches includes branches of the Consolidated Financial Statements.

(9) The number of employees includes employees of the Bank’s consolidated Subsidiaries.

Exchange Rates

On March 31, 2014, the Representative Market Rate was COP 1,969.45 per USD 1.00. The Federal Reserve Bank of New York does not report a rate for pesos; the SFC calculates the Representative Market Rate based on the weighted average of the buy/sell foreign exchange rates quoted daily by certain financial institutions, including Bancolombia, for the purchase and sale of U.S. dollars.

The following table sets forth the low and high peso per U.S. dollar exchange rates and the peso/U.S. dollar representative market rate on the last day of the month, for each of the last six months:

Recent exchange rates of pesos per U.S. dollars

Month	Low	High	Period-End
March 2014	1,965.32	2,052.51	1,969.45
February 2014	2,022.68	2,054.90	2,046.75
January 2014	1,924.79	2,021.10	2,021.10
December 2013	1,921.22	1,948.48	1,926.83
November 2013	1,901.22	1,932.77	1,931.88
October 2013	1,879.46	1.894.06	1,889.16

Source: SFC.

The following table sets forth the peso/U.S. dollar representative market rate on the last day of the year and the average peso/U.S. dollar representative market rate (calculated by using the average of the Representative Market Rates on the last day of each month during the year) for each of the five most recent financial years.

Peso/USD 1.00
Representative Market Rate

Period	Period-End	Average
2013	1,926.83	1,881.04
2012	1,768.23	1,798.08
2011	1,942.70	1,852.83
2010	1,913.98	1,901.67
2009	2,044.23	2,179.64

Source: SFC.

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

Investors should consider the following risks and uncertainties, and the other factors presented in this Annual Report. In addition, the information referred to below, as well as all other information presented in this Annual Report, should be considered by investors when reviewing any forward-looking statements contained in this Annual Report, in any document incorporated by reference in this Annual Report, in any of the Bank's future public filings or press releases, or in any future oral statements made by the Bank or any of its officers or other persons acting on its behalf. If any of the following risks occur, the Bank's business, results of operations and financial condition, its ability to raise capital and its ability to access funding could be materially and adversely affected. These risk factors should not be considered a complete list of potential risks that may affect Bancolombia.

Risk Factors Relating to Colombia and Other Countries Where the Bank Operates.

Changes in economic and political conditions in Colombia, El Salvador, Panama or in the other countries where the Bank operates may adversely affect the Bank's financial condition and results of operations.

The Bank's financial condition, results of operations and asset quality are significantly dependent on the macroeconomic and political conditions prevailing in Colombia, El Salvador, Panama and the other jurisdictions in which the Bank operates. Accordingly, decreases in the growth rate, periods of negative growth, increases in inflation, changes in policy, or future judicial interpretations of policies involving exchange controls and other matters such as among others, currency depreciation, inflation, interest rates, taxation, banking laws and regulations and other political or economic developments in such jurisdictions may affect the overall business environment and may in turn impact the Bank's financial condition and results of operations.

In particular, the governments of Colombia, El Salvador and Panama have historically exercised substantial influence on their economies, and they are likely to continue to implement policies that will have an important impact on the entities in such countries (including the Bank), market conditions, prices and rates of return on securities of local issuers (including the Bank's securities). Potential changes in laws, public policies and regulations, may cause instability and volatility in Colombia EL Salvador, Panama and their respective markets. Future developments in government policies could impair the Bank's business or financial condition or the market value of its securities

The economies of the countries in which the Bank operates are vulnerable to external effects that could be caused by significant economic difficulties experienced by their major regional trading partners or by more general contagion effects, which could have a material adverse effect on such countries economic growth and ability to service their public debt.

A significant decline in the economic growth or a sustained economic downturn of any of Colombia's, El Salvador's or Panama´s major trading partners (i.e., the United States, China, Venezuela and Ecuador for Colombia and the United States for El Salvador and Panama) could have a material adverse impact on Colombia's, El Salvador's and Panama's balance of trade and remittances inflows, resulting in lower economic growth.

Deterioration in the economic and political situation of neighboring countries could affect the national stability of Colombia or the Colombian economy by disrupting Colombia's diplomatic or commercial relationships with these countries. Although relations with other countries have improved significantly with the current government, the possibility of any further tensions may cause political and economic uncertainty, instability, market volatility, low confidence levels and higher risk aversion by investors and market participants that may negatively affect economic activity in Colombia, El Salvador and Panama.

A contagion effect, in which an entire region or class of investment is disfavored by international investors, could negatively affect Colombia, El Salvador and Panama or other economies where the Bank operates, as well as the market prices and liquidity of securities issued or owned by the Bank.

Any additional taxes resulting from changes to tax regulations or the interpretation thereof in Colombia, El Salvador, Panama or other countries where the Bank operates, could adversely affect the Bank's consolidated results.

Uncertainty relating to tax legislation poses a constant risk to the Bank. Changes in legislation, regulation and jurisprudence can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting stated expenses and deductions, and eliminating incentives and non-taxed income. Notably, the Colombian and Salvadorian governments have significant fiscal deficits that may result in future tax increases. Additional tax regulations could be implemented that could require the Bank to make additional tax payments, negatively affecting its results of operations and cash flow. In addition, national or local taxing authorities may not interpret tax regulations in the same way that the Bank does. Differing interpretations could result in future tax litigation and associated costs.

Exchange rate fluctuations may adversely affect the Colombian economy, the market price of the Bank's ADSs, and the dividends payable to holders of the Bank's ADSs.

Colombia has adopted a floating exchange rate system. The Central Bank maintains the power to intervene in the exchange market in order to consolidate or dispose of international reserves, and to control any volatility in the exchange rate. From time to time, there have been significant fluctuations in the exchange rate between the Colombian peso and the U.S. dollar. Unforeseen events in the international markets, fluctuations in interest rates or changes in capital flows, may cause exchange rate instability that could generate sharp movements in the value of the peso. Given that a portion of our assets and liabilities are denominated in, or indexed to, foreign currencies, especially the U.S. dollar, sharp movements in exchange rates may negatively impact the Bank's results. In addition, exchange rate fluctuations may adversely impact the value of dividends paid to holders of the Bank's ADSs as well as the market price and liquidity of ADSs.

Colombia has experienced several periods of violence and instability, and such instability could affect the economy and the Bank.

Colombia has experienced several periods of criminal violence over the past four decades, primarily due to the activities of guerilla groups and drug cartels. In response, the Colombian government has implemented various security measures and has strengthened its military and police forces by creating specialized units, and currently is in the process of negotiating a peace treaty with the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*) ("FARC"). In addition, in late 2012, the Colombian government commenced a new peace process with the FARC in Colombia. Despite these efforts, drug-related crime and guerilla activity continue to exist in Colombia. These activities, their possible escalation and the violence associated with them may have a negative impact on the Colombian economy or on the Bank in the future. The Bank's business or financial condition and the market value of the Bank's securities and any dividends distributed by it, could be adversely affected by rapidly changing economic and social conditions in Colombia and by the Colombian government's response to such conditions.

Risk Factors Relating to the Bank’s Business and the Banking Industry

Changes in banking laws and regulations in Colombia and in other jurisdictions in which the Bank operates could adversely affect the Bank’s consolidated results.

Changes in banking laws and regulations, or in their official interpretation, in Colombia and in other jurisdictions in which the Bank operates, may have a material effect on the Bank’s business and operations. Since banking laws and regulations change frequently, they could be adopted, enforced or interpreted in a manner that may have an adverse effect on the Bank’s business.

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In August 2013 the regulation relating to capital adequacy requirements (Decree 1771 of 2012) was implemented and Bancolombia currently complies with applicable capital requirements. However, there can be no assurance that future regulation will not change or require Bancolombia or its subsidiaries to seek additional capital.

Moreover, regulators in other jurisdictions have not reached consensus as to the appropriate level of capitalization for financial services institutions. Regulators in the jurisdictions in which Bancolombia operates may alter the current regulatory capital requirements to which Bancolombia is subject and thereby require equity increases that could dilute existing stockholders, lead to required asset sales or adversely impact the return on stockholders' equity and/or the market price of the Bank's common and preferred shares.

Furthermore, the Colombian government has presented to Congress an initiative to create a new type of financial institution that will have the sole purpose of offering electronic deposits and payments in order to promote financial inclusion. If the law is enacted this could create a new competitive environment that could adversely affect the Bank's business and profitability.

Banking regulations, accounting standards and corporate disclosure applicable to the Bank and its subsidiaries differ from those applicable in the United States and other countries.

While many of the policies underlying Colombian banking regulations are similar to those underlying regulations applicable to banks in other countries, including those in the United States, Colombian regulations can differ in a number of material respects. For example, capital adequacy requirements for banks under Colombian regulations differ from those under U.S. regulations and may differ from those in effect in other countries. The Bank prepares its annual audited Consolidated Financial Statements in accordance with Colombian banking GAAP, which differs in certain significant respects from U.S. GAAP and International Financial Reporting Standards ("IFRS"). Thus, Colombian financial statements and reported earnings may differ from those of companies in other countries in these and other respects. Some of the differences affecting earnings and stockholders' equity include, but are not limited to the accounting treatment for restructuring, loan origination fees and costs, equity tax, securitization, fair value adjustment in debt securities, deferred income taxes and the accounting treatment for business combinations. Moreover, under Colombian banking GAAP, allowances for non-performing loans are computed by establishing each non-performing loan's individual inherent risk using criteria established by the SFC that differ from those used under U.S. GAAP. See "Item 4. Information on the Company – E. Selected Statistical Information – E.4. Summary of Loan Loss Experience – Allowance for Loan Losses".

The Bank is subject to regulatory inspections, examinations, inquiries or audits in Colombia and in other countries in which it operates, and any sanctions, fines and other penalties resulting from such inspections and audits could materially and adversely affect the Bank's business, financial condition, results of operations and reputation.

The Bank is subject to comprehensive regulation and supervision by the banking authorities of Colombia, El Salvador, Panama and the other jurisdictions in which the Bank operates. These regulatory authorities have broad powers to adopt regulations and impose other requirements affecting or restricting virtually all aspects of the Bank's capitalization, organization and operations, including the imposition of anti-money laundering measures and the authority to regulate the terms and conditions of credit that can be applied by banks. In the event of non-compliance with applicable regulations, the Bank could be subject to fines, sanctions or the revocation of licenses or permits to operate its business. In Colombia, for instance, if the Bank encounters significant financial problems or becomes insolvent or in danger of becoming insolvent, banking authorities would have the power to take over the Bank's management and operations. In addition, the supervisory authorities of Colombia and El Salvador have reached an agreement for consolidated supervision which allows them to perform transnational inspection processes Any sanctions, fines and other penalties resulting from non-compliance with regulations in Colombia, El Salvador, Panama and other jurisdictions in which the Bank operates could materially and adversely affect the Bank's business, financial condition, results of operations and reputation.

An increase in constitutional public interest actions (*acciones populares*), class actions (*acciones de grupo*) and other legal actions involving claims for significant monetary awards against financial institutions may affect the Bank's businesses and results of operations.

Under the Colombian Constitution, individuals may initiate constitutional public interest or class actions to protect their collective or class rights, respectively. Colombian financial institutions, including the Bank, have experienced a substantial increase in the aggregate number of these actions. The great majority of such actions have been related to fees, financial services and interest rates, and their outcome is uncertain. Pursuant to law 1425 of 2010, monetary awards for plaintiffs in constitutional actions or class actions were eliminated as of January 1, 2011. Nevertheless, individuals continue to have the right to initiate these actions against the Bank.

Future restrictions on interest rates or banking fees could negatively affect the Bank's profitability.

In the future, regulations in the jurisdictions where the Bank operates could impose limitations regarding interest rates or fees charged by the Bank. Any such limitations could materially and adversely affect the Bank's results of operations and financial situation.

In the past, there have been disputes in Colombia among commercial businesses, payment service providers and banks regarding credit card interbank exchange fees (*tarifa interbancaria de intercambio)*. Although such disputes have been resolved, the Superintendency of Industry and Commerce has the authority to initiate new investigations relating to such fees. Any new investigations may lead to requirements that the Bank agree to additional decreases, which in turn could impact the Bank's financial results.

Furthermore, pursuant to article 62 of Law 1430 of 2010, Congress granted the Colombian government power and authority to establish criteria and formulas applicable to the calculation of banking fees and charges and define maximum limits to banking fees and charges. On December 20, 2011 the government used the authority granted by Law 1430 of 2010 and enacted Decree 4809 of 2011 in which it set forth caps tothe bank fees that may be charged on ATM withdrawals outside of each bank's respective networks.

As of the date of this Annual Report, an initiative regarding banking fees is being discussed in Congress, and has been approved in its second debate out of four needed for it to become a law. If the law is enacted in its current form, however banks would be required cease charging transactional and service fees from those individuals whose income is equal or under two SMMLV, provided that this benefit would only apply to one savings account per individual. The likelihood of this initiative becoming a law is uncertain given that there have been two similar unsuccessful initiatives discussed in Congress in recent years and the two pending debates would have to be completed before June 2014.

In addition, Law 1555 of 2012 prohibits prepayment penalties for loans worth less than 880 SMMLV (mortgage loans are excluded).

Further limits or regulations regarding banking fees, could have a negative effect on our results of operations and financial condition.

Colombian tax haven regulation could adversely affect the Bank's business and financial results.

Decree 2193 of 2013 designates 44 jurisdictions as tax havens for Colombian tax purposes. It also excludes temporarily seven countries, including Panama while the colombian government negotiates tax information exchange agreements with each of them. If Panama and Colombia do not sign a tax information exchange agreement before August 2014, Panama would be considered as a tax haven under Colombian tax regulations. As a result, the Bank's clients in Panama who are residents in such jurisdiction would be subject to the following regulations: (i) higher withholding tax rates including a higher withholding rates over financial yields derived from investments in the Colombian securities market), (iii) the transfer pricing regime and its reporting duties, (iii) residing in a tax haven serves as an assumption for Colombian authorities to qualify a conduct as abusive under tax regulations, (iv) payments made to residents or entities located in tax havens are not considered as costs or deduction, unless the respective withholding tax has been applied, and (v) other additional information disclosure requirements, which could have a negative impact on Bancolombia's business and financial results.

The Bank and most of its subsidiaries are subject to the U.S. Foreign Account Tax Compliance Act of 2010.

Bancolombia and most of its subsidiaries are considered foreign financial institutions (“FFIs”) under the Foreign Account Tax Compliance Act of 2010 (the “FATCA”) (see “Item 4. Information on the Company – B. Business Overview – B.8. Supervision and Regulation – International regulations applicable to Bancolombia and its subsidiaries”). Given the size and the scope of the Bank´s international operations, we intend to take all necessary steps to comply with FATCA (including entering into agreements with the U.S. tax authorities). However, if the Bank cannot enter into such agreements or satisfy the requirements thereunder, certain payments to Bancolombia or its Subsidiaries may be subject to withholding under the FATCA. The possibility of such withholding and the need for accountholders and investors to provide certain information may adversely affect our results of operations and financial condition. In addition, entering into agreements with the Internal Revenue Service (“IRS”), compliance with the terms of such agreements and with the FATCA, any regulations or other guidance promulgated thereunder or any legislation promulgated under an intergovernmental agreement (“IGA”) may increase our compliance costs. We are currently in the process of implementing FATCA compliance on a group wide level. Because legislation and regulations implementing the FATCA in the countries in which we operate and the IGAs remain under development, the future impact of this law on the Bank is still uncertain.

The Bank is subject to credit risk, and estimating exposure to credit risk involves subjective and complex judgments.

A number of our products expose the Bank to credit risk, including loans, financial leases, lending commitments and derivatives.

The Bank estimates and establishes reserves for credit risk and potential credit losses. This process involves subjective and complex judgments, including projections of economic conditions and assumptions on the ability of our borrowers to repay their loans. This process is also subject to human error as the Bank’s employees may not always be able to assign an accurate credit rating to a client, which may result in the Bank’s exposure to higher credit risk than indicated by the Bank’s risk rating system. The Bank may not be able to timely detect these risks before they occur, or due to limited resources or available infrastructure, the Bank’s employees may not be able to effectively implement its credit risk management system, which may increase its exposure to credit risk. Moreover, the Bank’s failure to continuously refine its credit risk management system may result in a higher risk exposure for the Bank, which could materially and adversely affect its results of operations and financial position.

Overall, if the Bank is unable to effectively control the level of non-performing or poor credit quality loans in the future, or if its loan loss reserves are insufficient to cover future loan losses, the Bank’s financial condition and results of operations may be materially and adversely affected.

In addition, the amount of the Bank's non-performing loans may increase in the future as a result of factors beyond the Bank's control, such as changes in the income levels of the Bank's borrowers, increases in the inflation rate or an increase in interest rates, the impact of macroeconomic trends and political events affecting Colombia and other jurisdictions in which the Bank operates or has exposure, or events affecting specific industries. Any of these developments could have a negative effect on the quality of the Bank's loan portfolio, causing the Bank to increase provisions for loan losses and resulting in reduced profits or in losses.

The Bank is subject to credit risk with respect to its non-traditional banking businesses including investing in securities and entering into derivatives transactions.

Non-traditional sources of credit risk can arise from, among other things: investing in securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to the Bank, and executing securities, futures, currency or commodity trades from the Bank's proprietary trading desk that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Any significant increases in exposure to any of these non-traditional risks, or a significant decline in credit quality or the insolvency of any of the counterparties, could materially and adversely affect the Bank's results of operations and financial position.

The Bank is exposed to risks associated with the mortgage loan market.

Bancolombia is a leader in the Colombian mortgage loan market. Colombia's mortgage loan market is highly regulated and has historically been affected by various macroeconomic factors. Although interest rates have decreased, during recent years, periods of sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased defaults in outstanding loans and deterioration in the quality of assets.

The Bank is subject to concentration of default risks in its loan portfolio. Problems with one or more of its largest borrowers may adversely affect its financial condition and results of operations.

As of December 31, 2013, the aggregate outstanding principal amount of the Bank's 20 largest credit exposures, on a consolidated basis, represented approximately 7.3% of the loan portfolio, of the Bank and no single exposure represented more than 1% of the loan book. Also, 100% of those loans were corporate loans and 100% of these relationships were classified as "A". However, problems with one or more of the Bank's largest borrowers could materially and adversely affect its results of operations and financial position, see "Item 4. Information on the Company – E. Selected Statistical Information – E.3. Loan Portfolio – Borrowing Relationships".

The value of the collateral or guarantees securing the outstanding principal and interest balance of the Bank's loans may not be sufficient to cover such outstanding principal and interest. In addition, the Bank may be unable to realize the full value of the collateral or guarantees securing the outstanding principal and interest balance of its loans.

The Bank's loan collateral primarily includes real estate, assets pledged in financial leasing transactions and other assets that are located primarily in Colombia, El Salvador and Panama, the value of which may significantly fluctuate or decline due to factors beyond the Bank's control. Such factors include market factors, environmental risks, natural disasters, macroeconomic factors and political events affecting the local economy. Any decline in the value of the collateral securing the Bank's loans may result in a reduction in the recovery from collateral realization and may have an adverse impact on the Bank's results of operations and financial condition. In addition, the Bank may face difficulties in enforcing its rights as a secured creditor. In particular, timing delays and procedural problems in enforcing against collateral and local protectionism may make foreclosures on collateral and enforcement of judgments difficult, and may result in losses that could materially and adversely affect the Bank's results of operations and financial position.

The Bank is subject to market risk.

The Bank is directly and indirectly affected by changes in market conditions. Market risk, or the risk of losses in positions arising from movements in market prices, is inherent in the products and instruments associated with our operations, including loans, deposits, securities, bonds, long-term debt, short-term borrowings, proprietary trading in assets and liabilities and derivatives. Changes in market conditions that may affect our financial condition and results of operations include fluctuations in interest and currency exchange rates, securities prices, changes in the implied volatility of interest rates and foreign exchange rates, among others.

The Bank is subject to fluctuations in interest rates, which may materially and adversely affect its results of operations and financial condition.

The Bank holds a substantial portfolio of loans and debt securities that have both fixed and floating interest rates. Therefore, changes in interest rates could adversely affect our net interest margins as well as the prices of these securities. Increases in interest rates may reduce the market value of the Bank's debt securities, leading to smaller gains or larger losses on these investments. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets. On the other hand, decreases in interest rates may cause margin compression and lower net interest income as the Bank usually maintains more assets than liabilities at variable rates. Decreasing interest rates also may trigger loan prepayments which could negatively affect the Bank's net interest income. Generally, in a declining interest rate environment, prepayment activity increases, reducing the weighted average maturity of the Bank's interest earning assets and adversely affecting its operating results. Prepayment risk also has a significant adverse impact on our earnings from our credit card and collateralized mortgage obligations, since prepayments could shorten the weighted average life of these portfolios, which may result in a mismatch in funding or in reinvestment of the prepayment proceeds at lower yields.

The Bank’s income from its proprietary trading activities is highly volatile.

The Bank’s trading income is highly volatile. The Bank derives a portion of its profits from its proprietary trading activities and any significant reduction in its trading income could adversely affect the Bank’s results of operations and financial position. The Bank’s trading income is dependent on numerous factors beyond its control, such as the general market environment, overall market trading activity, interest rate levels, fluctuations in exchange rates and general market volatility. A significant decline in the Bank’s trading income, or the incurrence of a trading loss, could adversely affect the Bank’s results of operations and financial position.

The Bank has significant exposure to sovereign risk, and especially Colombian sovereign risk, and the Bank’s results could be adversely affected by decreases in the value of its sovereign debt securities.

The Bank’s debt securities portfolio is primarily composed of sovereign debt securities, including securities issued or guaranteed by the Colombian government. Therefore, the Bank’s results are exposed to credit, market, and liquidity risk associated with sovereign debt. As of December 31, 2013, the Bank’s total debt securities represented 9.27% of its total assets, and 49.85% of these securities were issued or backed by the Colombian government. A significant decline in the value of the securities issued or guaranteed by the Colombian government could adversely affect the Bank’s debt securities portfolio and consequently the Bank’s results of operations and financial position. In addition, a downgrade in Colombia’s credit ratings could result in downgrades of the Bank’s ratings.

The Bank is subject to market, operational and structural risks associated with its derivative transactions.

The Bank enters into derivative transactions for hedging purposes and on behalf of its customers. The Bank is subject to market and operational risks associated with these transactions, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or default risk (the risk of insolvency or other inability of the counterparty to a particular transaction to perform its obligations thereunder). In addition, the market practice and documentation for derivative transactions is less developed in the jurisdictions in which the Bank operates as compared to other more economically developed countries, and the court systems in such jurisdictions have limited experience in dealing with issues related to derivative transactions. As a result, there are increased operating and structural risks associated with derivatives transactions in these jurisdictions.

In addition, the execution and performance of derivatives transactions depend on the Bank’s ability to develop adequate control and administrative systems, and to hire and retain qualified personnel. Moreover, the Bank’s ability to adequately monitor, analyze and report these derivative transactions depends, to a great extent, on its information technology systems. These factors may further increase the risks associated with these transactions and could materially and adversely affect the Bank’s results of operations and financial position.

The Bank is subject to operational risks and losses.

The Bank’s businesses are dependent on the ability to process a large number of transactions efficiently and accurately. Operational risks and losses can result from fraud, employee errors, technological failures and failure to properly document transactions or to obtain proper internal authorization, failure to comply with regulatory requirements, breaches of conduct of business rules, equipment failures, natural disasters or the failure of external systems. The Bank has adopted procedures to prevent and manage each of the operational risks, but there can be no assurance that our procedures will be sufficient to prevent losses resulting from these risks.

In addition the Bank’s businesses are exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. In recent years, a number of financial institutions have suffered material losses due to the actions of employees and third parties. The precautions the Bank takes to prevent and detect employee and third-party misconduct may not always be effective.

The Bank’s businesses rely heavily on data collection, processing and storage systems, the failure of which could materially and adversely affect the effectiveness of its risk management, reputation and internal control system as well as its financial condition and results of operations.

All of the Bank’s principal businesses are highly dependent on the ability to timely collect and process a large amount of financial and other information at its various branches across numerous markets, at a time when transaction processes have become increasingly complex with increasing volume. The proper functioning of financial control, accounting or other data collection and processing systems is critical to the Bank’s businesses and to its ability to compete effectively. A partial or complete failure of any of these primary systems could materially and adversely affect the Bank’s decision-making process, its risk management and internal control systems, the quality of its service, and the Bank’s ability to respond on a timely basis to changing market conditions. If the Bank cannot maintain an effective data collection and management system, its business operations, financial condition, reputation and results of operations could be materially and adversely affected.The Bank is also dependent on information systems to operate its website, process transactions, respond to customer inquiries on a timely basis and maintain cost-efficient operations. The Bank may experience operational problems with its information systems as a result of system failures, viruses, computer hackers or other causes. Any material disruption or slowdown of its systems could cause information, including data related to customer requests and other client information, to be lost, compromised, or to be delivered to the Bank’s clients with delays or errors, which could reduce demand for the Bank’s services and products, resulting in additional costs for the Bank and potentially fines and penalties by regulators could materially and adversely affect the Bank’s results of operations and financial position.

The Bank is subject to cyber security risk.

The Bank is subject to cyber security risk which includes the unauthorized access to privileged information, technological assaults on the infrastructure of the Bank with the aim of stealing information, committing fraud or interfering with regular service and the interruption of the Bank’s services to some of its clients or users due to the exploitation and materialization of these vulnerabilities.

The controls that the Bank has implemented in order to anticipate, identify and offset those threats, such as perimeter defenses, security backups, special 24/7 teams and ongoing security tests have been effective in maintaining cyber security risk at a low level. However, any failure by the Bank to detect cyber security risk in a timely manner could result in a negative impact on the Bank’s results of operations and financial condition.

Any failure to effectively improve or upgrade the Bank’s information technology infrastructure and management information systems in a timely manner could adversely affect the Bank’s competitiveness, financial condition and results of operations.

The Bank's ability to remain competitive will depend in part on its ability to upgrade the Bank's information technology infrastructure on a timely and cost-effective basis. The information available to and received by the Bank's management through its existing information systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in its operations. The Bank is currently undertaking a project to update its information technology platform ("IT platform") that will result in significant changes in its treasury and credit cardsoperations. Any failure to effectively improve or upgrade the Bank's information technology infrastructure and information management systems in a timely manner could materially and adversely affect the Bank's competitiveness, financial condition and results of operations.

The occurrence of natural disasters in the regions in which the Bank operates could impair its ability to conduct business effectively and could impact its results of operations.

The Bank is exposed to the risk of natural disasters such as earthquakes, volcanic eruptions, tornadoes, tropical storms, floods, wind and hurricanes in the regions where it operates. In the event of a natural disaster, unanticipated problems with the Bank's disaster recovery systems could have a material adverse effect on the Bank's ability to conduct business in the affected region, particularly if those problems affect its computer-based data processing, transmission, storage and retrieval systems and destroy valuable data. In addition, if a significant number of the Bank's local employees and managers were unavailable in the event of a disaster, its ability to effectively conduct business could be severely compromised. In addition, the Bank's clients located in the affected region may be severely impacted and may not be able to continue paying the obligations they have with the Bank. A natural disaster or multiple catastrophic events could have a material adverse effect on the Bank's business and results of operations in the affected region.

Acquisitions and strategic partnerships may not perform in accordance with expectations or may disrupt the Bank's operations and adversely affect its profitability.

An element of the Bank's business strategy is to identify and pursue growth-enhancing strategic opportunities. The Bank may base assessments of potential acquisitions and partnerships on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. recent acquisitions, including the acquisition of a minority interest in Grupo Agromercantil and the acquisition of Banistmo (see "Item 4. Information on the Company. – A. History and development of the Company – Recent Developments"), and any future acquisitions, investments and alliances may not produce the anticipated synergies or perform in accordance with the Bank's expectations and could adversely affect its operations and profitability.

The Bank's concentration in and reliance on short-term deposits may increase its funding costs.

The Bank's principal source of funds is short-term deposits, which on a consolidated basis represented 73.2% of total liabilities at the end of 2013 compared to 74.3% and 68.6% at the end of 2012 and 2011, respectively. Because the Bank relies primarily on short-term deposits for its funding, in the event of a sudden or unexpected shortage of funds in the banking systems and money markets in which the Bank operates, the Bank may not be able to maintain its current level of funding without incurring higher costs or selling assets at prices below their prevailing market value.

The Bank's policies and procedures may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose the Bank to fines and other liabilities.

The Bank is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations. These laws and regulations require the Bank, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. While the Bank has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures have in some cases been adopted only recently and may not completely eliminate instances where the Bank may be used by other parties to engage in money laundering and other illegal or improper activities. If the Bank fails to fully comply with applicable laws and regulations, it may facefines and other penalties, including restrictions on its ability to conducts business. In addition, the Bank's business and reputation could suffer if customers use the Bank for money laundering or illegal or improper purposes.

The Bank is subject to increasing competition which may adversely affect its results of operations.

The Bank operates in a highly competitive environment and increased competitive conditions are to be expected in the jurisdictions where the Bank operates. Intensified merger activity in the financial services industry produces larger, better capitalized and more geographically diverse firms that are capable of offering a wider array of financial products and services at more competitive prices. The Bank's ability to maintain its competitive position depends mainly on its ability to fulfill new customers' needs through the development of new products and services and the Bank's ability to offer adequate services and strengthen its customer base through cross-selling. The Bank's business will be adversely affected if the Bank is not able to maintain efficient service strategies. In addition, the Bank's efforts to offer new services and products may not succeed if product or market opportunities develop more slowly than expected or if the profitability of opportunities is undermined by competitive pressures.

Downgrades in our credit ratings would increase our cost of borrowing funds and make our ability to raise new funds, attract deposits or renew maturing debt more difficult.

Our credit ratings are an important component of our liquidity profile. A downgrade in our credit ratings would increase our cost of raising funds in the capital markets or of borrowing funds. Due to regulatory or internal policies, certain Colombian institutional investors are only permitted to purchase debt securities that are rated “AAA” by Colombian credit rating agencies. Purchase of our securities by these investors could be prohibited if we suffer a decline in our local credit rating. Our ability to renew maturing debt could be restricted and more expensive if our credit rating were to decline. Our lenders and counterparties in derivative transactions are sensitive to the risk of a credit rating downgrade. A downgrade in our credit rating may adversely affect perception of our financial stability and our ability to raise deposits, which could make us less successful when competing for deposits and loans in the market place. Our ability to successfully compete depends on various factors, including our financial stability as reflected by our credit ratings.

The Central Bank may impose requirements on our (and other Colombian residents’) ability to obtain loans in foreign currency.

The Central Bank may impose certain mandatory deposit requirements in connection with foreign currency denominated loans obtained by Colombian residents, including the Bank, although no such mandatory deposit requirement is currently in effect. We cannot predict or control future actions by the Central Bank in respect of deposit requirements, which may involve the establishment of a mandatory deposit percentage, and the use of such measures by the Central Bank may be a disincentive for the Bank and our clients to obtain loans denominated in a foreign currency.

Risks Relating to the Preferred Shares and the American Depositary Shares (“ADSs”).

Preemptive rights may not be available to holders of American Depositary Recipts (“ADRs”) evidencing ADSs.

The Bank’s by-laws and Colombian law require that, whenever the Bank issues new shares of any outstanding class, it must offer the holders of each class of shares (including holders of ADRs) the right to purchase a number of shares of such class sufficient to maintain their existing percentage ownership of the aggregate capital stock of the Bank. These rights are called preemptive rights. United States holders of ADRs may not be able to exercise their preemptive rights through The Bank of New York Mellon, which acts as depositary (the “Depositary”) for the Bank’s ADR facility, unless a registration statement under the Securities Act is effective with respect to such rights and class of shares or an exemption from the registration requirement thereunder is available. In accordance with the deposit agreement between the Bank and the Depositary, the Depositary, after consulting with the Bank, will have discretion as to the procedure for making preemptive rights available to the holders of ADRs, disposing of such rights and making any proceeds available to such holders. The Depositary shall have discretion as to the procedure to be followed in making such rights available to any holders of ADRs or in disposing of such rights on behalf of any holders of ADRs and making the net proceeds available to such holders of ADRs or, if by the terms of such rights offering or for any other reason, the Depositary may not either make such rights available to any holders of ADRs or dispose of such rights and make the net proceeds available to such holders of ADRs, and the Bank is obligated to file a registration statement or find a corresponding exemption only if it determines to extend the rights to holders of the ADRs. Although the Bank is not obligated to, it intends to consider at the time of any rights offering the costs and potential liabilities associated with any such registration statement, the benefits to the Bank from enabling the holders of the ADRs to exercise those rights and any other factors deemed appropriate at the time, and will then make a decision as to whether to file a registration statement. Accordingly, the Bank might decide not to file a registration statement in some cases. In connection with its recent rights offering in January, 2012, the Bank did not file such a registration statement.

To the extent holders of ADRs are unable to exercise preemptive rights because a registration statement has not been filed and no exemption from the registration requirement under the Securities Act is available, the Depositary may attempt to sell the holders' preemptive rights and distribute the net proceeds from that sale, if any, to such holders. If by the terms of any rights offering or for any other reason the Depositary is unable or chooses not to make those rights available to any holder of ADRs, or if it is unable or for any reason chooses not to sell those rights, the Depositary may allow the rights to lapse. Whenever the rights are sold or lapse, the equity interests of the holders of ADRs will be proportionately diluted.

The Bank's preferred shares have limited voting rights.

The Bank's corporate affairs are governed by its by-laws and Colombian law. Under the Bank's by-laws and Colombian law, the Bank's preferred stockholders may have fewer rights than stockholders of a corporation incorporated in a U.S. jurisdiction. Holders of the Bank's ADRs and preferred shares are not entitled to vote for the election of directors or to influence the Bank's management policies. Under the Bank's by-laws and Colombian corporate law, holders of preferred shares (and, consequently, holders of ADRs) have no voting rights in respect of preferred shares, other than in limited circumstances as described in "Item 10. Additional Information – B. Memorandum and Articles of Association – Description of Share Rights, Preferences and Restrictions – Voting Rights – Preferred Shares".

Holders of the Bank's ADRs may encounter difficulties in the exercise of dividend and voting rights.

Holders of the Bank's ADRs may encounter difficulties in the exercise of some of their rights with respect to the shares underlying ADRs. If the Bank makes a distribution to holders of underlying shares in the form of securities, the Depositary is allowed, in its discretion, to sell those securities on behalf of ADR holders and instead distribute the net proceeds to the ADR holders. Also, under some circumstances, ADR holders may not be able to vote by giving instructions to the Depositary in those limited instances in which the preferred shares represented by the ADRs have the power to vote. This may occur in the event that ADR holders do not receive from the Depositary a notice of meeting sufficiently prior to the instruction date to ensure that the Depositary will vote the preferred shares represented by the ADRs in accordance with instructions received from such holders, and there are no circumstances in which holders of ADRs may vote in a way other than providing instructions to the Depositary.

Relative illiquidity of the Colombian securities markets may impair the ability of an ADR holder to sell preferred shares.

The Bank's common and preferred shares are listed on the Colombian Stock Exchange, which is relatively small and illiquid compared to stock exchanges in major financial centers. In addition, a small number of issuers represent a disproportionately large percentage of market capitalization and trading volume on the Colombian Stock Exchange. A liquid trading market for the Bank's securities might not develop on the Colombian Stock Exchange. A limited trading market could impair the ability of an ADR holder to sell preferred shares (obtained upon withdrawal of such shares from the ADR facility) on the Colombian Stock Exchange in the amount and at the price and time such holder desires, and could increase the volatility of the price of the ADRs.

ADRs do not have the same tax benefits as other equity investments in Colombia.

Although ADRs represent Bancolombia’s preferred shares, they are held through a fund of foreign capital in Colombia which is subject to a specific tax regulatory regime. Accordingly, the tax benefits applicable in Colombia to equity investments, in particular those relating to dividends and profits from sale, are not applicable to ADRs, including the Bank’s ADRs. For more information see “Item 10. Additional Information. –E. Taxation –Colombian Taxation”.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Bancolombia is Colombia's leading financial institution, with a presence in other jurisdictions such as Panama, El Salvador, Puerto Rico, Guatemala, the Cayman Islands, and Peru, providing a wide range of financial products and services to a diversified individual, corporate, and government customer base throughout Colombia, Latin America and the Caribbean region.

Bancolombia is a stock company (*sociedad comercial por acciones, de la especie anónima)* domiciled in Medellín, Colombia and operates under Colombian laws and regulations, mainly the Colombian Code of Commerce, the Financial Statute - Decree 663 of 1993 and Decree 2555 of 2010. Bancolombia was incorporated in Colombia in 1945, under the name Banco Industrial Colombiano S.A. or "BIC", and is incorporated until 2044. In 1998, the Bank merged with Banco de Colombia S.A., and changed its legal name to Bancolombia S.A. On July 30, 2005, Conavi and Corfinsura merged with and into Bancolombia, with Bancolombia as the surviving entity. Through this merger, Bancolombia gained important competitive advantages, as Conavi and Corfinsura were two of the top financial institutions in the Colombian market at the time. Conavi, a mortgage bank in Colombia and one of the strongest in retail operations, significantly increased the Bank's participation and know-how in these specific markets. On the other hand, Corfinsura, then the largest financial corporation in Colombia and highly regarded for its expertise in handling large and mid-sized corporate credit and financial services, its investment bank and its modern and diversified treasury department, materially strengthened Bancolombia's multi-banking franchise.

In May 2007, Bancolombia Panama acquired Banagrícola, which controls several subsidiaries, including Banco Agrícola in El Salvador, and is dedicated to banking, commercial and consumer activities and brokerage. Through its first international acquisition, Bancolombia gained a leadership position in the Salvadorian market.

In October 2013, Bancolombia Panama paid approximately USD 217 million to acquire a 40% interest in Grupo Agromercantil Holding S.A., the parent company of Banco Agromercantil de Guatemala, and certain other companies dedicated to securities brokerage, insurance, and other financial businesses. Additionally, in the same month, Bancolombia acquired a 100% percent interest in the ordinary voting shares, and 1,325,780 preferred shares of Banistmo, a Panamanian banking entity and its subsidiaries involved in the securities brokerage, trust, consumer finance, leasing, and insurance businesses. Bancolombia paid a purchase price of USD 2,234 million. Since 1995, Bancolombia has maintained a listing on the NYSE, where its ADSs are traded under the symbol "CIB", and on the Colombian Stock Exchange, where its preferred shares are traded under the symbol "PFBCOLOM". Since 1981 Bancolombia's common shares have been traded on the Colombian Stock Exchange under the symbol "BCOLOMBIA". See "Item 9. The Offer and Listing".

Bancolombia has grown substantially over the years, both through organic growth and acquisitions. As of December 31, 2013, Bancolombia had, on a consolidated basis:

COP 130,816 billion in total asset;

COP 85,394 billion in total net loans and financial leases;

COP 86,557 billion in total deposits; and

COP 12,493 billion in stockholders' equity.

Bancolombia's consolidated net income for the year ended December 31, 2013 was COP 1,515 billion, representing a return on average equity of 12.76% and return on average assets of 1.37%.

The address and telephone numbers of the Bank's headquarters are as follows: Carrera 48 # 26-85, Medellín, Colombia; telephone + (574) 404-1837. Our agent for service of process in the United States is Puglisi & Associates, presently located at 850 Library Avenue, Suite 204, Newark, Delaware 19711.

RECENT DEVELOPMENTS

Wind-down of Bancolombia's Miami Agency

On March 5, 2013, Bancolombia announced its decision to wind-down the business and operations of its agency in Miami, Florida. This decision was mainly based on the strategy to focus the Bank's international operations on other markets. The wind-down process wascompleted on August 30, 2013.

Offer to exchange notes

On July 24, 2013, Bancolombia announced the results of its offer to exchange (the "Exchange Offer") all of its outstanding unregistered 5.125% Subordinated Notes due 2022 issued under the indenture dated September 25, 2012 (the "Old Notes") for new 5.125% Subordinated Notes due 2022 issued under the indenture dated September 11, 2012 (the "New Notes"), which are registered under the U.S. Securities Act of 1933, as amended.

In total, USD 224,513,000 aggregate principal amount of the Old Notes, representing approximately 98.70% of the aggregate principal amount outstanding of the Old Notes, were validly tendered and not validly withdrawn prior to the expiration of the Exchange Offer. All of the Old Notes validly tendered and not validly withdrawn were accepted for exchange pursuant to the terms of the Exchange Offer.

A total of USD 2,945,000 aggregate principal amount of the Old Notes remain outstanding.

Acquisition of Grupo Agromercantil

On October 1, 2013, after having obtained the required regulatory authorizations, Bancolombia Panama completed the acquisition of 40% of the commom shares of Grupo Agromercantil Holding S.A. a Panamanian company, and paid an approximate purchase price of USD 217 million. As part of this transaction, Bancolombia Panama and Bam Financial Corporation entered into a shareholders agreement, which provides, among other things, for the acquisition by Bancolombia Panama of control of Grupo Agromercantil Holding S.A. in the medium term.

Grupo Agromercantil Holding owns the Guatemalan financial conglomerate Agromercantil, which includes, among others, Banco Agromercantil BAM of Guatemala, Mercom Bank Ltd, an offshore bank based in Barbados, and Seguros Agromercantil of Guatemala.

Acquisition of Banistmo

On October 28, 2013, Bancolombia completed the acquisition of 100% of the common shares, and 1,325,780 of preferred shares of Banistmo representing 90.1%. After having obtained the required regulatory approvals and satisfied certain other conditions for completion of the transaction.

Bancolombia paid a consideration amount of USD 2,234 million to HSBC Latin America Holdings (UK) Limited, a subsidiary of HSBC Holdings plc. The consideration amount included customary adjustments in accordance with the share purchase agreement.

The transaction included Banistmo's Panamanian subsidiaries, which are involved in the securities, brokerage, trust, consumer finance and leasing, businesses, as well as an insurance company, and certain other companies.

Dematerialization of issued and outstanding shares

On December 17, 2013, Bancolombia's shareholders, in their extraordinary meeting, approved the decision to dematerialize the issued and outstanding shares of the Bank. The dematerialization was completed on January 20, 2014.

Consequently, the Bank’s shares are held and traded exclusively in dematerialized form and all transfers are made through book-entry records made by the *Deposito Centralizado de Valores* – Deceval and registered in the shareholders’ registry, in accordance with the Bank’s by-laws and applicable Colombian law.

Preferred shares public offering

On March 12, 2014, the Bank completed an offering of 110 million preferred shares offered to the public in Colombia at a subscription price of COP 24,200 per preferred share. The net proceeds amounted to approximately COP 2,656 billion.

PUBLIC TAKEOVER OFFERS

In 2013, and as of the date of this Annual Report, there have been no public takeover offers by third parties with respect to the Bank’s shares or by the Bank in respect to another company’s shares.

CAPITAL EXPENDITURES AND DIVESTITURES

During 2013, total capital expenditures amounted to COP 80 billion. Such investments were mainly focused on an IT Platform renewal project (COP 665 million), the expansion of the Bank's branch and ATM network (COP 198 million), the purchase of hardware for the expansion, updating and replacing current IT equipment (COP 9 billion), and other investments, such as an anti-fraud system and fixed assets (COP 70 billion).

In October 2013, Bancolombia completed the acquisition of HSBC Panama's operation and paid USD 2,234 million for it.

In 2013, Bancolombia funded its capital expenditures with its own resources and plans to continue to fund those currently in progress in the same manner.

During 2012, total capital expenditures excluding interest in other companies amounted to COP 154 billion. Such investments were mainly focused on an IT Platform renewal project (COP 97 billion), the expansion of the Bank's branch and ATM network (COP 12 billion), the purchase of hardware for the expansion, updating and replacing current IT equipment (COP 25 billion), and other investments, such as an anti-fraud system and fixed assets (COP 20 billion).

During 2011, total capital expenditures excluding interest in other companies amounted to COP 197 billion. Such investments were mainly focused on an IT Platform renewal project (COP 107 billion), the expansion of the Bank's branch and ATM network (COP 41 billion), the purchase of hardware for the expansion, updating and replacing current IT equipment (COP 36 billion), and other investments, such as an anti-fraud system and fixed assets (COP 13 billion).

During 2014, the Bank expects to invest approximately COP 84 billion as follows: COP 4 billion in connection with the expansion of the Bank's branch and ATM network, COP 25 billion in connection with the purchase of hardware for the expansion, updating and replacement of the current IT equipment and COP 55 billion in connection with other investments, such as an anti-fraud system and fixed assets. These figures represent only an estimate and may change according to the continuing assessment of the Bank's project portfolio. No assurance can be given, however, that all such capital expenditures will be made and, if made, that such expenditures will be in the amounts currently expected.

The following table summarizes the Bank's capital expenditures and divestitures in interests in other companies for the years ending December 31, 2013, 2012 and 2011:

	As of December 31,			
Capital Expenditures (COP million)	2013	2012	2011	Total
Banistmo y Filiales[1]	COP4,204,801	COP-	COP-	COP4,204,801
Grupo Agromercanril Holding S.A [2]	411,110	-	-	411,110
Sura Asset Management España S.L.	-	266,772	-	266,772
Inversiones Inmobiliaria Arauco Alameda S.A.	10,755	27,645	3,479	41,879
Uff Móvil S.A.S	5,100	21,000	-	26,100
Avefarma S.A.S.	-	20,423	-	20,423
Panamerican Farmaceutical Holding INC	-	6,846	-	6,846
Glassfarma Tech S.A.S.	-	4,360	-	4,360
Construcciones El Cóndor S.A.	-	3,469	-	3,469
Grupo Odinsa S.A.	-	562	190,516	191,078
Fondos de Pensiones y de Cesantías Protección S.A.	-	-	64,891	64,891
Enka de Colombia S.A.	-	-	9,523	9,523
Others	16	861	2,034	2,911
Total Expenditures	COP4,631,782	COP351,938	COP270,443	COP5,254,163

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(1) The amount of USD 2,234 million has been converted at the rate of COP 1,882.34 per USD 1.00, which is the Representative Market Rate calculated on October 28, 2013, as reported by the SFC.

(2) The amount of USD 217 million has been converted at the rate of COP 1,893.77 per USD 1.00, which is the Representative Market Rate calculated on October 2, 2013, as reported by the SFC.

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Capital Divestitures (COP million)	2013	2012	2011	Total
Erecos S.A. y Materiales Industriales S.A.	COP 2,650	COP -	COP -	COP 2,650
Prosicol S.A.S. " liquidation "	565	-	-	565
Asesuisa S.A.(1)	-	173,285	-	173,285
Todo Uno Services Inc. (1)	-	3,161	-	3,161
Todo Uno Colombia S.A.(1)	-	228	-	228
AFP Crecer S.A.(1)	-	-	203,072	203,072
Promotora La Alborada S.A.(1)	-	-	1,124	1,124
Promotora de Hoteles Medellín S.A.	-	-	145	145
Others (1)	-	-	57	57
Total Divestitures	COP 3,215	COP 176,674	COP 204,398	COP 384,287

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(1) Investments sold

B. BUSINESS OVERVIEW

B.1. GENERAL

COMPANY DESCRIPTION, PRODUCTS AND SERVICES

Bancolombia is a full service financial institution that offers a wide range of banking products and services to a diversified individual and corporate customer base of more than 9 million customers. Bancolombia delivers its products and services through its regional network comprising Colombia's largest non-Government owned banking network, El Salvador's leading financial conglomerate, Panama's second bank by market share and off-shore banking subsidiaries in Panama, Cayman and Puerto Rico, as well as subsidiaries in Peru.

Bancolombia and its subsidiaries offer the following products and services:

Savings and Investment: Bancolombia offers its customers checking accounts, savings accounts, fixed term deposits and a diverse variety of investment products that fit the specific transactional needs of each client and their income bracket. The Bank also offers its clients and users the service of tax collection in all its branches, and through electronic channels.

- **Debit cards:** A product designed for people to manage their cash, deposited in a savings account. ATM's and electronic payment channels are widely available in Colombia for both traditional and paypass cards. Different savings accounts are designed for several profiles of customers: "Young" segment, payroll savings, programmed savings, and preferential segment.

- **Plan Cuenta Pensión:** Savings account designed to receive the pension payments made to the customer by a Pension Fund.

- **Checking accounts:** Deposits can be made in cash or checks. This account grants overdraft protection for eventual cash flow needs. All Bancolombia's ATMs and electronic payment systems are available to checking account customers.

- **Fixed term certificates of deposit: (CDT) Certificados de Depósito a Término.** An investment option for individual clients seeking to deposit their capital at a fixed or variable interest rate; the variable interest rate depends on the term of the deposit. Interest can be reinvested in the CDT or disbursed to the owner of the capital at agreed intervals.

Financing: Bancolombia offers its customers a wide range of credit alternatives which include: trade financing, loans funded by domestic development banks, working capital loans, credit cards, personal loans, vehicle loans, payroll loans and overdrafts, among others. It also offers the following financial specialized products:

- **Personal Loan:** Is a credit line of free investment destination that allows an individual earning an income greater than two times the minimum wage to obtain credit from the bank without use limitations

- **Prestanómina:** Is a credit line attached to an authorized individual payrollamount**.**

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- **Prestanómina FOPEP:** Is a credit line attached to an authorized individual payroll figure for retired employees in the FOPEP (Public Pension Fund).
- **Auto Loans (new cars):** Loan designed for clients interested in purchasing a new car for private or public use. The vehicle financed is used as collateral for the loan.
- **Auto Loans (used cars):** Loan designed for clients interested in purchasing a used car for private or public use. The vehicle financed is used as collateral for the loan.
- **Motorcycle Loans (high cylindered):** Loan designed for clients interested in purchasing a new motorcycle for private use. The motorcycle financed is used as collateral for the loan.
- **Credit Cards:** Bancolombia offers several credit cards with three different franchises as well as private brands: MasterCard, Visa, and American Express (American Express is an exclusive franchise in Colombia for Bancolombia). These products are divided in different segments of the market, personal and corporate, designed to satisfy the needs of different customers with different purchase habits and income levels. All the traditional classifications are commercialized: Black, Platinum, Gold, Traditional, among others.
- **Credit line for Environmental Sustainability:** Designed for customers who support new processes to optimize energy efficiency, use renewable energy and implement clean production in their businesses. This line of credit offers technical assistance, where experts evaluate and identify projects for the customer, and give advice regarding applicable tax benefits.
- **Student Loan:** Designed for clients willing to finance graduate and undergraduate education programs in certified universities. The minimum withdrawal amount under the facility is COP 1,000,000, and a maximum of 250 SMMLV. Credit possibilities vary depending on the client's debt capacity.

Mortgage Banking: Bancolombia is a leader in the mortgage market in Colombia, providing full financial support to construction firms and mortgages for individuals and companies.

- **Housing Loan:** Is a loan designed for individuals interested in purchasing homes. The loan uses a mortgage on the purchased property as collateral.
- **Commercial Property Loan:** This loan is specialized in providing funds for purchase of properties, the use of which is not related to habitation; such as, commercial properties, offices, lands for construction (restrictions may apply), warehouses, and others.
- **Private General Construction Loan:** This is a general construction loan for individuals and businesses for new construction of properties, the use of which is not related to habitation. Periodic disbursements are given to the client as the project advances. These loans are granted depending on the solicitor's periodic income or cash flow.

Factoring: Bancolombia offers its clients solutions for handling their working capital and maximizing their asset turnover through comprehensive solutions to manage their accounts receivable financing.

- **Factoring for Suppliers:** For corporate clients, this product provides the funds to pay debt with suppliers at a fixed interest rate and with frequent periodic payments.

- **Discount of Account Receivables:** Financing line for corporate customers known as “massive holders of account receivables”. The line of credit is based on a contract where the Bank ties several receivables in just one obligation, and acts as factor between the seller and the buyer, doing all the operational process.

- **Export and Import Factoring:** Acquire cash flow based on invoices related to international trade at a specific asking price.

Financial and Operating Leases: Bancolombia, primarily through Leasing Bancolombia and its subsidiaries, offers financial and operating leases specifically designed for acquiring fixed assets.

- **Home Leases:** Bancolombia provides an alternative to its clients to acquire their own real estate property. With a low initial payment, clients of the lease pay periodic fees, leaving a portion of the total capital to the end of the term as a possible purchase option.

- **Vehicle Leases:** Bancolombia provides an alternative to its clients to purchase an automobile. With a low initial payment, clients of the lease pay periodic fees, leaving a portion of the total capital to the end of the term as a possible purchase option. It can also help companies, whose activity is connected to the transportation of goods and people, to acquire new vehicles for their operations.

- **Infrastructure Leases:** Bancolombia provides an alternative to its clients to invest in infrastructure projects needed for the corporate and industrial segment. With a low initial payment, clients of the lease pay periodic fees, leaving a portion of the total capital to the end of the term as a possible purchase option.

Capital Markets: Bancolombia assists its clients in mitigating market risk through hedging instruments such as:

- **Foreign exchange forwards**
- **Interest rate swaps**
- **Cross currency swaps**
- **Forward Novado**
- **European style options**
- **Arithmetic Asian Options**

The Bank also performs inter-bank lending, repurchase agreements (repos), foreign exchange transactions, as well as sovereign and corporate securities sales and trading. Bancolombia is an active player in the "Market-makers" scheme for trading Colombian sovereign debt (TES bonds).

Valores Bancolombia and Valores Bancolombia Panamá offer direct access to local and international capital markets, through a full range of Brokerage and Investment Advisory Services that cover:

- **Equities**
- **Fixed income**
- **IBR and IPC BVC Futures**
- **Foreign currencies**
- **Futures**

- **Third party asset management vehicles**
- **Structured products.**

Fiduciaria Bancolombia and Valores Bancolombia also offer a wide range of proprietary asset management products, such as Mutual Funds, Private Equity Funds, and Privately Managed Investment Accounts for institutional, corporate and private bank clients.

Comprehensive Cash Management: Bancolombia provides support to its clients through efficient cash management, offering a portfolio of standard products that allows clients to make payments and collections through different channels. Our payables and receivables services provide solutions to process and reconcile transactions accurately, efficiently and in a timely manner. We also offer a comprehensive reporting solution, providing the data that is required by customers' internal processes. In addition, our Bank designs and creates custom-made products in order to address our clients' specific payment and collection needs, including a variety of real time web services, straight through processing (STP) and messaging through Swift Net solutions.

Foreign Currency: Bancolombia offers its clients specialized solutions to satisfy their investment, financing and payment needs with regard to foreign currency transactions. The Bank also provides trade finance solutions with products such as Letters of Credit, Standby Letters of Credit and Bills Collection.

Bancassurance and Insurance: Bancolombia distributes diverse insurance products (life, and homeowner's insurance) offered by Compañía Suramericana de Seguros, one of the main insurance companies in Colombia. In addition, Bancolombia offers unemployment insurance issued by Sure General Cardif Colombia S.A. In El Salvador, Banco Agricola offers a comprehensive portfolio of insurance products from Asesuisa (auto insurance, personal accident and health insurance, fire and associated perils insurance, cargo insurance, among others) and Asesuisa Vida (life insurance).

Investment Banking: Bancolombia, through its subsidiary Banca de Inversión, offers a wide variety of value-added services that allows it to advise and assist companies from all economic sectors, including in areas relating to project finance, capital markets, capital investments, M&A, restructurings and corporate lending, etc.

Trust and Fiduciary Services: Bancolombia, through its subsidiary Fiduciaria Bancolombia, offers a broad and diversified portfolio of services for companies and individuals, meeting their needs with tailored services.

NEW PRODUCTS OR SERVICES

Bancolombia continues its efforts to diversify and improve its product portfolio. Below is a brief description of the new products and services introduced in 2013:

Prepaid Card: This product allows companies to make payments to their employees without the need of a savings account. It can be used for payroll payments, third party payments, travel expenses, treasury or gifts; allowing the cardholder to make purchases and ATM withdrawals.

E-prepaid Card: Digital prepaid card that allows users to charge money from a savings account. As a result, the client is able to purchase goods and services using the web without the need of a physical card.

E-Banking Colombia Demo: This is an interactive tool addressed especially to corporate customers to teach them how to use the Bank's e-banking services, in a simple way. This tool also helps improve the commercial team's knowledge of the E-Banking tool in order to provide a better service to the Bank customers.

Exclusive call center for premium clients: This is a service designed for Bancolombia´s premium clients where just one person is able to meet all customer requirements either in English or Spanish.

Ahorro a la Mano: This is a mobile phone based savings account specially designed to attend low income clients and unbanked people.

Bancolombia eTrading: This is an internet-based trading platform, available for retail and institutional clients, which allows them to buy/sell securities in the Colombian Stock Exchange.

Non Deliverable TES Forwards: Cash settled OTC traded forwards available on COP and UVR denominated Colombian treasury bonds. This product offers flexibility to offshore participants interested in gaining exposure to Colombia´s sovereign risk without the need for a local investment vehicle.

LIBOR-IBR Basis Swaps: The IBR-LIBOR basis swap allows Bancolombia and its clients to effectively transfer, hedge or mitigate risks associated to foreign exchange debt and diversify their exposure on emerging markets rates.

TES Specific References BVC Futures: Non deliverable bond future on COP denominated Colombian treasury bonds as traded on the Colombian Stock Exchange.

US Treasuries CME Bond Future: Deliverable future on US treasury bonds as traded on the Chicago Mercantile Exchange (CME).

Bonds EUREX Bond Future: Deliverable future on German treasury bonds as traded on the EUREX Exchange.

MAIN LINES OF BUSINESS

The Bank manages its business through ten main operating segments: Banking Colombia, Banking Panama, Banking El Salvador, Leasing, Trust, Investment Banking, Brokerage, Insurance, Off Shore, and All other.

For a description and discussion of these segments, please see "Item 5. Operating and Financial Review and Prospects – A. Operating Results – Results by Segment".

B.2. OPERATIONS

See Note 31 – section (y) to the Bank's Consolidated Financial Statements as of December 31, 2013 included in this Annual Report for a description of the principal markets in which the company competes, including a breakdown of total revenues by category of activity and geographic market for each of the last three financial years.

B.3. SEASONALITY OF DEPOSITS

Historically, the Bank has experienced some seasonality in its demand deposits, with higher average balances at the end of the year and lower average balances in the first quarter of the year. This behavior is explained primarily by the increased liquidity provided by the Central Bank and the Colombian National Treasury at year end, as economic activity tends to be higher during this period resulting in a greater number of transactions. However, we do not consider the seasonality of demand deposits to have a significant impact on our business.

B.4. RAW MATERIALS

The Bank on a consolidated basis is not dependent on sources or availability of raw materials.

B.5. DISTRIBUTION NETWORK

Bancolombia provides its products and services through a traditional branch network, sales and customer representatives as well as through mobile branches ("*Puntos de Atención Móviles*"), banking correspondents, an ATM network, online and computer banking, telephone banking, mobile phone banking services, and EFTPOS, among others. In addition, as of December 31, 2013, Bancolombia had a sales force of approximately 14,000 employees and transactions performed through electronic channels represented more than 91.3% of all transactions in 2013.

The following are the distribution channels offered by Bancolombia as of December 31, 2013.

Branch Network

As of December 31, 2013, Bancolombia's consolidated branch network consisted of 1.090 offices which included 850 from Bancolombia, 98 from Banco Agrícola, 50 from Banistmo and 92 from other subsidiaries.

Company*	Number of branches 2013	Number of branches 2012	Number of branches 2011	Number of branches 2010
Bancolombia S.A.(unconsolidated)	850	822	779	736
Bancolombia Panama S.A.	1	1	1	1
Bancolombia Miami (Agency) (1)	-	1	1	1
Bancolombia Panama (Branch)	1	1	-	-
Leasing Bancolombia S.A.	21	20	16	17
Renting Colombia S.A.	17	17	16	16
Valores Bancolombia S.A.	11	5	8	9
Valores Bancolombia Panama S.A.	1	1	1	1
Banca de Inversión Bancolombia S.A.	2	2	2	2
Fiduciaria Bancolombia S.A.	7	4	6	6
Tuya S.A, Compañía de Financiamiento (previously Sufinanciamiento S.A.)	6	5	5	6
Bancolombia Puerto Rico International Inc.	1	1	1	1
Factoring Bancolombia S.A.	1	1	1	1
Arrendamiento Operativo CIB S.A.C. (2)	1	1	2	5
Fondo Inversión Arrend.Operativo Renting Perú I	1	1	1	1
Inversiones CFNS S.A.S.	2	2	2	1
Banco Agrícola S.A.	98	101	101	102
Arrendadora Financiera S.A.	1	1	1	1
Credibac S.A. de C.V	-	-	1	1
Valores Banagricola, S.A. de C.V.(3)	1	1	1	1
AFP Crecer S.A.(4)	-	-	-	6
Aseguradora Suiza Salvadoreña S.A.(5)	-	-	1	1
Asesuisa Vida S.A.(5)	-	-	1	1
Uff Móvil S.A.S.	1	1	-	-
Capital Investments SAFI S.A.	1	1	1	1
Transportempo S.A.S	1	1	1	1
Leasing Perú S.A.	1	1	1	1
FiduPerú S.A. Sociedad Fiduciaria (previously Fiduciaria GBC S.A.)	1	1	1	1
Banistmo S.A.	50	-	-	-
Financomer S.A.	8	-	-	-
Seguros Banistmo S.A.	4	-	-	-

Total	1,090	993	952	921

*For some subsidiaries, the central office is considered a branch.

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(1) Bancolombia Miami closed its operations on August 30, 2013

(2) Renting Perú S.A.C. changed its legal name to Arrendamiento Operativo CIB S.A.C. The offices operated for the Localiza franchise in Peru, are included in the total number of branches reported for Arrendamiento Operativo CIB S.A.C.

(3) Bursabac S.A. de C.V changed its legal name to Valores Banagricola, S.A. de C.V.

(4) AFP Crecer S.A. was sold on November 21, 2011, and is no longer part of the Bancolombia group.

(5) Aseguradora Suiza Salvadoreña S.A. and Asesuisa Vida S.A. were sold on September 27, 2012, and are no longer part of the organization.

Banking Correspondents

A banking correspondent is a platform which allows non-financial institutions, such as stores open to the public, to provide financial services and transactions in towns where banks and financial institutions have limited or no presence. As of December 31, 2013, Bancolombia has a total of 2,162 banking correspondents, including 2,105 in Colombia and 57 in El Salvador.

Mobile Branches (Puntos de Atención Móviles, "PAM")

PAMs consist of commercial advisors who visit small towns periodically to offer Bancolombia's products and services. As of December 31, 2013, there were a total of 594 PAMs.

Kiosks

Kiosks, used in El Salvador, are located inside the Bank's agencies, malls, and other public places and are used to provide the Bank's clients the possibility of conducting a variety of self-service transactions. As of December 31, 2013, there were a total of 206 kiosks.

Automatic Teller Machines ("ATM")

Bancolombia has a total of 4,310 ATMs, including 3,538 in Colombia, 498 in El Salvador and 274 in Panama.

Online/Computer Banking

We offer multiple online and computer-based banking alternatives designed to fit the specific needs of our different client segments. Through a variety of platforms (computer and Internet-based solutions) our clients can review their account balances and monitor transactions in their deposit accounts, loans, and credit cards, make virtual term investments, access funds from pre-approved loans, make payroll and supplier payments, make purchases and bill payments, negotiate stocks, learn about products and services and complete other transactions in real time.

Telephone Banking

We provide customized and convenient advisory services to customers of all segments through automatic interactive voice response (IVR) operations and a 24/7 contact center.

Punto de Atención Cercano ("PAC") or Electronic Funds Transfer at Point of Sale ("EFTPOS")

Through our own network of 7,933 PACs our customers may carry out a variety of transactions including transfer of funds, bill payments, and changes to credit and credit card PINs.

Mobile Phone Banking Service

Our clients can conduct a variety of transactions using their cell phones, including fund transfers between Bancolombia accounts, account balance inquiries, purchase of prepaid cell phone air time and payment of bills and invoices.

B.6. PATENTS, LICENSES AND CONTRACTS

The Bank is not dependent on patents or licenses, nor is it substantially dependent on any industrial, commercial or financial contracts (including contracts with customers or suppliers).

However, the contracts with service providers described below have significant relevance to the Bank’s business:

As a result of the disposal of Todo1 Services, Inc. in August, 2012, the online banking platform of the Bank is no longer provided by an affiliate, and is currently provided by Todo1 Services Inc., now a third party with whom the Bank has entered into a service-level agreement. As of December 31, 2013, Todo 1 Services, Inc. is the sole service provider for the Bank’s online banking platform in the event it ceased to provide such service, the Bank would need to engage a new service provider with whom it would have to negotiate a new service-level agreement.

The Bank’s call center and telephone banking services are rendered by Allus Global BPO Center, a company specialized in providing business process outsourcing, or BPO solutions. If Allus Global BPO Center ceased to provide such services, the Bank would need to engage a new service provider with whom it would have to negotiate a new service-level agreement.

The Bank's check processing and settlement service is provided by IQ Outsourcing S.A., a Colombian company specialized in processing checks issued by customers of the Colombian financial institutions, through the Central Bank. If IQ Outsourcing S.A. ceased to provide such service, the Central Bank could impose fines to the Bank, and the Bank would need to engage a new service provider for such services.

The replacement of Todo1 Services Inc., Allus Global BPO Center or IQ Outsourcing S.A. as service providers of the Bank could be delayed or result in a variation of the costs associated with such services due to negotiations with potential new providers.

Finally, as a result of the acquisition of Banistmo by the bank, Banistmo, as customer, entered into a transitional services agreement with HSBC Servicios S.A. de C.V., for the provision of certain key technological services necessary to day-to-day operation of Banistmo and its subsidiaries for an estimated period of 18 months after closing of the transaction.

B.7. COMPETITION

Description of the Colombian Financial System

Overview

In recent years, the Colombian banking system has been undergoing a period of consolidation, given the series of mergers and acquisitions that have taken place within the sector. More specifically, several mergers and acquisitions took place in 2007, mainly due to the global economic situation. Colombian banks made several investments allowing some entities to become big players in the Latin American market; this is the case of HSBC, which acquired Banistmo; and Bancolombia, which completed the acquisition of Banagrícola in El Salvador (For more information on the acquisition of Banagrícola, see "Item 4. Information on the Company – 4.A. History and Development of the Company"). In 2008 the Royal Bank of Scotland (RBS) acquired the Colombian arm of ABN Amro Bank in October of 2011, Canadian Scotiabank purchased a stake in Colpatria . In addition, in 2010, Banco de Bogotá acquired BAC-Credomatic, which operates in several countries in Central America. In 2012, the most relevant events regarding the presence of foreign banks in Colombia were the acquisition of Banco Santander Colombia S.A. in July 2012and Helm Bankby Corpbanca (Chile). Davivienda acquired the subsidiaries of HSBC in Costa Rica, Honduras and El Salvador.

During 2013, Bancolombia continued its internationalization process with the acquisition of the banking and insurance operations of HSBC in Panama for USD 2,234 million becoming the largest financial group of Central America. In addition, Bancolombia Panama S.A., acquired 40% of the common shares of Agromercantil Group Holding SA for USD 217 million. In 2013 Grupo Aval acquired 100% of the Reformador Financial Group, from Guatemala (the transaction was valued at USD 411 million) and acquired BBVA Panama for USD 490 million. In addition, in 2013 some competitors started operations in Colombia. Itau BBA entered the market with an investment bank, BNP Paribas with a trust company, Credicorp with the acquisition of Correval (a local brokerage firm), Brazilian broker-dealer BTG Pactual acquired Bolsa y Renta, Banco Santander returned to the Colombian arena with an investment bank and the Chilean Larrain Vial started operations with a brokerage firm.

As of December 31, 2013, according to the SFC, the main participants in the Colombian financial system were the Central Bank, 24 commercial banks (13 domestic private banks, 10 foreign banks, and 1 domestic state-owned bank), 5 financial corporations and 22 financing companies (6 leasing companies and 16 traditional financing companies). In addition, trust companies, cooperatives, insurance companies, insurance brokerage firms, bonded warehouse, special state-owned institutions, pension and severance pay funds also participate in the Colombian financial system.

Financial System Evolution in 2013

During 2013, the Colombian economy showed a greater dynamism despite the difficulties in the industrial sector, the unemployment rate was among the lowest in the last years and inflation was below the target range of the Central Bank at historically low levels. The GDP growth in 2013 was 4.3%. The credit expansion throughout 2013 was lower than 2012. The financial system's loan growth for 2013 was 13.53 % according to SFC, compared to 14.87% and 23.39% for 2012 and 2011, respectively. Monetary policy during the year was expasionist, and the rate of intervention decreased over 75bp, ending the year in 3.25%. The growth of commercial loans was 11.91% in 2013, compared to 12.07% in the previous year. The rising confidence drove up consumer loans, which grew by 12.07% in 2013, lower than the 17.54% in 2012. Mortgage and small business loans continued to perform well, with increases of 28.26% and 17.53%, respectively, for 2013.

The financial system's level of past-due loans as a percentage of the total loan portfolio decreased from 2.83% in December 2012 to 2.82% in December 2013. In addition, the coverage, measured by the ratio of allowances for loans losses (principal) to PDLs (overdue 30 days), ended 2013 at 161.22%, compared to 162.21% at the end of 2012.

During 2013, lending decreased its percentage of financial system's structure. Loans declined from 63.4% of total assets at the end of 2012 to 62.8% at the end of 2013. The securities portfolio, as a percentage of total assets, increased from 19.6% at the end of 2012 to 19.7% at the end of 2013.

As of December 31, 2013, the Colombian financial system recorded COP 425 trillion in total assets, representing a 14.75% increase as compared to the same period in 2012. The Colombian financial system's total composition of assets shows banks with a market share of 91.43%, followed by financing companies with 5.75% and financial corporations with 2.82%.

The capital adequacy ratio (Tier 1 + Tier 2) for credit institutions was 14.7% in December 2013 (including banks, financial corporations and financing companies), which is well above the minimum legal requirement of 9%. With the entry into force of Decree 1771 of 2012 and the external cirlular 20 of 2013 of the SFC, was structured a new capital regime for credit institutions in order to strengthen the quality of equity of financial institutuions to ensure they have the capacity to absorb losses in the development of its activities.

Bancolombia and its Competitors

The following table shows the key profitability, capital adequacy ratios and loan portfolio quality indicators for Bancolombia and its main competitors, as published by the SFC. It is important to note that, in the case of mortgages, loans used in the calculation shown below incorporate the past-due installments, instead of the complete mortgage balance, whenever a mortgage is due in less than 120 days.

	ROE(1)		ROA(2)		Past-due loans/ Total loans		Allowances/ Past-due loans		Capital Adequacy	
	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12
Bancolombia[(3)] (unconsolidated)	11.81%	11.17%	1.63%	1.71%	2.31%	2.16%	202.02%	208.21%	13.36%	17.85%
Banco de Bogota	12.28%	14.37%	2.47%	2.72%	2.20%	2.11%	152.93%	155.97%	18.50%	15.86%
Davivienda	12.17%	13.13%	1.56%	1.79%	2.87%	3.27%	161.51%	158.03%	12.62%	17.52%
BBVA	16.23%	15.55%	1.51%	1.45%	1.89%	1.88%	179.72%	208.03%	11.37%	11.27%
Banco de Occidente	11.99%	14.69%	1.65%	2.16%	2.26%	2.33%	171.33%	172.08%	13.33%	11.15%
Banco Popular	16.61%	17.21%	2.40%	2.46%	2.05%	2.11%	179.03%	175.18%	11.40%	11.22%
Citibank	9.12%	12.35%	1.63%	2.33%	3.81%	4.34%	144.19%	127.30%	14.64%	16.24%

Source: SFC.

(1) ROE is return on average stockholders' equity.
(2) ROA is return on average assets.
(3) All figures are on an unconsolidated basis.

In 2013, Bancolombia ranked first in Colombia and El Salvador in terms of amount of assets, deposits, stockholders' equity and net income.

The following tables illustrate the market share of Bancolombia on an unconsolidated basis and its main competitors with respect to various key products, based on figures published by the SFC for the years ended December 31, 2013, 2012 and 2011:

Total Net Loans
Market Share

Total Net Loans – Market Share %	2013	2012	2011
Bancolombia	22.65	23.05	21.93
Banco de Bogotá	13.76	13.71	13.63
Davivienda	12.98	12.39	12.75
BBVA	9.95	9.23	9.44
Banco de Occidente	7.45	7.33	7.31
Banco Popular	4.61	5.10	5.11
Citibank	2.20	2.45	2.53

Source: Ratios are calculated by Bancolombia based on figures published by the SFC.

Checking Accounts
Market Share

Checking Accounts – Market Share %	2013	2012	2011
Bancolombia	25.16	24.00	22.51
Banco de Bogotá	18.79	19.50	19.66
Banco de Occidente	11.94	11.39	12.77
BBVA	10.03	9.14	9.12
Davivienda	9.76	8.96	9.54
Banco Popular	3.31	3.84	4.13
Citibank	3.13	3.15	3.67

Source: Ratios are calculated by Bancolombia based on figures published by the SFC.

Time Deposits
Market Share

Time Deposits – Market Share %	2013	2012	2011
Bancolombia	17.93	18.22	13.31
Banco de Bogotá	14.61	14.36	15.85
Davivienda	12.35	10.00	11.18
BBVA	10.27	9.66	7.71
Citibank	2.00	2.67	3.60
Banco Popular	1.56	2.87	3.76
Banco de Occidente	5.09	5.18	3.66

Source: Ratios are calculated by Bancolombia based on figures from the SFC.

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Saving Accounts
Market Share

Saving Accounts – Market Share %	2013	2012	2011
Bancolombia	22.95	22.92	22.27
Banco de Bogotá	14.09	14.39	12.97
Davivienda	11.35	12.23	12.86
BBVA	11.96	12.61	11.66
Banco Popular	6.48	5.37	6.03
Banco de Occidente	6.41	5.75	5.92
Citibank	2.49	2.18	2.19

Source: Ratios are calculated by Bancolombia based on figures from the SFC.

Description of the Salvadorian Financial System

As of December 31, 2013, the Salvadorian financial system was comprised of 13 institutions (10 commercial banks, 2 state-owned banks and 1 foreign bank).

The total assets of the Salvadorian financial system amounted to USD 14.0 billion in 2013, increasing 5.2% as compared to the previous year. As of December 31, 2013, loans represented 66.2% of total assets in the Salvadorian financial system, while investments represented 12.9% and cash and due from banks represented 14.3%. As of December 31, 2012, loans represented 64.9% of total assets in the Salvadorian financial system, while investments represented 14.3% and cash and due from banks represented 13.9%.

Banco Agrícola and its Competitors

In 2013, Banco Agrícola continued to lead the Salvadorian financial system and ranked first in terms of assets, loans, deposits, stockholders equity and profits. The following table illustrates the market share for the main institutions of the Salvadorian financial system for the year ended December 31, 2013:

MARKET SHARE

	Assets	Stockholders' Equity	Loans	Deposits	Profits
Banco Agrícola	28.9 %	30.6 %	29.3 %	29.0 %	42.6 %
Citibank	13.0 %	18.4 %	11.7 %	13.4 %	10.3 %
Davivienda	15.4 %	16.0 %	15.3 %	14.1 %	11.5 %
Scotiabank	15.0 %	13.7 %	15.9 %	13.5 %	12.0 %
BAC	11.2 %	9.9 %	11.2 %	11.6 %	12.2 %
Others	16.5 %	11.3 %	16.7 %	18.4 %	11.4 %

Source: ABANSA (*Asociación Bancaria Salvadoreña*).

The following tables illustrate the market share of Banco Agrícola and its main competitors with respect to various key products, based on figures published by the Salvadorian Banking Association (ABANSA) for the years ended December 31, 2013, 2012 and 2011:

Total Loans
Market Share

Total Loans - Market Share%	2013	2012	2011
Banco Agrícola	29.3%	30.1%	29.7%
Citibank	11.7%	13.1%	14.4%
Davivienda	15.3%	14.4%	14.6%
Scotiabank	15.9%	16.6%	17.1%
BAC	11.2%	10.4%	9.9 %
Others	16.7%	15.4%	14.2%

Source: Ratios are calculated by Banco Agrícola based on figures published by the Salvadorian Banking Association.

Checking Accounts
Market Share

Checking Accounts - Market Share%	2013	2012	2011
Banco Agrícola	25.7%	23.9%	24.2%
Citibank	21.0%	23.5%	23.6%
Davivienda	11.4%	11.5%	11.4%
Scotiabank	8.6 %	9.1 %	10.5%
BAC	16.9%	16.2%	15.6%
Others	16.3%	15.8%	14.7%

Source: Ratios are calculated by Banco Agrícola based on figures published by the Salvadorian Banking Association.

Time Deposits
Market Share

Time Deposits - Market Share%	2013	2012	2011
Banco Agrícola	24.0%	24.2%	25.4%
Citibank	6.9 %	8.2 %	11.2%
Davivienda	15.4%	15.1%	16.8%
Scotiabank	16.4%	17.6%	16.2%
BAC	12.0%	12.0%	10.4%
Others	25.3%	23.0%	20.0%

Source: Ratios are calculated by Banco Agrícola based on figures published by the Salvadorian Banking Association.

Saving Accounts
Market Share

Saving Account - Market Share%	2013	2012	2011
Banco Agrícola	38.9%	38.7%	34.7%
Citibank	14.9%	15.7%	19.9%
Davivienda	14.9%	15.1%	15.2%
Scotiabank	14.3%	15.1%	15.0%
BAC	6.0 %	5.9 %	5.8 %
Others	11.1%	9.5 %	9.4 %

Source: Ratios are calculated by Banco Agrícola based on figures published by the Salvadorian Banking Association.

B.8. SUPERVISION AND REGULATION

Colombian Banking Regulators

Pursuant to Colombia's Constitution, the Congress has the power to prescribe the general legal framework within which the Government may regulate the financial system. The agencies vested with the authority to regulate the financial system are the Board of Directors of the Central Bank, the Ministry of Finance, the SFC, the Superintendency of Industry and Commerce (the "SIC") and the Self-Regulatory Organization (Autoregulador del Mercado de Valores - AMV) (the "SRO").

Central Bank

The Central Bank exercises the customary functions of a central bank, including price stabilization, monetary policy, regulation of currency circulation, regulation of credit, exchange rate monitoring and management of international reserves. Its board of directors is the regulatory authority for monetary, currency exchange and credit policies, and is responsible for the direction of the Central Bank's duties. The Central Bank also acts as lender of last resort to financial institutions.

Ministry of Finance and Public Credit

One of the functions of the Ministry of Finance is to regulate all aspects of finance and insurance activities.

As part of its duties, the Ministry of Finance issues decrees relating to financial matters that may affect banking operations in Colombia. In particular, the Ministry of Finance is responsible for regulations relating to capital adequacy, risk limitations, authorized operations, disclosure of information and accounting of financial institutions.

Superintendency of Finance

The SFC is the authority responsible for supervising and regulating financial institutions, including commercial banks such as the Bank, finance corporations, financing companies, financial services companies and insurance companies. The SFC has broad discretionary powers to supervise financial institutions, including the authority to impose fines on financial institutions and their directors and officers for violations of applicable regulations. The SFC can also conduct on-site inspections of Colombian financial institutions.

The SFC is also responsible for monitoring and regulating the market for publicly traded securities in Colombia and for monitoring and supervising securities market participants, including the Colombian Stock Exchange, brokers, dealers, mutual funds and issuers.

Financial institutions must obtain the prior authorization of the SFC before commencing operations.

Violations of the financial system rules and regulations are subject to administrative and, in some cases, criminal sanctions.

Other Colombian regulators

Self- Regulatory Organization

The Self-Regulatory Organization is a private entity responsible for the regulation of entities participating in the Colombian capital markets. The Self-Regulatory Organization may issue mandatory instructions to its members and supervise its members' compliance and impose sanctions for violations.

All capital market intermediaries, including the Bank, must become members of the Self-Regulatory Organization and are subject to its regulations.

Superintendency of Industry and Commerce

The SIC is the authority responsible for supervising and regulating competition in several industrial sectors, including financial institutions. The SIC is authorized to initiate administrative proceedings and impose sanctions on banks, including the Bank, whenever the financial entity behaves in a manner considered to be anti-competitive.

Regulatory Framework for Colombian Banking Institutions

The basic regulatory framework of the Colombian financial sector is set forth in Decree 663 of 1993, modified among others, by Law 510 of 1999, Law 546 of 1999, Law 795 of 2003, Law 964 of 2005 and Law 1328 of 2009, as well as in External Resolution 8 of 2000 (foreign exchange regulations) and Resolution 4 (as hereinafter defined) issued by the board of directors of the Central Bank. Decree 663 of 1993 defines the structure of the Colombian financial system and defines several forms of business entities, including: (i) credit institutions (*establecimientos de crédito*) (which are further categorized into banks, finance corporations (*corporaciones financieras*), financing companies (*compañias de financiamiento*) and finance cooperatives (*cooperativas financieras*)); (ii) financial services entities (*sociedades de servicios financieros*); (iii) capitalization corporations (*sociedades de capitalización*); (iv) insurance companies (*entidades aseguradoras*); and (v) insurance intermediaries (*intermediarios de seguros*). Furthermore, Decree 663 of 1993 provides that no financial, banking or credit institution may operate in Colombia without the prior approval of the SFC. Additionally, Decree 2555 of 2010 compiled regulations that were dispersed in separate decrees, including regulations regarding capital adequacy and lending activities.

The main role of banks, finance corporations and financing companies is to receive deposits. Banks place funds back into circulation by means of loans or any active credit operation; finance corporations place funds into circulation by means of active credit operations or investments, with the purpose of promoting the creation or expansion of enterprises; and financing companies place funds back into circulation by means of active credit operations, with the purpose of fostering the sale of goods and services, including the development of leasing operations.

Law 510 of 1999 and Law 795 of 2003 substantially amended the powers of the SFC to control, regulate and supervise financial institutions. Law 510 of 1999 also streamlined the procedures for the *Fondo de Garantías de Instituciones Financieras* ("Fogafin"), the agency that insures deposits in financial institutions and provides credit and support to troubled financial institutions. The main purpose of Law 510 of 1999 was to improve the solvency standards and stability of Colombia's financial institutions by providing rules for their incorporation and regulating permitted investments of credit institutions, insurance companies and investment companies.

Law 546 of 1999 was enacted to regulate the system of long-term home loans. Law 795 of 2003 was enacted to broaden the scope of activities that financial institutions can engage in, to update regulations with some of the then-latest principles of the Basel Committee and to increase the minimum capital requirements in order to incorporate a financial institution (for more information, see "Minimum Capital Requirements" below). Law 795 of 2003 also provided authority to the SFC to take preventive measures, consisting mainly of preventive interventions with respect to financial institutions whose capital falls below certain thresholds. For example, in order to avoid a temporary take-over by the SFC, such financial institutions must submit to the SFC a restructuring program to restore their financial condition.

Law 1328 of 2009 provides a set of rights and responsibilities for customers of the financial system and a set of obligations for financial institutions in order to minimize disputes. This law also gives foreign banks more flexibility to operate in Colombia. Prior to Law 1328 of 2009, foreign banks were able to operate in Colombia by establishing a Colombian subsidiary authorized by the SFC. Following the enactment of Law 1328 of 2009, as of June 15, 2013, foreign banks will be permitted to operate through their "branches" and will not be required to incorporate a Colombian subsidiary. Law 1328 of 2009 also broadened the scope of permitted business activities by regulated entities. Following its adoption, credit institutions were allowed to operate leasing businesses and banks were allowed to extend loans to third parties so that borrowers could acquire control of other companies. On September 6, 2011, the SFC issued External Regulation 039 of 2011 pursuant to which the SFC is empowered to regulate certain banking practices considered as abusive. The SFC issued the External Circular 038 of 2011 on September 6, 2011, with the purpose to set the necessary instructions that should be followed by the entities that are supervised by the SFC in regards to supplying financial consumers all the information they require in order to allow them to choose the best options in the market, according to their own needs.

On December 20, 2011 the Colombian Government issued Decree 4809 by means of which they: (i) defined the laws and principles that must be observed in the determination, diffusion and publicity of rates and prices of products and financial services, (ii) defined the maximum rate charged for the withdrawal of funds from ATM's of other financial institutions, (iii) provided that should there be an increase in applicable rates within a standard form contract, the banks must inform the clients of that change within a minimum of 45 days, in which time the client will have the ability to reject the aforementioned increase and terminate the contractual relationship with the bank, (iv) imposed a prohibition on charging for unsuccessful transactions carried out through ATMs when there is no fault attributable to the client, and (v) established that transactions made via the Internet cannot be more expensive than those made via other available channels.

The SFC has authority to implement applicable regulations and, accordingly, issues, from time to time administrative resolutions and circulars. By means of External Circular 007 of 1996 (as amended), the SFC compiled the rules and regulations applicable to financial institutions. Likewise, by means of External Circular 100 of 1995 (the "Basic Accounting Circular"), it compiled all regulations applicable to the accounting rules and regulations.

The exchange control statute defines the different activities that banks, including the Bank, may perform as currency exchange intermediaries, including lending in foreign currency and investment in foreign securities.

Violations of any of the above statutes and their relevant regulations are subject to administrative sanctions and, in some cases, criminal sanctions.

Key interest rates

Colombian commercial banks, finance corporations and consumer financing companies are required to provide the Central Bank, on a weekly basis, with data regarding the total volume (in pesos) of certificates of deposit issued during the prior week and the average interest rates paid for certificates of deposit with maturities of 90 days. Based on such reports, the Central Bank computes the *Tasa de Captaciones de Corporaciones Financieras* ("TCC") and the *Depósitos a Término Fijo* ("DTF") rates, which are published at the beginning of the following week, for use in calculating interest rates payable by financial institutions. The TCC is the weighted average interest rate paid by finance corporations for deposits with maturities of 90 days. The DTF is the weighted average interest rate paid by finance corporations, commercial banks and consumer financing companies for certificates of deposit with maturities of 90 days. For the week of April 21, 2014, the DTF was 3.78% and the TCC was 3.04%.

Article 884 of the Colombian Code of Commerce provides for a limit on the amount of interest that may be charged in commercial transactions. The limit is 1.5 times the current banking interest rate, or *Interés Bancario Corriente*, calculated as the average of the interest ordinarily charged by banks within a set period of time. The current banking interest rate for small business loans and for all other loans is certified by the SFC. As of December 31, 2013, the banking interest rate for small business loans was 34.12% and for all other loans was 19.85%.

Capital adequacy requirements

Capital adequacy requirements for Colombian financial institutions (as set forth in Decree 2555 of 2010, as amended) are based on applicable Basel Committee standards. Decree 2555 of 2010 establishes four categories of assets, which are each assigned different risk weights, and requires that a credit institution's Technical Capital (as defined below) for Tier I be at least 4.5% and Tier I + Tier II be at least 9% of that institution's total risk-weighted assets. As of the date of this Annual Report, the Technical Capital for the purposes of the regulations consists of the sum of Tier I Capital (basic capital) and Tier II Capital (additional capital) (Tier I Capital and Tier II Capital, collectively, "Technical Capital"). Tier II Capital may not exceed the total amount of Tier I Capital.

However, on August 23, 2012 the Ministry of Finance issued a new regulation (Decree 1771 of 2012) amending the capital adequacy requirements set forth in Decree 2555. Under this new regulation, financial institutions (such as the Bank) remained subject to the capital adequacy requirements previously in place until August 1, 2013. Some of the highlights of this new regulation are:

- Beginning on August 1, 2013, the technical capital must be calculated as the sum of Ordinary Basic Capital (common equity tier one), Additional Basic Capital (additional tier one), and Additional Capital (tier two capital).
- New criteria for debt and equity instruments to be considered basic capital, additional basic capital, and additional capital was established. Additionally, the SFC must review whether a given instrument adequately complies with these criteria in order for an instrument to be considered tier one or tier two capital, upon request of the issuer. Debt and equity instruments that have not been classified by the SFC as basic or additional capital will not be considered tier one or tier two capital for purposes of capital adequacy requirements.
- The total solvency ratio remains at a minimum of 9% of the financial institution's total risk-weighted assets; however, from August 1, 2013, each entity must comply with a minimum basic solvency ratio of 4.5%, which is defined as the Ordinary Basic Capital after deductions divided by the financial institution's total risk-weighted assets.

The following chart includes a summary of the items that are considered in the definition of the Technical Capital as set forth in Decree 2555 of 2010, as amended:

PriorDefinition of Technical Capital
Basic Capital

- Outstanding and paid-in capital stock.
- Legal and other reserves.
- Profits retained from previous fiscal years.
- Net positive result of the cumulative translation adjustment account.
- The total value of the revaluation of equity account *(revalorización del patrimonio)* (if positive) and of the foreign currency translation adjustment account *(ajuste por conversion de estados financieros)*.
- Current fiscal year profits in a proportion equal to the percentage of prior fiscal year profits that were capitalized, or allocated to increase the legal reserve, or all profits that must be used to cover accrued losses.
- Shares held as a guarantee by Fogafin when the entity is in compliance with the recovery program aimed at bringing the bank back into compliance with capital adequacy requirements.
- Subordinated bonds held by Fogafin when they comply with certain requirements stated

New Definition of Technical Capital (Effective August 1, 2013)
Ordinary Basic Capital

- Outstanding and paid-in capital stock classified as Ordinary Basic Capital by the SFC subject to the conditions set forth in the regulation.
- Legal reserves.
- Shares held as a guarantee by Fogafin when the entity is in compliance with a recovery program aimed at bringing the financial entity back into compliance with capital adequacy requirements.
- Non-controlling interests registered in the Consolidated Financial Statements, subject to the conditions set forth in the regulations.
- The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Ordinary Basic Capital by the SFC.
- Capital surplus.
- Irrevocable donations.
- Net positive result of the cumulative translation adjustment account.
- Capital stock paid in prior to its issuance by the entity, provided however, that the stock remains unissued for a maximum term of four (4) months. After such time frame, it will no longer be considered ordinary basic capital.
- Subordinated bonds held by Fogafin when they comply with certain requirements stated in the regulations.

in the regulations.

- Non-controlling interests registered in the consolidated financial statements.

- The total value of paid-in stock dividends.

- The part of the surplus capital account from donations that complies with the requirements set forth in the applicable regulation.

- Any other financial instrument issued by the entity and held by Fogafin, when the subscription is intended to strengthen the financial condition of the financial entity.

Deductions from Basic Capital

- Any prior or current period losses.

- The total value of the capital revaluation account (*revalorización del patrimonio*) (if negative).

- Accumulated inflation adjustments on non-monetary assets (provided that the respective assets have not been transferred).

- Investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by other entities (excluding subsidiaries) subject to the supervision of the SFC, excluding appraisals and investments in Finagro credit establishments and investments undertaken pursuant to Article 63 of Decree 663 of 1993, subject to the conditions set forth in the regulation.

- Investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by foreign financial institutions where the investor directly or indirectly holds at least 20% of the capital of said institution (excluding subsidiaries). This amount includes cumulative translation adjustments and excludes appraisals.

Deductions from Ordinary Basic Capital

- Any prior or current period losses.

- Investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by other Colombian or foreign financial institutions (excluding subsidiaries), including cumulative translation adjustments and excluding appraisals, subject to the conditions set forth in the regulation.

- Deferred income taxes, if positive.

- Intangible assets registered after August 23, 2012.

- Reacquired stock, subject to the conditions set forth in the regulations.

- Unamortized amount of the actuarial calculation of the pension obligations of the entity.

	Additional Basic Capital • Outstanding and paid-in capital stock classified as Additional Basic Capital by the SFC subject to the conditions set forth in the regulation. • The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Additional Basic Capital by the SFC. • Non-controlling interests registered in the Consolidated Financial Statements, subject to the conditions set forth in the regulation.
Additional Capital • Fifty percent (50%) of the accumulated inflation adjustment of non-monetary assets (provided that such assets have not been disposed of). • Fifty percent (50%) of asset reappraisal (excluding revaluations of foreclosed assets or assets received as payment of credits). • Mandatory convertible bonds effectively subscribed and paid, with maturities of up to 5 years, provided that the terms and conditions of their issuance were approved by the SFC and subject to the conditions set forth by the SFC. • Subordinated payment obligations as long as said obligations do not exceed 50% of Tier One Capital and comply with additional requirements stated in the regulations. • The part of the surplus capital account from donations that complies with the requirements set forth in the applicable regulation. • General allowances made in accordance with the instructions issued by the SFC.	**Additional Capital** • Fifty percent (50%) of the reappraisal or unrealized profits derived from investments in equity and debt instruments with high or medium trading volumes, subject to conditions set forth in the regulation. • Mandatory convertible bonds effectively subscribed and paid, subject to the conditions set forth in the regulation. • Subordinated payment obligations that the SFC classifies as part of the Additional Capital. • Current period profits, in the amount that the shareholders irrevocably resolve to capitalize or assign to increase the legal reserves once the fiscal year is ended, subject to approval by the SFC. • Voluntary reserves (reservas ocasionales) with more than five years in the balance sheet and up to an amount no greater than ten percent (10%) of the Technical Capital of the entity. • Non-controlling interests registered in the consolidated financial statements, subject to the conditions set forth in the regulation. • Fifty percent (50%) of the tax reserve, as defined by law. • Thirty percent (30%) of the reappraisal or unrealized profits derived from investments in equity instruments with low or non-existing trading volumes, or not listed in trading platforms, subject to an appraisal by an independent expert, according to the regulations expected to be issued by the SFC, and to conditions set forth in the regulation. • The value of the general provisions made by the financial entity, in an amount no greater than 1.25% of the risk-weighted assets.

Deductions from Additional Capital

- 50% of the direct or indirect capital investments (in entities subject to the supervision of the SFC, excluding subsidiaries) and mandatory convertible bonds reappraisal that complies with the requirements set forth in the applicable regulation.

- 50% of the direct or indirect capital investments (excluding subsidiaries) and mandatory convertible bonds reappraisal of foreign financial entities with respect to which the bank’s share is or exceeds 20% of the entity’s subscribed capital.

- The value of the devaluation of equity investments with low exchange volume or which are unquoted.

The following table sets forth certain information regarding the Bank's consolidated capital adequacy as of December 31, 2013 and 2012:

	As of December 31, 2013 (In millions of COP, except percentages)		
Long-term senior indebtedness	COP	7,637,316	
Subscribed capital		425,914	
Legal reserve		9,237,594	
Unappropriated retained earnings		-	
Minority interest		223,201	
Net Income		-	
Less:			
Long-term investments		(586,952	)
Intangible assets acquired after August 23, 2012		(3,013,899	)
Treasury stock		(36,570	)
Deferred Income Taxes		(42,238	)
Non - monetary inflation adjustmet		-	
Primary capital (Tier I)		6,207,050	
Provisions for loans		77,935	
Subordinated bonds		4,690,959	
Reappraisal of assets		(37,975	)
Minority interest		222,247	
Non-monetary inflation adjustment		-	
Legal reserve		171,398	
Computed secondary capital (Tier II)		5,124,564	
Technical Capital	COP	11,331,614	
Capital Ratios			
Primary capital to risk-weighted assets (Tier I)		5.81	%
Secondary capital to risk-weighted assets (Tier II)		4.80	%
Risk- weighted assets including market risk		106,826,579	
Technical capital to risk-weighted assets		10.61	%

	As of December 31, 2012 (In millions of COP, except percentages)	
Long-term senior indebtedness	COP	7,674,213
Subscribed capital		425,914
Legal reserve and other reserves		7,413,379
Unappropriated retained earnings		1,348,530
Minority interest		81,394

Net Income		-	
Less:			
Long-term investments		(147,267	)
Non-monetary inflation adjustment		(51,463	)
Primary capital (Tier I)	COP	9,070,487	
Provisions for loans		62,129	
Subordinated bonds		4,385,006	
Reappraisal of assets		216,642	
Non-monetary inflation adjustment		30,426	
Computed secondary capital (Tier II)		4,694,203	
Technical Capital	COP	13,764,690	
Capital Ratios			
Primary capital to risk-weighted assets (Tier I)		10.39	%
Secondary capital to risk-weighted assets (Tier II)		5.38	%
Risk- weighted assets including market risk		87,262,916	
Technical capital to risk-weighted assets		15.77	%

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As of December 31, 2013, the Bank's technical capital ratio was 10.61%, exceeding the requirements of the Colombian government and the SFC by 161 basis points. As of December 31, 2012, the Bank's technical capital ratio was 15.77%.

On March 12, 2014, the Bank completed an offering of 110 million preferred shares offered to the public in Colombia at a subscription price of COP 24,200 per preferred share. The net proceeds amounted to approximately COP 2,656 billion.

The reduction in the technical capital ratio in 2013 is explained by the acquisition of Banistmo, which created a significant goodwill balance and a new capital regulation implemented in Colombia in August 2013, which among other things, eliminates the goodwill from the capital calculation.

Minimum Capital Requirements

The minimum capital requirement for banks on an unconsolidated basis is established in Article 80 of Decree 633 of 1993, as amended. The minimum capital requirement for 2013 is COP 75,550 million. Failure to meet such requirement can result in the Taking of Possession (*toma de posesión*) of the Bank by the SFC (see "Colombian Banking Regulations — Bankruptcy Considerations").

Capital Investment Limit

For entities incorporated in Colombia, all investments in subsidiaries and other authorized capital investments, other than those made in order to abide by legal requirements, may not exceed 100% of the total aggregate of capital, equity reserves and the equity re-adjustment account of the respective bank, financial corporation or commercial finance company excluding unadjusted fixed assets and including deductions for accumulated losses.

Mandatory Investments

Central Bank regulations require financial institutions, including the Bank, to hold minimum mandatory investments in the debt securities issued by Fondo para el Financiamiento del Sector Agropecuario ("Finagro"), a Colombian public financial institution that finances production and rural activities to support the agricultural sector. The amount of these mandatory investments is calculated by applying a fixed percentage (ranging from 4% to 7%, depending on the type of liability) to the quarterly average of the end of day balances of certain liabilities, primarily, deposits and short-term debt. The investment balance is computed at the end of each quarter. Any required adjustment (due to a change in the quarterly average between periods) results in the purchase of additional securities or may result in the optional redemption at par of securities in excess of the requirement. The purchase of additional securities takes place during the month following the date as of which the computation was performed.

Foreign Currency Position Requirements

According to External Resolution 4 of 2007 issued by the board of directors of the Central Bank as amended ("Resolution 4"), a financial institution's foreign currency position (*posición propia en moneda extranjera*) is the difference between such institution's foreign currency-denominated assets and liabilities (including any off-balance sheet items), made or contingent, including those that may be sold in Colombian legal currency.

Resolution 4 provides that the average of a bank's foreign currency position for three business days cannot exceed the equivalent in pesos of 20% of the bank's Technical Capital. Currency exchange intermediaries such as the Bank are permitted to hold a three business days' average negative foreign currency position not exceeding the equivalent in foreign currency of 5% of its Technical Capital (with penalties being payable after the first business day).

Resolution 4 also defines foreign currency position in cash (*posición propia de contado en moneda extranjera*) as the difference between all foreign currency-denominated assets and liabilities. A bank's three business days average foreign currency position in cash cannot exceed 50% of the bank's Technical Capital. In accordance with Resolution 4, the three-day average must be calculated on a daily basis and the foreign currency position in cash cannot be negative.

Finally, Resolution 4 requires banks to comply with a gross position of leverage (*posición bruta de apalancamiento*). Gross position of leverage is defined as (i) the value of term contracts denominated in foreign currency, plus (ii) the value of transactions denominated in foreign currency to be settled within two days in cash, plus (iii) the value of the exchange rate risk exposure associated with exchange rate options and derivatives. Resolution 4 sets a limit on the gross position of leverage, which cannot exceed 550% of the Technical Capital.

Reserve Requirements

Commercial banks are required by the board of directors of the Central Bank to satisfy reserve requirements with respect to deposits and other cash demands. Such reserves are held by the Central Bank in the form of cash deposits. According to Resolution 11 of 2008 issued by the board of directors of the Central Bank, as amended, the reserve requirements for Colombian banks are measured bi-weekly and the amounts depend on the class of deposits.

Credit institutions must maintain reserves of 11% over the following deposits and cash demands:

- Private demand deposits;
- Government demand deposits;
- Other deposits and liabilities; and
- Savings deposits.

In addition, credit institutions must maintain reserves of 4.5% for term deposits with maturities fewer than 540 days and 0% for term deposits with maturities equal to or more than 540 days.

Credit institutions may maintain these reserves in their accounts at the Central Bank.

Foreign Currency Loans

Residents of Colombia may obtain foreign currency loans from foreign residents, and from Colombian currency exchange intermediaries or by placing debt securities abroad. Foreign currency loans must be either disbursed through a foreign exchange intermediary or deposited in offshore compensation accounts.

According to regulations issued by the Central Bank, every Colombian resident and institution borrowing funds in foreign currency is generally required to post with the Central Bank non-interest bearing deposits for a specified term, although the size of the required deposit is currently zero.

Notwithstanding the foregoing, such deposits would not be required in certain cases established in article 26 of External Resolution 8 of 2000, including in the case of foreign currency loans aimed at financing Colombian investments abroad or for short-term exportation loans, provided that such loan is disbursed against the funds of Banco de Comercio Exterior - Bancoldex. Moreover, Article 59-1(c) of External Resolution 8 of 2000 sets forth a number of restrictions and limitations as to the use of proceeds in the case of foreign currency loans obtained by Colombian currency exchange intermediaries (including the Bank) and also provides that deposits would not be required in the event such restrictions and limitations are observed. Such foreign currency loans may be used, among others, for lending activities in a foreign currency with a tenor equal to, or shorter than, the tenor of the foreign financing.

Finally, pursuant to Law 9 of 1991, the board of directors of the Central Bank is entitled to impose conditions and limitations on the incurrence of foreign currency indebtedness, as an exchange control policy, in order to avoid pressure in the currency exchange market.

Non-Performing Loan Allowance

The SFC maintains guidelines on non-performing loan allowances for financial institutions.

Lending Activities

Decree 2555 of 2010, as amended, sets forth the maximum amounts that a financial institution may lend to a single borrower (including for this purpose all related fees, expenses and charges). These maximum amounts may not exceed 10% of a bank's Technical Capital. However, there are several circumstances under which the limit may be raised. In general, the limit is raised to 25% when amounts lent above 5% of Technical Capital are secured by guarantees that comply with the financial guidelines provided in Decree 2555 of 2010, as amended. Also, according to Decree 2555 of 2010, a bank may not make loans to any shareholder that holds directly more than 10% of its capital stock for one year after such shareholder reaches the 10% threshold. In no event may a loan to a shareholder holding directly or indirectly 20% or more of the Bank's capital stock exceed 20% of the Bank's Technical Capital. In addition, no loan to a single financial institution may exceed 30% of the Bank's Technical Capital, with the exception of loans funded by Colombian development banks which are not subject to such limit.

Also, Decree 2555 of 2010 sets a maximum limit for risk concentrated in one single party, equivalent to 30% of the Bank's Technical Capital, the calculation of which includes loans, leasing operations and equity and debt investments.

The Central Bank also has the authority to establish maximum limits on the interest rates that commercial banks and other financial institutions may charge on loans. However, interest rates must also be consistent with market terms with a maximum limit certified by the SFC.

Ownership and Management Restrictions

The Bank is organized as a stock company (*sociedad anónima*). Its corporate existence is subject to the rules applicable to commercial companies, principally the Colombian Commercial Code. The Colombian Commercial Code requires stock companies (such as the Bank) to have at least five shareholders at all times and provides that no single shareholder may own 95% or more of the Bank's subscribed capital stock. Article 262 of the Colombian Commerce Code prohibits the Bank's subsidiaries from acquiring stock of the Bank.

Pursuant to Decree 663 of 1993, as amended, any transaction resulting in an individual or entity holding 10% or more of any class of the capital stock of any Colombian financial institution, including, in the case of the Bank, transactions resulting in holding ADRs representing 10% or more of the outstanding stock of the Bank, is subject to the prior authorization of the SFC. For that purpose, the SFC must evaluate the proposed transaction based on the criteria and guidelines specified in Decree 663 of 1993. Transactions entered into without the prior approval of the SFC are null and void and cannot be recorded in the institution's stock ledger. These restrictions apply equally to national and foreign investors.

Bankruptcy Considerations

Pursuant to Colombian banking law, the SFC has the power to intervene in the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure. Accordingly, the SFC may intervene in a bank's business, (i) prior to the liquidation of the bank, by taking one of the following recovery measures (*institutos de salvamento*) in order to prevent the bank from entering into a state where the SFC would need to take possession: (a) submitting the bank to a special supervision regime; (b) issuing a mandatory order to recapitalize the bank; (c) placing the bank under the management of another authorized financial institution, acting as trustee; (d) ordering the transfer of all or part of the assets, liabilities and contracts, as well as certain on-going concerns (*establecimientos de comercio*) of the bank to another financial institution; (e) ordering the bank to merge with one or more financial institutions that consent to the merger, whether by creating a new institution or by having another institution absorb the bank; (f) ordering the adoption of a recovery plan by the bank, including adequate measures to reestablish its financial situation, pursuant to guidelines approved by the government; (g) ordering the exclusion of certain assets and liabilities by requiring the transfer of such assets and liabilities to another institution designated by the SFC; and (h) ordering the progressive unwinding (*desmonte progresivo*) of the operations of the bank; or (ii) at any time, by taking possession of the bank (*toma de posesión*) ("taking possession") to either administer the bank or order its liquidation, depending on how critical the situation is found to be by the SFC.

The following grounds for a taking of possession are considered to be “automatic” in the sense that, if the SFC discovers their existence, the SFC must step in and take over the financial institution: (i) if the financial institution’s Technical Capital falls below 40% of the legal minimum, or (ii) upon the expiration of the term of any then-current recovery plans or the non-fulfillment of the goals set forth in such plans. Additionally, the SFC also conducts periodic visits to financial institutions and, as a consequence of these visits, the SFC can impose capital or solvency obligations on financial institutions without taking control of the financial institution.

Additionally, and subject to the approval of the Ministry of Finance, the SFC may, at its discretion, initiate intervention procedures against a bank under the following circumstances: (i) suspension of payments; (ii) failure to pay deposits; (iii) refusal to submit its files, accounts and supporting documentation for inspection by the SFC; (iv) refusal to be interrogated under oath regarding its business; (v) repeated failure to comply with orders and instructions from the SFC; (vi) repeated violations of applicable laws and regulations or of the bank’s by-laws; (vii) unauthorized or fraudulent management of the bank’s business; (viii) reduction of the bank’s net worth below 50% of its subscribed capital; (ix) existence of serious inconsistencies in the information provided to the SFC that, at its discretion, impedes to accurately understand of the situation of the bank; (x) failure to comply with the minimum capital requirements set forth in Decree 663 of 1993; (xi) failure to comply with the recovery plans that were adopted by the bank; (xii) failure to comply with the order of exclusion of certain assets and liabilities to another institution designated by the SFC; and (xiii) failure to comply with the order of progressive unwinding (*desmonte progresivo*) of the operations of the bank.

The SFC may decide to order a taking possession subject to the prior opinion of its advisory council (*Consejo Asesor del Superintendente*) and with the prior approval of the Ministry of Finance.

The purpose of taking possession of a bank is to decide whether the entity should be liquidated, whether it is possible to place it in a position to continue doing business in the ordinary course, or whether other measures may be adopted to secure better conditions so that depositors, creditors and investors may obtain the full or partial payment of their credits.

Within two months from the date on which the SFC takes possession of a bank, the SFC must decide which of the aforementioned measures is to be pursued. The decision is subject to the prior opinion of Fogafin, which is the Government agency that insures deposits made in Colombian financial institutions. The two-month term may be extended with the prior consent of Fogafin.

Upon the taking possession of a bank, depending on the financial situation of the bank and the reasons that gave rise to such measure, the SFC may (but is not required to) order the bank to suspend payments to its creditors. The SFC has the power to determine that such suspension will affect all of the obligations of the bank, or only certain types of obligations or even obligations up to or in excess of a specified amount.

As a result of the taking possession, the SFC must appoint as special agent the person or entity designated by Fogafin to administer the affairs of the bank while such process lasts and until it is decided whether to liquidate the bank.

As part of its duties during the taking possession, Fogafin must provide the SFC with the plan to be followed by the special agent in order to meet the goals set for the fulfillment of the measures that may have been adopted. If the underlying problems that gave rise to the taking possession of the bank are not resolved within a term not to exceed two years, the SFC must order the liquidation of the bank.

During the taking possession (which period ends when the liquidation process begins), Colombian banking laws prevent any creditor of the bank from: (i) initiating any procedure for the collection of any amount owed by the bank; (ii) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations; (iii) constituting a lien or attachment over any of the assets of the bank to secure payment of any of its obligations; or (iv) making any payment, advance or compensation or assume any obligation on behalf of the bank, with the funds or assets that may belong to it and are held by third parties, except for payments that are made by way of set-off between regulated entities of the Colombian financial and insurance systems.

In the event that the bank is liquidated, the SFC must, among other measures, provide that all term obligations owed by the bank are due and payable as of the date when the order to liquidate becomes effective.

During the liquidation process bank deposits and other types of saving instruments will be excluded from the liquidation process and, claims of creditors will rank as follows: (i) the first class of claims includes the court expenses incurred in the interest of all creditors, wages and other obligations related with employment contracts and tax authorities' credits regarding national and local taxes; (ii) the second class of claims comprises the claims secured by a security interest on movable assets; (iii) the third class of claims includes the claims secured by real estate collateral, such as mortgages; (iv) the fourth class of claims contains some other claims of the tax authorities against the debtor that are not included in the first class of claims and claims of suppliers of raw materials and input to the debtor and (v) finally, the fifth class of claims includes all other credits without any priority or privilege, provided, however, that among credits of the fifth class, subordinated debt will be ranked junior to the external liabilities (*pasivos externos*) and senior only to capital stock. Each category of creditors will collect in the order indicated above, whereby distributions in one category will be subject to completing full distribution in the prior category.

Colombian banks and other financial institutions are not subject to the laws and regulations that generally govern the insolvency, restructuring and liquidation of industrial and commercial companies.

Deposit insurance—Troubled Financial Institutions

In response to the crisis faced by the Colombian financial system during the early 1980s, in 1985 the government created Fogafin. Subject to specific limitations, Fogafin is authorized to provide equity (whether or not reducing the par value of the recipient's shares) and/or secured credits to troubled financial institutions, and to insure deposits of commercial banks and certain other financial institutions.

To protect the customers of commercial banks and certain financial institutions, Resolution 1 of 2012 of the board of directors of Fogafin, as amended, requires mandatory deposit insurance. Under this Resolution 1, banks must pay an annual premium of 0.3% of total funds received on saving accounts, checking accounts, certificates of deposit and other deposits, which is paid in four quarterly installments. If a bank is liquidated, the deposit insurance will cover the funds deposited by an individual or corporation with such bank up to a maximum of COP 20 million regardless of the number of accounts held.

Anti-Money Laundering Provisions

The regulatory framework to prevent and control money laundering is contained in, among others, Decree 663 of 1993 and External Circulars 26 of 2008 and 019 of 2010 issued by the SFC, as well as Law 599 of 2000, and the Colombian Criminal Code, as amended.

Colombian laws adopt the latest guidelines related to anti-money laundering and other terrorist activities established by the Financial Action Task Force on Money Laundering ("FATF"). Colombia, as a member of the GAFI-SUD (a FATF-style regional body), follows all of FATF's 40 recommendations and eight special recommendations. External Circular 26 of 2008 issued by the SFC requires the implementation by financial institutions of a system of controls for money laundering and terrorism financing. These rules emphasize "know your customer" policies and knowledge of customers and markets. They also establish processes and parameters to identify and monitor a financial institution's customers. According to these regulations, financial institutions must cooperate with the appropriate authorities to prevent and control money laundering and terrorism. Finally, the Colombian Criminal Code introduced criminal rules and regulations to prevent, control, detect, eliminate and adjudicate all matters related to financing terrorism and money laundering. The criminal rules and regulations cover the omission of reports on cash transactions, mobilization or storage of cash, and the lack of controls.

Risk management systems

Commercial banks, including the Bank, must have risk administration systems to meet the SFC minimum standards for compliance and to avoid and mitigate the following risks: (i) credit; (ii) liquidity; (iii) market; (iv) operational; and (v) money laundering and terrorism.

Commercial banks, such as the Bank, generally have several risk measurement methods, including the risk weighted assets measurement which is calculated according to weight percentages assigned to different types of assets, which may be 0%, 20%, 50% and 100%. There are some exceptions in which the weight percentage is higher and is calculated based on the associated risk perception of the evaluated asset. Provisions, which are calculated on a monthly basis, are another risk measurement method. For commercial and consumer loans, is the SFC issues a provision's reference model, according to which a probability of default depends of an assigned rating (AA, A, BB, B, CC and default); and, for mortgage loans and small business loans, provisions are calculated based on ratings (A, B, C, D and E) assigned depending on the time elapsed since the client's default.

With respect to market risks, commercial banks must follow the provisions of the Basic Accounting Circular, which defines criteria and procedures for measuring a bank's exposure to interest rate risk, foreign exchange risk, and market risk. Under such regulations, banks must submit to the SFC information on the net present value, duration, and interest rate of its assets, liabilities, and derivative positions. Since January 2002, Colombian banks have been required to calculate, for each position on the balance sheet, a volatility rate and a parametric VaR (value at risk), which is calculated based on net present value, modified duration and a risk factor computed in terms of a basis points change. Each risk factor is calculated and provided by the SFC.

With respect to liquidity risks, each financial entity is required to have liquid assets greater than the contractual liquidity accumulative one-month-gap. This contractual gap includes the maturity of assets and liabilities of the current positions and does not include projections of future transactions. The loan portfolio is affected by the historical default indicator and the maturity of deposits is modeled according to the regulation. All of Bancolombia's Colombian banking subsidiaries met this regulatory limit throughout the year.

With respect to operational risk, commercial banks must qualify, according to principles provided by the Basic Accounting Circular, each of their operative lines (such as corporate finance, issue and negotiation of securities, commercial banking, assets management, etc.) in order to record the risk events that may occur and cause fraud, technology problems, legal and reputational problems and problems associated with labor relations at the bank.

Regulatory Framework for Subsidiaries Non Participants in the Financial Sector

All of Bancolombia's Colombian subsidiaries that are not part of the finance sector are governed by the laws and regulations embodied in the Colombian Civil Code and the Colombian Commercial Code as well as any regulations issued by the Colombian Superintendency of Industry and Commerce and the Superintendency of Corporations or any other type of special regulations that may be applicable to the commercial and industrial activities carried out by said subsidiaries.

International regulations applicable to Bancolombia and its subsidiaries

FATCA

The FATCA U.S. federal tax legislation enacted in 2010, imposes a 30% withholding tax on 'withholdable payments' made to non-U.S. financial institutions that do not participate in the FATCA program or that fail (or, in some case, that have affiliates in which they hold an interest of more than 50% and which are also non-U.S. financial institutions that fail) to provide certain information regarding their U.S. accountholders and/or certain U.S. investors (such U.S. accountholders and U.S. investors, "U.S. accountholders") to the U.S. Internal Revenue Service (the "IRS"). The FATCA also requires participating foreign financial institutions ("FFIs") to withhold on "passthru payments" (which include both "withholdable payments" and certain non-U.S.-source payments) made to account holders who do not provide information to the FFIs to determine their U.S. accountholder's status – "recalcitrant accountholders" - and to FFIs that do not sign an FFI Agreement with the IRS (such FFIs, "nonparticipating FFIs"). "Withholdable payments" generally include, among other items, payments of U.S.-source interest and dividends and the gross proceeds from the sale or other disposition of property that may produce U.S.-source interest and dividends. This withholding will take effect on a "phased" schedule, starting in July 2014 with withholding on non-U.S. source payments by non-U.S. financial institutions to start no earlier than 2017.

Some countries have entered into, and other countries are expected to enter into, ‘intergovernmental agreements’ (“IGAs”) with the United States to facilitate the type of information reporting required under FATCA. These agreements are expected to reduce that risk for financial institutions and investors in countries that have entered into IGAs. None of the countries where Bancolombia operates have signed IGAs and, other than Colombia, we do not expect that these countries will sign IGAs before July 2014. We are currently in the process of implementing FATCA compliance on a group wide level.

Financial Regulation of El Salvador

On January 26, 2011, the legislature of El Salvador approved Decree 592 entitled “Supervision and Regulation of the Financial System” (*Ley de Supervisión y Regulación del Sistema Financiero*) (“Decree 592”) in order to fortify the State’s organization, adapting all supervision and regulatory institutions to the economic reality of the financial system. Pursuant to Decree 592, the Superintendency of Pensions and the Superintendency of Securities into the Superintendency of the Financial System, consolidating the technical experience and management that the regulatory institutions have accumulated over the years in every segment of the financial system, in coordination with the macroeconomic and financial experience of the Central Reserve Bank of El Salvador (*Banco Central de Reserva de El Salvador*), to bring stability, efficiency and development to the financial system.

Decree 592 states that the Superintendency of the Financial System and the Central Reserve Bank of El Salvador are obligated to supervise all members of the financial system and to approve the necessary regulation for the Law’s adequate application of Decree 592.

Decree 592´s main objective is to maintain stability in the Salvadorian financial system, to guarantee efficiency, transparency, security and solidity within the system, and to bring all its members in compliance with this law, and other applicable laws and regulations, all in accordance with best international practices.

The Superintendency of the Financial System is responsible for the surpervision of the individual and consolidated activities of all the members in the system, as well as, the people, operations and entities that applicable law requires it to regulate. Article 3 of the Decree 592 establishes all the competences of the Superintendency, some of which are detailed below: (i) to fulfill and enforce the laws, regulations and other legal provisions applicable to the entities subject to its supervision and issue all the necessary instructions for compliance of the laws applicable to the system; (ii) to authorize the establishment, function, operation, intervention, suspension, modification, revocation of authorizations and closure of all members of the system, in accordance with laws and regulations. In the event of closure, the Superintendency will coordinate with the entities involved the actions established by the law; (iii) risk prevention through the monitoring and management of the members within the system with view toward the prudential management of liquidity and solvency; (iv) facilitation of an efficient, transparent and organized financial system; (v) to require that all supervised entities and institutions be managed in accordance with the best international practices of risk management and corporate governance; and (vi) all other legal requirements.

Banking Law of El Salvador

The legislature of the Republic of El Salvador established the banking law through Decree 697 of 1999, which regulates the financial intermediation and other operations performed by banks in El Salvador.

The banks are required to establish a reserve requirement, set by the Superintendency of the Financial System in accordance to the deposits and obligations of such bank.

According to the Salvadorian Superintendency of Financial System's regulations, the reserve requirements[1] for Salvadorian banks as of December 31, 2013 are:

	Ordinary Reserve Requirements %
Checking Accounts	25.0%
Saving Accounts	20.0%
Time Deposits	20.0%
Borrowings from foreign banks	5.0%
***Long-term debt*[2]**	15.0%-20.0%

(1) An extraordinary reserve requirement of 3.0% over the total amount of deposits applicable to banks is in place as of December 31, 2013. Additionally, in June, 2013 Central Bank of Reserve of El Salvador approved a second extraordinary reserve requirement of 2% on all liabilities with ordinary reserve, which shall be valid for a period of a year (said period might be extended by the regulator).

(2) 15% for long-term debt with maturity above one year and 20% for long-term debt with maturity less than one year.

Monetary Integration Law of El Salvador

Since November 2000, El Salvador has used the U.S. dollar as its legal currency. The transition from the colón (former currency) to the U.S. dollar was enacted by the Monetary Integration Law. This law established a fixed exchange rate of 8.75 Colones per USD 1.00. The colón continues to have unrestricted legal circulation, but the Central Reserve Bank has been replacing it with the U.S. dollar any time colón bills and coins are presented for transactions.

Since the implementation of the Monetary Integration Law, all financial operations, such as bank deposits, loans, pensions, issuance of securities and any others made through the financial system, as well as the accounting records, must be expressed in U.S. dollars. The operations or transactions of the financial system made or agreed in Colones before the effective date of the Monetary Integration Law are expressed in U.S. dollars at the exchange rate established in such law.

Financial Regulation of Panama

Since the 1970s, Panama has been a major international banking center. There are approximately 71 domestic and foreign banks in Panama. The absence of currency controls, the use of the U.S. dollar as legal tender, a territorial system of income tax, and a stable and adequate banking legislation and regulation are among the country-specific factors that have contributed to this development. The Superintendency of Banks of the Republic of Panama (Superitendencia de Bancos de Panama) is the banking supervisor in Panama.

The banking business in Panama, defined as the fundraising of resources from the public or financial institutions, through the acceptance of money deposits or other means, and the use of such resources on the bank´s own account and risk, to provide credits and loans, make investments or carry any other authorized operations, is regulated by the Law Decree No.9 of 1998, subsequently amended by Law- Decree No.2 of 2008. In accordance with the Law Decree as amended, the Superintendency of Banks of the Republic of Panama has the power to issue Agreements and Resolutions to develop the banking regime. The principal aspects of the banking business covered by these Law-Decree, Agreements and Resolutions are the licensing of banks, corporate governance, banking supervision (consolidated and individual or sub consolidated), capital requirements, capital adequacy, liquidity requirements, risk management (credit, market, liquidity, country, asset and liability, operational, information technology, electronic banking), external audit, on-site inspections, reporting, compliance, change of control, mergers and acquisitions, confidentiality, money laundering, voluntary wind up, administrative and operational control, reorganization, bankruptcy, penalties, customers protection and dispute resolution.

The Superintendency of Banks of the Republic of Panama is also in charge or the supervision and oversight of the trust business in Panama. In Panama, trusts are regulated by Law 1 of 1984 and the Executive Decree 16 of 1984, which together set forth aspects such as minimum requirements of trust agreements, characteristics of trusts, rights and responsibilities of grantors, trustees and beneficiaries, licensing of trustees, inspection and reporting of trustees, confidentiality and penalties.

On the other hand, the activities related to the securities market in Panama, such as the registration of securities and funds, the authorization for the public offering of securities, securities investment advisory, securities brokerage, the opening and management of investment and custody accounts, fund administration, the administration of securities trading systems, clearing and settling of securities, are subject to the supervision, control and oversight of the Superintendency of the Securities Market of the Republic of Panama. The activities related to the securities market are primarily regulated by Law Decree No.1 of 1999, subsequently amended by several laws, and most recently amended by Law No.67 of 2011, Law No.12 of 2012 and law No.56 of 2012, which established important changes in order to strengthen the regulatory frame of the Panamanian securities market and increase investors' confidence, for its further development. Amongst the most important changes introduced by these recent amendments are the following:

1. The establishment of a coordination and cooperation system between the financial supervisors in order to promote and facilitate the harmonization within the regulation of financial activities, reducing risks of asymmetries between regulations, therefore preventing arbitrages. This system also enables a more comprehensive supervision of financial conglomerates operating in multiple areas of the financial industry.

2. The establishment of the Superintendency of the Securities Market, as the supervising entity replacing the previous National Securities Commission. As opposed to the National Securities Commission, which operated through a single governing instance integrated by three commissioners, the Superintendency of the Securities Market operates through two levels of governance, a board of directors with administrative powers, and a superintendent with executive powers.

3. The authority given to the Superintendency to carry the consolidated supervision, as home supervisor, of intermediaries having agencies abroad, and to enter into cooperation agreements with foreign supervisors to facilitate the consolidated supervision;

4. The regulation of foreign exchange as an activity reserved to the securities brokers, as well as the regulation of certain actors of the securities market not contemplated in previous regulations, such as securities price suppliers, risk rating agencies and Administrative Service Suppliers of the securities market.

The principal aspects of the securities business covered by the Law – Decree as amended, and the agreements and resolutions issued by the Superintendency of the Securities Market of the Republic of Panama are (i) licensing requirements of securities brokers, investment advisors, fund administrators and self-regulated organizations, (ii) register requirements of risk rating agencies, securities price suppliers, securities, public offerings, funds and administrative service suppliers of the securities market, (iii) authorization for requesting voting powers regarding registered securities, (iv) notification requirements of public offerings for the acquisition of registered shares, (v) options, futures contracts and derivatives, (vi) custody, clearing and settlement of securities, (vii) penalization procedures and penalties, (viii) voluntary wind up, reorganization and bankruptcy of securities brokers, self-regulated organizations, funds, and fund administrators, (ix) reporting of issuers of registered securities, securities brokers, investment advisors, funds, fund administrators, self-regulated organization and other registered entities, (x) on-site inspection of securities brokers, investment advisors, self-regulated organizations, funds, fund administrators, administrative service suppliers of the securities market, securities price suppliers and rating agencies, (xi) capital requirements, liquidity requirements, risk assessment, confidentiality, conflict of interest, suitability, compliance and money laundering of securities brokers, (xii) communication of events of importance by issuers of registered securities.

The insurance activities are subject to the control, supervision, oversight and regulation of the Superintendency of Insurance and Reinsurance of the Republic of Panama. The insurance and reinsurance activities are governed by Law No.12 of 2012, and the agreements and resolutions issued by the Superintendency in accordance with such law, which cover the following principal aspects: licensing requirements for insurance companies, distributions channels, insurance companies tax regime, voluntary wind up, administrative and operational control, reorganization and bankruptcy of insurance companies, minimum requisites of insurance agreements, licensing of insurance brokers, risk management, internal control, technical reserves, authorized investments, reporting and on-site inspection of insurance companies, rights and responsibilities of insurance companies, insurance brokers and customers, customer protection, dispute resolution and penalties.

C. ORGANIZATIONAL STRUCTURE

The following are the subsidiaries of Bancolombia:

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The following is a list of subsidiaries of Bancolombia as of December 31, 2013:

SUBSIDIARIES

Entity	Jurisdiction of Incorporation	Business	Shareholding directly and indirectly	
Leasing Bancolombia S.A. Compañía de Financiamiento	Colombia	Leasing	100.00	%
Fiduciaria Bancolombia S.A.	Colombia	Trust	98.81	%
Banca de Inversión Bancolombia S.A. Corporación Financiera	Colombia	Investment banking	100.00	%
Valores Bancolombia S.A. Comisionista de Bolsa	Colombia	Securities brokerage	100.00	%
Compañía de Financiamiento Tuya S.A.	Colombia	Financial services	99.99	%
Factoring Bancolombia S.A. Compañía de Financiamiento (1)	Colombia	Financial services	100.00	%
Patrimonio Autónomo Cartera LBC	Colombia	Loan management	100.00	%
Renting Colombia S.A.	Colombia	Operating leasing	100.00	%
Transportempo S.A.S.	Colombia	Transportation	100.00	%
Valores Simesa S.A.	Colombia	Investments	67.54	%
Inversiones CFNS S.A.S.	Colombia	Investments	99.94	%
CFNS Infraestructura S.A.S.	Colombia	Investments	99.94	%
BIBA Inmobiliaria S.A.S. (Formerly Inmobiliaria Bancol S.A.)	Colombia	Real estate broker	100.00	%
Vivayco S.A.S.	Colombia	Portfolio Purchase	74.95	%
Uff Móvil S.A.S.	Colombia	Mobile network operator	74.95	%
FCP Fondo Colombia Inmobiliario S.A. (1)	Colombia	Real estate broker	50.28	%
Bancolombia Panama S.A. (1)	Panama	Banking	100.00	%
Valores Bancolombia Panama S.A.	Panama	Securities brokerage	100.00	%
Suvalor Panama Fondo de Inversión S.A.	Panama	Holding	100.00	%
Suvalor Renta Variable Colombia S.A.	Panama	Collective investment fund	100.00	%
Suvalor Renta Fija Internacional Corto Plazo S.A.	Panama	Collective investment fund	100.00	%
Suvalor Renta Fija Internacional Largo Plazo S.A.	Panama	Collective investment fund	100.00	%
Sistema de Inversiones y Negocios S.A. Sinesa	Panama	Investments	100.00	%
Banagrícola S.A.	Panama	Investments	99.16	%
Banistmo S.A. (1)	Panama	Banking	98.12	%
Banistmo Investment Corporation S.A. (1)	Panama	Trust	98.12	%
Financiera Flash S.A. (1)	Panama	Financial services	98.12	%
Grupo Financomer S.A. (1)	Panama	Financial services	98.12	%
Leasing Banistmo S.A. (1)	Panama	Leasing	98.12	%
Seguros Banistmo S.A. (1)	Panama	Insurance company	98.12	%
Securities Banistmo S.A. (1)	Panama	Purchase and sale of securities	98.12	%
Banistmo Capital Markets Group Inc (1)	Panama		98.12	%

		Purchase and sale of securities		
Anavi Investment Corporation S.A. [1]	Panama	Real estate broker	98.12	%
Williamsburg International Corp. [1]	Panama	Real estate broker	98.12	%
Van Dyke Overseas Corp. [1]	Panama	Real estate broker	98.12	%
Desarrollo de Oriente S.A. [1]	Panama	Real estate broker	98.12	%
Bien Raices Armuelles S.A. [1]	Panama	Real estate broker	98.12	%
Steens Enterpresies S.A. [1]	Panama	Portfolio holder	98.12	%
Ordway Holdings S.A. [1]	Panama	Real estate broker	98.12	%
Inversiones Castan S.A. [1]	Panama	Real estate broker	98.12	%
Financomer S.A. [1]	Panama	Financial services	98.12	%
Banistmo Asset Management Inc [1]	Panama	Purchase and sale of securities	98.12	%
M.R. C Investment Corp. [1]	Panama	Real estate broker	98.12	%
Inmobiliaria Bickford S.A. [1]	Panama	Real estate broker	98.12	%
Banco Agrícola S.A.	El Salvador	Banking	97.35	%
Arrendadora Financiera S.A. Arfinsa	El Salvador	Leasing	97.36	%
Credibac S.A. de C.V.	El Salvador	Credit card services	97.35	%
Valores Banagricola S.A. de C.V.	El Salvador	Securities brokerage	98.89	%
Inversiones Financieras Banco Agrícola S.A. IFBA	El Salvador	Investments	98.89	%
Arrendamiento Operativo CIB S.A.C.	Peru	Operating leasing	100.00	%

Entity	*Jurisdiction of Incorporation*	*Business*	*Shareholding directly and indirectly*	
Capital Investments SAFI S.A.	Peru	Trust	100.00	%
Fondo de Inversión en Arrendamiento Operativo Renting Perú	Peru	Car Rental	100.00	%
Leasing Perú S.A.	Peru	Leasing	100.00	%
FiduPerú S.A. Sociedad Fiduciaria	Peru	Trust	98.81	%
Bancolombia Puerto Rico Internacional, Inc.	Puerto Rico	Banking	100.00	%
Suleasing International USA, Inc.	USA	Leasing	100.00	%
Bancolombia Caymán S.A.	Cayman Islands	Banking	100.00	%
Banagrícola Guatemala S.A.	Guatemala	Outsourcing	99.16	%
Bagrícola Costa Rica S.A.	Costa Rica	Outsourcing	99.16	%

(1) See Item 18,"Consolidated Financial Statements, note 1 "Organization of Background"".

D. PREMISES AND EQUIPMENT

As of December 31, 2013, the Bank owned COP 5,075 billion in premises and equipment (not including assets that are part of our operating leasing business)[1]. COP 2,065 billion correspond to land and buildings, of which approximately 59% are used for administrative offices and branches in 63 municipalities in Colombia, 39 municipalities in El Salvador and 4 municipalities in Panama. COP 339 billion correspond to computer equipment, of which 20.78% relate to the central computer and servers of the Bank and the rest relates to personal computers, ATMs, telecommunications equipment and other equipment.

In addition to its own branches, the Bank occupies 745 rented offices.

The Bank does not have any liens on its property.

(1) As of December 31, 2013, the Bank consolidated FCP Colombia Inmobiliario andBanistmo (formerly HSBC Bank Panama). As result, the Bank's premises and equipment amount was increased by COP 597 billion with respect to 2012.

E. SELECTED STATISTICAL INFORMATION

The following information is included for analytical purposes and should be read in conjunction with the Bank's Consolidated Financial Statements as well as Item 5, "Operating and Financial Review and Prospects." This information has been prepared based on the Bank's financial records, which are prepared in accordance with Colombian banking GAAP and do not reflect adjustments necessary to state the information in accordance with U.S. GAAP. See Note 31 to the Bank's Financial Statements included in this Annual Report for a summary of the significant differences between Colombian banking GAAP and U.S. GAAP.

The consolidated selected statistical information for the years ended December 31, 2012, 2011, 2010 and 2009 includes the selected statistical information of Bancolombia and its subsidiaries, without reflecting any pro-forma calculation of the effect of the acquisition of Banistmo, while consolidated selected statistical information for the year ended December 31, 2013 corresponds to the Bank and its Subsidiaries, including all additional subsidiaries acquired as a result of the Banistmo acquisition.

E.1. DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL

Average balances have been calculated as follows: for each month, the actual month-end balances were established. The average balance for each period is the average of such month-end balances. For purposes of the presentation in the following tables, non-performing loans have been treated as non-interest-earning assets.

In addition, the interest rate subtotals are based on the weighted average of domestic and foreign assets and liabilities.

Average balance sheet

The following tables show for the years ended December 31, 2013, 2012 and 2011, respectively: (i) average balances for all of the Bank's assets and liabilities; (ii) interest earned and interest paid amounts; and (iii) average nominal interest rates/yield for the Bank's interest-earning assets and interest-bearing liabilities.

	Average Balance Sheet and Income from Interest-Earning Assets for the Fiscal Year Ended December 31,								
	2013			***2012***			***2011***		
	Average Balance	***Interest Earned***	***Average Yield / Rate***	***Average Balance***	***Interest Earned***	***Average Yield / Rate***	***Average Balance***	***Interest Earned***	***Avera Yield / Rate***
	(in millions of COP, except percentages)								
ASSETS									
Interest-earning assets									
Funds sold and securities purchased under agreements to resell									
Domestic-activities	794,441	18,910	2.4 %	314,406	20,341	6.5 %	197,731	9,253	4.7
Foreign-activities	1,978,847	7,990	0.4 %	837,221	3,837	0.5 %	555,502	9,567	1.7
Total	2,773,288	26,900	1.0 %	1,151,627	24,178	2.1 %	753,233	18,820	2.5
Investment securities[1]									
Domestic-activities	9,272,294	328,640	3.5 %	7,393,673	752,081	10.2%	7,292,601	638,401	8.8
Foreign-activities	3,195,398	160,888	5.0 %	2,480,742	7,432	0.3 %	2,170,386	(12,842)	(0.6)
Total	12,467,692	489,528	3.9 %	9,874,415	759,513	7.7 %	9,462,987	625,559	6.6
Loans and Financial Leases [2]									
Domestic-activities	56,672,928	6,558,299	11.6%	47,397,959	6,029,349	12.7%	39,020,268	4,495,779	11.5
Foreign-activities	19,524,770	1,055,957	5.4 %	14,982,937	848,843	5.7 %	14,053,540	805,436	5.7
Total	76,197,698	7,614,256	10.0%	62,380,896	6,878,192	11.0%	53,073,808	5,301,215	10.0
Total interest-earning assets									
Domestic-activities	66,739,663	6,905,849	10.3%	55,106,038	6,801,771	12.3%	46,510,600	5,143,433	11.1
Foreign-activities	24,699,015	1,224,835	5.0 %	18,300,900	860,112	4.7 %	16,779,428	802,161	4.8
Total	91,438,678	8,130,684	8.9 %	73,406,938	7,661,883	10.4%	63,290,028	5,945,594	9.4

Total non-interest-earning assets						
Domestic-activities	13,350,698		14,789,995		10,794,960	
Foreign-activities	5,988,108		459,680		1,674,836	
Total	19,338,806		15,249,675		12,469,796	
Total interest and non-interest-earning assets						
Domestic-activities	80,090,361	6,905,849	69,896,033	6,801,771	57,305,560	5,143,433
Foreign-activities [3]	30,687,123	1,224,835	18,760,580	860,112	18,454,264	802,161
Total Assets (COP)	110,777,484	8,130,684	88,656,613	7,661,883	75,759,824	5,945,594

(1) Tax-exempt income of tax-exempt investment securities has not been calculated on a tax equivalent basis because the effect of such calculation would not be material.

(2) Includes performing loans only.

(3) The percentage of total average assets attributable to foreign activities was 27.7%, 21.2% and 24.4%, respectively, for the fiscal years ended December 31, 2013, 2012 and 2011.

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	Average Balance Sheet and Interest Paid on Interest-Bearing Liabilities for the Fiscal Year Ended December 31,								
	2013			***2012***			***2011***		
	Average Balance	***Interest Paid***	***Average Yield / Rate***[(1)]	***Average Balance***	***Interest Paid***	***Average Yield / Rate***[(1)]	***Average Balance***	***Interest Paid***	***Average Yield / Rate***[(1)]
	(in millions of COP, except percentages)								
LIABILITIES AND STOCKHOLDERS' EQUITY									
Interest-bearing liabilities:									
Checking deposits									
Domestic-activities	1,348,965	19,282	1.4%	815,018	14,854	1.8%	1,133,887	27,648	2.4%
Foreign-activities	1,606,145	10,121	0.6%	1,552,101	10,077	0.6%	1,761,949	12,278	0.7%
Total	2,955,110	29,403	1.0%	2,367,119	24,931	1.1%	2,895,836	39,926	1.4%
Savings deposits									
Domestic-activities	25,963,044	622,093	2.4%	20,523,024	645,429	3.1%	17,804,695	465,477	2.6%
Foreign-activities	3,670,815	20,523	0.6%	2,516,804	13,926	0.6%	2,423,260	13,965	0.6%
Total	29,633,859	642,616	2.2%	23,039,828	659,355	2.9%	20,227,955	479,442	2.4%
Time deposits									
Domestic-activities	20,622,641	1,114,775	5.4%	15,434,855	948,569	6.1%	11,069,415	547,775	4.9%
Foreign-activities	8,354,777	215,664	2.6%	6,254,808	168,866	2.7%	5,720,138	142,682	2.5%
Total	28,977,418	1,330,439	4.6%	21,689,663	1,117,435	5.2%	16,789,553	690,457	4.1%
Funds purchased and securities sold under agreements to repurchase									
Domestic-activities	1,407,385	58,559	4.2%	1,783,698	95,984	5.4%	2,055,858	82,757	4.0%
Foreign-activities	70,009	2,545	3.6%	85,580	1,636	1.9%	171,464	2,503	1.5%
Total	1,477,394	61,104	4.1%	1,869,278	97,620	5.2%	2,227,322	85,260	3.8%
Borrowings from development and other domestic banks[(2)]									
Domestic-activities	3,722,785	221,097	5.9%	3,114,989	216,746	7.0%	2,746,976	157,471	5.7%
Foreign-activities	56,472	2,096	3.7%	62,503	3,350	5.4%	61,949	2,438	3.9%
Total	3,779,257	223,193	5.9%	3,177,492	220,096	6.9%	2,808,925	159,909	5.7%
Interbank borrowings[(2) (3)]									
Domestic-activities	-	-		-	-		-	-	-
Foreign-activities	4,764,809	77,995	1.6%	2,488,285	50,209	2.0%	2,949,935	45,840	1.6%
Total	4,764,809	77,995	1.6%	2,488,285	50,209	2.0%	2,949,935	45,840	1.6%
Long-term debt									
Domestic-activities	4,876,452	338,078	6.9%	5,113,227	405,946	7.9%	3,849,149	298,847	7.8%

Foreign-activities	7,493,170	419,298	5.6%	5,674,347	319,268	5.6%	4,175,142	242,325	5.8%
Total	12,369,622	757,376	6.1%	10,787,574	725,214	6.7%	8,024,291	541,172	6.7%
Total interest-bearing liabilities									
Domestic-activities	57,941,272	2,373,884	4.1%	46,784,811	2,327,528	5.0%	38,659,980	1,579,975	4.1%
Foreign-activites	26,016,197	748,242	2.9%	18,634,428	567,332	3.0%	17,263,837	462,031	2.7%
Total	83,957,469	3,122,126	3.7%	65,419,239	2,894,860	4.4%	55,923,817	2,042,006	3.7%
Total interest and non-interest bearing liabilities and stockholders' equity									
Domestic-activities	79,325,965	2,373,884		69,753,379	2,327,528		57,205,647	1,579,975	
Foreign-activities(4)	31,451,519	748,242		18,903,234	567,332		18,554,177	462,031	
Total Liabilities and Stockholders' Equity (COP)	110,777,484	3,122,126		88,656,613	2,894,860		75,759,824	2,042,006	

(1) See "Item 4. Information on the Company – E. Selected Statistical Information – E.1 Distribution of Assets, Liablilities and Stockholders' Equity; Interest Rates and Interest Differential".

(2) Includes both short-term and long-term borrowings.

(3) Includes borrowings from banks located outside Colombia.

(4) The percentage of total average liabilities attributable to foreign activities was 29.9%, 22.9% and 26.5%, respectively, for the fiscal years ended December 31, 2013, 2012 and 2011.

CHANGES IN NET INTEREST INCOME AND EXPENSES—VOLUME AND RATE ANALYSIS

The following table allocates, separately from domestic and foreign activities, changes in the Bank's net interest income to changes in average volume, changes in nominal rates and the net variance caused by changes in both average volume and nominal rate for the fiscal year ended December 31, 2013 compared to the fiscal year ended December 31, 2012; and the fiscal year ended December 31, 2012 compared to the fiscal year ended December 31, 2011. Volume and rate variances have been calculated based on movements in average balances over the period and changes in nominal interest rates on average interest-earning assets and average interest-bearing liabilities. Net changes attributable to changes in both volume and interest rate have been allocated to the change due to changes in volume.

	2012-2013 Increase (Decrease) Due To Changes in:			2011-2012 Increase (Decrease) Due To Changes in:		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(in millions of COP)					
Interest-earning assets:						
Funds sold and securities purchased under agreements to resell						
Domestic-activities	11,426	(12,857)	(1,431)	7,548	3,540	11,088
Foreign-activities	4,610	(457)	4,153	1,291	(7,021)	(5,730)
Total	16,036	(13,314)	2,722	8,839	(3,481)	5,358
Investment securities[1]						
Domestic-activities	66,584	(490,025)	(423,441)	10,281	103,399	113,680
Foreign-activities	35,983	117,473	153,456	930	19,344	20,274
Total	102,567	(372,552)	(269,985)	11,211	122,743	133,954
Loans and financial leases						
Domestic-activities	1,073,317	(544,367)	528,950	1,065,700	467,870	1,533,570
Foreign-activities	245,636	(38,522)	207,114	52,654	(9,247)	43,407
Total	1,318,953	(582,889)	736,064	1,118,354	458,623	1,576,977
Total interest-earning assets						
Domestic-activities	1,151,327	(1,047,249)	104,078	1,083,529	574,809	1,658,338
Foreign-activities	286,229	78,494	364,723	54,875	3,076	57,951
Total	1,437,556	(968,755)	468,801	1,138,404	577,885	1,716,289
Interest-bearing liabilities:						
Checking deposits						
Domestic-activities	7,632	(3,204)	4,428	(5,812)	(6,982)	(12,794)
Foreign-activities	341	(297)	44	(1,362)	(839)	(2,201)
Total	7,973	(3,501)	4,472	(7,174)	(7,821)	(14,995)
Savings deposits						
Domestic-activities	130,347	(153,683)	(23,336)	85,489	94,463	179,952
Foreign-activities	6,452	145	6,597	518	(557)	(39)

Total	136,799	(153,538)	(16,739)	86,007	93,906	179,913
Time deposits						
Domestic-activities	280,430	(114,224)	166,206	268,284	132,510	400,794
Foreign-activities	54,207	(7,409)	46,798	14,435	11,749	26,184
Total	334,637	(121,633)	213,004	282,719	144,259	426,978
Funds purchased and securities sold under agreements to repurchase						
Domestic-activities	(15,658)	(21,767)	(37,425)	(14,645)	27,872	13,227
Foreign-activities	(566)	1,475	909	(1,642)	775	(867)
Total	(16,224)	(20,292)	(36,516)	(16,287)	28,647	12,360
Borrowings from development and other domestic banks						
Domestic-activities	36,097	(31,746)	4,351	25,607	33,668	59,275
Foreign-activities	(224)	(1,030)	(1,254)	30	882	912
Total	35,873	(32,776)	3,097	25,637	34,550	60,187

	2012-2013 Increase (Decrease) Due To Changes in:			2011-2012 Increase (Decrease) Due To Changes in:		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(in millions of COP)					
Interbank borrowings						
Domestic-activities	-	-	-	-	-	-
Foreign-activities	37,264	(9,478)	27,786	(9,315)	13,684	4,369
Total	37,264	(9,478)	27,786	(9,315)	13,684	4,369
Long-term debt						
Domestic-activities	(16,415)	(51,453)	(67,868)	100,357	6,742	107,099
Foreign-activities	101,777	(1,747)	100,030	84,353	(7,410)	76,943
Total	85,362	(53,200)	32,162	184,710	(668)	184,042
Total interest-bearing liabilities						
Domestic-activities	422,433	(376,077)	46,356	459,280	288,273	747,553
Foreign-activities	199,251	(18,341)	180,910	87,017	18,284	105,301
Total (COP)	621,684	(394,418)	227,266	546,297	306,557	852,854

(1) Tax-exempt income of tax-exempt investment securities has not been calculated on a tax equivalent basis because the effect of such calculation would not be material.

INTEREST-EARNING ASSETS — NET INTEREST MARGIN AND SPREAD

The following table presents the levels of average interest-earning assets and net interest income of the Bank and illustrates the comparative net interest margin and interest spread obtained for the fiscal years ended December 31, 2013, 2012 and 2011, respectively.

	Interest-Earning Assets Yield For the Fiscal Year Ended December 31,		
	2013	2012	2011
	(*in million of COP, except percentage*s)		
Total average interest-earning assets			
Domestic-activities	66,739,663	55,106,038	46,510,600
Foreign-activities	24,699,015	18,300,900	16,779,428
Total	91,438,678	73,406,938	63,290,028
Net interest income[(1)]			
Domestic-activities	4,531,965	4,474,243	3,563,458
Foreign-activities	476,593	292,780	340,130

Total	5,008,558		4,767,023		3,903,588	
Average yield on interest-earning assets						
Domestic-activities	10.3	%	12.3	%	11.1	%
Foreign-activities	5.0	%	4.7	%	4.8	%
Total	8.9	%	10.4	%	9.4	%
Net interest margin(2)						
Domestic-activities	6.8	%	8.1	%	7.7	%
Foreign-activities	1.9	%	1.6	%	2.0	%
Total	5.5	%	6.5	%	6.2	%
Interest spread(3)						
Domestic-activities	6.3	%	7.4	%	7.0	%
Foreign-activities	2.1	%	1.7	%	2.1	%
Total	5.2	%	6.0	%	5.7	%

(1) Net interest income is loan interest income less interest accrued and includes interest earned on investments.

(2) Net interest margin is net interest income divided by total average interest-earning assets.

(3) Interest spread is the difference between the average yield on interest-earning assets and the average rate accrued on interest-bearing liabilities.

E.2. INVESTMENT PORTFOLIO

The Bank acquires and holds investment securities, including fixed income debt and equity securities, for liquidity and other strategic purposes, or when it is required by law.

The Superintendency of Finance requires investments to be classified as “trading”, “available for sale” or “held to maturity”. Trading investments are those acquired primarily to obtain profits from fluctuations in short-term prices and are recorded at market value. The difference between current and previous market value is added to or subtracted from the value of the investment and credited or charged to earnings. “Available for sale” investments are those held for at least six months and are recorded at market value with changes to the values of these securities recorded in a separate account in the equity section called unrealized gains and losses. “Held to maturity” investments are those acquired to be held until maturity and are valued at amortized cost.

As of December 31, 2013, Bancolombia’s debt securities investment portfolio net of allowances had a value of COP 12,127 billion.

In accordance with Chapter 1 of Circular 100 of 1995 issued by the Superintendency of Finance, investments in debt securities are fully reviewed for impairment in June and December and partially reviewed for impairment every three months; in each case taking into account the related solvency risk, market exposure, currency exchange and country risk.

Investments in securities with market prices or defined by agencies recognized by the Superintendency of Finance like “Price Vendors” no adjustment is required for Credit Risk.

Investments in securities with no market price but rated by external agencies recognized by the Superintendency of Finance cannot be recorded on the balance sheet of the Bank for an amount higher than a certain percentage of the face value (as shown in the table below), net of the amortizations recorded as of the valuation date.

Long-Term Rating	***Maximum Face Value (%)***
BB+, BB, BB-	Ninety (90)
B+, B, B-	Seventy (70)
CCC	Fifty (50)
DD, EE	Zero (0)

Short-Term Rating	***Maximum Face Value (%)***
3	Ninety (90)
4	Fifty (50)
5 and 6	Zero (0)

Internal or external debt securities issued or guaranteed by the Republic of Colombia, as well as those issued by the Central Bank and those issued or guaranteed by Fogafin, are not subject to this adjustment.

The following table sets forth the book value of the Bank's investments in Colombian government foreign governments and corporate securities and certain other financial investments as of the dates indicated[1]:

	As of December 31,					
	2013[2][3]		***2012[2][3]***		***2011[2][3]***	
	(in millions of COP)					
Foreign currency-denominated						
Securities issued or secured by the Colombian Government	COP	166,180	COP	236,890	COP	200,600
Securities issued or secured by the El Salvador Central Bank	605,036		582,418		685,853	
Securities issued or secured by Government entities[4]	59,276		58,513		72,275	
Securities issued or secured by other financial institutions	209,439		341,302		321,765	
Securities issued by foreign Governments[5]	1,632,921		693,751		484,272	
Others[6]	87,555		205,749		212,259	
Subtotal	2,760,407		2,118,623		1,977,024	

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	As of December 31,		
	2013[(2)(3)]	***2012***[(2)(3)]	***2011***[(2)(3)]
	(in millions of COP)		
Colombian peso-denominated			
Securities issued or secured by the Colombian Government	5,878,685	5,959,277	3,405,746
Securities issued or secured by Government entities	1,788,336	1,278,576	1,191,753
Securities issued or secured by financial institutions	1,606,328	1,997,260	2,534,782
Others[(6)]	93,478	64,319	75,051
Subtotal	9,366,827	9,299,432	7,207,332
Total, net	**COP 12,127,234**	**COP 11,418,055**	**COP 9,184,356**

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(1) For further information about the disclosures required by ASC 320, see note 31, i) Investment securities, derivatives and "REPOS".

(2) Includes debt securities only.Net investments in equity securities were COP 1,678,556 million, COP 1,136,256 million and COP 773,835 million for 2013, 2012 and 2011, respectively.

(3) These amounts are net of allowances for decline in value which were COP 8,945 million for 2013, COP 14,159 million for 2012 and COP 16,854 million for 2011.

(4) This amount includes investments in fiduciary certificates of participation. These certificates were issued for the Environmental Trust for the conservation of the Coffee Forest (*Fideicomiso Ambiental para la Conservación del Bosque Cafetero* or "FICAFE").This trust was formed with the transfer of the coffee sector's loan portfolio by a number of banks in El Salvador, including Banco Agrícola. The purpose of this transaction was to carry out the restructuring of those loans, promoted by the government of El Salvador. The Bank has recognized an allowance related to probable losses inherent in the FICAFE investment in an amount of COP 28,841 million and COP 32,297 million at December 31, 2013 and 2012, respectively.

(5) Due to the recent acquisition of Banistmo, the Bank has increased significantly its position in securities issued by the Republic of Panama, which reached COP 781,964 million for the year 2013.

(6) Includes debt securities in corporate bonds.

As of December 31, 2013, 2012 and 2011 Bancolombia held securities issued by foreign Governments in the following amounts:

As of December 31,	Issuer	*Investment Amount–Book Value (in millions ofCOP)*[(1)]		*Investment Amount–Book Value (thousands of U.S. dollars)*[(1) (2)]	
2013	Republic of Panama	COP	781,964	USD	405,829
	Republic of El Salvador	COP	347,470	USD	180,333
	Republic of Mexico	COP	313,037	USD	162,462
	Republic of Costa Rica	COP	76,001	USD	39,443
	U.S. Treasury	COP	64,816	USD	33,639
	Republic of Brazil	COP	45,736	USD	23,736
	Republic of Chile	COP	6,912	USD	3,587
2012	Republic of El Salvador	COP	403,541	USD	228,218
	Republic of Chile	COP	76,235	USD	43,114

	Republic of Brazil	COP	74,601	USD	42,189
	U.S. Treasury	COP	52,985	USD	29,965
	Republic of Mexico	COP	48,629	USD	27,501
	Republic of Costa Rica	COP	31,133	USD	17,607
	Republic of Panama	COP	10,761	USD	6,086
	Republic of Peru	COP	6,496	USD	3,674
2011	Republic of El Salvador	COP	310,088	USD	159,617
	U.S. Treasury	COP	113,335	USD	58,339
	Republic of Brazil	COP	46,063	USD	23,711
	Republic of Panama	COP	11,193	USD	5,761
	Republic of Peru	COP	10,406	USD	5,357
	Republic of Chile	COP	171	USD	88

(1) These amonunts are not net of allowances for decline in value which were COP 3,014 million (USD 1.6 million) for 2013, COP 10,630 million (USD 6 million) for 2012 and COP 6,983 million (USD 3.6 million) for 2011.

(2) These amounts have been translated at the rate of COP 1,926.83 per USD 1.00 at December 2013, COP 1,768.23 per USD 1.00 at December 2012 and COP 1,942.70 per USD 1.00 at December 2011, which corresponds to the Representative Market Rate calculated on December 31, the last business day of the year.

As of December 31, 2013, the Bank’s peso-denominated debt securities portfolio amounted to COP 9,366 billion, reflecting a 0.72% increase compared to December 31, 2012. The increase resulted mainly from an increase in holdings of Securities issued or secured by Government entities. Peso-denominated debt securities issued by the Colombian government represented 63% of the Bank’s peso-denominated debt securities portfolio in 2013.

On the other hand, as of December 31, 2013, Bancolombia's held securities issued by foreign governments amounted to COP 1.632 billion (net of allowances for decline in value), increasing in 135% compared to December 31,2012. This variation is primarily explained by an increase in the Bank's position in Panamanian and Mexican sovereign bonds.

INVESTMENT SECURITIES PORTFOLIO MATURITY

The following table summarizes the maturities and weighted average nominal yields of the Bank's investment securities as of December 31, 2013:

	As of December 31, 2013								
	Maturity of less than 1 year		Maturity of 1 to5 years		Maturity of 5 to 10 years		Maturity of more than 10 years		Total
	Balance[(1)]	Yield %[(2)]	Balance[(1)]	Yield %[(2)]	Balance[(1)]	Yield %[(2)]	Balance[(1)]	Yield %[(2)]	Balance[(1)]
	(COP million, except yields)								
Securities issued or secured by:									
Foreign currency-denominated[(3)]***:***									
Colombian Government	87,041	2.04%	3,855	6.72%	75,262	3.46%	22	6.93 %	166,180
El Salvador Central Bank	605,036	0.14%	-	-	-	-	-	-	605,036
Other Government entities	-	-	8,650	4.99%	12,815	5.46%	37,811	3.52 %	59,276
Other financial entities	15,795	3.93%	144,473	3.04%	49,171	4.45%	-	-	209,439
Foreign Governments	844,797	2.99%	451,871	2.70%	256,582	3.79%	79,671	5.49 %	1,632,921
Others	2,927	3.37%	49,126	5.49%	35,502	5.01%	-	-	87,555
Subtotal	1,555,596	1.84%	657,975	3.04%	429,332	3.96%	117,504	4.85 %	2,760,407
Securities issued or secured by:									
Peso-denominated[(3)]									
Colombian Government	1,434,384	4.11%	3,832,147	4.68%	170,235	6.70%	156,724	7.12 %	5,593,490
Other Government entities	1,774,720	1.69%	8,338	8.41%	5,278	5.86%	-	-	1,778,336
Other financial entities	185,665	4.17%	232,051	5.34%	550,073	8.05%	423,330	12.60%	1,391,119
Others	10,627	5.07%	16,902	5.30%	32,675	6.04%	33,273	7.21 %	93,477
Subtotal	3,405,396	2.86%	4,089,438	4.73%	758,261	7.65%	613,327	10.90%	8,866,422
Securities issued or secured by:									
UVR-denominated[(3)]									

Colombian Government.	117,052	0.04%	164,697	0.10%	3,446	3.43%	-	-	285,195
Other financial entities	-	-	13,551	6.06%	152,114	4.72%	49,545	9.70 %	215,210
Subtotal	117,052	0.04%	178,248	0.55%	155,560	4.69%	49,545	9.70 %	500,405
Total (COP)	5,078,044		4,925,661		1,343,153		780,376		12,127,234

(1) Amounts are net of allowances for decline in value which amounted to COP 8,945 million in 2013.

(2) Yield was calculated using the internal return rate as of December 31, 2013.

(3) Yields on tax-exempt obligations have not been calculated on a tax equivalent basis because the effect of such calculation would not be material.

As of December 31, 2013, the Bank had the following investments in securities of issuers that exceeded 10% of the Bank’s stockholders’ equity:

	Issuer	Book Value	Fair value
	(in millions of COP)		
Securities issued or secured by:			
Colombian Government	Ministry of Finance	COP 6,040,548	COP 6,034,511
Government entities	FINAGRO	1,774,720	1,775,297
Total		**COP7,815,268**	**COP7,809,808**

E.3. LOAN PORTFOLIO

Types of loans

The following table shows the Bank’s loan portfolio classified into corporate, retail (including small and medium enterprise loans), financial leases and mortgage loans:

	As of December 31,				
	2013	2012	2011	2010	2009
	(in millions of COP)				
Domestic					
Corporate					
Trade financing	2,152,173	1,994,779	2,338,728	1,704,673	623,084
Loans funded by development banks	481,862	245,241	252,891	300,459	485,754
Working capital loans	28,450,758	26,274,367	22,234,866	18,360,582	15,003,979
Credit cards	35,102	30,008	30,552	31,297	26,947
Overdrafts	77,171	82,981	66,454	38,563	45,072
Total corporate	31,197,066	28,627,376	24,923,491	20,435,574	16,184,836
Retail(1)					
Credit cards	4,012,940	3,488,787	3,161,273	2,477,808	2,198,127
Personal loans	6,169,273	5,209,423	4,222,015	2,890,095	2,060,776
Vehicle loans	2,335,860	2,154,121	1,991,909	1,332,175	1,218,299
Overdrafts	205,865	210,653	168,865	156,244	168,760
Loans funded by development banks	1,290,747	843,146	676,985	667,299	792,437
Trade financing	135,370	99,596	69,210	27,547	48,955
Working capital loans	9,620,582	8,380,095	6,330,371	4,702,240	4,346,213
Total retail	23,770,637	20,385,821	16,620,628	12,253,408	10,833,567
Financial Leases	9,290,115	8,405,497	6,977,454	5,737,473	5,390,937
Mortgage	6,564,929	5,164,514	4,017,855	2,516,376	2,556,810

Total loans and leases	70,822,747	62,583,208	52,539,428	40,942,831	34,966,150
Allowance for loan losses	(3,415,728)	(2,975,616)	(2,455,141)	(2,160,119)	(2,115,161)
Total domestic loans, net (COP)	67,407,019	59,607,592	50,084,287	38,782,712	32,850,989
Foreign					
Corporate					
Trade financing	4,554,142	220,834	1,889,668	1,192,349	551,211
Loans funded by development banks	7,936	16,460	11,104	18,874	41,969
Working capital loans	5,542,013	4,219,310	4,001,695	3,644,287	3,509,893
Credit cards	7,304	5,611	16,817	6,712	8,462
Overdrafts	2,852	20,453	29,380	5,190	5,530
Total corporate	10,114,247	4,482,668	5,948,664	4,867,412	4,117,065
Retail(1)					
Credit cards	535,730	183,979	168,061	156,895	190,932
Personal loans	3,403,868	1,611,499	1,597,624	1,649,853	1,713,992
Vehicle loans	241,844	1,426	1,905	2,705	3,718
Overdrafts	45,859	12,897	18,248	18,449	19,853
Loans funded by development banks	28,498	19,879	16,718	12,143	9,410
Trade financing	98,775	8,767	17,585	7,516	4,343
Working capital loans	45,652	46,600	63,025	20,705	24,833
Total retail	4,400,226	1,885,047	1,883,166	1,868,266	1,967,081
Financial Leases	391,321	244,446	194,357	96,076	79,064
Mortgage	3,731,001	793,310	822,813	826,505	912,614
Total loans and leases	18,636,795	7,405,471	8,849,000	7,658,259	7,075,824
Allowance for loan losses	(649,802)	(274,023)	(357,441)	(349,094)	(316,506)
Total foreign loans, net (COP)	17,986,993	7,131,448	8,491,559	7,309,165	6,759,318
Total Foreign and Domestic Loans (COP)	85,394,012	66,739,040	58,575,846	46,091,877	39,610,307

(1) Includes loans to high-income individuals and small companies.

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The Bank classifies its loan portfolio into the following categories: (i) corporate loans; (ii) retail and small and medium enterprises loans; (iii) financial leases; and (iv) mortgage loans.

As of December 31, 2013, the Bank's total loan portfolio amounted to COP 89,460 billion, up 28% as compared to COP 69,989 billion in 2012, and 46% higher than the COP 61,388 billion at the end of 2011. Loan volume performance during 2013 is explained by a significant growth ineconomic activity in Colombia, which led individuals and corporations to request more credit and by the acquisition of Banistmo in October 2013. For further discussion of some of these trends please see Item 5. "Operating and Financial Review and Prospects – D. Trend information".

As of December 31, 2013, corporate loans amounted to COP 41,311 billion, or 46% of loans, and increased 25% from COP 33,110 billion at the end of 2012.

Retail loans totaled COP 28,171 billion, or 31% of total loans, of which COP 16,951 billion were consumer loans (19% of total loans). Retail loans increased 26% over the year.

Financial leases totaled COP 9,681 billion as of December 31, 2013, up 12% from COP 8,650 billion in 2012.

Mortgage lending activity was dynamic during 2013, driven mainly by the Colombian government's housing subsidy program that was implemented in April 2009 as well as by lower long-term interest rates in Colombia. Mortgage loans increased 73% over the year.

Borrowing Relationships

As of December 31, 2013, the aggregate outstanding principal amount of the Bank's 20 largest credit exposures, on a consolidated basis, represented approximately 7.3% of the loan portfolio, and no single exposure represented more than 1% of the loan book. Also, 100% of those loans were corporate loans and 100% of these relationships were classified as "A".

Maturity and Interest Rate Sensitivity of Loans

The following table shows the maturities of the Bank's loan portfolio as of December 31, 2013:

	Maturity of one year or less (COP million)	Maturity of one to five years	Maturity of more than five years	Total
Domestic loans and financial leases:				
Corporate				
Trade financing	2,013,822	62,163	76,188	2,152,173
Loans funded by development banks	17,763	170,243	293,856	481,862
Working capital loans	9,729,287	10,510,416	8,211,055	28,450,758
Credit cards	9,391	25,539	172	35,102
Overdrafts	77,171	-	-	77,171
Total corporate	11,847,434	10,768,361	8,581,271	31,197,066
Retail				
Credit cards	540,012	3,463,494	9,434	4,012,940
Personal loans	766,545	5,157,848	244,880	6,169,273
Vehicle loans	532,898	1,684,477	118,485	2,335,860
Overdrafts	205,865	-	-	205,865
Loans funded by development banks	118,055	846,000	326,692	1,290,747
Trade financing	133,207	2,163	-	135,370
Working capital loans	2,744,043	5,875,866	1,000,673	9,620,582
Total retail	5,040,625	17,029,848	1,700,164	23,770,637
Financial leases	341,801	3,988,706	4,959,608	9,290,115
Mortgage	136,070	280,267	6,148,592	6,564,929
Total domestic loans and financial leases	17,365,930	32,067,182	21,389,635	70,822,747
Foreign loans and financial leases:				
Corporate				
Trade financing	1,301,121	2,398,245	854,776	4,554,142
Loans funded by development banks	80	2,149	5,707	7,936
Working capital loans	2,076,552	1,878,169	1,587,292	5,542,013
Credit cards	8	7,296	-	7,304
Overdrafts	2,852	-	-	2,852
Total corporate	3,380,613	4,285,859	2,447,775	10,114,247
Retail				
Credit cards	10,273	524,725	732	535,730
Personal loans	131,365	736,933	2,535,570	3,403,868
Vehicle loans	2,482	62,858	176,504	241,844
Overdrafts	44,206	1,653	-	45,859

Loans funded by development banks	48	3,916	24,534	28,498
Trade financing	29,845	20,376	48,554	98,775
Working capital loans	16,052	19,801	9,799	45,652
Total retail	234,271	1,370,262	2,795,693	4,400,226
Financial leases	65,250	291,254	34,817	391,321
Mortgage	8,813	74,987	3,647,201	3,731,001
Total foreign loans and financial leases	3,688,947	6,022,362	8,925,486	18,636,795
Total loans (COP million)	21,054,877	38,089,544	30,315,121	89,459,542

The following table shows the interest rate sensitivity of the Bank's loan portfolio due after one year and within one year or less as of December 31, 2013:

	As of December 31, 2013 (COP million)	
Loans with term of 1 year or more:		
Variable Rate		
Domestic-denominated	COP	38,753,383
Foreign-denominated		11,108,674
Total		49,862,057
Fixed Rate		
Domestic-denominated		14,703,434
Foreign-denominated		3,839,174
Total		18,542,608
Loans with terms of less than 1 year:		
Domestic-denominated		17,365,930
Foreign-denominated		3,688,947
Total		21,054,877
Total loans	COP	89,459,542

Loans by Economic Activity

The following table summarizes the Bank's loan portfolio, for the periods indicated, by the principal activity of the borrower using the primary Standard Industrial Classification (SIC) codes. Where the Bank has not assigned a code to a borrower, classification of the loan has been made based on the purpose of the loan as described by the borrower:

	As of December 31,														
	2013	%		2012	%		2011	%		2010	%		2009	%	
	(COP million, except percentages)														
Domestic															
Agricultural	2,954,514	4.2	%	2,648,064	4.2	%	2,102,923	4.0	%	1,810,415	4.4	%	1,625,790	4.6	
Mining products and oil	1,806,379	2.6	%	2,324,822	3.7	%	1,583,513	3.0	%	1,863,052	4.6	%	1,193,712	3.4	
Food, beverage and Tobacco	2,879,766	4.1	%	1,885,953	3.0	%	1,710,015	3.3	%	2,922,405	7.1	%	2,243,064	6.4	
Chemical production	1,629,282	2.3	%	2,526,802	4.0	%	2,464,222	4.7	%	2,727,045	6.7	%	1,310,495	3.7	
Other industrial and Manufacturing products	4,409,656	6.2	%	3,857,788	6.2	%	3,993,961	7.6	%	3,124,519	7.6	%	3,396,188	9.7	

Government	1,929,053	2.7 %	1,554,722	2.5 %	1,223,563	2.3 %	1,310,226	3.2 %	1,234,824	3.5
Construction	10,366,851	14.6%	8,461,594	13.5%	6,199,270	11.8%	4,092,951	10.0%	3,520,673	10.
Trade and tourism	10,316,629	14.6%	9,904,717	15.8%	8,439,099	16.1%	5,614,774	13.7%	5,471,749	15.
Transportation and Communications	5,342,742	7.5 %	4,415,162	7.1 %	3,432,027	6.5 %	2,803,387	6.9 %	2,544,050	7.3
Public services	2,222,410	3.1 %	2,387,679	3.8 %	2,028,122	3.9 %	2,220,108	5.4 %	1,659,742	4.7
Consumer services	19,092,585	27.0%	17,136,487	27.4%	13,613,317	25.9%	9,353,171	22.8%	7,916,772	22.
Commercial services	7,872,880	11.1%	5,479,418	8.8 %	5,749,396	10.9%	3,100,778	7.6 %	2,849,091	8.1
Total domestic loans (COP)	70,822,747	100 %	62,583,208	100 %	52,539,428	100 %	40,942,831	100 %	34,966,150	10
Foreign										
Agricultural.	428,258	2.3 %	166,159	2.2 %	272,334	3.0 %	327,430	4.3 %	301,866	4.3
Mining products and oil	373,487	2.0 %	192,566	2.6 %	265,689	3.0 %	133,052	1.7 %	176,042	2.5
Food, beverage and Tobacco	122,903	0.6 %	387,775	5.3 %	150,692	1.7 %	138,252	1.8 %	118,092	1.7
Chemical production	13,393	0.1 %	9,915	0.1 %	24,197	0.3 %	12,850	0.2 %	51,173	0.7
Other industrial and Manufacturing products	1,979,668	10.6%	895,532	12.1%	2,147,936	24.3%	1,836,483	24.0%	1,586,708	22.
Government	356,536	1.9 %	4,362	0.1 %	92	0.0 %	4	0.0 %	-	-
Construction	2,826,996	15.2%	1,037,806	14.0%	1,281,568	14.5%	1,231,658	16.1%	1,375,521	19.
Trade and tourism	2,522,710	13.5%	803,196	10.9%	595,938	6.7 %	594,213	7.8 %	613,928	8.7
Transportation and Communications	532,086	2.9 %	198,131	2.7 %	136,281	1.5 %	149,698	2.0 %	291,613	4.1
Public services	5,178,659	27.8%	306,685	4.1 %	402,896	4.6 %	514,250	6.7 %	256,307	3.6
Consumer services	3,435,926	18.4%	1,905,249	25.7%	1,839,468	20.8%	1,946,188	25.4%	1,971,723	27.
Commercial services	866,173	4.7 %	1,498,095	20.2%	1,731,909	19.6%	774,181	10.0%	332,851	4.7
Total foreign loans (COP)	18,636,795	100 %	7,405,471	100 %	8,849,000	100 %	7,658,259	100 %	7,075,824	10
Total Foreign and Domestic Loans (COP)	89,459,542	100 %	69,988,679	100 %	61,388,428	100 %	48,601,090	100 %	42,041,974	10

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Credit Categories

For the purpose of credit risk evaluation, loans and financial lease contracts are classified as follows:

Mortgage Loans: These are loans, regardless of value, granted to individuals for the purchase of new or used housing or to build a home, all in accordance with Law 546 of 1999. These loans include loans denominated in UVR or local currency that are guaranteed by a senior mortgage on the property and that are financed with a total repayment term of five to 30 years.

Consumer Loans: These are loans and financial leases, regardless of value, granted to individuals for the purchase of consumer goods or to pay for non-commercial or business services.

Small Business Loans: These are issued for the purpose of encouraging the activities of small business and are subject to the following requirements: (i) the maximum amount to be lent is equal to 25SMMLV and at any time the balance of any single borrower may not exceed such amount (as stipulated in article 39 of Law 590 of 2000) and (ii) the main source of payment for the corresponding obligation shall be the revenues obtained from activities of the borrower's micro business. The balance of indebtedness on the part of the borrower may not exceed 120 SMMLV, as applicable, at the moment the credit is approved.

Commercial Loans and Financial Leases: These are granted to individuals or companies in order to carry out organized economic activities and are not classified as small business loans.

The following table shows the Bank's loan portfolio categorized in accordance with the regulations of the SFC in effect for the relevant periods:

	Loan Portfolio by Type of Loan As of December 31,				
	2013	2012	2011	2010	2009
	(COP million)				
Commercial Loans	52,363,519	42,465,660	38,212,997	30,992,403	26,011,915
Consumer Loans	16,601,890	12,580,661	10,846,046	8,177,175	6,888,615
Small Business Loans	516,767	334,591	316,906	255,082	202,019
Financial Leases	9,681,436	8,649,943	7,171,811	5,833,549	5,470,001
Mortgage	10,295,930	5,957,824	4,840,668	3,342,881	3,469,424

Total Loans and Financial Leases	89,459,542	69,988,679	61,388,428	48,601,090	42,041,974
Allowance for Loans and Financial Lease Losses	4,065,530	3,249,639	2,812,582	2,509,213	2,431,667
Total Loans and Financial Leases, Net (COP)	85,394,012	66,739,040	58,575,846	46,091,877	39,610,307

Risk categories

The SFC provides the following minimum risk classifications, according to the financial situation of the debtor or the past-due days of the obligation:

Category A or “Normal Risk”: Loans and financial leases in this category are appropriately serviced. The debtor’s financial statements or its projected cash flows, as well as all other credit information available to the Bank, reflect adequate paying capacity.

Category B or “Acceptable Risk, Above Normal”: Loans and financial leases in this category are acceptably serviced and guaranty protected, but there are weaknesses which may potentially affect, on a transitory or permanent basis, the debtor’s paying capacity or its projected cash flows, to the extent that, if not timely corrected, would affect the normal collection of credit or contracts.

Category C or “Appreciable Risk”: Loans and financial leases in this category represent insufficiencies in the debtor’s paying capacity or in the project’s cash flow, which may compromise the normal collection of the obligations.

Category D or "Significant Risk": Loans and financial leases in this category have the same deficiencies as loans in category C, but to a larger extent; consequently, the probability of collection is highly doubtful.

Category E or "unrecoverable": Loans and financial leases in this category are deemed uncollectible.

For further details about these risk categories see "Note 2. Summary of significant accounting policies – (i) Loans and Financial Leases – Evaluation by credit risk categories" to the Consolidated Financial Statements.

	As of December 31,									
	2013	%	2012	%	2011	%	2010	%	2009	
	(COP million, except percentages)									
"A" Normal	82,576,481	92.3%	65,453,223	93.5%	57,095,160	93.0%	44,914,187	92.4%	38,180,628	
"B" Subnormal	3,205,115	3.6 %	1,766,262	2.5 %	1,946,067	3.2 %	1,588,798	3.3 %	1,711,661	
"C" Deficient	1,590,505	1.8 %	1,179,600	1.7 %	913,893	1.4 %	606,901	1.2 %	703,053	
"D" Doubtful Recover	1,213,257	1.3 %	948,051	1.4 %	848,682	1.4 %	1,014,289	2.1 %	1,105,442	
"E" Unrecoverable	874,184	1.0 %	641,543	0.9 %	584,626	1.0 %	476,915	1.0 %	341,190	
Total loans and financial leases	89,459,542	100 %	69,988,679	100 %	61,388,428	100 %	48,601,090	100 %	42,041,974	
Loans classified as "C", "D" and "E" as a percentage of total loans	4.1	%	4.0	%	3.8	%	4.3	%	5.1	%

Suspension of Accruals

The SFC established that interest, UVR, lease payments and other items of income cease to be accrued in the statement of operations and begin to be recorded in memorandum accounts until effective payment is collected, after a loan is in arrears for more than a certain time:

Type of loan and financial lease	***Arrears in excess of:***
Mortgage	2 months
Consumer	2 months
Small Business loans	1 month
Commercial	3 months

However, the Bank adopts a stricter policy for every credit category, except for mortgages. According to this policy loans are placed in non-accrual status once they are 30 days or more overdue. Under this policy, once the accumulation of interest is suspended, the Bank records an allowance equal to the interest that had accrued up to that point. Mortgage loans, on the other hand, are placed in non-accrual status once they are 60 days past-due, at which time an allowance is made for 100% of the interest accrued up to that point.

Amounts due on loans that become past-due and that at some point have stopped accruing interest, UVR, lease payments or other items of income are recorded in memorandum accounts until such amounts are actually collected.

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The following table sets forth the breakdown of the performing and non-performing past-due loans by type of loan in accordance with the criteria of the SFC for domestic and for foreign loans at the end of each period:

	As of December 31,								
	2013	*%*	*2012*	*%*	*2011*	*%*	*2010*	*%*	*2009*
	(COP million, except percentages)								
Performing past-due loans:(1)									
Consumer loans(2)	264,759	27.3 %	194,062	32.1 %	107,790	26.3 %	117,787	25.2 %	141,813
Commercial loans(3)	324,657	33.6 %	194,001	32.1 %	152,297	37.1 %	197,895	42.4 %	254,923
Mortgage loans(4)	299,805	31.0 %	146,648	24.3 %	110,474	26.9 %	107,639	23.0 %	115,611
Financial leases(5)	77,973	8.1 %	69,664	11.5 %	39,591	9.7 %	43,819	9.4 %	87,202
Total perf. PDLs COP	967,194	100.0%	604,375	100.0%	410,152	100 %	467,140	100 %	599,549
Non-performing PDLs:									
Consumer loans(6)	520,815	32.0 %	410,112	33.4 %	245,077	26.4 %	180,668	19.5 %	231,790
Small business loans(7)	51,102	3.1 %	31,188	2.5 %	27,319	2.9 %	22,193	2.4 %	17,250
Commercial loans(8)	593,166	36.4 %	435,582	35.5 %	365,910	39.3 %	450,161	48.5 %	488,248
Mortgage loans(9)	340,309	20.9 %	262,250	21.4 %	206,730	22.3 %	195,631	21.1 %	197,323
Financial leases(10)	124,635	7.6 %	89,195	7.2 %	85,504	9.1 %	80,106	8.5 %	93,101
Total non-perf. PDLs COP	1,630,027	100.0%	1,228,327	100.0%	930,540	100 %	928,759	100 %	1,027,712
Total PDLs (COP)	2,597,221		1,832,702		1,340,692		1,395,899		1,627,261
Total non-perf. PDLs	1,630,027		1,228,327		930,540		928,759		1,027,712
Foreclosed assets	373,876		270,935		231,066		257,603		250,976
Other accounts receivable	110,364		40,517		20,645		19,190		33,800

(overdue > 180 days)					
Total non performing assets (COP)	2,114,267	1,539,779	1,182,251	1,205,552	1,312,488
Allowance for loan and finance leases losses	(4,065,530)	(3,249,639)	(2,812,582)	(2,509,213)	(2,431,667)
Allowance for estimated losses on foreclosed assets	(270,311)	(186,117)	(177,872)	(187,326)	(170,308)
Allowance for accounts receivable and accrued interest losses	(159,836)	(139,994)	(105,521)	(111,848)	(124,916)
PDLs/ Total loans	2.9 %	2.6 %	2.2 %	2.9 %	3
Allowance for loan losses/ PDLs	156.5%	177.3%	209.8%	179.8%	1
Allowance for loan losses/ Loans classified as "C", "D" and "E"	110.5%	117.3%	119.8%	119.6%	1
Perf. Loans/Total loans	98.2 %	98.2 %	98.5 %	98.1 %	9

(1) Performing past-due loans are loans upon which the Bank continues to recognize income although interest has not been received for the periods indicated.
(2) Past-due from 31 to 60 days.
(3) Past-due from 31 to 90 days.
(4) Past-due from 31 to 60 days.
(5) The Consumer financial leases are due from 31 to 60 days and the commercial financial leases are due from 31 to 90 days.
(6) Past-due more than 60 days.
(7) Past-due more than 30 days.
(8) Past-due more than 90 days.
(9) Past-due more than 60 days.
(10) The Consumer financial leases are more than 60 days and the commercial financial leases are more than 90 days.

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The following table sets forth the breakdown of the non-performing past-due loans by type of loan in accordance with the criteria of the SFC for domestic and for foreign loans at the end of each period:

	As of December 31,				
	2013	2012	2011	2010	2009
Non-performing past-due loans:					
Consumer loans[(1)]					
Domestic	COP 401,714	COP 367,392	COP 199,276	COP 124,149	COP 169,357
Foreign	119,101	42,720	45,801	56,519	62,433
Total Consumer Loans	520,815	410,112	245,077	180,668	231,790
Small Business loans [(2)]					
Domestic	38,381	27,306	22,866	20,602	15,025
Foreign	12,721	3,882	4,453	1,591	2,225
Total Small Business Loans	51,102	31,188	27,319	22,193	17,250
Commercial loans[(3)]					
Domestic	508,987	412,231	312,950	378,380	430,695
Foreign	84,179	23,351	52,960	71,781	57,553
Total Commercial Loans	593,166	435,582	365,910	450,161	488,248
Mortgage loans[(4)]					
Domestic	263,645	226,350	164,808	151,975	159,697
Foreign	76,664	35,900	41,922	43,656	37,626
Total Mortgage Loans	340,309	262,250	206,730	195,631	197,323
Financial leases[(5)]					
Domestic	113,222	87,396	85,504	80,106	93,100
Foreign	11,413	1,799	-	-	1
Total Financial leases	124,635	89,195	85,504	80,106	93,101
Total non-perf. PDLs (domestic)	1,325,949	1,120,675	785,404	755,212	867,874
Total non-perf. PDLs (foreign) [(6)]	304,078	107,652	145,136	173,547	159,838
Total non-perf. PDLs	**COP 1,630,027**	COP 1,228,327	COP 930,540	COP 928,759	COP 1,027,712

(1) Past-due more than 60 days.
(2) Past-due more than 30 days.
(3) Past-due more than 90 days.
(4) Past-due more than 60 days.
(5) Past-due financial leases includes consumer financial leases that are more than 60 days past-due and commercial financial leases that are more than 90 days past-due.
(6) As of December 31, 2013, includes COP 205,920 million from Banistmo S.A.

The following table illustrates Bancolombia’s past-due loan portfolio by type of loan:

	As of December 31,									
	2013	%	2012	%	2011	%	2010	%	2009	%
	(COP million, except percentages)									
Domestic										
Corporate										
Trade financing	10,917	0.6 %	943	0.1 %	1,140	0.1 %	1,685	0.2 %	3,945	0.3 %
Loans funded by development banks	5,419	0.3 %	2,657	0.2 %	20,270	1.8 %	22,497	1.9 %	13,933	1.0 %
Working capital loans	192,933	10.1 %	204,864	12.2 %	110,121	9.6 %	189,833	16.4 %	154,071	11.2 %
Credit cards	626	0.0 %	624	0.0 %	417	0.0 %	351	0.0 %	376	0.0 %
Overdrafts	431	0.0 %	1,222	0.1 %	1,125	0.1 %	1,975	0.2 %	2,781	0.2 %
Total corporate	210,326	11.1 %	210,310	12.6 %	133,073	11.6 %	216,341	18.7 %	175,106	12.7 %

	As of December 31,									
	2013	%	2012	%	2011	%	2010	%	2009	%
Retail										
Credit cards	236,101	12.5%	272,057	16.1%	151,078	13.2%	137,649	11.9%	163,924	11.9%
Personal loans	204,576	10.9%	179,170	10.7%	95,678	8.3 %	62,392	5.4 %	86,358	6.3 %
Vehicle loans	129,303	7.0 %	97,767	5.8 %	72,954	6.4 %	68,194	5.9 %	117,601	8.6 %
Overdrafts	22,532	1.2 %	21,654	1.3 %	15,285	1.3 %	15,368	1.3 %	20,106	1.5 %
Loans funded by development banks	41,093	2.2 %	26,154	1.6 %	33,666	2.9 %	31,752	2.7 %	30,733	2.2 %
Trade financing	1,378	0.1 %	3,791	0.2 %	732	0.1 %	947	0.1 %	961	0.1 %
Working capital loans	476,352	25.3%	358,950	21.3%	263,968	23.0%	272,522	23.5%	353,744	25.7%
Total retail	1,111,335	59.1%	959,543	57.0%	633,361	55.2%	588,824	50.8%	773,427	56.3%
Financial Leases	183,512	9.6 %	156,705	9.3 %	125,094	10.8%	123,925	10.7%	179,632	13.1%
Mortgage	380,640	20.2%	356,466	21.1%	256,624	22.4%	230,018	19.8%	246,277	17.9%
Total domestic past-due loans (COP)	1,885,813	100 %	1,683,024	100 %	1,148,152	100 %	1,159,108	100 %	1,374,442	100 %
Foreign										
Corporate										
Trade financing	138,112	19.4%	4,201	2.8 %	9,004	4.7 %	9,535	4.0 %	14,978	5.9 %
Loans funded by development banks	910	0.1 %	-	0.0 %	147	0.1 %	376	0.2 %	2,306	0.9 %
Working capital loans	62,681	8.7 %	29,388	19.7%	56,627	29.3%	76,559	32.3%	80,031	31.7%
Credit cards	84	0.0 %	124	0.1 %	264	0.1 %	434	0.2 %	499	0.1 %
Overdrafts	148	0.0 %	172	0.1 %	349	0.2 %	775	0.3 %	287	0.0 %
Total corporate	201,935	28.2%	33,885	22.7%	66,391	34.4%	87,679	37.0%	98,101	38.6%
Retail										
Credit cards	23,834	3.4 %	6,628	4.4 %	5,925	3.1 %	7,615	3.2 %	12,450	4.9 %
Personal loans	175,053	24.6%	49,692	33.3%	54,410	28.2%	65,749	27.8%	72,157	28.5%
Vehicle loans	15,857	2.2 %	29	0.0 %	138	0.1 %	203	0.1 %	239	0.1 %
Overdrafts	2,899	0.4 %	354	0.2 %	96	0.1 %	134	0.1 %	99	0.0 %

Loans funded by development banks	539	0.1 %	621	0.4 %	440	0.2 %	569	0.2 %	260	0.1 %
Trade financing	8,102	1.1 %	216	0.1 %	387	0.2 %	199	0.1 %	213	0.1 %
Working capital loans	4,619	0.7 %	3,667	2.5 %	4,173	2.2 %	1,391	0.6 %	1,972	0.8 %
Total retail	230,903	32.5%	61,207	40.9%	65,569	34.1%	75,860	32.1%	87,390	34.5%
Financial Leases	19,096	2.7 %	2,154	1.4 %	-	-	-	-	671	0.3 %
Mortgage	259,474	36.6%	52,432	35.0%	60,580	31.5%	73,252	30.9%	66,657	26.6%
Total foreign past-due loans (COP)	711,408	100 %	149,678	100 %	192,540	100 %	236,791	100 %	252,819	100 %
Total Foreign and Domestic past-due loans (COP)	2,597,221	100 %	1,832,702	100 %	1,340,692	100 %	1,395,899	100 %	1,627,261	100 %

The following table presents information with respect to the Bank’s loan portfolio at least 31 days past-due based on the nature of the collateral for the loan:

	As of December 31,									
	2013	***%***	***2012***	***%***	***2011***	***%***	***2010***	***%***	***2009***	***%***
	(COP million, except percentages)									
Secured										
Current	38,715,313	43.3%	28,630,768	40.8%	25,932,056	42.2%	20,970,409	43.2%	19,061,249	45
Past-due Commercial loans	495,371	0.6 %	363,054	0.5 %	277,746	0.5 %	327,323	0.7 %	411,359	1.
Past-due Consumer loans	167,978	0.2 %	124,323	0.2 %	78,924	0.1 %	73,476	0.2 %	88,740	0.
Past-due Small business loans	35,123	0.1 %	23,116	0.1 %	17,423	0.0 %	11,415	0.1 %	7,824	0.
Past-due Mortgage loans	640,114	0.6 %	408,898	0.6 %	317,204	0.5 %	303,270	0.6 %	312,934	0.
Past-due Financial leases	202,608	0.2 %	158,859	0.2 %	125,095	0.2 %	123,925	0.3 %	180,303	0.
Total (COP)	40,256,507	45.0%	29,709,018	42.4%	26,748,448	43.5%	21,809,818	45.1%	20,062,409	47
Unsecured(1)										
Current	48,147,008	53.8%	39,525,209	56.5%	34,115,680	55.6%	26,234,778	54.0%	21,353,464	50
Past-due Commercial loans	422,452	0.5 %	266,529	0.4 %	240,461	0.4 %	320,738	0.7 %	331,812	0.
Past-due Consumer loans	617,596	0.7 %	479,851	0.7 %	273,943	0.5 %	224,978	0.5 %	284,863	0.
Past-due Small business loans	15,979	0.0 %	8,072	0.0 %	9,896	0.0 %	10,778	0.0 %	9,426	0.
Total (COP)	49,203,035	55.0%	40,279,661	57.6%	34,639,980	56.5%	26,791,272	55.2%	21,979,565	52
Total current loans and financial leases COP	86,862,321	97.1%	68,155,977	97.3%	60,047,736	97.8%	47,205,191	97.1%	40,414,713	96
Past-due Commercial	917,823	1.1 %	629,583	0.9 %	518,207	0.9 %	648,061	1.4 %	743,171	1.

loans										
Past-due Consumer loans	785,574	0.9 %	604,174	0.9 %	352,867	0.6 %	298,454	0.6 %	373,603	0.9
Past-due Small business loans	51,102	0.1 %	31,188	0.1 %	27,319	0.0 %	22,189	0.1 %	17,250	0.0
Past-due Mortgage loans	640,114	0.6 %	408,898	0.6 %	317,204	0.5 %	303,270	0.6 %	312,934	0.7
Past-due Financial leases	202,608	0.2 %	158,859	0.2 %	125,095	0.2 %	123,925	0.3 %	180,303	0.4
Total past-due loans and financial leases (COP)	2,597,221	2.9 %	1,832,702	2.7 %	1,340,692	2.2 %	1,395,899	2.9 %	1,627,261	3.9
Total gross loans and financial leases	89,459,542	100 %	69,988,679	100 %	61,388,428	100 %	48,601,090	100 %	42,041,974	10
Allowance for loan and financial lease losses	(4,065,530)	(4.5)%	(3,249,639)	(4.6)%	(2,812,582)	(4.6)%	(2,509,213)	(5.2)%	(2,431,667)	(5.
Total loans and financial leases, net (COP)	85,394,012	95.5 %	66,739,040	95.4 %	58,575,846	95.4 %	46,091,877	94.8 %	39,610,307	94

(1) Includes loans with personal guarantees.

Non-performing loans, accruing loans which are contractually past-due 90 days and performing troubled debt restructuring loans

Non-performing loans and accruing loans which are contractually past-due 90 days

As of December 31, 2013, 2012, 2011, 2010, and 2009, Bancolombia did not have any performing loans which were past-due for 90 days or more.

The following table shows the non-performing loans portfolio classified into foreign and domestic loans, the gross interest income that would have been recorded in the period that ended if the loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination and the amount of interest income on those loans that were included in net income for the period.

	As of December 31, 2013					
	Amount of Loans		Gross Interest Income		***Interest income included in net income for the period***[(2)]	
			(COP million)			
Foreign loans[(1)]	COP	304,078	COP	11,206	COP	1,636
Domestic loans		1,325,949		533,027		327,591
Non –perfoming loans	COP	1,630,027	COP	544,233	COP	329,227

(1) As result of the acquisition of Banistmo and its subsidiaries the amount of the foreign non-performing loans increased at the end of the year 2013 by COP 205,921 with respect to the previous year.
(2) Includes Banistmo and its subsidiaries results subsequent to October 31, 2013.

	As of December 31, 2012					
	Amount of Loans		Gross Interest Income		Interest income included in net income for the period	
			(COP million)			
Foreign loans	COP	107,652	COP	10,382	COP	1,832
Domestic loans		1,120,675		472,261		345,533
Non –perfoming loans	COP	1,228,327	COP	482,643	COP	347,365

Performing Troubled Debt Restructuring Loans

The following table presents a summary of the Bank's Troubled Debt Restructuring loans accounted for on a performing basis in accordance with the criteria of the SFC in effect at the end of each period, classified into foreign and domestic loans:

	As of December 31,				
	2013	2012	2011	2010	2009
	(COP million)				
Foreign loans	224,134	224,385	270,803	266,173	169,459
Domestic loans	375,769	208,405	441,055	1,088,117	994,506
Total Performing Troubled Debt Restructuring loans (COP)	599,903	432,790	711,858	1,354,290	1,163,965

The following table shows the Bank's performing troubled debt restructuring loan portfolio classified into foreign and domestic loans, the gross interest income that would have been recorded in the period that ended if the loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination and the amount of interest income on those loans that was included in net income for the period.

	As of December 31, 2013		
	Amount of Loans	Gross Interest Income	***Interest income included in net income for the period***[(1)]
		(COP million)	
Foreign loans	224,134	19,741	19,741
Domestic loans	375,769	45,802	45,802
Total Performing Troubled Debt Restructuring loans	**COP 599,903**	COP 65,543	COP 65,543

(1) Includes Banistmo and its subsidiaries results subsequent to October 31, 2013.

	As of December 31, 2012		
	Amount of Loans	Gross Interest Income	Interest income included in net income for the period
		(COP million)	
Foreign loans	224,385	15,399	15,399
Domestic loans	208,405	23,622	23,622
Total Performing Troubled Debt Restructuring loans	COP 432,790	COP 39,021	COP 39,021

Policies for the granting and review of credit

The Bank's credit standards and policies aim to achieve a high level of credit quality in the Bank's loan portfolio, efficiency in the processing of loans and the specific assignment of responsibilities for credit risk.

To maintain credit quality and manage the risk arising from its lending activities, the Bank has established general loan policies for the evaluation of credit, the determination of lending limits to customers and the level of management authority required to approve a loan. In addition, the Bank has established a centralized area for credit analysis, the disbursement process and the management and custody of promissory notes and guarantees.

Bancolombia’s policies require every credit to be analyzed using the following factors: the character, reputation and credit history of the borrower, the type of business the borrower engages in, the borrower’s ability to repay the loan and/or its projected cash flows, the coverage and suitability of the proposed collateral for the loan and information received from the two credit risk bureaus currently operating in Colombia.

In addition to the analysis of the borrower, the Bank engages in the analysis of the different economic sectors in which the Bank makes loans and has established guidelines for financial analysis of the borrower and for participation in investment projects in and outside Colombia.

The Bank applies the lending limits to borrowers established under Colombian law, which require that: (i) uncollateralized loans to a single customer or economic group may not exceed 10% of the Bank’s (unconsolidated) Technical Capital; (ii) collateralized loans to a single customer or economic group may not exceed 25% of the Bank’s (unconsolidated) Technical Capital; (iii) a collateralized loan to a stockholder of the Bank, who owns a position exceeding 20% of the Bank’s capital, may not exceed 20% of the Bank’s (unconsolidated) Technical Capital; (iv) an uncollateralized loan to a stockholder of the Bank who owns a position exceeding 20% of the Bank’s capital, may not exceed 10% of the Bank’s (unconsolidated) Technical Capital; and (v) a loan to a financial institution may not exceed 30% of the Bank’s (unconsolidated) Technical Capital.

In general, the term of a loan will depend on the type of guarantee, the credit history of the borrower and the purpose of the loan. Almost 66% of the Bank’s loan portfolio has a maturity of five years or less.

Loan applications, depending on their amount, are presented for approval to branch managers, the zone or regional managers, the vice presidents, the president, the credit committee and the board of directors of Bancolombia (the "Board of Directors"). In general, loan application decisions are made by the Bank's management in the corresponding committee. Approval at each level also requires the agreement of each lower level of the approval hierarchy.

Loans to managers, directors and affiliates of the Bank must be approved by the Board of Directors,which has the authority to grant loans in any principal amount subject to the Bank's legal lending limit.

The Bank has established policies for the valuation of collateral received as well as for the determination of the maximum loan amount that can be granted against the value of the collateral. Periodically, the Bank undertakes a valuation of collateral held as security for loans, and the valuation frequency varies depending on the type of collateral. In any event, the collateral cannot be used to mitigate risk if its valuation is not updated on a periodic basis. In addition, for retail and mortgage loans that are betweenfive and 60 days past-due, an external collection company controls each obligation payment; for commercial lending this procedure is always carried out by internal employees. When a loan becomes 60 days past-due, management of the loan will be transferred to an independent and specialized division where various steps will be taken to recover the loan.

In October 2011, the SFC issued the External Circular 043 of 2011 with the purpose of setting forth the necessary instructions to be followed by financial institutions in determiningthe fair value of collateral securing loans, as well as the frequency of valuations of collateral. In accordance with these new regulations, all collateral must be valued at least every three years, except those which support mortgage and automobile loans, which must be valued annually. When the current valuation is overdue, the fair value is not considered in the measurement of certain allowances for loan losses as a mitigating factor.

With respect to monitoring outstanding loans, the Bank, in accordance with the requirements of the SFC, has implemented regional committees and a central qualification process to undertake a biannual evaluation of the loan portfolio, during the months of May and November. When monitoring outstanding loans, the Bank examines current financial statements including cash flow and financial indicators, industry analysis and historical payment behavior.

Additionally, all of the Bank's loans are evaluated monthly based on the days they are past-due. When reviewing loans, Bancolombia evaluates and updates their risk classification and makes corresponding adjustments to their provisions, if needed.

In addition, the Bank carries out a credit audit process that reviews clients with financial weaknesses, early past-due loans, clients in underperforming sectors, and branches with high records of write-offs, among others.

E.4. SUMMARY OF LOAN LOSS EXPERIENCE

ALLOWANCE FOR LOAN AND FINANCIAL LEASES LOSSES

The Bank records an allowance for loans and financial leases losses in accordance with the regulations established by the SFC. For further details regarding the regulation and methodologies for the calculation of such allowances please see Item 5, "Operating and Financial Review and Prospects - "Allowance for credit losses" and Note 2.i. to the Consolidated Financial Statements included in this Annual Report.

The following table sets forth the changes in the allowance for loan and financial lease losses:

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(COP million)				
Balance at beginning of period	3,249,639	2,812,582	2,509,213	2,431,667	2,134,360
Domestic	2,975,616	2,455,141	2,160,119	2,115,161	1,810,576
Foreign	274,023	357,441	349,094	316,506	323,784
Allowance for loan losses for Banistmo at October 31, 2013 (1)	327,877	-	-	-	-
Foreign	327,877	-	-	-	-
Deconsolidation of Asesuisa S.A. and Asesuisa Vida S.A.(2)	-	(688)	-	-	-
Foreign	-	(688)	-	-	-
Provisions for loan losses, net(3)	1,326,520	1,152,198	824,622	757,195	1,261,907
Domestic	1,228,690	1,144,162	741,483	609,585	1,108,798
Foreign	97,830	8,036	83,139	147,610	153,109
Charge-offs	(877,318)	(678,506)	(531,682)	(658,151)	(925,592)
Domestic	(788,578)	(623,687)	(446,461)	(564,627)	(804,213)
Foreign	(88,740)	(54,819)	(85,221)	(93,524)	(121,379)
Effect of difference in exchange rate	38,812	(35,947)	10,429	(21,498)	(39,008)
Foreign	38,812	(35,947)	10,429	(21,498)	(39,008)
Balance at end of year(4)	4,065,530	3,249,639	2,812,582	2,509,213	2,431,667
Domestic	3,415,728	2,975,616	2,455,141	2,160,119	2,115,161
Foreign	649,802	274,023	357,441	349,094	316,506

(1) See note 1 "Organization and Background "of the Consolidated Financial Statements.

(2) On February 5, 2011, Banagrícola S.A. and Inversiones Financieras Banco Agrícola S.A., subsidiaries of Bancolombia S.A., and seguros Suramericana S.A., a Panamanian company affiliated to Grupo de Inversiones Suramericana signed an agreement pursuant to which Banagrícola S.A. and Inversiones Financieras Banco Agrícola S.A. agreed to sell to Suramericana 97.03% of their shares of the capital stock of Asesuisa, an insurance company in the Republic of El Salvador.

The transactions closed on September 27, 2012, after all the required authorizations were obtained from the authorities of Colombia and El Salvador. The total amount received by Banagrícola S.A. and Inversiones Financieras Banco Agrícola S.A. was USD 97,999.

(3) The provision for past due accrued interest receivable, net, which is not included in this item, amounted to COP 23,889 million, COP 26,018 million, COP 13,719 million, COP 11,422 million and COP 17,860 million for the years ended December 31, 2013, 2012, 2011, 2010 and 2009, respectively.

(4) The allowance for past due accrued interest receivable, which is not included in this item, amounted to COP 63,745 million, COP 54,026 million, COP 43,644 million, COP 38,952 million, and COP 45,937 million,for the years ended December 31, 2013, 2012, 2011, 2010, and 2009, respectively.

The recoveries of charged-off loans are recorded in the consolidated statement of operations and are not included in provisions for loan losses. See in the Consolidated Statement of Operations on the line: Recovery of charged-off loans.

The following table sets forth the allocation of the Bank's allowance for loan and financial lease losses by type of loan using the classification of the SFC:

	As of December 31,				
	2013	2012	2011	2010	2009
	(COP million)				
Commercial loans	2,027,000	1,661,705	1,472,657	1,465,318	1,443,943
Consumer loans	1,262,981	988,391	804,321	559,789	523,353
Small business loans	44,436	28,191	24,528	21,719	17,263
Financial leases	365,403	310,443	283,665	269,634	253,764
Mortgage	287,775	198,780	176,501	157,459	157,445
General allowance	77,935	62,129	50,910	35,294	35,899
Total allowance for loan losses (COP)[(1)]	4,065,530	3,249,639	2,812,582	2,509,213	2,431,667

(1) For mortgage and microcredit loans, the Bank sets up a general allowance, which corresponds to one percent (1%) of the outstanding principal. By virtue of applying the standardized models supplied by the SFC for commercial and consumer loans, general allowances are no longer assigned to commercial and consumer loans.

The following table sets forth the allocation of the Bank's allowance for loans and financial leases losses by type of loan:

	As of December 31,									
	2013	***%***	***2012***	***%***	***2011***	***%***	***2010***	***%***	***2009***	***%***
	(COP million, except percentages)									
Domestic										
Corporate										
Trade financing	41,952	1.2 %	31,939	1.1 %	42,797	1.7 %	36,857	1.7 %	22,834	1.1 %
Loans funded by development banks	79,979	2.3 %	17,659	0.6 %	36,944	1.5 %	39,189	1.8 %	47,540	2.2 %
Working capital loans	891,666	26.1%	893,522	30.0%	728,313	29.7%	687,038	31.8%	614,342	29.0%
Credit cards	1,293	0.0 %	1,166	0.0 %	1,122	0.1 %	898	0.0 %	826	0.0 %
Overdrafts	5,858	0.2 %	4,525	0.2 %	2,091	0.1 %	2,892	0.1 %	3,783	0.2 %
Total corporate	1,020,748	29.8%	948,811	31.9%	811,267	33.1%	766,874	35.4%	689,325	32.5%
Retail										
Credit cards	471,243	13.8%	426,535	14.3%	385,481	15.7%	285,248	13.2%	266,094	12.6%

Personal loans	383,829	11.2%	327,009	11.0%	199,464	8.1 %	124,912	5.8 %	122,265	5.8 %
Vehicle loans	150,739	4.4 %	122,604	4.1 %	106,379	4.3 %	95,308	4.4 %	112,626	5.3 %
Overdrafts	20,295	0.6 %	18,304	0.6 %	13,824	0.6 %	13,341	0.6 %	16,650	0.8 %
Loans funded by development banks	56,131	1.6 %	38,843	1.3 %	46,021	1.9 %	45,927	2.1 %	48,354	2.3 %
Trade financing	3,444	0.1 %	5,230	0.2 %	2,026	0.1 %	1,333	0.1 %	2,450	0.1 %
Working capital loans	691,673	20.3%	535,946	18.0%	413,364	16.8%	393,285	18.2%	442,116	20.9%
Total retail	1,777,354	52.0%	1,474,471	49.5%	1,166,559	47.5%	959,354	44.4%	1,010,555	47.8%
Financial Leases	349,778	10.3%	320,855	10.8%	287,615	11.7%	273,556	12.7%	251,618	11.9%
Mortgage	198,884	5.9 %	177,308	6.0 %	147,087	6.0 %	133,101	6.2 %	136,674	6.5 %
General allowance	68,964	2.0 %	54,171	1.8 %	42,613	1.7 %	27,234	1.3 %	26,989	1.3 %
Total domestic allowance for loan losses (COP)	3,415,728	100 %	2,975,616	100 %	2,455,141	100 %	2,160,119	100 %	2,115,161	100 %

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	As of December 31,									
	2013	**%**	**2012**	**%**	**2011**	**%**	**2010**	**%**	**2009**	**%**
	(COP million, except percentages)									
Foreign										
Corporate										
Trade financing	106,924	16.5%	5,664	2.1 %	14,078	3.9 %	26,344	7.6 %	13,502	4.3 %
Loans funded by development banks	304	0.1 %	340	0.1 %	222	0.1 %	554	0.2 %	1,107	0.3 %
Working capital loans	154,882	23.8%	114,041	41.6%	142,416	39.8%	174,348	49.9%	172,704	54.6%
Credit cards	205	0.0 %	245	0.1 %	406	0.1 %	344	0.1 %	387	0.0 %
Overdrafts	298	0.1 %	302	0.1 %	457	0.1 %	513	0.2 %	656	0.2 %
Total Corporate	262,613	40.5%	120,592	44.0%	157,579	44.0%	202,103	58.0%	188,356	59.4%
Retail										
Credit cards	35,358	5.4 %	12,484	4.6 %	13,550	3.8 %	10,991	3.2 %	12,961	4.1 %
Personal loans	207,321	31.9%	101,010	36.8%	137,574	38.5%	97,239	27.9%	78,999	25.0%
Vehicle loans	18,353	2.8 %	76	0.0 %	167	0.1 %	220	0.1 %	242	0.1 %
Overdrafts	4,082	0.6 %	1,066	0.4 %	2,795	0.8 %	2,403	0.7 %	2,032	0.6 %
Loans funded by development banks	1,586	0.2 %	1,098	0.4 %	1,681	0.5 %	708	0.2 %	332	0.1 %
Trade financing	4,198	0.7 %	152	0.1 %	414	0.1 %	303	0.1 %	214	0.1 %
Working capital loans	2,685	0.4 %	2,170	0.8 %	2,427	0.7 %	1,025	0.3 %	1,542	0.5 %
Total retail	273,583	42.0%	118,056	43.1%	158,608	44.5%	112,889	32.5%	96,322	30.5%
Financial Leases	15,746	2.4 %	5,947	2.2 %	3,576	1.0 %	1,685	0.5 %	2,147	0.7 %
Mortgage	88,889	13.7%	21,470	7.8 %	29,381	8.2 %	24,357	7.0 %	20,771	6.6 %
General allowance	8,971	1.4 %	7,958	2.9 %	8,297	2.3 %	8,060	2.0 %	8,910	2.8 %
Total foreign allowances for loan losses *(COP)*	649,802	100 %	274,023	100 %	357,441	100 %	349,094	100 %	316,506	100 %
Total Foreign and Domestic allowance for loan losses (COP)	**4,065,530**	100 %	3,249,639	100 %	2,812,582	100 %	2,509,213	100 %	2,431,667	100 %

As of December 31, 2013, allowances for loans and financial lease losses amounted to COP 4,066 billion (4.5% of total loans), up 25.1% as compared to COP 3,250 billion (4.6% of loans) at the end of 2012, and up 44% as compared to COP 2,813 billion (4.6% of loans) at the end of 2011.

Coverage, measured by the ratio of allowances for loan losses to past-due loans (overdue 30 or more days), was 157% at the end of 2013, down from 177% at the end of 2012 and 210% at the end of 2011. This decrease in the coverage ratio is explained by the rate of formation of PDLs during the year, which was faster than the pace of increase in allowances in the balance sheet and the incorporation of the loan portfolio of Banistmo, which treats loans as past due only when they are 90 days past due. For further information regarding asset quality and provision charges see Item 5. "Operating and Financial Review and Prospects".

CHARGE-OFFS

The following table shows the allocation of the Bank's charge-offs by type of loan as of December 31, 2013, 2012, 2011, 2010 and 2009:

	Year ended December 31,				
	2013	2012	2011	2010	2009
	(COP million)				
Domestic					
Trade financing	612	452	706	2,165	263
Loans funded by development banks	8,112	15,133	11,000	22,368	37,112
Working capital loans	178,651	131,165	172,572	202,241	329,603
Credit cards	309,992	293,507	131,553	172,804	195,676
Personal loans	179,189	98,253	44,561	69,808	96,597
Automobile loans	76,232	35,846	25,227	55,711	57,966
Overdrafts	9,619	7,224	8,345	15,052	27,685
Mortgage & other	5,064	11,693	30,833	679	29,027
Financial leases	21,107	30,414	21,664	23,799	30,284
Total domestic charge-offs (COP)	788,578	623,687	446,461	564,627	804,213

	Year ended December 31,				
	2013	2012	2011	2010	2009
	(COP million)				
Foreign					
Trade financing	1,289	249	44	3,999	74
Loans funded by development banks	32	46	28	6	62
Working capital loans	27,838	11,554	37,312	31,207	31,850
Credit cards	10,971	6,268	6,672	10,969	13,460
Personal loans	44,927	31,445	38,305	45,898	62,854
Automobile loans	712	10	75	167	55
Overdrafts	1,650	3,720	1,110	947	1,167
Mortgage & other	1,321	1,527	1,675	331	3,472
Financial leases	-	-	-	-	8,385
Total foreign charge-offs (COP)	88,740	54,819	85,221	93,524	121,379
Total Foreign and Domestic charge-offs (COP)	877,318	678,506	531,682	658,151	925,592

The ratio of charge-offs to average outstanding loans for the years ended December 31, 2013, 2012, 2011, 2010 and 2009 was as follows:

	Year ended December 31,				
	2013	2012	2011	2010	2009
Ratio of charge-offs to average outstanding loans	1.13%	1.07%	0.99%	1.49%	2.10%

The Bank charges off loans that are classified as "unrecoverable" once they become overdue: (i) 180 days for consumer and small business loans; (ii) 360 days for commercial loans; and (iii) 54 months for mortgage loans.

All charge-offs must be approved by the board of directors. Even if a loan is charged off, management remains responsible for decisions in respect of the loan, and neither the Bank nor its Subsidiaries in Colombia are released from their obligations to pursue recovery as appropriate.

The recovery of charged-off loans is accounted for as income in the consolidated statement of operations.

POTENTIAL PROBLEM LOANS

In order to carefully monitor the credit risk associated with clients, the Bank has established a committee that meets monthly to identify current situations or anticipate future situations that might generate a possible deterioration in the client's ability to pay. In general, the clients who are analyzed could face difficulties in the future in the repayment of their obligations with the Bank but who have had a good record of payment behavior. This situation could be related to internal factors such as economic activity, financial weakness or any other external events that could affect the client's business.

As of December 31 2013, 3,368 loans amounting to COP 2.6 billion were performing and were on the watch list. The amount of loans and clients on the watch list has increased in response to the actions taken by the Bank to improve its debt service.

This increase was driven by some customers with high exposure because of their industry type, macroeconomic indicators or financial risk; these kinds of impairments are catalogued as low risk - level 1.

Watch List 2013				**Watch List 2012**			
Level	**Amount** *(COP million)*	%	**Allowance** *(COP million)*	Level	**Amount** *(COP million)*	%	**Allowance** *(COP million)*
Level 1 - Low Risk	1,689,887	64%	65,117	Level 1 - Low Risk	855,940	57%	27,351
Level 2 - Medium Risk	445,788	17%	73,876	Level 2 - Medium Risk	166,965	11%	32,107
Level 3 - High Risk	500,115	19%	235,550	Level 3 - High Risk	487,115	32%	264,821
Total	2,635,790		374,543	Total	1,510,020		324,279

CROSS-BORDER OUTSTANDING LOANS AND INVESTMENTS

As of December 31, 2013, 2012 and 2011, total cross-border outstanding loans and investments amounted to approximately USD 11,891 million, USD 5,298 million and USD 5,448 million, respectively. As of December 31, 2013, total outstanding loans to borrowers in foreign countries amounted to USD 10,563 million, and total investments to USD 1,328 million. As of December 31, 2013, total cross-border outstanding loans and investments represented 17.51% of total assets.

The Bank had no cross-border outstanding acceptances, interest-earning deposits with other banks or any other monetary assets denominated in pesos or other currencies, the total of which exceeded 1% of consolidated total assets at December 31, 2013, 2012 and 2011.

The following table presents information with respect to the Bank's cross-border outstanding loans and investments for the years ended December 31, 2013, 2012 and 2011:

	As of December 31,		
	2013	2012	2011
	(thousands of U.S. dollars)		
Governments and official institutions			
Panama	USD 590,867	USD 6,086	USD 5,761
El Salvador	525,102	586,588	549,861
Mexico	162,462	-	-
Costa Rica	41,970	19,632	5,200
United States	33,639	29,965	58,339
Brazil	23,736	42,189	23,711
Chile	3,587	43,114	88
Peru	-	3,674	5,357
Guatemala	-	-	3,627
Banks and other financial institutions			
Panama	USD 200,844	USD 277,648	USD 270,000
Venezuela	37,857	33,615	15,496
Brazil	27,814	80,904	41,186
Costa Rica	20,341	25,530	13,506
Chile	12,871	23,264	37,276
Peru	6,322	17,762	9,790
El Salvador	6,093	2,798	18,000
Mexico	3,032	6,625	3,023
Guatemala	2,740	-	-
Puerto Rico	302	302	303
Spain	-	142,800	17,400
Honduras	-	-	14,727
United States	-	-	2,711
Commercial and industrial Loans			
Panama	USD 2,547,712	USD 63,125	USD 53,983
El Salvador	2,136,535	860,363	615,692
Guatemala	479,108	72,043	810,578
Peru	387,733	197,042	200,045
United States	293,595	28,250	36,215
Costa Rica	200,339	416,248	188,407
Spain	143,445	484	254
British Virgin Island	102,348	37,000	-
Uruguay	79,850	-	-
Marshall Islands	54,545	-	-
Canada	33,413	29,535	22,057
Mexico	22,160	35,649	96,470
Chile	14,283	16,905	36,980
Honduras	12,701	14,470	34,744
New Zealand	12,000	-	-

Nicaragua	10,110	5,761	6,337
Brazil	9,580	14,495	39,997
Barbados	5,804	-	-
England	4,894	-	154,280
Dominican Republic	4,280	4,938	7,744
Guyana	2,500	3,700	4,900
Ecuador	2,004	2,901	1,700
Saint Vincent and the Grenadines	-	2,760	-
Russia	-	2,432	-
Cayman Islands	-	-	6,511
Others	1,036	1,360	197
Other Loans			
Panama	USD 2,622,762	USD 14,262	USD 32,021
El Salvador	667,210	1,808,547	1,741,014
Nicaragua	104,969	-	-
Costa Rica	76,472	74,673	59,808
Peru	42,372	13,494	42,063
Guatemala	33,454	6,229	8,663
United States	25,547	17,542	43,246
British Virgin Island	17,958	-	-
Brazil	8,306	26,783	23,115
Spain	8,042	152,992	899
Chile	7,036	14,569	11,125
England	6,363	6,266	9,497
Dominican Republic	4,045	-	-
Bahamas	2,663	4,448	7,490
Canada	1,096	1,076	35,372
Mexico	1,048	1,579	1,120
Honduras	-	1,095	1,935
Venezuela	-	645	17,235
Others	2,151	1,619	1,095
Total Cross-Border Outstanding Loans and Investment	USD 11,891,048	USD 5,297,776	USD 5,448,151

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E.5. DEPOSITS

The following table shows the composition of the Bank's deposits for 2013, 2012 and 2011:

	As of December 31, 2013	2012	2011
	(COP million)		
Non-interest bearing deposits:			
Checking accounts	COP 13,617,057	COP 8,820,458	COP 7,909,743
Other deposits	1,063,430	978,416	904,430
Total	14,680,487	9,798,874	8,814,173
Interest bearing deposits:			
Checking accounts	3,167,876	2,478,443	2,384,151
Time deposits	34,058,452	24,767,489	17,973,117
Savings deposits	34,649,764	27,113,914	23,263,051
Total	71,876,092	54,359,846	43,620,319
Total deposits	COP 86,556,579	COP 64,158,720	COP 52,434,492

The following table shows the time deposits held by the Bank as of December 31, 2013 and 2012, respectively, classified by amount and maturity:

	At December 31, 2013 Domestic Operations	Foreign Operations	Total
	(COP million)		
Time deposits higher than USD 100,000(1)			
Up to 3 months	6,553,140	3,364,803	9,917,943
From 3 to 6 months	2,695,991	1,695,879	4,391,870
From 6 to 12 months	1,858,652	2,238,283	4,096,935
More than 12 months	6,728,343	2,817,005	9,545,348
Time deposits less than USD 100,000(1)	4,440,859	1,665,497	6,106,356
Total	22,276,985	11,781,467	34,058,452

	At December 31, 2012 Domestic Operations	Foreign Operations	Total
	(COP million)		
Time deposits higher than USD 100,000(2)			
Up to 3 months	3,262,557	2,475,895	5,738,452

From 3 to 6 months	2,162,634	1,253,157	3,415,791
From 6 to 12 months	2,136,468	936,813	3,073,281
More than 12 months	7,245,194	403,328	7,648,522
Time deposits less than USD 100,000(2)	3,714,192	1,177,251	4,891,443
Total	18,521,045	6,246,444	24,767,489

(1) Approximately COP 193 million at the Representative Market Rate as of December 31, 2013.
(2) Approximately COP 177 million at the Representative Market Rate as of December 31, 2012.

As of December 31, 2013, the time deposits collected by foreign subsidiaries amounted to COP 11,781,467 million.

For a description of the average amount and the average rate paid for deposits, see "Item 4. Information on the Company – E. Selected Statistical Information – E.1. Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rates and Interest Differential".

E.6. RETURN ON EQUITY AND ASSETS

The following table presents certain selected financial ratios of the Bank for the periods indicated:

	Year Ended December 31,		
	2013	2012	2011
	(in percentages)		
Net income as a percentage of:			
Average total assets	1.37	1.92	2.20
Average stockholders' equity	12.76	15.97	20.22
Dividends declared per share as a percentage of consolidated net income per share(1)	43.62	37.46	33.52
Average stockholders' equity as a percentage of average total assets	10.72	12.02	10.86
Return on interest-earning assets(2)	8.89	10.44	9.39

(1) Dividends are paid based on unconsolidated earnings. Net income per share is calculated using the average number of common and preferred shares outstanding during the year.

(2) Defined as total interest earned divided by average interest-earning assets.

E.7. SHORT TERM BORROWINGS

The following table sets forth certain information regarding the short-term borrowings by the Bank for the periods indicated:

	As of December 31,					
	2013		2012		2011	
	Amount	*Rate*(3)	Amount	*Rate*(3)	Amount	*Rate*(3)
	(COP million, except percentages)					
End of period	6,168,522	2.02 %	1,803,665	2.78 %	4,130,915	1.11 %
Weighted average during period	4,108,709	3.03 %	2,488,285	2.02 %	2,949,935	1.55 %
Maximum amount of borrowing at any month-end	6,168,522(1)		3,693,395(2)		4,130,915(1)	
Interest paid during the year	124,352		50,209		45,840	

(1) December
(2) January
(3) Corresponds to the ratio of interest paid to short-term borrowings.

ITEM 4 A. UNRESOLVED STAFF COMMENTS

As of the date of the filing of this Annual Report, there are no unresolved written comments from SEC staff regarding the Bank's periodic reports required to be filed under the Exchange Act of 1934.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. OPERATING RESULTS

The following discussion should be read in conjunction with Bancolombia's audited Consolidated Financial Statements for the years ended December 31, 2013, 2012 and 2011.

Bancolombia's audited Consolidated Financial Statements are prepared following the accounting practices and the special regulations of the SFC, or, in the absence of such regulations, Colombian banking GAAP. Together, these requirements differ in certain significant respects from U.S. GAAP. Note 31 to the Bank's audited Consolidated Financial Statements included in this Annual Report describes the significant differences between Colombian banking

GAAP and U.S. GAAP as they relate to the Bank's audited Consolidated Financial Statements and provides a reconciliation of net income and stockholders' equity for the years and dates indicated herein.

IMPACT OF ECONOMIC AND MONETARY POLICIES ON BANCOLOMBIA'S RESULTS

Bancolombia's operations are affected by external factors such as economic activity in Colombia, interest rates, inflation and exchange rates. The following discussion summarizes the trends of such variables.

Economic activity

Colombia's GDP growth was 4.3% in 2013, higher than the 4.0% reached in 2012. Household consumption and investment remain solid and are driving the economic expansion.

Key GDP components performed as follows in 2013 compared to 2012: consumption increased 4.7%, investment grew 4.9% and exports increased 5.3%.

In 2013, gross capital formation represented 27.6% of GDP, household consumption represented 65.7%, government consumption 16.6%, exports 17.4% and imports 26.8%.

The activities that led growth during the year were construction (9.8% increase), non-financial services (5.3% increase), agriculture (5.2% increase) and mining (4.9% increase).

Interest Rates

In the first three meetings of the year, in January, February and March 2013, the Central Bank decreased its benchmark rate 25 basis points in the first two meetings and 50 basis points in the third to 3.25% in order to boost the economy and kept it there throughout the year.

The Central Bank expects to maintain inflation rates over time within the long-term targeted range (between 2% and 4%) while permitting the economy to grow close to GDP estimates. In order to do so, the Central Bank may change the interest rate to promote economic activity, credit expansion and consumption.

Inflation

Year-end inflation rate for 2013 was 1.94%, lower than the 2.44% recorded for 2012.

The components that led inflation in 2013 were health care (4.4% increase), education (4.4% increase), telecommunications (2.8% increase) and housing (2.7% increase).

The 12-month core inflation rate for 2013 came to 2.36%, thereby remaining within the Central Bank's targeted inflation range of 2% to 4%. The price increase in regulated goods and services, such as utilities, urban transportation and gasoline was 1.05%.

Exchange rate

The Colombian Peso depreciated 9% versus the U.S. dollar during 2013, compared with a appreciation of 9% during 2012.

Foreign Direct Investment flows into Colombia have been one of the main drivers of the appreciation of the Colombian peso against the U.S. dollar during the last twelve years. In 2013, FDI totaled USD 16,772 million, of which 46.7% was related to oil, gas and mining.

The weakening of the Colombian Peso mainly benefited Colombian companies that focus on exporting and that gained competitiveness given that a large portion of their expenses was denominated in Colombian Pesos.

Outlook

Future prospects for the Colombian financial sector in general, and for Bancolombia in particular, are expected to depend on the factors listed below:

Favorable factors for the Colombian economy – mid-term	***Unfavorable factors for the Colombian economy – mid-term***
Benefits derived from past monetary policies aimed at achieving sustainable growth.	Underdeveloped infrastructure that translates into a constraint for growth.
Positive inflationary outlook.	Commodity dependent export activity.
Investment grade rating given to Colombia by Standard and Poor's, Moody's and Fitch.	Despite successful efforts to diversify export markets, there is still concentration in specific export destinations, particularly the United States.
The approval by Congress of the Fiscal Rule, which will further contribute to the country's fiscal sustainability.	Exchange rate uncertainties that could expose the economy to highly volatile markets or build inflation pressures.
Stronger local capital markets, with little exposure to "toxic assets" and with low currency mismatches.	Risk of new fiscal measures.
A well-capitalized banking system.	Possible escalation in activities of guerilla and drug cartels that may hurt investor confidence.
Well-developed supervision and regulation of the financial system.	
Adequate international reserves to short term debt.	
Limited exposure of corporations to speculation through derivatives.	

GENERAL DISCUSSION OF THE CHANGES IN RESULTS FOR 2013 VERSUS 2012

Summary

In 2013, Bancolombia strengthened its competitive position and full-service financial model, and benefited from the diversity of its leading franchises. For 2013, net income totaled COP 1,515 billion (COP 1,779 per share – USD 3.69

per ADR), which represents a decrease of 11% as compared to 2012, when net income totaled COP 1,702 billion, and a decrease of 9% as compared to 2011, when net income totaled COP 1,664 billion.

Bancolombia's return on average stockholders' equity for 2013 was 12.76%, down from 15.97% in 2012 and 20.22% in 2011.

The net interest margin decreased in 2013 and reached 5.48%, down from 6.49% in 2012 and 6.17% in 2011.

Provision charges, net of recoveries, totaled COP 1,231 billion for 2013, up 11% from COP 1,111 billion in 2012 and 106% from COP 599 billion in 2011. The higher amount of provisions was the result of loan deterioration and countercyclical provisions. The majority of the new past due loans are related to consumer clients and are responsible for most of the provision charges for the year.

Loans and financial leases grew 28% during the year. This performance was driven primarily by credit and mortgage demand from individuals corporations and the incorporation of Banistmo, which contributed with 15.8% to the overall growth in loans.

Reserves for loan losses and accrued interest represented 4.5 % of total loans and 157% of past-due loans at the end of 2013 compared with 4.7% of total loans and 177% of past-due loans at December 31, 2012. Capital adequacy was 10.6% (Tier 1 ratio of 5.8%), lower than the 15.8% (Tier 1 ratio of 10.4%) reported at the end of 2012.

Deposits increased 35% during 2013, driven by greater liquidity in the Colombian economy and as a result of the acquisition of Banistmo, wich explained 16,6% of growth in deposits. The ratio of net loans to deposits (including borrowings from development banks) was 94% at the end of the year, down from 99% at December 31, 2012.

Banistmo

On October 28, 2013, Bancolombia completed the acquisition of 100% of common shares, and 90.1% of preferred shares of Banistmo. After having obtained the required regulatory approvals, and satisfied certain other conditions for completion of this transaction, Bancolombia acquired a controlling interest in the Panamanian entity.

Bancolombia paid a consideration amount of USD 2,234 million to HSBC Latin America Holdings (UK) Limited, a subsidiary of HSBC Holdings plc.

Banistmo has the second largest market share of loans and deposits in Panama, and it has USD 8,000 million in assets, USD 5,542 million in deposits and USD 676 million in equity on a consolidated basis, as of December 2013.

Additionally, Banistmo and its subsidiaries have more than 450 thousand clients, 2500 employees, 62 branches and 274 ATMs.

The strategy with Banistmo in the near future is to consolidate its relationships with clients, implement its own IT platform and processes and continue growing along with the Panamanian economy, which is one of the more dynamic in Central America.

REVENUE PERFORMANCE

Net Interest Income

For 2013, net interest income totaled COP 5,009 billion, up 5% from COP 4,767 billion in 2012 and 28% from COP 3,904 billion in 2011. This performance is explained by the combined effect of the growth in the loan portfolio during the year and a decrease in interest margins. In 2013, the Central Bank decreased its reference rate from 4.25% to

3.25% which increased money supply and expanded the availability of credit in the economy. The reasons for these cuts in the reference rate were the slower pace of growth in the economy and the reduction of inflation. Although rates declined during 2013, the Bank was able to manage its funding costs, in a manner that mitigate the compression of spreads. The addition of U.S. dollar denominated loans from the Banistmo operation also impacted the net interest margin as, since those assets present lower yields as compared to the assets prior to the acquisition. Net interest margin was 5.48% for 2013, down from 6.49% in 2012. Net interest income represented 65% of net revenues in 2013, compared to 64% for 2012 and 62% for 2011.

Interest income, which is the sum of interest on loans, financial leases, overnight funds and income from investment securities, totaled COP 8,131 billion in 2013, up 6% from COP 7,662 billion in 2012 and up 37% from COP 5,946 billion in 2011.

Interest on loans and financial leases reflected an increase in the loan portfolio in 2013. The weighted average nominal interest rate on loans and financial leases ended at 10% in 2013 down from 11% in 2012 and equal to the 10% rate in 2011. As a result, interest on loans and financial leases totaled COP 7,614 billion (94% of interest income), an increase of 11% compared to COP 6,878 billion (90% of interest income) in 2012 and 44% compared to COP 5,301 billion (89% of interest income) in 2011.

Interest on investment securities, which includes, among other items, the interest paid or accrued on debt securities and mark-to-market valuation adjustments, totaled COP 490 billion in 2013, down 36% as compared to 2012 and 22% as compared to 2011. This decline is primarily explained by loss in value of securities in May and June 2013, caused by the announcement of the U.S. Federal Reserve regarding the tapering of the monetary stimulus.

Regarding interest expenses, interest incurred on liabilities totaled COP 3,122 billion in 2013, up 8% as compared to COP 2,895 billion in 2012, and up 53% as compared to COP 2,042 billion in 2011. The increase in interest expenses is explained by the increase in volumes of deposits and bonds. Overall, the average interest rate paid on interest-bearing liabilities decreased to 3.7% in 2013 from 4.4% in 2012 and remained stable compared to 3.7% in 2011.

Net Fees and Income from Financial Services

For 2013, net fees and income from services totaled COP 1,916 billion, up 6% as compared to COP 1,807 billion in 2012 and up 15% as compared to COP 1,669 billion in 2011. This increase was driven primarily by the performance of commissions received from banking services, collections and payments fees and check remittances.

Bancolombia's distribution channels completed an increased number of transactions in 2013 compared to 2012. In particular, our banking operation in Colombia completed about 1.60 billion transactions in 2013, which represents an increase of 16% as compared to the 1.38 billion transactions in 2012. The Bank achieved these higher transaction levels, despite fee increases and the elimination of fee exemptions for certain payment instruments for some segments (such as debit cards and credit cards).

The following table lists the main revenue-producing fees for the years ended December 31 2013, 2012 and 2011 along with year-to-year variations:

	Year Ended December 31,			Variation		Variation	
	2013	2012	2011	2013/2012		2012/2011	
	(COP million)						
Main fees and commissions							
Commissions from banking services	469,896	449,452	383,984	4.55	%	17.05	%
Electronic services and ATM fees	87,516	73,887	67,267	18.45	%	9.84	%
Branch network services	135,474	126,356	125,835	7.22	%	0.41	%
Collections and payments fees	283,788	256,503	224,878	10.64	%	14.06	%
Credit card merchant fees	8,295	9,684	16,725	(14.34	)%	(42.10	)%
Credit and debit card annual fees	731,095	654,900	617,526	11.63	%	6.05	%

Checking fees	70,261	72,636	74,514	(3.27)%	(2.52)%
Trust activities	207,994	208,583	188,340	(0.28)%	10.75%
Brokerage fees	62,615	63,631	65,943	(1.60)%	(3.51)%
Check remittance	44,368	22,120	19,626	100.58%	12.71%
International operations	62,921	71,932	71,293	(12.53)%	0.90%
Fees and other service expenses	(247,867)	(202,644)	(187,347)	22.32%	8.17%
Total fees and income from services, net	1,916,356	1,807,040	1,668,584	6.05%	8.30%

Other Operating Income

For 2013, total other operating income was COP 840 billion, 1% higher than the COP 833 billion reported in 2012, and 22% higher than the COP 691 billion reported in 2011.

Revenue from communication, postage, rent and others had a significant impact on the “Other operating income” line of COP 466 billion in 2013, 33% higher than the COP 350 billion reported in 2012, and 107% higher than the COP 225 billion recorded in 2011. This item includes the rents received from operating leasing contracts.

The Bank recorded insurance income generated by Banistmo’s insurance operations during the months of November and December, these activities contributed COP 10 billion in income.

Net foreign exchange gain (loss) decreased by 9% to COP 95 billion in 2013, from COP 104 billion in 2012 and decreased by 15% from COP 112 billion in 2011. Gains on forward contracts in foreign currency decreased by 54% to COP 27 billion in 2013, from COP 59 billion in 2012 and increased by 148% from COP 11 billion in 2011.

Operating expenses

For 2013, operating expenses totaled COP 4,639 billion, up 11% as compared to COP 4,162 billion in 2012 and up 29% as compared to COP 3,606 billion in 2011.

Personnel expenses (salaries and employee benefits, bonus plan payments and indemnities) totaled COP 1,656 billion in 2013, up 1% from 2012. This performance was primarily driven by the combined effect of a slight increase in headcount and wage increments during 2013. Salaries in 2013 were raised in line with the 2012 inflation rate of 2.44%.

Administrative and other expenses totaled COP 2,327 billion in 2013, up 14% as compared to 2012 and up 31% as compared to 2011, driven by increased taxes different than income tax and expenses incurred in connection with software development and IT upgrades.

Depreciation expenses totaled COP 429 billion in 2013, increasing 34% as compared to COP 320 billion in 2012 and 92% as compared to COP 223 billion in 2011. This increase was driven by the growth in the operating lease business of Bancolombia.

The following table summarizes the principal components of Bancolombia's operating expenses for the last three fiscal years:

	Year ended December 31,		
	2013	2012	2011
	(COP million)		
Operating expenses			
Salaries and employee benefits	1,467,780	1,394,027	1,275,351
Bonus plan payments	154,550	204,201	137,160
Indemnitiesbenefits	33,965	39,452	29,347
Administrative and other expenses	2,327,908	2,040,223	1,780,459
Insurance on deposits, net	135,816	105,675	90,769

Donation expenses	11,525	13,512	19,020
Depreciation	428,856	319,602	223,003
Goodwill amortization	78,880	45,690	51,239
Total operating expenses	4,639,280	4,162,382	3,606,348

Provision Charges and Credit Quality

For the year 2013, provision charges (net of recoveries) totaled COP 1,231 billion (or 1.6% of average loans), which represents an increase of 11% as compared to COP 1,111 billion in 2012 (or 1.7% of average loans) and an increase of 106% as compared to COP 599 billion in 2011 (or 1% of average loans). The higher level of provisions was driven by the formation of past-due loans and the growth of the loan portfolio, which implied higher countercyclical provisions.

Net loan charge-offs totaled COP 877 billion in 2013, up 29% from COP 679 billion in 2012 and up 65% from COP 532 billion in 2011. Past-due loans amounted to COP 2,597 billion in 2013, up 42% as compared to COP 1,832 billion in 2012, and 94% higher than COP 1,341 billion in 2010.

The delinquencies ratio (the ratio of loans overdue more than 30 days to total loans) reached 2.90% as of the end of 2013, up from 2.62% at the end of 2012 and up from 2.18% at the end of 2011.

Allowance for credit losses

Under Colombian banking GAAP and according to the rules established by the SFC, banking institutions in Colombia must follow minimum standards for establishing allowances for loan losses. Such minimum standards require banks to analyze, on an ongoing basis, the credit risk to which their loan portfolio is exposed, taking into account the terms of the corresponding obligations as well as the level of risk associated with the borrowers. The risk evaluation is based on information relating to historical performance data, particular characteristics of the borrower, collateral, the borrower's debt to other entities, macroeconomic factors and financial information, among other data. The standards for provisioning vary for each credit category.

Commercial and consumer loans are provisioned following standard models developed by the SFC. According to the models the allowance for loan losses is calculated as follows:

Expected Loss = [Probability of default] x [Exposure at default] x [Loss given default]

The probability of default is calculated and provided by the SFC based on historical data. Exposure at default is defined as the current balance of the principal, interest, interest receivable accounts and other receivables regarding consumer and commercial loan obligations at the moment of default. The Loss Given Default ("LGD") is defined as the expected loss occurred after default and is calculated and provided by the SFC. The LGD varies according to the type of collateral and would increase gradually depending on the number of days the loan has been in default. It is important to note that Bancolombia applies stricter parameters than those required by the Colombian regulator in the estimation of the LGD of its loan portfolio by reducing the number of the past-due days that are used in such calculation and adjusting some percentages. Therefore, allowances produce higher provision charges that reflect a higher coverage ratio for loan losses. In addition to the allowances calculated by the reference models, the Bank also sets up incremental allowances for certain clients who are considered to present an increased inherent risk due to determined risk factors such as macroeconomic or industry deterioration trends or any other factors that could indicate early impairment. In June 2012, due to the significant increase in the consumer loan portfolio of the Colombian financial institutions, the SFC issued the External Circular 026 of 2012, with the purpose of setting forth the requirements to be followed by financial institutions, in order to establish a new additional allowance for covering the consumer loan's individual inherent risk, For futher details see Note 2 to the Financial Statements,"Summary of significant accounting policies".

In addition, there are no standard models required or provided by the regulator for mortgage and small business loans. In order to calculate provisions for these segments, the Bank must maintain at all times individual allowances equal to or greater than the minimum percentages provided by the SFC. The minimum percentages vary depending on the risk category assigned to every loan within the mortgage and small business loans categories (the higher the risk, the higher the allowance percentage). In addition, the minimum percentages might differ if the loan has any collateral. The Bank also has adopted, for its Colombian business, more rigorous policies in the calculation of allowances for mortgage and small business loans than those required by the SFC. Under such policies, the Bank has established higher allowance percentages for loans classified in the C, D and E risk categories.

For mortgage and small business loans, the Bank sets up a general allowance which corresponds to one percent (1%) of the outstanding principal. Because the Bank applies standardized models supplied by the SFC to compute the allowance for commercial and consumer loans, the Bank no longer establishes general allowances for commercial and consumer loans.

Allowance for loans, financial leases and accrued interest losses amounted to COP 4,066 billion or 4.54% of total loans at the end of 2013, an increase of 25% from COP 3,249 billion, or 4.64% of total loans, as of December 31, 2012. Nevertheless, coverage for loan losses, measured by the ratio of allowances toPDLs (overdue 30 days), reached 157% at the end of 2013, down from 177% at the end of 2012. The decrease in this coverage ratio is explained by the formation of PDLs during the year, which was faster than the pace of increase in allowances in the balance sheet, however, this coverage continues to reflect the Bank's prudent approach toward risk management, which is stricter than that required by the SFC. As of December 31, 2013, allowances in the amount of COP 674 billion were recorded in excess of the minimum allowances required by the SFC as compared with COP 587 billion as of December 31, 2012.

The Bank's management considers that the Bank's allowances for loans and financial leases losses adequately reflect the credit risk associated with its loans portfolio given the current economic environment and the available information upon which the credit assessments are made. Nonetheless, the methodology used in the allowance and provision charges determination is based on the existence and magnitude of determined factors that are not necessarily an indication of future losses and, accordingly, no assurance can be given that current allowances and provision charges will exactly reflect actual losses.

For further details regarding the regulation and methodologies for the calculation of allowances following the accounting practices and the special regulations of the SFC, please see "Note 2.i. to the Financial Statements included in this Annual Report. "Loans and Financial Leases.".

For a description of the loan portfolio, the summary of loan experience, potential problem loans and charge-offs see "Item 4. Information on the Company – E. Selected Statistical Information – E.3. Loan Portfolio" and "Item 4. Information on the Company – E. Selected Statistical Information – E.4. Summary of loan loss experience".

Loan loss allowances calculated following practices and special regulations of the SFC differ in certain significant respects from those determined in accordance with U.S. GAAP. Note 31- e) to the Finanial Statements, "Allowance for loan losses, financial leases, foreclosed assets and other receivables" provides a description of the significant differences between Colombian banking GAAP and U.S. GAAP in this respect and a reconciliation of allowances following U.S. GAAP.

Merger Expenses and Goodwill Amortization

For the year ended December 31, 2013, goodwill amortization amounted to COP 79 billion, up 72% from COP 46 billion in 2012 and up 55% from COP 51 billion in 2011.

As of December 31, 2013, outstanding goodwill totaled COP 3,589 billion, which represents a 529% increase from COP 571 billion at the end of 2012. Outstanding goodwill represented 2.7% of the Bank's total assets and primarily comprises the goodwill related to the acquisition of Banagrícola in May 2007 and Banistmo in 2013. Both transactions originated goodwill denominated in U.S. dollars and are being amortized over 20 years.

Non-Operating Income (Expenses)

Net non-operating income, which includes gains/losses from the sale of foreclosed assets, premises and equipment and other assets and income from minority interest, totaled COP 37 billion in 2013, a 6% increase from COP 35 billion in 2012.

The following table summarizes the components of the Bank's non-operating income and expenses for the last three fiscal years:

	Year ended December 31,		
	2013	2012	2011
	(COP million)		
Non-operating income (expenses), net:			
Other income(1)	COP233,721	COP148,751	COP200,098
Minority interest	(17,364)	(5,723)	(11,351)
Other expenses(2)	(179,294)	(107,813)	(112,692)
Total non-operating income (expenses), net	COP37,063	COP35,215	COP76,055

(1) Includes gains on sale of foreclosed assets, premises and equipment, reimbursement of the provisions, deferred tax recovery.

(2) Include fraud-related losses, losses from the sale of foreclosed assets, premises and equipment and payments for fines, sanctions, lawsuits and indemnities.

Income Tax Expenses

Income tax expense for the fiscal year 2013 totaled COP 417 billion, down 11% from COP 467 billion in 2012 and down 11% from COP 471 billion in 2011.

Since January 1, 2012, subsidiaries in the fiscal jurisdiction of El Salvador will pay a 30% income tax, with the exception of entities with taxable income of less that USD 150 thousand per year, which will pay 25%. Dividends received by those entities will be subject to a 5% tax rate.

In the case of Bancolombia Panama and its subsidiary, Banagrícola, which are domiciled in Panama and permitted to operate through an international banking license, income tax is governed by the Panamanian tax law. Pursuant to Panamanian tax law the profits of these companies are not subject to income tax in Panama. For further details about the income tax expense calculation, see “Note 21. Accrued Expenses – Income Tax Expense” of Notes to the Consolidated Financial Statements.

Banistmo and it subsidiaries incorporated in the Panama pay an income tax on the profits obtained in the country equivalent to 27.5% for 2013 and 25% from 2014 onwards. According to existing fiscal regulation, profits from foreign operations, interest paid on term deposits by local banks, debt securities issued by the Panamenian Government and from securities listed in the Securities Exchange Superintendency (Superintendencia del Mercado de Valores) are exempt from income taxes.

GENERAL DISCUSSION OF THE CHANGES IN RESULTS FOR 2012 VERSUS 2011

Summary

In 2012, Bancolombia strengthened its competitive position and full-service financial model, and benefited from the diversity of its leading franchises. For the year 2012, net income totaled COP 1,702 billion (COP 2,013 per share – USD 4.55 per ADR), which represents an increase of 2% as compared to COP 1,664 billion of net income for the fiscal year 2011, and an increase of 18% as compared to COP 1,436 billion of net income for the fiscal year 2010.

Bancolombia’s return on average stockholders’ equity for 2012 was 15.97%, down from 20.22% in 2011 and 19.71% in 2010.

The net interest margin increased in 2012 and reached 6.49% for the year, up from 6.17% in 2011 and 6.38% in 2010.

Provision charges, net of recoveries, totaled COP 1,111 billion for 2012, up 86% from COP 599 billion in 2011 and up 103% from COP 548 billion in 2010. The higher amount of provisions was the result of loan deterioration, especially during the first months of the year. The majority of the new past due loans are related to consumer clients and are responsible for most of the provision charges for the year.

Loans and financial leases grew 14% during the year. This performance was driven primarily by credit and mortgage demands from individuals and financial leases from corporations.

Reserves for loan losses and accrued interest represented 4.7% of total loans and 177% of past-due loans at the end of 2012 compared with 4.6% of total loans and 210% of past-due loans at December 31, 2011. Capital adequacy was 15.8% (Tier 1 ratio of 10.4%), a significant increase from the 12.5% (Tier 1 ratio of 9.0%) reported at the end of 2011.

Deposits increased 22% during 2012, while the ratio of net loans to deposits (including borrowings from development banks) was 99% at the end of the year, down from 105% at December 31, 2011.

REVENUE PERFORMANCE

Net Interest Income

For the year 2012, net interest income totaled COP 4,767 billion, up 22% as compared to COP 3,904 billion in 2011 and up 41% as compared to COP 3,389 billion in 2010. This performance is explained by the combined effect of a slight increase in interest margins and the growth in the loan portfolio during the year. During 2012, the Central Bank decreased its reference rate from 4.75% to 4.25% which increased money supply and expanded the availability of credit in the economy. The reasons for these cuts in the reference rate were the slower pace of growth in the economy and the reduction of inflation. Although rates declined during 2012, the Bank was able to manage the funding costs and interest charged on loans, in a manner that expanded spreads. Net interest margin was 6.49% for the year, up from 6.17% in 2011. Net interest income represented 64% of net revenues in 2012, compared to 62% for 2011 and 62% for 2010.

Interest income, which is the sum of interest on loans, financial leases, overnight funds and income from investment securities, totaled COP 7,662 billion in 2012, up 29% as compared to COP 5,946 billion in 2011 and up 54% as compared to COP 4,960 billion in 2010.

Interest on loans and financial leases reflected an increase in the loan portfolio in 2012. The weighted average nominal interest rate on loans and financial leases increased to 11% in 2012 from 10% in 2011 and 10.3% in 2010. As a result, interest on loans and financial leases totaled COP 6,878 billion (90% of interest income) and increased 30% as compared to COP 5,301 billion (89% of interest income) in 2011 and increased 54% as compared to COP 4,464 billion (90% of interest income) in 2010.

Interest on investment securities, which includes, among other items, the interest paid or accrued on debt securities and mark-to-market valuation adjustments, totaled COP 760 billion in 2012, up 21% as compared to 2011 and 67% as compared to 2010.

Regarding interest expenses, interest incurred on liabilities totaled COP 2,895 billion in 2012, up 42% as compared to COP 2,042 billion in 2011, and up 84% as compared to COP 1,572 billion in 2010. The increase in interest expenses is explained by higher interest rates incurred on deposits and an increase in deposits and bonds. Overall, the average interest rate paid on interest-bearing liabilities increased to 4.4% in 2012 from 3.7% in 2011 and from 3.4% in 2010.

Net Fees and Income from Financial Services

For the year 2012, net fees and income from services totaled COP 1,807 billion, up 8% as compared to COP 1,669 billion in 2011 and up 14% as compared to COP 1,581 billion in 2010. This increase was driven primarily by the performance of credit and debit card annual fees, banking services and collection and payments fees.

Bancolombia distribution channels performed an increasing number of transactions in 2012. In particular, our banking operation in Colombia performed about 1.38 billion transactions during 2012, which represents an increase of 18% as compared to the 1.17 billion transactions of 2011. The Bank achieved these higher transaction levels, despite fee increases and the elimination of fee exemptions for certain payment instruments for some segments (such as debit cards and credit cards).

Other Operating Income

For 2012, total other operating income was COP 833 billion, 21% higher than the COP 691 billion reported in 2011, and 56% higher than the COP 535 billion obtained in 2010.

Revenue from communication, postage, rent and others had a significant impact in the other operating income line of COP 350 billion in 2012, 56% higher than the COP 225 billion reported in 2011, and 98% higher than the COP 177 billion obtained in 2010.

In addition, the sale of Bancolombia's stake in Asesuisa and Asesuisa Vida positively affected other operating income in the year. As part of that transaction, the Bank recorded gains on sales of equities of COP 81 billion for 2012.

The Bank recorded no insurance income in 2012 because of the sale of the insurance units (Asesuisa and Asesuisa Vida) in El Salvador during 2011, when those activities contributed COP 18,039 million in income.

Foreign exchange net gains decreased 7% to COP 104 billion in 2012, from COP 112 billion in 2011 and increased 67% from COP 62 billion in 2010. Gains on forward contracts in foreign currency increased 436% to COP 59 billion in 2012, from COP 11 billion in 2011 and 48% from COP 40 billion in 2010.

Operating Expenses

For 2012, operating expenses totaled COP 4,162 billion, up 15% as compared to COP 3,606 billion in 2011 and up 34% as compared to COP 3,098 billion in 2010.

Personnel expenses (the sum of salaries and employee benefits, bonus plan payments and indemnities) totaled COP 1,638 billion in 2012, up 14% as compared to 2011. This performance was primarily driven by the combined effect of increased headcount and wage increments during 2012. Salaries in 2012 were raised in line with the 2011 inflation rate of 3.73%.

Administrative and other expenses totaled COP 2,040 billion in 2012, up 15% as compared to 2011 and up 40% as compared to 2010, driven by increased taxes different than income tax and expenses incurred in connection with software development and IT upgrades.

Depreciation expenses totaled COP 320 billion in 2012, increasing 43% as compared to COP 223 billion in 2011 and 63% as compared to COP 196 billion in 2010. This increase was driven by the growth in the operating lease business of Bancolombia.

Provision Charges and Credit Quality

For the year 2012, provision charges (net of recoveries) totaled COP 1,111 billion (or 1.7% of average loans), which represents an increase of 86% as compared to COP 599 billion in 2011 (or 1% of average loans) and an increase of 103% as compared to COP 548 billion in 2010 (or 1.2% of average loans). The higher level of provisions was driven by faster formation of past due loans in our loan portfolio.

Net loan charge-offs totaled COP 679 billion in 2012, up 28% from COP 532 billion in 2011 and up 3% from COP 658 billion in 2010. Past-due loans amounted to COP 1,832 billion in 2012, up 37% as compared to COP 1,341 billion in 2011, and 31% higher than COP 1,396 billion in 2010.

The delinquencies ratio (the ratio of loans overdue more than 30 days to total loans) reached 2.62% as of the end of 2012, up from 2.18% at the end of 2011 and down from 2.87% at the end of 2010.

Merger Expenses and Goodwill Amortization

For the year ended December 31, 2012, goodwill amortization amounted to COP 46 billion, down 10% from COP 51 billion in 2011 and down 18% from COP 56 billion in 2010.

As of December 31, 2012, outstanding goodwill totaled COP 571 billion, which represents a 16% decrease from COP 680 billion at the end of 2011. Outstanding goodwill represented 0.6% of the Bank's total assets and primarily comprised the goodwill related to the acquisition of Banagrícola, which is denominated U.S. dollars and is being amortized over 20 years beginning in May 2007.

Non-Operating Income (Expenses)

Net non-operating income, which includes gains/losses from the sale of foreclosed assets, premises and equipment and other assets and income from minority interests, totaled COP 35 billion in 2012, 54% lower than COP 76 billion in 2011. This performance is explained by lower gains on the sale of properties.

Income Tax Expenses

Income tax expense for the fiscal year 2012 totaled COP 467 billion, down 1% as compared to COP 471 billion in 2011 and down 8% as compared to the COP 508 billion in 2010.

Tax expense is determined for every subsidiary following the tax law of the country where it is domiciled. On December 31, 2010, Bancolombia, Banca de Inversión Bancolombia and Leasing Bancolombia concluded a tax stability agreement signed with the Government of Colombia in 2001. Fiduciaria Bancolombia concluded that agreement on December 31, 2009. Therefore, since January 1, 2010 for Fiduciaria Bancolombia and since January 1, 2011 for Bancolombia, Banca de Inversión Bancolombia and Leasing Bancolombia, any new tax that is implemented in Colombia will apply to those entities and they will pay the statutory tax rate applicable in Colombia, as well as the financial transactions tax.

Since January 1, 2012, subsidiaries in the fiscal jurisdiction of El Salvador will pay a 30% income tax, with the exception of entities with taxable income of less that USD 150 thousand per year, which will pay 25%. Dividends received by those entities will be subject to a 5% tax rate.

In the case of Bancolombia Panama and its subsidiary, Banagrícola, which are domiciled in Panama and permitted to operate through an international banking license, income tax is governed by the Panamanian tax law. Pursuant to Panamanian tax law the profits of these companies are not subject to income tax in Panama. Subsidiaries incorporated in El Salvador pay income tax of 25% on profits obtained within the country. For further details about the income tax expense calculation, see “Note 21. Accrued Expenses – Income Tax Expense” of Notes to the Consolidated Financial Statements.

RESULTS BY SEGMENT

The Bank manages its business through ten main operating segments: Banking Colombia, Banking El Salvador, Leasing, Trust, Investment Banking, Brokerage, Banking Panama, Insurance, Off Shore, and All Other.

In 2013, Bancolombia included “Insurance” and “Banking Panama” as new segments because of the acquisition of Banistmo and its subsidiaries, which includes an insurance operation.

Banking Colombia: This segment provides retail and corporate banking products and services to individuals, companies and national and local governments in Colombia. The Bank’s strategy in Colombia is to grow with these clients based on value-added, long-term relationships. In order to offer specialized services to individuals and small and medium size enterprises (SMEs), the Bank´s retail sales force targets the clients classified as: Personal, Private, Entrepreneurs, Foreign Residents and SMEs. The Bank´s corporate and government sales force targets and specializes in companies with more than COP 16,000 million in revenue.

This segment is also responsible for the management of the Bank's proprietary trading activities, liquidity and distribution of treasury products and services to its client base in Colombia.

	Year ended December 31,				
	2013	2012	2011	Variation 2013-2012	Variation 2012-2011
	(COP in million)				
Net Interest income	4,274,577	4,010,434	3,000,900	6.59 %	33.64 %
Net provisions	(1,074,009)	(1,057,745)	(481,251)	1.54 %	119.79 %
Net commissions	1,517,679	1,445,429	1,335,101	5.00 %	8.26 %
Other net revenues	553,367	490,755	452,331	12.76 %	8.49 %
Total operating income	5,271,614	4,888,873	4,307,081	7.83 %	13.51 %
Operating expenses	3,531,379	3,296,266	2,837,985	7.13 %	16.15 %
Non-operating income (expense)	(8,913)	18,153	53,989	(149.10)%	(66.38)%
Income before income taxes	1,731,322	1,610,760	1,523,085	7.48 %	5.76 %
Income tax expense	(248,182)	(318,158)	(319,572)	(21.99)%	(0.44)%
Segment net income	1,483,140	1,292,602	1,203,513	14.74 %	7.40 %
Segment assets	83,818,769	71,566,337	63,626,713	17.12 %	12.48 %

Analysis of 2013 versus 2012.

In 2013, net income for Banking Colombia grew by 14.7% to COP 1,483 billion.

Net interest income increased 6.6% to COP 4,275 billion, explained by the growth in the loan portfolio. Consumer loans grew 15%, mortgages 27% and corporate loans grew 9%. Demand in consumer loans was mainly driven by car loans, personal loans and payroll loans and commercial loans were mainly driven by large corporations.

Net provision charges increased by 1.5% to COP 1,074 billion. This increase resulted from growth of the loan portfolio, in particular loan growth in the consumer segment, as well as some deterioration in credit quality. The credit quality of the loan portfolio in the Banking Colombia segment was healthy and the deterioration was lower than in previous year, nevertheless, the counter cyclical component of provisions, attibubable to new loans that do not necessarily become past due, explained a portion of the provision charges.

Net commissions increased by 5% to COP 1,518 billion mainly due to greater fees from banking services, which include distribution of insurance premiums, debit and credit cards and electronic and ATM-based transaction fees. In 2013, Banking Colombia experienced a greater number of transacions, which contributed to a higher fee revenue. Prices for these services increase in line with inflation.

Operating expenses increased by 7% to COP 3,531 billion, due to increases in administrative expenses and labor costs and increased deposit insurance premiums paid in conection to the growth of deposits During 2013, Banking Colombia was focused in growing labor cost in line with inflation, keeping the headcount stable.

Assets attributable to Banking Colombia grew by 17% during the year, mainly driven by the growth in loans.

Analysis of 2012 versus 2011.

In 2012, net income for Banking Colombia increased by 7% to COP 1,293 billion.

Net interest income increased by 34% to COP 4,010 billion, explained by the growth in the loan portfolio. Consumer loans and mortgages led the growth, and commercial loans followed as large corporations and small and medium enterprises requested more credit.

Net provision charges increased by 120% to COP 1,058 billion. This increase resulted from growth of the loan portfolio, in particular loan growth in the consumer segment which increased by 16%, as well as some deterioration in credit quality. Operating expenses increased by 16% to COP 3,296 billion, due to increased administrative expenses and labor costs.

Assets attributable to Banking Colombia grew by 12% during the year, mainly driven by the growth in loans.

Banking El Salvador through Banco Agrícola S.A.: This segment provides retail and commercial banking products and services to individuals, companies and national and local governments in El Salvador. Banking El Salvador also includes operations of the following subsidiaries Arrendadora Financiera S.A., Credibac S.A. de CV, Valores and Banagricola S.A. de C.V.

This segment is also responsible for the management of the Bank's proprietary trading activities, liquidity and distribution of treasury products and services to its client base in El Salvador.

	Year ended December 31,				
	2013	2012	2011	Variation 2013-2012	Variation 2012-2011
(COP in million)					
Net Interest income	363,079	333,789	355,778	8.78 %	(6.18)%
Net provisions	(41,611)	16,775	(38,787)	(348.05)%	(143.25)%
Net commissions	132,464	129,226	107,442	2.51 %	20.28 %
Other net revenues	4,959	(2,788)	34,076	277.87 %	(108.18)%
Total operating income	458,891	477,002	458,509	(3.80)%	4.03 %
Operating expenses	234,463	217,291	205,304	7.90 %	5.84 %
Non-operating income (expense)	6,051	4,290	6,731	41.05 %	(36.27)%
Income before income taxes	230,479	264,001	259,936	(12.70)%	1.56 %
Income tax expense	(70,325)	(66,473)	(60,575)	5.79 %	9.74 %
Segment net income	160,154	197,528	199,361	(18.92)%	(0.92)%
Segment assets	7,596,257	6,699,690	6,931,582	13.38 %	(3.35)%

Analysis of 2013 versus 2012.

In 2013, net income for Banking El Salvador decreased by 19% to COP 160 billion.

Net interest income increased by 8.8% to COP 363 billion, due to a growth in the loan portfolio. . Net interest margins remained stable during the year as the loan portfolio mix did not change and funding costs remained flat.

Net provisions were COP 42 billion, compared with net recoveries of COP 17 billion for 2012, due to higher non performing loans. In banking operations in El Salvador, we maintained strict discipline in credit standards in order to prevent any significant deterioration of the loan book due to weak economic performance. Allowances for bad loan losses as a percentage of past-due loans at the end of 2013 were 186% and past-due loans as a percentage of gross loans were 2.6% for Banking El Salvador.

Operating expenses grew by 8% to COP 234 billion, mainly due to increased in personnel expenses.

Assets attributable to Banking El Salvador increased by 13% during the year, mainly driven by the growth of the loan portfolio of Banco Agrícola. Consumer and small and medium enterprises loans lead the growth in 2013 and at the end onf the period, accounted by about 57% of the loan portfolio Coporate loans represented 43% of the portfolio.

Analysis of 2012 versus 2011.

In 2012, net income for Banking El Salvador decreased by 1% to COP 198 billion.

Net interest income decreased by 6% to COP 334 billion, due to a reduction in the loan portfolio, caused by a little demand due to a weak economy in El Salvador. The cost of deposits remained stable in 2012, net interest margin ended at 5.8%.

Net recoveries were COP 17 billion, compared with net provisions of COP 38 billion for 2011, in line with an improvement in the credit quality of the loan portfolio. In banking operations in El Salvador, we maintained strict discipline in credit standards in order to prevent any significant deterioration of the loan book due to weak economic performance. Allowances for bad loan losses as a percentage of past-due loans at the end of 2012 were 133% and past-due loans as a percentage of gross loans was 2.99% for Banking El Salvador.

Operating expenses grew by 6% to COP 217 billion, due to increases in administrative and personnel expenses.

Assets attributable to Banking El Salvador decreased by 3% during the year, mainly driven by the contraction of the loan portfolio of Banco Agrícola.

Leasing: This segment provides financial and operational leases, including cross-border and international leasing services to clients in Colombia, Central America, Mexico and Brazil. Bancolombia offers these services mainly through the following Subsidiaries: Leasing Bancolombia S.A., Renting Colombia S.A., Arrendamiento Operativo CIB S.A.C., Leasing Peru S.A., Transportempo S.A.S., Capital Investment Safi S.A., Fondo de Inversión en Arrendamiento Operativo Renting Perú and Patrimonio Autónomo Cartera LBC.

	Year ended December 31,			Variation	Variation
	2013	2012	2011	2013-2012	2012-2011
	(COP in million)				
Net Interest income	591,086	533,725	473,867	10.75 %	12.63 %
Net provisions	(97,035)	(91,389)	(49,211)	6.18 %	85.71 %
Net commissions	51,626	36,528	11,703	41.33 %	212.13 %
Other net revenues	114,702	111,121	68,930	3.22 %	61.21 %
Total operating income	660,379	589,985	505,289	11.93 %	16.76 %
Operating expenses	332,714	314,999	280,478	5.62 %	12.31 %
Non-operating income (expense)	(76,424)	(52,761)	(488)	44.85 %	10711.68 %

Income before income taxes	251,241	222,225	224,323	13.06 %	(0.94)%
Income tax expense	(23,857)	(3,106)	(2,720)	668.09 %	14.19 %
Segment net income	227,384	219,119	221,603	3.77 %	(1.12)%
Segment assets	15,358,140	13,179,545	11,488,298	16.53 %	14.72 %

Analysis of 2013 versus 2012.

In 2013, net income for Leasing increased by 4% to COP 227 billion.

Net interest income increased by 11% to COP 591 billion, explained mainly by the growth in the balance of financial leases.

Net provision charges increased by 6% to COP 97 billion, due to some deterioration of the leasing portfolio. Allowances for bad loan losses, as a percentage of gross loans, were 176%; and past-due loans as a percentage of gross loans were 2.1% at end of 2013.

Net commissions grew by 41% to COP 52 billion due to higher fees from arrangements of operational leasing structures.

Operating expenses increased by 5.6% to COP 333 billion, due to increased labor costs and administrative expenses.

Assets attributable to Leasing grew by 16.5% to COP 15,358 billion, mainly driven by the increase in financial and operating leases demanded by corporations and small and medium enterprises.

Analysis of 2012 versus 2011.

In 2012, net income for Leasing decreased by 1% to COP 219 billion.

Net interest income increased by 13% to COP 534 billion, explained mainly by the growth in the balance of financial leases.

Net provision charges increased by 86% to COP 91 billion, due to higher deterioration of the leasing portfolio. Allowances for bad loan losses, as a percentage of gross loans, were 153%; and past-due loans as a percentage of gross loans were 1.84% at end of 2012.

Operating expenses increased by 12% to COP 315 billion, due to increased labor costs and administrative expenses.

Assets attributable to Leasing grew by 15% to COP 13,180 billion, mainly driven by the increase in financial leases demanded by corporations and small and medium enterprises, although the rate increased slowly from 2011.

Trust: This segment provides trust services and asset management to clients in Colombia and Peru through Fiduciaria Bancolombia and FiduPerú S.A. Sociedad Fiduciaria. The main products offered by this segment include money market accounts, mutual and pension funds, private equity funds, payment trust, custody services, and corporate trust.

	Year ended December 31,				
	2013	2012	2011	Variation 2013-2012	Variation 2012-2011
(COP in million)					
Net Interest income	896	12,635	14,906	(92.91)%	(15.24)%
Net provisions	(532)	(831)	158	(35.98)%	(625.95)%
Net commissions	198,582	198,987	166,736	(0.20)%	19.34%
Other net revenues	(49,477)	(28,287)	(557)	74.91%	4978.46%
Total operating income	149,469	182,504	181,243	(18.10)%	0.70%
Operating expenses	61,100	63,165	69,510	(3.27)%	(9.13)%
Non-operating income (expense)	698	1,106	4,540	(36.89)%	(75.64)%

Income before income taxes	89,067	120,445	116,273	(26.05)%	3.59 %
Income tax expense	(29,452)	(38,827)	(37,637)	(24.15)%	3.16 %
Segment net income	59,615	81,618	78,636	(26.96)%	3.79 %
Segment assets	56,107	79,579	303,579	(29.50)%	(73.79)%

Analysis of 2013 versus 2012.

In 2013, net income for the Trust segment decreased by 27% to COP 60 billion.

Net interest income decreased by 93% to COP 0.9 billion, due to the losses on investment securities. Commissions remained stable due to the unchanged value of assets under management.

Assets attributable to the Trust segment decreased by 30% during the year to COP 56 billion, mainly driven by the reduction of the investment securities portfolio of Fiduciaria Bancolombia S.A.

Analysis of 2012 versus 2011.

In 2012, net income for the Trust segment increased by 4% to COP 82 billion.

Net interest income decreased by 15% to COP 13 billion, due to the contraction of the net interest margin and a reduction in volumes. Commissions grew by 19% due to an increase in the value of assets under management. Operating expenses decreased by 9% to COP 63 billion due to a reduction in administrative expenses related to consulting fees associated with the implementation of new products and services. Assets attributable to the Trust segment decreased by 74% during the year to COP 79 billion, mainly driven by the reduction of the investment securities portfolio of Fiduciaria Bancolombia S.A. This reduction was a result of the consolidation of the proprietary securities portfolio in the Banking Colombia segment, aimed at gaining efficiency in the management of the portfolio.

Investment Banking: This segment provides corporate and project finance advisory, underwriting, capital markets services and private equity management through Banca de Inversion Bancolombia S.A. Its customers include private and publicly-held corporations as well as Government institutions.

	Year ended December 31,				
	2013	2012	2011	Change 2013-2012	Change 2012-2011
	(COP in million)				
Net Interest income	132	2,391	7,043	(94.48)%	(66.05)%
Net provisions	454	(137)	(242)	431.39%	(43.39)%
Net commissions	21,860	38,415	33,972	(43.10)%	13.08%
Other net revenues	26,513	25,894	41,947	2.39%	(38.27)%
Total operating income	48,959	66,563	82,720	(26.45)%	(19.53)%
Operating expenses	17,457	19,381	21,573	(9.93)%	(10.16)%
Non-operating income (expense)	996	491	1,062	102.85%	(53.77)%
Income before income taxes	32,498	47,673	62,209	(31.83)%	(23.37)%
Income tax expense	(1,570)	(8,653)	(9,186)	(81.86)%	(5.80)%
Segment net income	30,928	39,020	53,023	(20.74)%	(26.41)%
Segment assets	164,361	165,326	462,155	(0.58)%	(64.23)%

Analysis of 2013 versus 2012.

In 2013, net income for the Investment Banking segment decreased by 21% to COP 31 billion.

Net interest income decreased by 94% to COP 132 million, due to the reduction of the investment securities portfolio. Net commissions, which are the main revenue line, decreased by 43% to COP 22 billion, led by lower fees generated by corporate finance advisory services and lower capital markets related fees.

Other revenues increased by 2.4% to COP 26 billion mainly due to transaction withother segments , which are eliminated in the consolidation process.

Operating expenses declined by 10% to COP 17 billion, due to lower labor costs.

Assets attributable to Investment Banking decreased by 0.6% during the year to COP 164 billion, mainly driven by the reduction of the investment securities portfolio.

Analysis of 2012 versus 2011.

In 2012, net income for the Investment Banking segment decreased by 26% to COP 39 billion.

Net interest income decreased by 66% to COP 2 billion, due to the contraction of the investment securities portfolio. Net commissions, which are the main revenue line, grew by 13% to COP 38 billion, led by fees generated by corporate finance advisory services and capital markets related fees. Corporate bond issuance was robust in Colombia in 2012 and Banca de Inversion Bancolombia participated in bond and commercial papers issuances worth COP 2.4 trillion.

Other revenues declined by 38% to COP 26 billion as gains from divestitures in companies that occurred in 2011 did not occur in 2012.

Operating expenses declined by 10% to COP 19 billion, due to a reduction in personnel expenses.

Assets attributable to Investment Banking decreased by 64% during the year to COP 165 billion, mainly driven by the reduction of the investment securities portfolio.

Brokerage: This segment provides brokerage, investment advisory and private banking services to individuals and institutions through Valores Bancolombia S.A. Comisionista de Bolsa, Valores Bancolombia Panama S.A. and Suvalor Panama Fondo de Inversión S.A. It sells and distributes equities, futures, foreign currencies, fixed income securities, mutual funds and structured products.

	Year ended December 31,				
	2013	2012	2011	Change 2013-2012	Change 2012-2011
	(COP in million)				
Net Interest income	14,948	20,284	22,149	(26.31)%	(8.42)%
Net provisions	(1,160)	(68)	(86)	1605.88%	(20.93)%
Net commissions	70,315	70,511	81,094	(0.28)%	(13.05)%
Other net revenues	67,281	38,421	27,225	75.12%	41.12%
Total operating income	151,384	129,148	130,382	17.22%	(0.95)%
Operating expenses	101,748	102,199	98,947	(0.44)%	3.29%
Non-operating income (expense)	(2,428)	4,333	6,226	(156.04)%	(30.40)%
Income before income taxes	47,208	31,282	37,661	50.91%	(16.94)%
Income tax expense	(15,881)	(5,962)	(3,942)	166.37%	51.24%
Segment net income	31,327	25,320	33,719	23.72%	(24.91)%
Segment assets	294,435	224,811	364,962	30.97%	(38.40)%

Analysis of 2013 versus 2012.

In 2013, net income for the Brokerage segment increased by 24% to COP 31 billion.

Net interest income decreased by 26% to COP 15 billion, due to a reduction in gains on securities.

Net commissions, which are the most important component of revenues, presented a slight reduction to COP 70 billion, due to lower fees related to distribution and intermediation of securities.

Other net revenues increased by 75% to COP 67 billion, due mainly to operations with other segments, which are eliminated in the consolidation process.

Operating expenses decreased by 0.4% to COP 101.7 billion, due to labor cost decreases.

Assets attributable to the Brokerage segment increased by 31% during the year, mainly driven by the growth of the size of the proprietary securities portfolio.

Analysis of 2012 versus 2011.

In 2012, net income for the Brokerage segment decreased by 25% to COP 25 billion.

Net interest income decreased by 8% to COP 20 billion, due to a reduction in gains on securities.

Net commissions, which are the most important component of revenues, decreased by 13% to COP 71 billion, due to lower fees related to distribution of securities.

Other net revenues increased by 41% to COP 38 billion, due mainly to the reduction of other expenses associated with the administration of investment portfolios to the trust segment.

Operating expenses increased by 3% to COP 102 billion, due to labor cost increases and higher IT expenditures.

Assets attributable to the Brokerage segment decreased by 38% during the year, mainly driven by a decrease in active positions in market activities, which also led to a reduction in associated liabilities in the liability side of the balance sheet.

Off Shore: This segment provides a complete line of offshore banking services to Colombian and Salvadorian customers through Bancolombia Panama S.A., Bancolombia Cayman S.A., and Bancolombia Puerto Rico International, Inc. It offers loans to private sector companies, trade financing, lease financing, financing for industrial projects as well as a complete portfolio of cash management products, such as checking accounts, international collections and payments. Through these subsidiaries, the Bank also offers investment opportunities in U.S. dollars, savings and checking accounts, time deposits, and investment funds to its high net worth clients and private banking customers.

The performance of Bancolombia Panama, which has a significant weight in this segment, refers only to the results reported by Bancolombia Panama's offshore commercial banking activities and does not consolidate the results of Banco Agrícola, which are reflected in the results for the segment Banking El Salvador.

	Year ended December 31,				
	2013	2012	2011	Variation 2013-2012	Variation 2012-2011
	(COP in million)				
Net Interest income	32,644	95,963	107,043	(65.98)%	(10.35)%
Net provisions	(25,410)	5,268	2,557	(582.35)%	106.02%
Net commissions	19,837	15,461	19,686	28.30%	(21.46)%
Other net revenues	346,655	109,111	183,272	217.71%	(40.46)%
Total operating income	373,726	225,803	312,558	65.51%	(27.76)%
Operating expenses	77,331	57,500	60,802	34.49%	(5.43)%
Non-operating income (expense)	3,305	(195)	(392)	1794.87%	50.26%
Income before income taxes	299,700	168,108	251,364	78.28%	(33.12)%
Income tax expense	-	-	-	-	-
Segment net income	299,700	168,108	251,364	78.28%	(33.12)%
Segment assets	6,131,448	5,215,286	8,751,997	17.57%	(40.41)%

Analysis of 2013 versus 2012.

In 2013, net income for the Off Shore segment increased by 78% to COP 300 billion.

Net interest income decreased by 66% to COP 33 billion, driven by lower revenues from commercial loans that were transfered to the Banking Colombia segment at the end of 2012. Other net revenues increased by 218% to COP 347 billion, mostly due to an increase in dividends received from Banagrícola (part of the Banking El Salvador segment). These dividends are eliminated in the consolidation process that generates the Consolidated Financial Statements.

Operating expenses increased by 34% to COP 77 billion, due to higher rent expenses in Bancolombia Panama.

Assets attributable to the Off Shore segment increased by 18% during the year, mainly driven by the organic growth of loans.

The jurisdictions where operations of the Off Shore segment are conducted have no corporate income taxes.

Analysis of 2012 versus 2011.

In 2012, net income for the Off Shore segment decreased by 33% to COP 168 billion.

Net interest income decreased by 10% to COP 96 billion, driven by a reduction of the loan portfolio. Other net revenues decreased by 40% to COP 109 billion, mostly due to a reduction in dividends received from Banagrícola (part of the Banking El Salvador segment). These dividends are eliminated in the consolidation process that generates the Consolidated Financial Statements.

Operating expenses decreased by 5% to COP 58 billion, due to lower amortization charges of the goodwill created with the purchase of Banagrícola, which was reflected in Bancolombia Panama.

Assets attributable to the Off Shore segment decreased 40% during the year, mainly driven by the transfer of some loans to the Colombian banking book as part of the strategy to mitigate expected pre-paymets of loans to clients in Guatemala following regulatory changes in 2012.

The jurisdictions in which operations of the Off Shore segment are conducted have no corporate income taxes.

Insurance: This segment commenced in November 2013 and provides insurance services to individuals and companies in Panama.

	Year ended December 31,				
	2013	2012	2011	Change 2013-2012	Change 2012-2011
	(in millions ofCOP)				
Net Interest income	819	-			-
Net provisions	(287)	-			-
Net commissions	1,294	-			-
Other net revenues	9,548	-			-
Total operating income	11,374	-			-
Operating expenses	3,140	-			-
Non-operating income (expense)	(1,194)	-			-
Income before income taxes	7,040	-			-
Income tax expense	(448)	-			-
Segment net income	6,592	-			-
Segment assets	261,587	-			-

Our financial results for the year ended December 31, 2013 reflect only two months of contributions from this segment.

All Other: This segment includes results from the operation of particular investment vehicles of Bancolombia: Valores Simesa S.A., BIBA Inmobiliaria S.A.S., Inversiones CFNS S.A.S., CFNS Infraestructura S.A.S., Sistema de Inversiones y Negocios S.A. Sinesa, Vivayco S.A.S., Banagrícola S.A., Inversiones Financieras Banco Agrícola, Fondo Inmobiliario Colombia and others.

	Year ended December 31,				
	2013	2012	2011	Change 2013-2012	Change 2012-2011
	(in millions of COP)				
Net Interest income	(4,714)	1,353	1,806	(448.41)%	(25.08)%
Net provisions	(33)	15,434	(37,211)	(100.21)%	(141.48)%
Net commissions	(2,895)	(979)	(40)	195.71 %	23.48 %
Other net revenues	221,041	380,476	373,091	(41.90)%	1.98 %
Total operating income	213,399	396,284	337,646	(46.15)%	17.37 %
Operating expenses	59,287	40,994	20,641	44.62 %	98.60 %
Non-operating income (expense)	(5,906)	(2,882)	(7,404)	104.93 %	(61.08)%
Income before income taxes	148,206	352,408	309,601	(57.94)%	13.83 %
Income tax expense	(13,752)	(25,895)	(31,631)	(46.89)%	(18.13)%
Segment net income	134,454	326,513	277,970	(58.82)%	17.46 %
Segment assets	1,981,982	785,806	1,852,144	152.22 %	(57.57)%

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Analysis of 2013 versus 2012.

In 2013, net income for All Other decreased by 59% to COP 134 billion.

Other net revenue, which is the most significant revenue line, decreased by 42% to COP 221 billion. The decrease is explained by lower dividends received by the companies that compose the segment.

Assets attributable to All Other increased by 152% during the year. This increase is explained by the consolidation of assets of the Fondo Colombia Inmobiliario in October 2013.

Analysis of 2012 versus 2011.

In 2012, net income for All Other increased by 17% to COP 327 billion.

Other net revenue, which is the most significant revenue line, increased by 2% to COP 380 billion. The increase is explained by higher dividends received by the companies that compose the segment.

Net recoveries totaled COP 15 billion, due mainly to reversals of provisions related to investments by Inversiones CFNS in the Colombian Stock Exchange,Grupo Odinsa and Enka.

Operating expenses increased by 99% to COP 41 billion, due to mark to market losses on investments in equity securities.

Assets attributable to All Other declined by 58% during the year. This reduction is explained by the transfer of assets and investments in equities to the Investment Banking segment and transactions between.

Banking Panama This segment provides retail and commercial banking products and services to individuals and companies in Panama through the Banistmo operation. This segment includes all the operations of Banistmo and its subsidiaries (except Insurance operations) as they are managed and monitored by the chief operating decision maker on a consolidated basis.

	2013	2012	2011	Change 2013-2012	Change 2012-2011
	(in millions of COP)				
Net Interest income	58,954	-	-	-	-
Net provisions	(21,719)	-	-	-	-
Net commissions	20,310	-	-	-	-
Other net revenues	21,029	-	-	-	-
Total operating income	78,574	-	-	-	-
Operating expenses	68,825	-	-	-	-
Non-operating income (expense)	(456)	-	-	-	-
Income before income taxes	9,293	-	-	-	-
Income tax expense	(13,628)	-	-	-	-
Segment net income	(4,335)	-	-	-	-
Segment assets	15,153,154	-	-	-	-

Because the Banking Panamá segment started in November 2013, its contribution to the results of year 2013 is for two months only.

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B. LIQUIDITY AND CAPITAL RESOURCES

B.1. LIQUIDITY AND FUNDING

Market Scenario

Macroeconomic policies established by Colombia’s Central Bank directly impact the liquidity levels of the financial system. During the first quarter of 2013, the Central Bank cut its reference rate by 100 basis points from 4.25% to 3.25%. The stimulus responded to the observed and expected economic growth which was below potential. The lower credit growth and the levels of inflation in the lower range and even below the target established by the Central Bank were the drivers for maintaining low interest rates throughout the year. At year end, the transmission of the expansionary monetary policy that had begun in July 2012 had a positive impact in economic growth as well as on credit dynamic; the financial system maintained ample levels of liquidity all year round. The Bank continued to have a strong liquidity position and internal and regulatory limits were assured.

Liquidity Management

The Asset and Liability Management Committee, or ALCO, defines the main policies of liquidity and funding of the Bank in accordance with the Bank’s desired balance sheet structure.

The Bank uses a variety of funding sources to generate liquidity taking into consideration market conditions, interest rates, liquidity needs and the desired maturity profile of funding instruments. Consequently, policies are designed to achieve an optimal match between assets and liabilities profile regarding maturities, interest rates and currency exposure.

One of the Bank’s main strategies is to maintain a solid liquidity position, thus, the ALCO has established a minimum amount of liquid assets, calculated in relative terms to the total assets, in order to guarantee the proper operation of banking activities such as lending and withdrawals of deposits, protect capital and take advantage of market opportunities. The ALCO has delegated the short term liquidity assessment task to the Liquidity Committee, which revises strategies and policies regarding liquidity.

Stress tests scenarios are simulated periodically to guarantee the Bank has sufficient time to raise funds under adverse market conditions. In addition, the Bank has defined a contingency liquidity plan that allows the organization to raise funds under stress market scenarios.

Liquid Assets

During 2013, the Bank maintained a solid liquidity position. As mentioned above, the Bank seeks the optimum level of liquid assets to assure not only the proper daily operation of banking activities but to operate under stress market scenarios.

The following table shows the composition of the liquid assets in the last three years:

	As of December 31; *(in millions of COP)* 2013	2012	2011
Cash	3,292,223	3,103,537	2,934,313
Central Bank	4,624,637	2,005,573	2,572,056
Cash financial institutions	3,357,484	1,930,000	1,255,640
Debt securities Government debt			
Trading	6,121,765	5,915,567	3,059,151
Available for sale	1,334,055	677,238	713,120
Held to maturity	2,615,339	2,158,107	2,195,953
Financial Institutions			
Trading	306,086	429,244	571,488
Total Liquid Assets	21,651,589	16,219,266	13,301,721

The Bank measures liquid assets on a daily basis and compares this result to an objective target of minimum requirements defined by the ALCO. Under this rule, daily liquid assets must be equal to or higher than this target. In the event the limit is not reached, there is a 5-day period to increase liquidity levels.

Cash is important to guarantee branch and ATMoperations. The Bank´s expansion across the Colombian territory requires considerable levels of cash; however, cash levels are daily monitored in order to minimize opportunity costs. Additionally, cash is taken into account in the mandatory bank reserve established by the Central Bank.

The levels of cash at major Central Bank's have a relationship with mandatory bank reserves associated with the growth of demand and time deposits.

Debt securities in the table shown are not affected by haircuts. Securities that comprise liquid assets are reviewed by the ALCO in light of the Bank's liquidity objective. Even though available for sale and held to maturity debt securities cannot be sold, they can be pledged as collateral in repurchase agreements Some of them are mandatory investments that are received by Central Banks as collateral. A portion of them, mainly CEDEL (liquidity certificates issued by El Salvador Central Bank), constitute legal reserve. These investments are are recorded as liquid assets because they are used for what the Bank has defined as its liquidity needs which includes mandatory legal reserve.

The SFC requires financial entities to have liquid assets greater than the contractual liquidity acumulative one-monthgap. This contractual gap reflects the maturity of assets and liabilities of the current positions and does not reflect projections of future operations. The loan portfolio is affected by the historical default indicator and the maturity of deposits is modeled according to the regulation. All of Bancolombia's Colombian banking subsidiaries met this regulatory limit throughout the year.

The Bank’s management believes that the current level of liquidity is adequate and will seek to maintain its solid deposit base and the access to alternative sources of funding such as borrowings from domestic development banks, securitizations, repurchase agreements, bond issuances, overnight funds and Central Bank funds, in light of market conditions, interest rates and the desired maturity profile of liabilities.

Funding Structure

As of December 31, 2013, the Bank’s liabilities reached COP 118,323 billion, 37.1% increase as compared to the end of 2012.With the acquisition of HSBC Panama (now Banistmo), the funding structure changed: liabilities denominated in U.S. dollars represent 34.5% of the funding structure, against 17.8% in 2012 Liabilities denominated in U.S. dollars increased by 166.3% while liabilities denominated in pesos, increased by 9.2% as compared to the end of 2012.

	2013	2012	2011
Total funding			
Peso-denominated	77.556.779	70,999,782	52,639,400
Dollar-denominated	40.766.616	15,309,643	23,830,260
Total Liabilities	**COP** 118,323,395	**COP** 86,309,425	**COP** 76,469,660

In 2013, the Bank experienced significant growth in deposits which reached COP 86,557 billion at year end, an increase of COP 22,398 billion, 35% as compared to 2012; around 48% of this growth in deposits is due to the acquisition of Banistmo.The ratio of deposits to total assets was 66%, up from 65% in 2012.

	2013	2012	2011
Total Deposits	COP 86,556,579	COP 64,158,720	COP 52,434,492

The following table sets forth checking accounts, savings accounts and time deposits as a percentage of the Bank’s total liabilities for the years 2013, 2012 and 2011:

	2013	2012	2011
Checking deposits	14.2%	13.0%	13.4%
Time deposits	28.8%	28.5%	23.5%
Saving deposits	29.2%	31.4%	30.4%
Other deposits	0.9 %	1.4 %	1.2 %
Percentage of Total Liabilities	73.1%	74.3%	68.5%

The Bank's principal sources of funding are deposits, which are composed of checking accounts, time deposits and savings accounts.

Deposits as a percentage of the Bank's total liabilities in 2013 were 73%, decreasing from 74.3% of total liabilities at year end 2012. The ratio of net loans to deposits (including borrowings from development banks and other domestic banks) was 94% at the end of 2013, decreasing from 99% at year end 2012. This change is primarily explained by a higher deposit growth than that observed in the loan portfolio.

	2013	2012	2011
Net Loans to Deposits	94 %	99 %	105 %

The Bank also used borrowings from domestic development banks which amounted to COP 4,631 billion at the end of 2013 and represented a good quality source of funding provided by governmental entities in order to promote lending activities within specific sectors of the Colombian economy. This funding source is fully matched with related loans in terms of maturity and interest rate indexation.

In addition to the main sources of funding described above, the Bank uses: (i) its debt securities portfolio as a source of short-term liquidity by engaging in repurchase agreements transactions, overnight-loan funds and the Central Bank's funds and (ii) the issuance of bonds on a regular basis to reduce the maturity mismatch between assets and liabilities, reducing the liquidity risk.

Long Term Debt

In 2013, Bancolombia S.A did not issue notes in the local and international markets.

Leasing Bancolombia, Tuya and Banco Agrícola issued notes, in amounts of COP 600 billion, COP 21 billion, and USD 63 million respectively.

As of December 31, 2013, the total outstanding aggregate principal amount of bonds issued by the Bank was COP 12,328 billion.

The following table shows Bancolombia's long term debt maturity profile (in millions COP):

	2014	2015	2016	2017	2018	2019 and thereafter	Total
Long Term Debt	COP 804,533	COP 492,430	COP 1,252,288	COP 615,298	COP 774,953	COP 8,388,773	COP 12,328,275

The following table sets forth the components of the Bank's liabilities for the years 2013, 2012 and 2011:

As of December 31,						
	2013	% of total funding	2012	% of total funding	2011	% of total funding
	(in millions of COP, except percentages)					
Checking deposits						
Peso-denominated	11,744,684	9.9 %	9,185,435	10.6 %	7,910,046	10.3 %
U.S. dollar-denominated	5,040,249	4.3 %	2,113,466	2.4 %	2,383,848	3.1 %
Total	16,784,933	14.2 %	11,298,901	13.0 %	10,293,894	13.4 %

Time deposits								
Peso-denominated	22,113,215	18.5	%	18,550,309	21.3	%	12,307,011	16.1	%
U.S. dollar-denominated	11,945,237	10.1	%	6,217,180	7.2	%	5,666,106	7.4	%
Total	34,058,452	28.6	%	24,767,489	28.5	%	17,973,117	23.5	%
Savings deposits									
Peso-denominated	28,526,416	24.0	%	24,251,374	28.1	%	20,722,989	27.2	%
U.S. dollar-denominated	6,123,348	5.2	%	2,862,540	3.3	%	2,540,062	3.3	%
Total	34,649,764	29.2	%	27,113,914	31.4	%	23,263,051	30.5	%
Other deposits									
Peso-denominated	716,938	0.6	%	577,613	0.7	%	620,206	0.8	%
U.S. dollar-denominated	346,492	0.3	%	400,803	0.5	%	284,224	0.4	%
Total	1,063,430	0.9	%	978,416	1.2	%	904,430	1.2	%
Interbank Borrowings									
Peso-denominated	-	-		-	-		-	-	
U.S. dollar-denominated	7,876,792	6.7	%	1,803,665	2.1	%	4,130,915	5.4	%
Total	7,876,792	6.7	%	1,803,665	2.1	%	4,130,915	5.4	%
Funds purchased and securities sold under agreements to repurchase									
Peso-denominated	881,295	0.7	%	44,935	0.1	%	1,769,352	2.3	%
U.S. dollar-denominated	243,507	0.2	%	-	-		185,200	0.2	%
Total	1,124,802	0.9	%	44,935	0.1	%	1,954,552	2.5	%
Domestic development banks Borrowings and other[1]									
Peso-denominated	4,595,230	3.9	%	3,410,476	4.0	%	3,255,485	4.3	%
U.S. dollar-denominated	36,070	0.0	%	57,367	0.1	%	72,526	0.1	%
Total	4,631,300	3.9	%	3,467,843	4.1	%	3,328,011	4.4	%

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As of December 31,						
	2013	% of total funding	2012	% of total funding	2011	% of total funding
	(in millions of COP, except percentages)					
Bank acceptances outstanding and derivatives						
Peso-denominated	305,048	0.3 %	6,350,706	7.4 %	(2,193,632)	(2.9 %)
U.S. dollar-denominated	159,466	0.1 %	(5,725,074)	(6.6 %)	2,707,607	3.5 %
Total	464,514	0.4 %	625,632	0.8 %	513,975	0.6 %
Long term debt						
Peso-denominated	4,677,309	4.0 %	4,981,776	5.8 %	4,977,962	6.5 %
U.S. dollar-denominated	7,650,966	6.5 %	7,077,443	8.2 %	5,331,021	7.0 %
Total	12,328,275	10.5 %	12,059,219	14.0 %	10,308,983	13.5 %
Other liabilities						
Peso-denominated	3,996,643	3.4 %	3,647,157	4.2 %	3,269,981	4.3 %
U.S. dollar-denominated	1,344,490	1.1 %	502,254	0.6 %	528,751	0.7 %
Total	5,341,133	4.5 %	4,149,411	4.8 %	3,798,732	5.0 %
Total funding						
Peso-denominated	77,556,779	65.5 %	70,999,782	82.2 %	52,639,400	68.9 %
Dollar-denominated	40,766,616	34.5 %	15,309,643	17.8 %	23,830,260	31.1 %
Total Liabilities	COP118,323,395	100 %	COP86,309,425	100 %	COP76,469,660	100 %

(1) Includes borrowings from commercial banks and other non-financial entities.

Consolidated Statement of Cash Flows

Cash flows for the Bank include net cash provided by (used in) operating activities, net cash used in investing activities and net cash provided by (used in) financing activities. The following table shows those flows for the years ended December 31, 2013, 2012 and 2011:

	2013	2012	2011
	(COP million)		
Operating activities	COP5,266,085	COP1,806,456	COP(3,939,094)
Investing activities	(3,327,345)	(594,310)	(519,572)
Financing activities	4,954,972	(502,754)	5,898,518
Net increase in cash and cash equivalents	COP6,893,712	COP709,392	COP1,439,852

During 2013, the Bank reported a positive net cash flow that increased cash and cash equivalents available by COP 6,894 billion. This result is explained by COP 5,266 billion provided by operating activities, COP 4,955 billion and COP 3,327 billion were provided by financing activities and investing activities respectively.

Operating Activities

In 2013, operating activities provided cash; deposits and other liabilities increased by COP 11,928 billion, the loan portfolio used liquidity by COP 9,693 billion, and trading investments decreased by COP 126 billion.

Net income has been positive; COP 1,515 billion, COP 1,702 billion and COP 1,664 billion for 2013, 2012, and 2011, respectively.

Investing Activities

In 2013, investing activities were funded by cash; purchase of property, plant and equipment increased by COP 1,518 billion, held to maturity debt securities increased by COP 64 billion, available for sale debt securities decreased by COP 576 billion and available for sale equity securities increased by COP 2,268 billion, while the technological renewal program used COP 53 billion.

The Bank classifies part of its investments as available for sale and held to maturity; a portion of these investments are mandatory, others are securitizations. Held to maturity and available for sale debt securities decreased during 2013, 2012 and 2011 by COP 512 billion, COP 666 billion and COP 802 billion respectively. This diminution is associated with the maturity of securitizations.

Net purchases of premises and equipment for 2013, 2012 and 2011, including operating leases which are part of the leasing business line, increased by COP 1,518 billion, COP 951 billion and COP 1,098 billion respectively.

Acquisitions used liquidity during 2013, HSBC Panama (now Banistmo) and 40% stake of the ownership of the Grupo Financiero Agromercantil de Guatemala increased the net purchase of equity securities that was financed with the previous issue of long term bonds.

The Bank has made investments related to the technological renewal program. During 2013, 2012 and 2011, COP 53 billion, COP 94 billion and COP 130 billion, were invested in that program.

During 2012 and 2011 the Bank received cash from the sale of Aseguradora Suiza Salvadoreña Subsidiary and AFP Crecer S.A. for COP 136 billion and COP 173 billion, respectively.

Financing Activities

Financing activities provided cash during 2013; overnight funding and interbank borrowing increased by COP 5,951 billion, whereas long term issuance placement decreased by COP 364 billion. Cash was used in paying dividends to stockholders in the amount of COP 632 billion.

Overnight and interbank borrowings are used to complement the Bank’s funding strategy. Interbank borrowing and interbank lending increased significantly as compared to 2012; the issuance of long term debt was lower and there was no issuance of preferred shares.

Structural funding is important to manage liquidity and interest rate risk. Long term debt is part of the Bank’s funding structure. During 2013, the Bank paid net long term debt by COP 364 billion, different from last year’s 2012 and 2011,when the Bank raised net funds in amount COP 2,195 billion and COP 4,342 billion respectively. The decreasing long- term debt balance is related to the ample liquidity that Colombian financial markets experienced in

2013.

Payments of dividends to stockholders has remained relatively constant, in 2013, 2012 and 2011, in an amount of COP 632 billion, COP 583 billion and COP 527 billion respectively, representing 42%, 34% and 32% of of the net income of the Bank.

Capital Adequacy

The Bank and its subsidiaries comply with the capital adequacy requirements in their respective countries of operation.

Stockholders' equity amounted to COP 12,493 billion at the end of 2013, up 7.63% from COP 11,607 billion at the end of 2012. This increase is the net effect of paying out dividends, generating earnings during the year 2013 and all the other transactions that directly affect the stockholders' equity.

In addition, on a consolidated basis, the Bank's capital adequacy ratio was 10.61% as of December 31, 2013, down from 15.77% in 2012 and 12.46%, in 2011. The Bank's capital adequacy ratio exceeded the requirements of the Colombian government and the SFC by 161 basis points. The basic capital ratio (Tier 1) was 5.81% and the tangible capital ratio, which is equal to the ratio of the difference between stockholders' equity and goodwill and intangible assets to tangible assets, was 6.49% at the end of 2013. For a full description of our capital adequacy requirements, please see Item 4. "Information on the Company – B. Business Overview – B.7 –Supervision and Regulation".

TECHNICAL CAPITAL RISK WEIGHTED ASSETS	As of December 31,					
Consolidated (in millions of COP percentages)	2013	%	2012	%	2011	%
Basic capital (Tier I)	6,207,050	5.81	9,070,487	10.39	6,979,026	8.99
Additional capital (Tier II)	5,124,564	4.80	4,694,203	5.38	2,696,112	3.47
Technical capital(1)	11,331,614		13,764,690		9,675,138	
Risk weighted assets included market risk	106,826,579		87,262,916		77,651,096	
CAPITAL ADEQUACY(2)	10.61 %		15.77 %		12.46 %	

(1) Technical capital is the sum of basic and additional capital.
(2) Capital adequacy is technical capital divided by risk weighted assets.

B.2. FINANCIAL INSTRUMENTS AND TREASURY ACTIVITIES

The Bank's treasury division is able to carry out all transactions in local or foreign currencies that are legally authorized in Colombia. These include derivative transactions, purchase and sale of fixed income securities and indexed securities, repurchase or resale transactions, short sales, temporary securities transfers, simultaneous transactions and transactions on the foreign currency exchange market.

The Bank monitors treasury division activities through policies regarding management of liquidity, market, legal, credit and operational risks. Such policies are monitored by the Vice President of Risk Management. In order to be able to control market and liquidity risks, the Bank sets limits intended to keep its exposure levels and losses within certain ranges determined by the Bank's Board of Directors. The Bank's investment policies do not include restrictions regarding the maturity of the securities held in the portfolio, except those related to the liquidity portfolio and over the counter ("OTC") derivatives transactions.

Before taking any additional positions, the Bank's treasury division also verifies, with respect to investments in local and in foreign currencies, the availability of funds for investment and each investment's compatibility with the Bank's liquidity structure.

As further described in Item 11. "Quantitative and Qualitative Disclosure About Market Risk", the market risk stated in the treasury book is measured using methodologies of value at risk (VaR), and the position limits are based on the results of these methodologies. The Bank has defined VaR limits that follow a hierarchical structure, which avoids the concentration of market risk in certain groups of assets and also take advantage of portfolio diversification. In addition to VaR limits, the Bank also uses stop loss advisories to inform senior management when losses are close to certain established thresholds in the trading book. Moreover, for the options portfolio, the Bank has set limits based on the sensitivity of the portfolio to the underlying volatility, underlying foreign currency and interest rates.

As part of its operations, the Bank holds cash and cash equivalents primarily in Colombian pesos and U.S. dollars., Those positions, as well as any other currency position, are determined by the treasury division in connection with the Bank's currency risk assessment and management. Specifically, the Bank's exposure to currency risk primarily arises from changes in the U.S. dollar/COP exchange rate. The exposure to currency risk is managed by the Bank's treasury division. The Bank uses a VaR calculation to limit the exposure to currency risk of its balance sheet. These limits are supervised on a daily basis by the Bank's Market Risk Management Office. The Bank's treasury division manages a derivative portfolio which includes forward agreements in foreign currency with the purpose, among others, of hedging its currency exposure.

B.3. COMMITMENT FOR CAPITAL EXPENDITURES

See “Item 4. Information on the Company - A. History and Development of the Company – Capital Expenditures and Divestitures”.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Not Applicable

D. TREND INFORMATION

During 2013, net interest income grew 5% as credit volumes increased. Credit cost in 2013 was lower than in 2012. Future levels of loan volumes, interest margins and cost of credit will be key drivers of the Bank’s performance. The following is a brief discussion of recent trends with regard to those three elements.

Loan Volume Performance

Gross loans and financial leases (*i.e.*, before allowance for loans and financial lease losses) increased 28% during 2013.

Economic activity in Colombia and consumer confidence remained strong. As a result, demand in mortgages and consumer loans picked up vigorously and commercial loans kept growing. During 2013, commercial loans grew 23%, consumer loans grew 32%, small business loans grew 54%, financial leases grew 12% and mortgages increased 73%. The consolidation of Banistmo in October 2013 also contributed to the loan growth.

Economic growth in El Salvador was slow in 2013 and Banco Agrícola’s loan book expanded only 4.0% as there was weak demand from corporate and individuals. This slow growth generated a lagging effect in the Bank’s overall book.

USD-denominated loans increased 57% during 2013. Corporations in Colombia and off shore financing, particularly in Central America demanded this type of loan the Banistmo’s loans, all of them denominated in USD, contributed to the growth in this line.

Credit demand is expected to be strong in 2014 as the economy in Colombia continues to grow, individuals and corporations demand consumer and commercial loans, and as the economy in El Salvador recovers from the crisis of 2008 - 2010.

Net Interest Margins

The majority of the Bank's loan book has a variable rate (73% of loans have a maturity of more than one year and earn interest at variable rates) and the re-pricing pace of our assets tends to be faster than that of our liabilities. The interest rate increases in Colombia during 2013 put pressure on the Bank's net interest margins. As a result, the net interest margin decreased from 6.3% in the fourth quarter of 2012 to 5.3% in the fourth quarter of 2013.

The bank's strategy during the year was to support the net interest margin by changing the mix of deposits and increasing the proportion of average demand deposits (savings and checking accounts) which are less expensive than time deposits and also maintaining funding costs as low as possible on each type of deposits.

Ample liquidity, a more favorable deposit mix (one with a greater proportion of average demand deposits) and potential increases in interest rates in the economy point toward stability in interest margins in 2014.

Cost of credit

For the year 2013, the cost of credit was 1.6% of average loans, lower than the 1.7% experienced in 2012 and higher than the 1.1% in 2011. This lower credit cost was driven by lower deterioration in our loan portfolio.

E. OFF-BALANCE SHEET ARRANGEMENTS

The following are the off-balance sheet arrangements in which Bancolombia is involved: standby letters of credit, letters of credit and bank guarantees.

Standby letters of credit and bank guarantees are conditional commitments issued by us to guarantee the performance of a customer to a third party. Bancolombia typically has recourse to recover from the customer any amounts paid under these guarantees. In addition, Bancolombia may hold cash or other highly liquid collateral to support these guarantees.

At December 31, 2013, 2012 and 2011, outstanding letters of credits and bank guarantees issued by Bancolombia totaled COP 5,756,789 million, COP 4,440,515 million and COP 4,054,494 million, respectively.

The table below summarizes at December 31, 2013 and 2012 all of the Bank's guarantees where the Bank is the guarantor. The total amount outstanding represents maximum potential amount (notional amounts) that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collateral held or pledged. Such amounts greatly exceed anticipated losses.

Commissions received from these arrangements amounted to COP 21,322 million, COP 27,751 million and COP 27,644 million for 2013, 2012 and 2011, respectively. Unused credit lines amounted to COP 5,318,016 million and COP 2,844,745 million at December 31, 2013 and 2012.

	Expire within one year At December 31,		Expire in more than one year At December 31,		Total amount outstanding At December 31,		Maximum potential amount of future losses At December 31,	
	2013	2012	2013	2012	2013	2012	2013	2012

Letters of credit	2,304,073	1,681,099	301,503	1,027,423	2,605,576	2,708,522	2,605,576	2,708,522
Bank guarantees	1,817,472	1,072,320	1,333,741	659,673	3,151,213	1,731,993	3,151,213	1,731,993
Total (COP)	4,121,545	2,753,419	1,635,244	1,687,096	5,756,789	4,440,515	5,756,789	4,440,515

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table shows the Bank's contractual obligations as of December 31, 2013:

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
		(COP millions)			
Long-term debt obligations	12,510,064	986,321	1,744,719	1,390,251	8,388,773
Time deposits	34,418,681	24,574,634	6,857,469	1,600,746	1,385,832
Commitments to originate loans	5,318,016	5,318,016	-	-	-
Employee benefit plans	210,979	20,692	32,333	45,621	112,333
Finance Leases Obligations	34,287	9,024	22,086	3,177	-
Operating Lease Obligations	846	285	561	-	-
Interbank Borrowings	7,876,792	5,090,505	1,699,595	386,104	700,588
Borrowings from domestic development banks	4,631,300	1,078,017	1,124,900	1,000,119	1,428,264
Total	65,000,965	37,077,494	11,481,663	4,426,018	12,015,790

The amounts shown in the table include interest costs on debt. The Bank does not have any uncertain tax positions to report.

G. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following are considered critical accounting policies, given their significant impact on the financial condition and operating performance of the Bank. This information should be read together with Note 2. Summary of Significant Accounting Policies of the Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES UNDER COLOMBIAN BANKING GAAP

Evaluation of loan portfolio risk and determination of allowances for loan losses: Under Colombian banking GAAP, the Bank currently evaluates loan portfolio risk according to the rules issued by the SFC, which establishes qualitative and quantitative standards for assigning a risk category to individual assets. The qualitative analysis includes the evaluation of “potential weaknesses”, “deficiencies” or “serious deficiencies” based on the existence and magnitude of specific factors, according to the judgment of management. For the quantitative evaluation, the Bank first determines whether the loan has become due and then classifies the loan according to the number of days past-due.

Commercial and consumer loans are provisioned following standard models developed by the SFC. According to the models, the allowance for loan losses is stated through the calculation of the Expected Loss.

Small business loans and mortgage loans are provisioned considering a minimum allowance level for each credit category. In addition, a general allowance equal to 1% of the outstanding loan balance is required.

The Bank considers the accounting estimates used in the methodology to determine the allowance for loan losses to be “critical accounting estimates” because: (a) by its nature, the allowance requires the Bank to make judgments and assumptions regarding the Bank’s loan portfolio, (b) the methodology used in its determination is based on the existence and magnitude of determined factors that are not necessarily an indication of future losses and (c) the amount of the provision that is based on reference models for commercial and consumer portfolios and a percentage based on the risk category for small business loans and mortgage portfolios, although it is impossible to ensure that this percentage will exactly reflect the probability of loss.

Contingent Liabilities: The Bank is subject to contingent liabilities, including judicial, regulatory and arbitration proceedings and tax and other claims arising from the conduct of the Bank's business activities. Under Colombian banking GAAP, reserves are established for legal and other claims by assessing the likelihood of the loss actually occurring as probable, reasonably possible or remote. Contingencies are partially provisioned and are recorded when all the information available indicates that it is probable that the Bank will be required to make disbursements in the future for events that happened before the balance sheet date and the amounts may be reasonably estimated. The Bank engages internal and external experts (lawyers and actuaries) in assessing probability and in estimating any amounts involved.

Throughout the life of a contingency, the Bank may learn of additional information that can affect assessments regarding probability or the estimates of amounts involved. Changes in these assessments can lead to changes in recorded reserves.

The Bank considers the estimates used to determine the reserves for contingent liabilities to be "critical accounting estimates" because the probability of their occurrence and the amounts that the Bank may be required to pay are based on the Bank's judgment and its advisers, which will not necessarily coincide with the future outcome of the proceedings.

Pension Plan: Under Colombian banking GAAP, the Bank applies the provisions of Decree 4565 of 2010, which requires a distribution of charges to amortize the actuarial calculation by 2029. The distribution is calculated by taking the percentage amortized up to December 2009 and annually adding the minimum percentages needed to complete amortization by 2029. As of December 31 2013, the Bank has completed the amortization of the total amount resulting from the calculation performed in accordance with Decree 4565. Under the Bank's non-contributory unfunded defined benefit pension plan, benefits are based on length of service and level of compensation.

The Bank considers that the accounting estimates related to its pension plan are "critical accounting estimates" because the determination of the contributions to the plan involves judgments and assumptions made by the actuaries related to the future macroeconomic and employee demographic factors, among others, which will not necessarily coincide with the future outcome of such factors.

Recognition of Business Combinations: Upon a business combination, the Colombian purchase method of accounting requires that (i) the purchase price be allocated to the acquired assets and liabilities on the basis of their book value, (ii) the statement of income of the acquiring company for the period in which a business combination occurs includes the subsequent income generated from the acquisition date onwards by the acquired company and (iii) the costs directly related to the purchase business combination are recorded in the consolidated statements of operations as incurred.

The pooling of interests method of accounting requires the aggregate of the stockholders' equity of the entities included in the business.

The Conavi/Corfinsura Merger was accounted for using the pooling of interests method in accordance with the methodology suggested by the SFC. The Sufinanciamiento (now Tuya S.A. Compañía de Financiamiento), Comercia (now Factoring Bancolombia), Banagrícola and Banistmo (formerly HSBC Bank Panama) acquisitions were accounted for using the purchase method under Colombian banking GAAP.

Goodwill Recognized Upon Business Combinations: The Bank tests goodwill recognized upon business combinations for impairment at least annually using a two-step process that begins with an estimation of the fair value of a reporting unit. The first step is a screen for potential impairment, and the second step measures the amount of impairment, if any. However, if certain criteria are met, the requirement to test goodwill for impairment annually can be satisfied without a re-measurement of the fair value of a reporting unit. Fair value is determined by management by reference to market value, if available, or by pricing models or with the assistance of a qualified evaluator. Determination of a fair value by a qualified evaluator or pricing model requires management to make assumptions and uses estimates.

The most significant amounts of goodwill and intangibles relate to the acquisition of Conavi and Corfinsura in 2005, Banagrícola in 2007 and Banistmo (formerly HSBC Bank Panama) in 2013. The valuation models used to determine the fair value of these companies and the intangibles are sensitive to changes in the assumptions. Adverse changes in any of these factors could lead the bank to record a goodwill or intangible impairment charge. Management believes that the assumptions and estimates used are reasonable and supportable in the existing market environment and commensurate with the risk profile of the assets valued. However, different assumptions and estimates could be used which would lead to different results.

Under Colombian banking GAAP, financial entities have to register amortization of goodwill. According to the guidelines issued by the SFC, the goodwill should be amortized using the exponential method, however, other methods which provide a better association between revenues and expenses are permitted. Since January, 2008, the straight-line method has been used to amortize goodwill, since the Bank considers this method to provide a better association between revenues and expenses corresponding to this investment. Under Colombian banking GAAP the Bank performs impairment test using a discounted cash flow technique.

The Bank considers amortization and impairment tests to be “critical accounting estimates” because of the importance of assumptions used in the testing and the sensitivity of the results to the assumptions used.

Recognition and Measurement of Financial Instruments at Fair Value: A portion of the Bank's assets is carried at fair value for Colombian banking GAAP purposes, including equity and debt securities with quotations available or where quoted prices are available for similar assets, derivatives, customers' acceptances and short-term borrowings.

Under Colombian GAAP, the fair value of a financial instrument is defined as the estimated amount at which the instrument could be exchanged in a current transaction between willing and independent parties. A large proportion of the Bank's assets reported at fair value are based on quoted market prices, which provide the best indication of fair value. If quoted market prices are not available, the Bank discounts the expected cash flows using market interest rates which take into account the credit quality and maturity of the investment.

As of December 31, 2013, the Bank's assets that were fair-valued using discounted cash flow techniques amounted to COP 2,295 billion and mainly included bonds and notes issued by the Colombian government or its entities and corporate debt securities.

As of December 31, 2013, derivative financial instruments were not recognized based on quoted prices and as a consequence, valuation techniques such as discounted cash flows, Black-Scholes and similar methodologies were performed to measure the estimated fair value, using where possible current market-based or independently sourced market parameters, such as interest rates, currency rates and forward curves based on transactions.

The estimated fair value of instruments based upon internally developed valuation techniques could vary if other valuation methods or assumptions were used.

As of December 31, 2013, our financial derivatives that were fair-valued using discounted cash flows and Black-Scholes techniques amounted net to COP 107.552 million and mainly included market rate and interest rate swaps, forwards and options.

For a further discussion on the effect of a change in interest rates and foreign exchange rates on the Bank's portfolio see "Item 11. Quantitative and Qualitative Disclosures About Market Risk".

Securitizations: The Bank has securitized both performing and non-performing mortgage loans which, according to Colombian banking GAAP, have been accounted for as sales, and as such, said loans have been removed from the Bank's balance sheet.

As of 2009 (effective date), when External Circular 047 of 2008 was issued, assets subject to portfolio securitizations could be derecognized as firm transfers or disposals providing the following conditions were fulfilled:

- Assets assigned to securitizations and transferred exclusively to securitization firms in order to set up Special-Purpose Vehicles (SPVs).
- In the case of securitizations carried out by securitization firms or directly by credit establishments, the disposal of the corresponding assets must be carried out by separating the equity value of the securitized assets and creating the corresponding SPV.
- The disposal or transfer of securitized assets shall not be subject to any type of express or implicit cancellation clause or provision.
- In transferring or disposing of these securitized assets, the total benefits and risks inherent or accruing from such assets must also have been totally transferred.
- Under no circumstance shall the originator conserve discretionary rights to dispose of, control, limit, encumber, substitute, reacquire or use the assets thus transferred or disposed of.

Also, this new regulation provided that in cases where the transferor retains a positive residual interest, it may record as an investment the fair value of the residual interest subject to the conditions defined for this purpose in the applicable rules and regulations of the issue in question, with a balancing entry in the investment valuation income account. This value must be updated at least every year, on the anniversary of the date on which the SPV was set up and in any case on the closing date of the fiscal period in question. As a result of the above, the Bank has recognized retained interest as held to maturity debt securities in the amount of COP 194,375 million and COP 138,983 million as of December 31, 2013 and 2012 respectively.

Equity tax: Since 2007 Colombian tax regulations require companies to pay an annual special tax defined as "*Equity tax*" calculated based on their net assets established on their tax basis as of January 1 of each year at the statutory tax rate of 1.2%. The equity tax is in addition to corporate income tax. During 2010 and 2011 a new regulation required companies to calculate this tax only once for the subsequent four years as of January 1, 2011 at the tax rate of 6% and payable in 8 semi-annual installments over four years without interest. The equity tax calculated by companies in accordance with Colombian banking GAAP is recorded as a deferred asset to be amortized on a straight-line basis over the four years proportionately against stockholders' equity and income.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES UNDER U.S. GAAP

Allowance of Deferred Tax Assets

A valuation allowance for deferred tax assets is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. All available evidence, both positive and negative, is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed. Future realization of the tax benefit of existing deductible temporary differences or carry forwards ultimately depends on the existence of sufficient taxable income in future periods.

In determining a valuation allowance, the Bank performs a review of future taxable income (required for reversing temporary differences and carry forwards) and future reversals of existing taxable temporary differences. Due to the continuing weak economic conditions, the determination of the valuation allowance involves difficult judgments to estimate future taxable income.

With regard to state taxes, Bancolombia is subject to Colombian tax legislation. In the case of its companies based in El Salvador, Panama (only applicable to Banistmo and its subsidiaries) and Peru, it must also calculate the corresponding taxes according to Salvadorian, Panamanian and Peruvian tax legislations.

With regard to municipal and departmental taxes, these must be calculated according to tax legislation applicable in each of the municipal jurisdictions in which the Bank's branch offices are located.

The application of tax legislation is subject to diverse interpretations on the part of both taxpayers and the Colombian tax authorities (Dirección de Impuestos y Aduanas Nacionales).

When calculating deferred tax, the Bank considers future estimates, the figures recorded on its consolidated financial statements.

However, the deferred tax asset is considered as a critical accounting policy, due to tax determinations involving estimates of profits and future taxable incomes that will be settled in future years; such estimates can be affected by changes on the economic conditions. The valuation allowance has been determined based on estimations of taxable income and the applications of the current fiscal laws.

Evaluation of Loan Portfolio Risk and Determination of Allowances for Loan Losses: Under U.S. GAAP, the Bank considers loans to be impaired when it is probable that all amounts of principal and interest will not be collected according to the contractual terms of the loan agreement. The allowance for significant impaired loans are assessed based on the present value of estimated future cash flows discounted at the effective loan rate or the fair value of the collateral in the case where the loan is considered collateral-dependent. An allowance for impaired loans is provided when discounted future cash flows or the fair value of collateral is lower than book value.

In addition, if necessary, a specific allowance for loan losses is established for non-impaired individual loans, based on statistic modeling, recent back testing results, expectations about the economy's behavior, credit scores, the risk characteristics of the various classifications of loans and other factors directly influencing potential collectability and affecting the quality of the loan portfolio.

Determining the allowance for loan losses requires a significant amount of management judgment and estimates including, among others, identifying impaired loans, determining customers' ability to pay and estimating the fair value of underlying collateral or the expected future cash flows to be received.

To calculate the allowance required for smaller-balance impaired loans and unimpaired loans, historical loss ratios are determined by analyzing historical losses. Loss estimates are analyzed by loan type (commercial and consumer, microcredit and mortgage) and thus for homogeneous groups of clients depending on their scoring and portfolio segment. Such historical ratios are updated to incorporate the most recent data reflecting current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment and any other pertinent information that may affect the estimation of the allowance for loan losses.

Allowances on homogeneous loan portfolios are established based on probability of default, which is defined as the probability that the debtor within a specific loan portfolio or segment and rating, will default on its obligations within the next twelve (12) months. Under U.S. GAAP, this probability of default is determined by analyzing estimated defaults or foreclosures based on portfolio trends, historical losses, client's payment behavior with past-due loans greater than 90 days, delinquencies, bankruptcies, economic conditions and credit scores.

Another parameter associated to the client's allowance under homogeneous groups is the Loss Given Default ("LGD"), which is a function of the guarantee and the number of days that each loan is past due. The Bank applies the parameters designated by the SFC, but since 2012, it has calculated some parameters under a proprietary model based on historical information of recoveries from defaulted clients.

A one-percent decrease in the expected cash flows could result in an impairment of the portfolio of approximately COP 6,769 million. These sensitivity analyses do not represent management's expectations of the decline in risk ratings or the increases in loss rates, but are provided as hypothetical scenarios to assess the sensitivity of the allowance for loan and lease losses to changes in key inputs. The Bank believes the risk ratings and loss severities currently in use are appropriate and represent management's expectations about the credit risk inherent in its loan portfolio.

The Bank considers accounting estimates related to provisions for loans and advances "critical accounting estimates" because: (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and advances are based on recent performance experience, and (ii) any significant difference between the Bank's estimated losses (as reflected in the provisions) and actual losses would require the Bank to take provisions which, if significantly different, could have a material impact on its future financial condition and results of operations. The Bank's assumptions about estimated losses are based on past performance, past customer behavior, the credit quality of recent underwritten business and general economic conditions, which are not necessarily an indication of future losses.

During 2013, management made enhancements to the estimation process for evaluating the adequacy of the general reserve component of the allowance for loan losses. The enhancements to the allowance for loan losses methodology, which are described in the paragraphs below, were implemented as of December 31, 2013, and resulted in a net decrease to the allowance for loan losses of COP 136,788 million, and COP 179,836 million at the end of 2012.

The following are the principal changes to the methodology made during 2013 to improve the risk rating model for assessing of probability of default, which presented the following enhancements:

- Update to the risk rating model to establish a greater granularity stratification of the loan to enhance the homogeneity of the loan classes and economic sectors portfolio. This improves the discriminant capacity of the model, and obtains a broader set of risk ratings that allow a better determination of client risk. These enhancements resulted in a decrease to the allowance for loan losses of COP 77,304 million at December, 2013, and COP 86,049 million at the end of 2012.

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- Recalibration the ap plication scorecard for individuals. During 2013, was incorporated a new application scorecard, which will be used for calculate default´s probability of the newly disbursed loans. Also, the definition of new client has changed, in order to be aligned with client definition of the new application scorecard. The combined effect of the aforementioned changes to the score resulted in a decrease to the allowance for loan losses of COP 59,484 million at December 31, 2013, and COP 93,788 million at the end of 2012.

Pension Plan: Under U.S. GAAP, actuarial valuation of its pension plan is performed annually using the projected unit credit method in accordance with ASC 715 Compensation-Retirement Benefits and prepared using actuarial, economic and demographic assumptions about future events.

The Bank considers the accounting estimates related to its pension plan to be “critical accounting estimates” because the determination of the contributions to the plan involves judgments and assumptions made by the actuaries related to the future macroeconomic and employee demographic factors, among others, which will not necessarily coincide with the future outcome of such factors.

Recognition and Measurement of Intangibles Recognized Upon Business Combinations: Under U.S. GAAP, the Bank accounts for acquired businesses using the acquisition purchase method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. The application of the acquisition method requires certain estimates and assumptions, especially concerning the determination of fair values of the acquired intangible assets and property, plant and equipment, as well as the liabilities assumed at the date of the acquisition.

In addition, the useful lives of acquired intangible assets, property, plant and equipment have to be determined. The judgments made in the context of the purchase price allocation can materially impact the Bank’s future results of operations. Accordingly, for significant acquisitions, the Bank obtains assistance from third-party valuation specialists. The valuations are based on information available at the acquisition date and different methodologies are used for each intangible identified.

Goodwill and Intangibles Recognized Upon Business Combinations: Under U.S. GAAP, for business acquisitions that occurred before January 1, 2009, goodwill was measured as the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed. Since January 1, 2009, goodwill has been measured as the excess of the sum of the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. The Bank tests goodwill recognized upon business combinations for impairment at least annually using a two-step process that begins with an estimation of the fair value of a reporting unit. A reporting unit is defined as an operating segment or one level below an operating segment; which is a business component that earns revenues and incurs expenses, whose operating results are regularly reviewed by management to assess performance and allocate resources. The first step is a screen for potential impairment, and the second step measures the amount of impairment, if any. However, if certain criteria are met, the requirement to test goodwill for impairment annually can be satisfied without a re-measurement of the fair value of a reporting unit. Fair value is determined by management by reference to market value, if available, by pricing models, or with the assistance of a qualified evaluator. Determination of fair value by a qualified evaluator or pricing model requires management to make assumptions and use estimates to forecast cash flow for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the reporting unit; estimation of the fair value of reporting units; and the valuation of the separable assets of each business whose goodwill is being reviewed.

The amount of goodwill allocated to the reporting unit and the key assumptions used by management in determining the fair value are:

Reporting segments	Reporting Unit	Goodwill 2013	Valuation Methodology	Key Assumptions	Discount Rate (real)		Growth rate (real)	
Banking El Salvador	Banco Agrícola	571,952	Cash flow	10 years plan	10.00	%	-	
Banking Colombia	Bancolombia, Tuya and Factoring[(1)]	428,040	Cash flow	10 years plan	10.06	%	4.70	%
Banking Panama [(2)]	Banistmo (Formerly HSBC Bank Panama)	2,117,593	n/a	n/a	n/a		n/a	
Leasing	Leasing Bancolombia	54,238	Cash flow	10 years plan	10.06	%	4.70	%
Insurance[(2)]	Banistmo Seguros	51,797	n/a	n/a	n/a		n/a	
Trust	Fiduciaria Bancolombia	2,493	Cash flow	10 years plan	10.06	%	4.70	%
Investment Banking	Banca de Inversión	132,273	Cash flow	10 years plan	10.06	%	4.70	%
Brokerage	Valores Bancolombia	43,722	Cash flow	10 years plan	10.06	%	4.70	%
Off Shore	Bancolombia Puerto Rico	31,534	Cash flow	10 years plan	10.06	%	4.70	%
All Other Segments	Inversiones CFNS	1,330	Cash flow	10 years plan	10.06	%	4.70	%
All Other Segments	Uff Móvil[(3)]	20,493	Cash flow	10 years plan	15.00	%	-	

(1) In 2009, the Bank performed the impairment test of Factoring Bancolombia’s goodwill and concluded there was impairment. The impairment loss has been recorded to the extent of the carrying amount of the goodwill.

(2) On October 28, 2013, the Bank acquired 100% of common shares, and 90.1% of preferred shares of HSBC Bank (Panama) S.A. and its subsidiaries, which are involved in the securities, trust services, leasing, and banking services businesses, as well as an insurance company, and certain other companies. Bancolombia acquired a controlling interest in the Panamanian entity, which, from the date hereof, shall operate under the name Banistmo.

(3) In 2013, the Bank performed the impairment test of Uff Móvil's goodwill and concluded there was impairment. The impairment loss amounted to COP 1,502 million. There are no other reporting units close to failing the first step of the impairment test performed during 2013.

n/a= not applicable.

Besides from Uff Móvil, there are no other reporting units close to failing the first step of the impairment test performed during 2013.

The long-term growth rates have been based on respective country GDP rates adjusted for inflation. The risk discount rates are based on observable market long-term Government bond yields and average industry betas adjusted for an appropriate risk premium.

The most significant amounts of goodwill and intangibles relate to the Conavi/Corfinsura Merger in 2005 (allocated to Bancolombia, Tuya and Factoring Reporting Unit), the acquisition of Banagrícola in 2007 and the acquisition of Banistmo (formerly HSBC Bank Panama) in 2013. The valuation models used to determine the fair value of these companies and the intangibles are sensitive to changes in the assumptions. Significant adverse changes in discount rate or growth rate could lead the Bank to record a goodwill or intangible impairment charge. Management believes that the assumptions and estimates used are reasonable and supportable in the existing market environment and commensurate with the risk profile of the assets valued. However, different assumptions and estimates could be used which would lead to different results.

Recognition and Measurement of Financial Instruments at Fair Value: For U.S. GAAP purposes, the Bank adopted ASC 820 – Fair Value Measurements and Disclosures. As a result, the Bank has made amendments to the techniques used in measuring the fair value in order to include considerations about credit risk, as described below.

The Bank holds debt and equity securities, derivatives, assets-backed securities, loans, short-term borrowings and long term-debt, to meet clients' needs and to manage liquidity needs and market risk.

a. Overall Valuation Methodology

When available, the Bank generally uses quoted market prices to determine fair value, and classifies such items within Level 1 of the fair value hierarchy established under ASC 820. Where available, the Bank may also make use of quoted prices for recent trading activity in positions with the same or similar characteristics to that being valued.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates and option volatilities. Financial instruments valued in this manner are classified within level 2 of the fair-value hierarchy under ASC 820.

When an internally developed model is used to price a significant product, it is subject to validation and testing by independent personnel and the item would be classified as Level 3 of the fair-value hierarchy established under ASC 820.

b. Credit Valuation Adjustments

For U.S. GAAP purposes, beginning January 1, 2008 with the adoption of fair-value measurement guidance, the Bank has measured the effects of the credit risk of its counterparties and its own creditworthiness in determining fair value of certain financial instruments that are measured on a recurring basis.

Counterparty credit-risk adjustments are applied to derivatives, such as over-the-counter derivatives, where the base valuation uses market parameters based on the LIBOR, the COP interest rate curve implicit in the Cross Currency Swap Curve and foreign exchange curves.

The Bank generally calculates the asset's credit risk adjustment for derivatives transacted with international financial institutions by incorporating indicative credit related pricing that is generally observable in the Credit Default Swap ("CDS") market. The credit risk adjustment for derivatives transacted with all other counterparties is calculated by incorporating unobservable credit data derived from internal credit qualifications to the financial institutions and corporations located in Colombia.

The Bank also considers its own creditworthiness when determining the fair value of an instrument, including OTC derivative instruments if the Bank believes market participants would take that into account when trading the respective instrument. The approach to measuring the impact of the Bank's credit risk on an instrument is in the same as for third-party credit risk.

As of December 31, 2013, a hundred basis points increase in our own credit spreads when determining the credit valuation adjustment of our derivative portfolio, could result in a decrease of the associated adjustment of approximately COP 160 million. On the other hand, a hundred basis points increase in the counterparty credit spreads when determining the credit valuation adjustment of our derivative portfolio, could result in an increase of the associated adjustment of approximately COP 4,389 million. These sensitivity analysis do not represent management's expectations of the changes in the counterparties' credit risk, but are provided as hypothetical scenarios to assess the sensitivity of the fair value of our derivative portfolio to changes in credit spreads.

c. Loans

The Bank is required, on a nonrecurring basis, to adjust the carrying value of certain assets or provide valuation allowances related to certain assets using fair-value measurements in accordance with U.S. GAAP. Loans are generally not recorded at fair value on a recurring basis. Periodically, the Bank records nonrecurring adjustments for including certain impairment amounts for collateral-dependent loans calculated in accordance with ASC 450 Contingencies when establishing the allowance for loan losses. Such amounts are generally based on the fair value of the underlying collateral supporting the loan. Estimates of fair value used for collateral supporting loans generally are based on assumptions not observable in the marketplace and therefore such valuations have been classified as Level 3. Loans subject to nonrecurring fair value measurement were COP 276,421 million and COP 166,864 million at December 31, 2013 and 2012, respectively, classified as Level 3. Changes in fair value recognized for loan impairment reserves on loans held by the Bank on December 31, 2013 and 2012, represented impairment losses for COP 77,093 million and COP 41,036 million, for the period ended December 31, 2013 and 2012, respectively.

d. Other than Temporary Impairment

The Bank conducts regular reviews to assess whether other than temporary impairment exists, in accordance with ASC 320. If the Bank determines that unrealized losses are temporary in nature, they are recorded in Accumulated Other Comprehensive Income.

U.S. GAAP requires, when an entity intends to sell an impaired debt security or it is more likely than not that it will be required to sell prior to recovery of its amortized cost basis, the recognition in earnings of the impairment loss on investment securities for decline in fair value. Determinations of whether a decline is other than a temporary decline often involve estimating the outcome of future events. Management judgment is required in determining whether factors exist that indicate that an impairment loss has been incurred at the balance sheet date. These judgments are based on subjective as well as objective factors. The Bank conducts a review semi-annually to identify and evaluate investment securities that have indications of possible impairment.

The Bank has determined that unrealized losses on investments as of December 31, 2013 are temporary in nature because it does not intend to sell an impaired debt security and it is not more likely than not it will be required to sell the debt security before the recovery of its amortized cost.

The substantial majority of the investments in an unrealized loss position for 12 months or more are primarily securities issued by Titularizadora Colombiana, denominated in Unidad de Valor Real (the “Real Value Unit” or “UVR”). Unrealized losses may decline as interest rates fall below the purchased yield and as the securities approach maturity. Since the Bank does not intend to sell an impaired debt security and it is not more likely than not it will be required to sell the debt security before the recovery of its amortized cost, which could be maturity, the unrealized loss is considered temporary.

The Bank considers that the accounting estimate related to the valuation of financial assets and financial liabilities, including derivatives where quoted market prices are not available to be a ‘critical accounting estimate’ because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific features of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported on its balance sheet as well as its net profit/(loss) could be material.

Securitizations: Before 2010, if the SPE activities were sufficiently restricted to meet certain accounting requirements in order to be considered a qualifying special-purpose entity (QSPE), the trust was not consolidated by the seller of the transferred assets. Additionally, under ASC 810 Consolidation, if trusts other than QSPEs met the definition of a variable interest entity (VIE), the Bank evaluated whether the bank were the primary beneficiary of the trust and, if so, consolidate it. According to ASC 810 the condition of “primary beneficiary” is met whether the Bank has the power to direct the activities that most significantly impact the VIE’s economic performance and has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to it. Furthermore, under ASC 810 the Bank shall consider any involvement of related parties in the consolidation assessment, and when no single party has both conditions aforementioned, but members of a related party would meet both of those criteria, then the most closely associated party with the VIE shall consolidate it. To determine which party within the related party group is most closely related the Bank analyzes which one is most exposed to the variability associated with the anticipated economic performance of the VIE.

Under U.S. GAAP, beginning 2010 the Bank adopted the new standard established in FAS 166 (ASC 810) "Accounting for transfers of financial assets". Under the new standard, there are two key accounting determinations that must be made relating to securitizations. A decision must be made as to whether a transfer would be considered a sale under U.S. GAAP, resulting in the transferred assets being removed from the Bank's consolidated balance sheet with a gain or loss recognized. Alternatively, the transfer would be considered a secured borrowing, resulting in recognition of a liability in our consolidated balance sheet. The second key determination to be made is whether the securitization vehicle must be consolidated and included in the Bank´s consolidated balance sheet or whether such securitization vehicle is sufficiently independent that it does not need to be consolidated.

In order to consolidate these vehicles used to securitize the Bank's performing loans, the Bank records loans net of allowance for loan losses. For this process, the Bank considers the evaluation of loan portfolio risk and determination of allowances for loan losses under U.S. GAAP to be "critical accounting estimates" because it is based on estimations. (See more details above in Evaluation of Loan Portfolio Risk and Determination of Allowances for Loan Losses in this item).

The table below presents a summary of the assets and liabilities of VIEs of securitization performing which have been consolidated on the Bank's balance sheet at December 31, 2013 and 2012:

	2013	2012
	(COP million)	
Assets	COP 1,151,020	COP 1,736,521
Liabilities	442,340	787,819
Allowance for loan losses	99,707	122,971

The allowance for loan losses represents the management's estimate of probable losses inherent in the portfolio.

H. RECENT U.S. GAAP PRONOUNCEMENTS

In April 2014, FASB issued ASU 2014-08, *"Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity"* to change the criteria for reporting discontinued operations. The amendments clarify that a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when any of the following occurs: (1) The component of an entity or group of components of an entity meets the criteria in paragraph 205-20-45-1E to be classified as held for sale; (2) The component of an entity or group of components of an entity is disposed of by sale; (3) The component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff). The new accounting guidance is effective for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. Management is currently assessing the impact of the adoption of ASU 2014-08 on the Bank’s financial statements and U.S. GAAP disclosures.

In January 2014, FASB issued ASU 2014-04, *"Receivables—Troubled Debt Restructurings by Creditors: Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure"* to clarify when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property recognized. According to new guidance physical possession has been received upon either: (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. Those amendments are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. Management is currently evaluating the impact the amendments would have on the Bank's financial statement and U.S. GAAP disclosures.

In July 2013, FASB issued ASU 2013-11, "Income Taxes (Topic 740): *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry forward, a Similar Tax Loss, or a Tax Credit Carry forward Exists"* to provide guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, similar tax loss, or tax credit carryforward exists. Formerly, three approaches were used to be considered for the financial statement presentation of an unrecognized tax benefit, when a net operating loss carry forward, a similar tax loss, or a tax credit carry forward exists. A) Some entities present unrecognized tax benefits as a liability unless the unrecognized tax benefit is directly associated with a tax position taken in a tax year that results in, or that resulted in, the recognition of a net operating loss or tax credit carry forward for that year and the net operating loss or tax credit carry forward has not been utilized. B) Other entities present unrecognized tax benefits as a reduction of a deferred tax asset for a net operating loss carry forward or tax credit carry forward in certain circumstances, and C) The entity can to make an accounting policy election to apply one of the other two approaches to all unrecognized tax benefits. The amendments in this update reduce diversity in practice by providing guidance on the presentation of unrecognized tax benefits and will better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exist. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Management is currently evaluating the impact the amendments would have on the Bank's financial statement and U.S. GAAP disclosures.

In July 2013, FASB issued ASU 2013-10, *"Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for* Hedge Accounting Purposes (a consensus of the FASB Emerging Issues Task Force)" to permit the Fed Funds Effective Swap Rate (also referred to as the Overnight Index Swap Rate) to be used as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to interest rates on direct Treasury obligations of the U.S. Government and the London Interbank Offered Rate (LIBOR). The Fed Funds rate is the interest rate at which depository institutions actively trade balances held at the Federal Reserve with each other, usually overnight. The weighted average of this rate across all such transactions on any given day is the daily Fed Funds effective rate. The amendments are effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The adoption had no impact on the U.S. GAAP disclosures and financial information released by the Bank for the reporting period ending on December 31, 2013 and 2012.

In April 2013, FASB issued ASU 2013-07, "*Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting" to require a statement of changes in net assets in liquidation instead of a statement of comprehensive income in order to provide more relevant information to users of the financial statements of an entity that is in liquidation.* The requirements will be effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, although early adoption is permitted. The amendments have no impact on the Bank's U.S. GAAP disclosures and financial information.

In March 2013, FASB issued ASU 2013-05, "Foreign Currency Matters (Topic 830)": to resolve the diversity in practice about the cumulative translation adjustment derecognition guidance in Subtopic 830-30 for the derecognition of certain subsidiaries or groups of assets within a foreign entity and for changes in an investment in a foreign entity. Furthermore, the ASU 2013-05 resolves the diversity in practice for the treatment of business combinations achieved in stages (sometimes also referred to as step acquisitions) involving a foreign entity. The requirements were effective prospectively for fiscal years beginning after December 15, 2012. Management has concluded that the adoption of the ASU 2013-05 had no impact on the Bank's financial statements and U.S. GAAP disclosures for the year ending at December 31, 2013.

In February 2013, FASB issued ASU 2013-02, "Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income (Topic 220)". The amendments require additional disclosures of items reclassified from accumulated Other Comprehensive Income (OCI) to net income. The requirements were effective prospectively for reporting periods beginning after December 15, 2012. Management has concluded that the adoption has no significant impact on the Bank's U.S. GAAP disclosures and financial information. For further information see *Note 31 "Supplemental Consolidated Statement of Comprehensive Income"*.

In January 2013, the FASB issued ASU 2013-01, "Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." The amendments clarify that the scope of Update 2011-11 applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. An entity is required to apply the amendments for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the required disclosures retrospectively for all comparative periods presented. The effective date is the same as the effective date of Update 2011-11. The amendments required by the ASU 2013-01 has been considered on the Bank's financial statement and U.S. GAAP disclosures, for further information see *Note 31, i) "Investment securities, derivatives and repos"*.

In October 2012, FASB issued ASU 2012-04, "Technical Corrections and improvements" to provide: 1) clarification through updating wording, correcting references, or a combination of both, which affects a wide variety of Topics in the Codification; 2) clarify certain guidance in various Topics of the Codification to fully reflect the fair value measurement and disclosure requirements of Topic 820. The amendments are not introducing any new fair value measurements and are not intended to result in a change in the application of the requirements in Topic 820 or fundamentally change other principles of U.S. GAAP. For public entities, the amendments that are subject to the transition guidance were be effective for fiscal periods beginning after December 15, 2012. Management has concluded that adoption of ASU 2012-04 had no impact on the U.S. GAAP disclosures and financial information released by the Bank.

In August 2012, FASB issued ASU 2012-03, "Technical Amendments and Corrections to SEC Sections" to amends various SEC paragraphs pursuant to SAB 114 related to computation of restricted net assets of subsidiaries, Presentation of Financial Statements, Notes to Financial Statements and other topics; SEC Release No. 33-9250 and ASU 2010-22 which amend or rescind portions of certain SAB Topics related to: Form of condensed financial statements, Debt Issue Costs in Conjunction with a Business Combination, Business Combinations Prior to an Initial Public Offering, Accounting for Divestiture of a Subsidiary and other topics. The amendments do not include an effective date, applications must be considered after publication. The adoption had no impact on the U.S. GAAP disclosures and financial information released by the Bank.

In July 2012, FASB issued ASU 2012-02, "Testing Indefinite-Lived Intangible Assets for Impairment" to reduce the cost and complexity of performing an impairment test for indefinite-lived intangible assets by simplifying how an entity tests those assets for impairment and to improve consistency in impairment testing guidance among long-lived asset categories. The amendments permit an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Section 350-30. The amendments include a number of events and circumstances for an entity to consider in conducting the qualitative assessment. The amendments were effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Management has decided to perform the annual impairment test for indefinite-lived intangible assets for all of the recognized Indefinite-lived intangible assets in prior business combinations as of December 31, 2013. See Note 31, section m) Business combination.

RECENT COLOMBIAN BANKING GAAP PRONOUNCEMENTS

In July 2009 Congress approved Law 1314 of 2009, which introduced changes in the accounting, audit and information disclosures with the aim of converging with “International Financial Reporting Standards – IFRS”, although current regulations could differ in certain subjects from those in other countries.

On December 29, 2012, Colombian Ministry of Trade, Industry and Tourism issued the Decree 2784 regulating the technical framework to be applied by public entities and issuers of securities.

The technical framework is based on the IFRS and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC) related interpretations, as translated in Spanish at December 1, 2012, by the International Accounting Standard Board (IASB).

Furthermore, Decree 2784 modified by Decree 3024 of 2013, establishes that the transition period takes place during year 2014, and all the entities are required to prepare the opening balance sheet under IFRS at January 1, 2014. Accounting regulations based on the new framework are effective for annual and interim fiscal years beginning after December 31, 2014.

During the year 2014, the transition period, entities must keep records of their financial situation under the new regulation established by Decree 2784 as well as under the current Colombian GAAP.

In accordance with Decree 2784 of 2012, during year 2013, the entities must have prepared an implementation program approved by the Board of Directors, specifying the major milestones and the key personal required for running and overseeing the convergence process.

For the year ending at December 31, 2014, entities must prepare their financial statements under the current framework established by the Decrees 2649 and 2650 of 1993. Entities are required to prepare the comparative financial statement under the new regulation established by Decree 2784 of 2012 from the year ending at December 31, 2015 onwards.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

As of March 31, 2014, the following persons acted as directors and senior management of the Bank:

Directors

David Emilio Bojanini García was born in 1956. He has been the Chief Executive Officer of Grupo de Inversiones Suramericana S.A. since September 2006 and was the CEO of Administradora de Fondos de Pensiones y Cesantías "Protección S.A." from 1991 to September 2006. Before that time, he was Actuarial Manager in Suramericana de Seguros S.A. Currently he is a member of the board of directors of Bancolombia, Grupo Inversiones Nacional de Chocolates, Grupo Argos S.A. and Suramericana S.A. He is also part of the Board of Directors of Proantioquia and the Privy Council for Competitiveness. He is a member of the Consejo Empresarial de América Latina – CEAL (Business Council for Latin America) as well as a member of the board of directors the Empresarios por la Educación Foundation, El Cinco Foundation and Mi Sangre Foundation, among others.

José Alberto Vélez Cadavid was born in 1950. He has been the President of Grupo Argos S.A. since August 2003. He has held several management positions at Suramericana de Seguros S.A. since 1984, including Vice President of Marketing and Sales, Vice President of Investments, Vice President of Enterprise Development and President of Inversura S.A. and Suramericana de Seguros S.A. Currently Mr. Vélez Cadavid is also a member of the board of directors of Suramericana de Inversiones S.A., Grupo Nacional de Chocolates S.A. and Calcetines Crystal S.A.

Roberto Ricardo Steiner Sampedro was born in 1959. He is currently an Associate Investigator for Fedesarrollo, a position he has held since March 2013. Within his professional trajectory Mr. Steiner has held several positions in the Central Bank, such as Director of the Investigation Department, Associate Investigator; he also served as Subdirector and Executive Director of Fedesarrollo, Director of the Economic Development Studies Center of the Universidad de los Andes and as an Alternate Executive Director of the IMF. Mr. Steiner has been member of the Board of Directors of the Bogota Stock Exchange and Ecopetrol. He has been a consultant for IDB, the World Bank, the IMF and the ECLAC. His designation is currently pending the approval of the SFC and until such approval is obtained Mr. Steiner will not act as director of the Bank.

Gonzalo Alberto Pérez Rojas was born in 1958. He is the President of Inversura S.A. He has held different management positions at Compañía Suramericana de Seguros since 1981, such as Vice President of Corporate Businesses and Vice President of Insurance and Capitalization. Mr. Pérez Rojas is also a member of the board of directors of Suramericana Panama, Fasecolda (Federación de Aseguradores Colombianos), Colombiana de Inversiones S.A., Fundación Suramericana, Grupo Nacional de Chocolates S.A. and Fundación Grupo Nacional de Chocolates.

Ricardo Sierra Moreno was born in 1951. He has been the President of Productora Distrihogar S.A. since 1989. He had previously held positions as Chief Financial Officer of Suramericana de Seguros S.A. from 1982 to 1989 and Regional Manager of Corporación Financiera Suramericana S.A. Corfinsura from 1979 to 1982. Mr. Sierra Moreno is also a member of the board of directors of Conconcreto S.A., Carulla Vivero S.A., UNE EPM Telecomunicaciones S.A. and Calcetines Crystal S.A. He has also been a member of the ANDI's sectional board since 1992.

Rafael Martinez Villegas was born in 1942. He holds a degree in Business Administration from EAFIT University in Medellin, and a Master's degree in Science in Accounting from Texas Tech University. He had previously held positions as an auditor at the firm of Peat Marwick, Mitchell & Co., General Manager of Prebel, President of Inversiones Aliadas S.A. and Corporación Financiera Aliadas S.A. He also has been a member of the board of directors of Prebel S.A., Productos Familia S.A., Enka de Colombia S.A, Corporación Financiera Suramericana S.A. and Orquesta Filarmónica de Medellín, among others. He is now dedicated to his own business.

Hernando José Gómez Restrepo was born in 1957. He holds a degree in Economics, and is a Ph.D. candidate from Universidad de los Andes. He had previously held positions as director advisor of the Central Bank, president of the private council for competitiveness (*Consejo Privado de la Competitividad*), lead negotiator for the Colombian government of the free trade agreement with the United States, and director of the National Planning Department (*Departamento Nacional de Planeación*), and has been a faculty member at Universidad de los Andes, and a visiting professor at Yale University.

For additional information regarding the Board of Directors and its functions, see "Item 10. Additional Information – B. Memorandum and Articles of Association – Board of Directors."

Senior Management

Carlos Raúl Yepes Jimenez was born in 1964. He has been the President of Bancolombia since February, 2011 and had been previously a member of its Board of Directors for five years. Mr. Yepes was Corporate Vice President of Cementos Argos S.A. from 2003 to 2011, Legal Director of Bancolombia from 1994 to 2003 and also Legal Director of CI Unión de Bananeros de Urabá ("Uniban") from 1991 to 1994.

Mr. Yepes holds a degree in law from Universidad Pontificia Bolivariana and a degree in business law from Universidad Externado de Colombia.

Juan Carlos Mora Uribe was born in 1965. He is the Vice President of Corporate Services. Previously he was the Risk Management Vice President of Bancolombia between July 2005 and March 2011 when he was appointed as Technology and Innova Vice President. He served as the Vice President of Operations of Corfinsura since 2003 and held various positions within the corporation such as Corporate Finance Manager from 1995 to 2003, account executive from 1992 to 1995 and credit analyst from 1991 to 1992. Mr. Mora Uribe holds a B.A. degree from Universidad EAFIT and an M.B.A. degree from Babson College.

Santiago Pérez Moreno was born in 1955. He has been the Vice President of Personal and SMEs Banking since 1989, and has held different managerial positions at Bancolombia since 1981, such as Personal Banking Manager for the Bogota Region, International Commerce Manager for the Bogota Region and assistant for the Vice Presidency of International Commerce. Mr. Pérez Moreno holds an Industrial Economics degree from Universidad de los Andes and an M.B.A. from IESE in Barcelona.

Jaime Alberto Velásquez Botero was born in 1960. He has been the Vice President of Strategy and Finance since April 2012. Previously, he held the position of Vice President of Finance of Bancolombia since 1997. From 1989 through 1997, he held several managerial positions in the Economic Department and Investor Relations Department of the Bank. Previously, he worked at C.I. Banacol from 1987 to 1989. Mr. Velásquez Botero holds an Economics Degree from Universidad de Antioquia.

Mauricio Rosillo Rojas was born in 1969. He has been the Legal Vice President of Bancolombia since December 2008. Mr. Rosillo Rojas holds a law degree from Pontificia Universidad Javeriana, obtained a post-graduate degree in financial law from Universidad de Los Andes, and a Master's degree in commercial and economic law from the University of Georgia. Mr. Rosillo Rojas has held several positions in the public and private sectors, including secretary general of Fedeleasing, Interim Colombian Superintendent of Cooperatives ("*Superintendente de Economia Solidaria (encargado)*"), director of financial regulation of the Colombian Ministry of Finance, supervisor of the securities market of the Colombian Stock Exchange and president of Autoregulador del Mercado de Valores, a Colombian self-regulatory organization.

Gonzalo Toro Bridge was born in 1960. He has been Vice President of Corporate Banking of Bancolombia since 2003. From 1988 to 1994, he was the Assistant of the Vice Presidency of Corporate and International Banking and from 1994 to 2003 he was the Vice President of Corporate and International Banking. Mr. Toro Bridge holds a B.A. degree from Universidad EAFIT and a certificate of attendance from the Advanced Management Program for overseas bankers of the University of Pennsylvania.

Augusto Restrepo Gómez was born in 1962 He was appointed by the Board of Directors as Vice President of Human Resources, position he held before from April 2011 to April 2013. He was previously appointed as Vice President in charge of the acquisition and integration of HSBC Bank (Panama) on April 22, 2013. Previously he held the position of Administrative Vice President of Bancolombia between August 2007 and 2011. Mr. Restrepo Gómez has worked in Bancolombia for 27 years holding several positions at different departments of Bancolombia such as analyst, sub-manager, chief of department and regional manager. Most recently he was the Administrative Vice President of Bancolombia. He is also a member of the board of directors of ACH Colombia S.A., Multienlace S.A., and Redeban Multicolor S.A. Mr. Restrepo Gómez holds a B.A. degree from the Universidad Cooperativa de Colombia, and obtained a post-graduate degree in marketing from Universidad EAFIT. His post-graduate education also includes, among others, courses in advanced management from Universidad de los Andes and Universidad de la Sabana.

Carmenza Henao Tisnes was born in 1960. She was appointed Vice President of Internal Audit in April 2011. Mrs. Henao has worked at Bancolombia for 28 years holding several positions at different departments of Bancolombia such as analyst and manager of audit technology. Most recently she was the Audit National Manager of BancolombiaBranches. She has also been a professor at various universities including Universidad EAFIT, Universidad Pontificia Bolivariana, Universidad de Medellin and Universidad San Buenaventura. Mrs. Henao is a system engineer and has a post-graduate degree in Finance from Universidad EAFIT.

Rodrigo Prieto Uribe was born in 1973. He was appointed as Vice President of Risk Management in March 2011. Mr. Prieto has worked at Bancolombia for 12 years holding several positions at different departments of Bancolombia such as analyst, manager of risk administration, planning manager and manager of Capital allocation and risk quantification. Most recently he was the director of planning and projects. He has also been a professor at several universities including Universidad EAFIT, Escuela de Ingenieria de Antioquia and Universidad de los Andes. Mr. Prieto Uribe is a civil engineer and has a Master’s degree in Economics from Universidad de los Andes and a Master’s degree in finance from Instituto Tecnológico y de Estudios Superiores de Monterrey.

There are no family relationships between the directors and senior management of Bancolombia listed above.

No arrangements or understandings have been made by major shareholders, customers, suppliers or others pursuant to which any of the above directors or members of senior management were selected.

B. COMPENSATION OF DIRECTORS AND OFFICERS

In 2013 the Bank paid each director a fee of approximately COP 5 million per month for sitting on the Board, and another fee of approximately COP 5 million for attending each session of the committees.

The directors received no other compensation or benefits. There is no stock option plan for directors. Consistent with Colombian law, the Bank does not publish information regarding the compensation of the Bank's individual officers. The Bank's stockholders may request that information during the period preceding the annual general stockholders' meeting. The aggregate amount of remuneration paid by the Bank and consolidated subsidiaries to all directors, alternate directors and senior management during the fiscal year ended December 31, 2013 was COP 36.95 billion. A total of COP 4.2 billion was paid by the Bank in 2013 to senior managers who retired from the company during the year.

The Board of Directors approves the salary increases for vice presidents and authorizes the Chief Executive Officer to readjust the salary of the remaining employees.

The Bank has established an incentive compensation plan that awards bonuses annually or semi-annually to its management employees. In determining the amount of any bonuses, the Bank takes into consideration the overall return on equity of the Bank and its executives' achievement of established goals. The Bank's variable compensation has deferred elements and, depending on the amount awarded, the bonuses are payable in cash and as a combination of cash, a right to receive in three years an amount in cash determined with reference to the value of the Bank's stocks and an entitlement to a share in a pool of unvested bonuses. The pool of unvested bonuses is an account of preliminary bonuses, payable once it is established that the results that are the basis of such bonuses have been sustained over time and were not the result of a particular, extraordinary transaction that does not reflect better performance, according to guidelines designed by the Bank. Such elements are solely paid when certain future profits are obtained. This incentive compensation plan is not in the form of stock options.

The Bank paid a total of COP 1,222 billion for salaries of personnel employed directly by the Bank and senior management of its affiliates. Such amount includes the sum of approximately COP 52.93 billion that was spent in connection with the incentive compensation plan.

As of December 31, 2013, the Bank had provisioned 100% of its actuarial obligation corresponding to retirement pension's payable by the Bank, which amounted to COP 113.65 billion. Decree 4565 of 2010 established the year 2029 as the deadline for amortization.

C. BOARD PRACTICES

The following table reflects the composition of the Board of Directors as of March 31, 2014.

Name	First Elected to the Board	Term Expires
David Bojanini García	2006	2016
José Alberto Vélez Cadavid	1996	2016
Roberto Ricardo Steiner Sampedro	2014(1)	2016
Gonzalo Alberto Pérez Rojas	2004(2)	2016
Ricardo Sierra Moreno	1996(3)	2016
Rafael Martinez Villegas	2010	2016
Hernando José Gómez Restrepo	2013	2016

(1) Mr. Steiner was appointed to replace Mr. Carlos Enrique Piedrahita Arocha who resigned as a member of the Board of Directors in March 2014.

(2) Gonzalo Alberto Pérez Rojas had previously served as Bank's Director during the period 1990-1994.

(3) Ricardo Sierra Moreno had previously served as Bank's Director during the period 1982-1988.

Mr. Ricardo Sierra Moreno, Rafael Martínez Villegas and Hernando José Gómez Restrepo and Roberto Ricardo Steiner Sampedro are independent directors in accordance with the Bank's bylaws and other applicable laws. Consequently, the majority of the Board of Directors is composed of independent directors.

The following are the current terms of office and the period during which the members of senior management have served Bancolombia. There are no defined expiration terms. The members of senior management can be removed by a decision of the Board of Directors.

Name	***Period Served***
President	
Carlos Raúl Yepes Jimenez	Since 2011

Vice Presidents	
Jaime Alberto Velásquez Botero	Since 1997
Juan Carlos Mora Uribe	Since 2005
Mauricio Rosillo Rojas	Since 2008
Santiago Pérez Moreno	Since 1989
Gonzalo Toro Bridge	Since 1998
Augusto Restrepo Gómez	Since 2007
Rodrigo Prieto Uribe	Since 2011
Carmenza Henao Tisnes	Since 2011

Neither the Bank nor its Subsidiaries have any service contracts with the Bank's directors providing for benefits upon termination of employment.

For further information about the Bank's corporate governance practices please see "Item 16. Reserved – 16.B. Corporate Governance and Code of Ethics".

Audit Committee

In accordance with Colombian regulations, the Bank has an audit committee whose main purpose is to support the Board of Directors in supervising the effectiveness of the Bank's internal controls. The committee consists of three independent directors, one of whom must be a financial expert, who are elected by the board of directors for a period of two years.

The audit committee is composed of Mr. Hernando José Gómez Restrepo, Mr. Rafael Martinez Villegas, and Mr. Ricardo Sierra Moreno. Mr. Alejandro Gaviria Uribe resigned as a member of the Board of Directors and theaudit committee in August 2012, due to his appointment as Health Minister of Colombia. On March 4, 2013 the shareholders appointed Hernando José Gómez Restrepo as an independent member of the Board of Directors and he was authorized by the SFC to assume his duties as director and member of the audit committee on April 12, 2013.

Pursuant to applicable U.S. laws for foreign private issuers, Mr. Rafael Martinez Villegas serves as the financial expert of the audit committee.

As established by the SFC, the audit committee has a charter approved by Board of Directors which establishes its composition, organization, objectives, duties, responsibilities and extension of its activities. The Board of Directors also establishes the remuneration of the members of the audit committee. The audit committee must meet at least quarterly and must present a report of its activities at the general stockholders' meeting.

The Bank currently complies with the requirements of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder, as applicable to foreign private issuers with respect to the composition and functions of its audit committee.

Designation, Compensation and Development Committee

This committee is composed of two members of the Board of Directors elected by it. The Vice President of Human Relations of the Bank acts as secretary of this committee.

The designation, compensation and development committee determines the policies and provisions for the hiring, remuneration, compensation, and development of management and key personnel of the Bank. Likewise, it continuously surveys the goals of the different compensation programs with regard to the performance of the officers, and it assesses the efficacy of such programs.

The duties of the designation, compensation and development committee are: (i) defining the administration policies of human resources, establishing the selection, evaluation, compensation, and development processes for top management, determining their goals; (ii) determining the objective criteria under which the Bank hires its principal officers; (iii) proposing objective criteria under which the Bank hires senior management and designs succession plans; (iv) evaluating the performance of senior management; and (v) issuing recommendations for the Board of Directorsconcerning appointments and compensation of the president and senior management.

The members of the designation, compensation and development committee are Ricardo Sierra Moreno, Carlos Enrique Piedrahita Arocha, David Bojanini Garcia and José Alberto Vélez Cadavid.

D. EMPLOYEES

The following table sets forth the number of employees of the Bank for the last three fiscal years:

As of December 31	Total number of employees employed by Bancolombia and its consolidated Subsidiaries	Number of employees employed by Bancolombia
2013	28,763	18,463
2012	24,820	17,532
2011	23,765	16,982

As of December 31, 2013, Bancolombia and its consolidated subsidiaries had 28,763 employees, of which 18,463 were employed directly by the Bank. Of the 18,463 employees directly contracted by the Bank, 12,525 are operations personnel and 5,938 are management employees. Of the 18,463 employees, approximately 24.19% are located in the Bogota Region, 12.03% in the South Region, 15.62% in the Antioquia Region, 25.71% in the Medellin headquarters, 12.34% in the Central Region and 10.12% in the Caribbean Region. During 2013, the Bank employed an average of 204 employees per month through temporary personnel service companies.

Of the employees directly employed by Bancolombia, approximately 18.16% are part of a labor union called Sintrabancol, 11.16% are members of an industry union called Uneb, 0.96% belong to an industry labor union called Sintraenfi and 0.03% belong to an industry labor union called Aceb. A collective bargaining agreement was reached with Uneb and Sintrabancol in October, 2011. The agreement has been in effect since November 1, 2011 and is set to expire on October 31, 2014. This agreement applies to approximately 12,525 employees regardless of whether they are members of a union. Sintranefi, which is composed of approximately 177 employees, did not take part in the collective bargaining agreement. The latter labor union has made a request for an arbitration court to settle this dispute, a request which is currently in process by the respective administrative authorities, and if it is successful it would cover only the members of the said union; nevertheless, the terms of the agreement reached with UNEB and Sintrabancol apply as well to the members of the Sintraenfi union.

With the execution of this agreement, the Bank, Uneb and Sintrabancol continue to work on the consolidation of long-term labor relationships based on mutual trust and respect.

The most important economic aspects of the Agreement are:

1. A pay increase of 7% for the first year. For the second year, the increase will be equal to the variation in the Colombian consumer price index (“IPC”), as certified by the Colombian statistical bureau (“DANE”) for the period between November 2011 and October 2012, plus 150 basis points. For the third year, the increase will be equal to the

IPC variation, for the period between November 2012 and October 2013, plus 180 basis points.

For the salary increases corresponding to the second and the third year in which the current collective bargaining agreement is in place, the Bank will apply whichever is greatest between the variation of the national Consumer Price Index (IPC) for the last twelve months, and the variation of the national IPC for the period between October 31 and December 31 of the year in question. The same criteria will be applied for the subsidies and benefits associated to salary increases.

2. Improved benefits for the Bank's covered employees, including increases in the amounts of individual housing loans, tuition aid fund, health insurance coverage, transportation and food assistance.

E. SHARE OWNERSHIP

The following directors and managers owned common shares in Bancolombia as of December 31, 2013: David Bojanini García, Rafael Martinez Villegas, Ricardo Sierra Moreno, Gonzalo Alberto Pérez Rojas, Gonzalo Toro Bridge, Jorge Ivan Otálvaro Tobón, Luz María Velásquez Zapata, Mario Sebastián Alcalá Castro, Patricia Berenice Alvarez García and José Manuel Pérez Montoya.

The following managers owned preferred shares in Bancolombia as of December 31, 2013:, Gonzalo Toro Bridge, Luis Santiago Pérez Moreno, Luz María Velásquez Zapata, Mario Sebastián Alcalá Castro and José Manuel Pérez Montoya.

None of the directors and managers' shareholdings, individually or in the aggregate, exceed 1% of Bancolombia's outstanding common shares, preferred shares or a combination of both classes of shares.

As of December 31, 2013, there are no stock options to acquire any of Bancolombia's outstanding common shares or preferred shares or share based payment to any employee.

ITEM 7. MAJOR STOCKHOLDERs AND RELATED PARTY TRANSACTIONS

A. MAJOR STOCKHOLDERS

In accordance with the Bank's by-laws, there are two classes of stock authorized and outstanding: common shares and preferred shares. Each common share entitles its holder to one vote at meetings of the Bank's stockholders, and there are no differences in the voting rights conferred by any of the common shares. Under the Bank's by-laws and Colombian corporate law, holders of preferred shares (and consequently, holders of ADRs) have no voting rights in respect of preferred shares, other than in limited circumstances as described in "Item 10. Additional Information – B. Memorandum and Articles of Association – Description of Share Rights, Preferences and Restrictions – Voting Rights – Preferred Shares".

The following table sets forth, solely for purposes of United States securities laws, certain information regarding the beneficial ownership of Bancolombia's capital stock by each person known to Bancolombia to own beneficially more than 5% of each class of Bancolombia's outstanding capital stock as of March 31, 2014. A beneficial owner includes anyone who has the power to receive the economic benefit of ownership of the securities.

Name	Common Shares	Preferred Shares	*% Ownership of Common Shares*[(1)]		*% Ownership of Preferred Shares*[(1)]		*% Ownership of Total Shares*[(1)]	
Grupo de Inversiones Suramericana S.A [(2)]	228,229,967	29,572,568	44.78	%	6.54	%	26.80	%
Grupo Argos S.A.[(3)]	33,139,106	-	6.50	%	0.00	%	3.45	%
ADR Program	-	154,742,965	0.00	%	34.23	%	16.09	%
Fondo de Pensiones Obligatorias Protección S.A.	20,561,941	48,831,617	4.03	%	10.80	%	7.21	%
Fondo de Pensiones Obligatorias Porvenir Moderado	51,712,561	30,646,743	10.15	%	6.78	%	8.56	%

(1) Common shares have one vote per share; preferred shares have limited voting rights under certain circumstances specified in the by-laws of Bancolombia filed as Exhibit 1 to this Annual Report.

(2) Represents ownership of Grupo de Inversiones Suramericana S.A. directly and through its subsidiaries: Inversiones y Construcciones Estrategicas S.A., Cia. Suramericana de Seguros de Vida S.A., Cia. Suramericana de Seguros S.A., Suratep.

(3) Represents ownership of Grupo Argos S.A. directly and through its subsidiary Cementos Argos S.A.

As of March 31, 2014, a total of 509,704,584 common shares and 452,122,416 preferred shares were registered in the Bank's stockholder registry in the name of 73,759 stockholders. A total of 154,742,965 representing 34.23% of preferred shares were part of the ADR Program and were held by 33 record holders registered in The Bank of New York Mellon's registered stockholder list. Given that some of the preferred shares and ADSs are held by nominees, the number of record holders may not be representative of the number of beneficial owners.

During the past year, the Bank's ADR program changed its percentage ownership of the Bank, decreasing from 20.07% as of March 31, 2013 to 16.09% by the end of March 2014 as depositary receipts were destroyed throughout the period, and in particular as a product of the preferred stock issuance that took place in March 2014. In addition, Fondo de Pensiones Obligatorias Protección, a Colombian private pension fund manager, increased its percentage ownership to 7.21% as of March 31, 2014 compared to 6.98% as of March 31, 2013; and Fondo de Pensiones Obligatorias Porvenir Moderado a Colombian private pension fund manager increased its percentage of ownership to 8.56% as of March 31, 2014 compared to 6.56%, as of March 31, 2013.

There are no arrangements known to the Bank which may at a subsequent date result in a change in control of the company.

To the extent known to the Bank, and in accordance with Colombian law, Bancolombia is not directly or indirectly owned or controlled by any other entity or person.

B. RELATED PARTY TRANSACTIONS

Colombian law sets forth certain restrictions and limitations on transactions carried out with related parties, these being understood as principal shareholders, subsidiaries and management officials.

Limitations on related party transactions are set forth, mainly, in articles 119 and 122 of Decree 663 of 1993, in the Code of Commerce and, regarding credit and risk concentration limits (legal lending limits), in Decree 2555 of 2010, all as amended.

The above-mentioned regulations set forth, among others, the following guidelines: (i) subsidiaries must carry out their activities independently and with administrative autonomy; (ii) transactions between the parent company and its subsidiaries must have economic substance and cannot differ considerably from standard market conditions, nor in detrimental to the Colombian government, stockholders or third parties; and (iii) subsidiaries may not acquire any shares issued by their parent company.

According to the provisions of the Colombian Commercial Code, neither the Bank's directors nor its management may, directly or indirectly, purchase or sell shares issued by the Bank while they remain in their offices, except when said transactions are carried out for reasons other than purely speculative and upon prior authorization of (i) the Board of Directors, which shall be granted by the affirmative vote of two - thirds of its members, or (ii) the shareholders; in either case, excluding the vote of the person requesting such authorization, if applicable.

The Bank's Corporate Governance Code provides that, in any event, any transaction regarding Bancolombia's shares that is carried out by any officer, director or manager may not be executed for speculative purposes, which would be presumed if the following three conditions were met: (a) if suspiciously short lapses of time exist between the purchase and the sale of shares; (b) if situations arise proving to be exceptionally favorable for the Bank; and (c) if significant profits are obtained from this transaction.

Pursuant to Article 122 of Decree 663 of 1993, transactions entered into by credit institutions with (i) their shareholders holding 5% or more of the outstanding capital, (ii) their managers, or (iii) spouses and certain relatives of shareholders and managers, shall require the unanimous affirmative vote of the members of the board of directors attending the corresponding meeting. The Board of Directors may not authorize transactions subject to terms and conditions other than those usually agreed by the Bankwith non-related parties.

All transactions that the Bank enters into with its directors, officers and senior executives aresubject to the limitations and conditions set forth by the applicable law governing the prevention, handling and resolution of conflicts of interest.

Over time, Bancolombia has granted loans and engaged in other transactions with related parties. Such loans were made in the ordinary course of business, on substantially the same terms, including interest rates and required collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability, and do not present any additional unfavorable terms for the Company.

Bancolombia, on a non-consolidated basis, had a total amount of COP 1,705,963 million in loans outstanding to related parties as of February 28, 2014. The principal amounts outstanding as of February 28, 2014 included in this amount are:

Entitiy	Amount outstanding	Accrued Interest	Average Interest rate
Leasing Bancolombia S.A.	COP 500,177	COP 622	5.17 %
Inversiones CFNS S.A.S.	352,599	4,034	6.03 %
Grupo Argos S.A.	200,011	3,105	7.66 %
Grupo Odinsa S.A.	199,352	144	8.54 %
FCP Fondo Inmobiliario Colombia	146,634	503	5.98 %
Renting Colombia S.A.	114,448	648	5.67 %
Inversiones Inmobiliarias Arauco Alameda S.A.S	41,795	88	8.62 %

	2013 Enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the company and associates (in millions of COP)	Key management personnel
Balance Sheet		
Investment securities	832,399	-
Loans	238,739	106,501
Customers' acceptances and derivatives	11,129	-
Accounts receivable	11,835	1,082
Other assets	186,112	-
Total	COP 1,280,214	COP 107,583
Deposits	1,254,469	9,565
Derivatives	1,688	-
Bonds	261,000	15
Total	COP 1,517,157	COP 9,580
Transactions Income		
Interest and fees	44,478	9,748
Dividends Received	35,799	-

Total	COP	80,277	COP	9,748
Expenses				
Interest		52,155		103
Fees		-		638
Other expenses		8,509		981
Total	COP	60,664	COP	1,722

For additional information regarding the Bank's related party transactions, please see Note 29 to the Financial Statements.

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C. INTEREST OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

A.1. CONSOLIDATED FINANCIAL STATEMENTS

Reference is made to pages F-1 through F-165

A.2. LEGAL PROCEEDINGS

The Bank is involved in normal collection proceedings and restructuring proceedings with respect to certain borrowers as well as other legal proceedings. For further information regarding legal proceedings, see “Consolidated Financial Statements” and- “Note 26 – to the Financial Statements,”Contingencies”.

A.3. DIVIDEND POLICY

The declaration, amount and payment of dividends are based on Bancolombia’s unconsolidated earnings. Dividends must be approved at the ordinary annual shareholders’ meeting upon the recommendation of the Board of Directors. Under the Colombian Commercial Code, after payment of income taxes and appropriation of legal and other reserves, and after setting off losses from prior fiscal years, Bancolombia must distribute to its stockholders at least 50% of its annual net income or 70% of its annual net income if the total amount of reserves exceeds its outstanding capital. Such dividend distribution must be made to all stockholders, in cash or in issued stock of Bancolombia, as may be determined by the stockholders, and within a year from the date of the ordinary annual stockholders’ meeting in which the dividend was declared. According to Colombia’s law, the minimum dividend per share may be waived by an affirmative vote of the holders of 78% of the shares present at the stockholders’ meeting.

The annual net profits of Bancolombia must be applied as follows: (i) first, an amount equal to 10% of Bancolombia’s net profits to a legal reserve until such reserve is equal to at least 50% of the Bank’s paid-in capital; (ii) second, to the payment of the minimum dividend on the preferred shares (for more information, see “Item 10. Additional Information – B. Memorandum and Articles of Association”); and (iii) third, as may be determined in the ordinary annual stockholders’ meeting by the vote of the holders of a majority of the shares entitled to vote.

The following table sets forth the annual cash dividends paid on each common share and each preferred share during the periods indicated:

Dividends declared with respect to net income earned in:	***Cashdividends per share[(1)(2)]***	***Cash dividends per share[(1)(3)]***
	(COP)	(U.S. dollars)
2013	776	0,394
2012	754	0.412

2011	708	0.395
2010	669	0.357
2009	637	0.331

(1) Includes common shares and preferred shares.

(2) Cash dividends for 2013, 2012, 2011, 2010 and 2009 were paid in quarterly installments.

(3) Amounts have been translated from pesos at the Representative Market Rate in effect at the end of the month in which the dividends were declared (March).

B. SIGNIFICANT CHANGES

There have not been any significant changes since the date of the annual Consolidated Financial Statements included in this document.

ITEM 9. THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

Bancolombia's ADRs, each representing four preferred shares, have been listed on the New York Stock Exchange ("NYSE") since 1995, where they are traded under the symbol "CIB". Bancolombia's preferred shares are also listed on the Colombian Stock Exchange.

The table below sets forth, for the periods indicated, the reported high and low market prices and share trading volume for the preferred shares on the Colombian Stock Exchange. The table also sets forth the reported high and low market prices and the trading volume of the ADRs on the NYSE for the periods indicated:

	Colombian Stock Exchange		New York Stock Exchange		
	COP Per Preferred Share		USD per ADS		Trading Volume
	High	Low	High	Low	(Number of ADSs)
Year Ending					
December 31, 2013	31,460	23,380	70.62	47.59	63,665,433
December 31, 2012	30,600	24,220	69.50	53.78	100,220,776
December 31, 2011	31,100	25,160	69.87	53.56	83,520,522
December 31, 2010	31,820	20,400	69.44	40.10	92,823,574
December 31, 2009	24,200	10,440	48.00	15.90	110,933,010

Source: NYSENet (Composite Index) and Colombian Stock Exchange.

Colombian Stock Exchange			New York Stock Exchange		
COP Per Preferred Shares		Trading Volume (Number of Shares)	USD per ADS		Trading Volume
High	Low		High	Low	(Number of ADSs)
(in nominal pesos)					

2014						
First quarter	27,440	22,000	59,591,558	56.48	42.77	31,239,335
2013						
First quarter	31,460	28,300	18,455,997	70.62	61.37	18,330,475
Second quarter	31,200	26,000	26,332,638	68.45	53.58	17,643,189
Third quarter	28,360	25,100	35,884,955	60.11	52.52	15,196,607
Fourth quarter	27,580	23,380	26,347,484	58.64	47.59	12,483,637
2012						
First quarter	29,040	26,100	55,123,698	66.11	56.87	33,073,377
Second quarter	30,600	26,520	34,020,628	69.50	58.46	23,442,409
Third quarter	28,660	24,220	48,088,203	64.86	53.78	25,842,301
Fourth quarter	29,980	26,640	32,050,564	67.00	59.19	17,862,689

Source: NYSENet (Composite Index) and Colombian Stock Exchange.

	Colombian Stock Exchange COP Per Preferred Share		New York Stock Exchange USD per ADS		
	High	Low	High	Low	Trading Volume (Number of ADSs)
Month					
March 2014	27,440	24,220	56.48	49.90	13,266,668
February 2014	25,800	22,000	51.51	42.77	11,153,319
January 2014	24,220	22,000	50.77	43.61	6,819,348
December 2013	25,000	23,380	50.64	47.59	4,073,027
November 2013	26,840	24,000	56.61	49.79	4,122,226
October 2013	27,580	26,440	58.64	56.00	4,288,384

Source: NYSENet (Composite Index) and Colombian Stock Exchange.

ADRs evidencing ADSs are issuable by The Bank of New York Mellon (the “Depositary”), as Depositary, pursuant to the Deposit Agreement, dated as of July 25, 1995, entered into by Bancolombia, the Depositary, the owners of ADRs from time to time and the owners and beneficial owners from time to time of ADRs, pursuant to which the ADSs are issued (as amended, the “Deposit Agreement”). The Deposit Agreement was amended and restated on January 14, 2008. Copies of the Deposit Agreement are available for inspection at the Corporate Trust Office of the Depositary, currently located at 101 Barclay Street, New York, New York 10286, and at the office of Fiduciaria Bancolombia, as agent of the Depositary, currently located at Carrera 48, No. 26 - 85, Medellín, Colombia or Calle 30A No. 6-38, Bogotá, Colombia. The Depositary’s principal executive office is located at One Wall Street, New York, New York 10286.

On September 30, 1998, Bancolombia filed a registration statement on Form F-3 with the SEC to register ADSs evidenced by ADRs, each representing four preferred shares, issued in connection with the merger between BIC and Banco de Colombia for resale by the holders into the U.S. public market from time to time. On January 24, 2005, the Board determined to deregister the unsold ADSs registered under the registration statement on Form F-3. On March 14, 2005, Bancolombia filed an amendment to the registration statement deregistering the remaining unsold ADSs. On August 8, 2005, Bancolombia filed, through the Depositary, a registration statement on Form F-6 registering 50,000,000 ADSs evidenced by ADRs in connection with the Conavi/Corfinsura merger. On May 14, 2007, Bancolombia filed an automatic shelf registration statement on Form F-3 with the SEC to register an indeterminate amount of debt securities, preferred shares and rights to subscribe for preferred shares in connection with the subsequent offerings which took place in the second and third quarter of 2007. On January 14, 2008, by filing the Form F-6 with the SEC, Bancolombia increased the amount of its ADR program up to 400,000,000 American Depositary Shares, and registered some amendments to the Depositary Agreement of ADSs between Bancolombia and The Bank of New York Mellon. On July 13, 2010, Bancolombia filed an automatic shelf registration statement on Form F-3 with the SEC to register an indeterminate amount of debt securities, preferred shares, American Depositary Shares representing preferred shares and rights to subscribe for preferred shares in connection with the subsequent offering of subordinated debt securities which took place on July 19, 2010. On February 6, 2012, Bancolombia priced a public offer of 63,999,997 preferred shares without voting rights, which represented an aggregate amount of approximately COP 1,680 billion. On May 7, 2013, Bancolombia filed an automatic shelf registration statement on form F-3 with the SEC to register an indeterminate amount of debt securities, preferred shares, American depositary shares representing preferred shares and rights to subscribe for preferred shares. On March 3, 2014, Bancolombia priced a public offer of 110,000,000 preferred shares without voting rights, which represented an aggregate amount of approximately COP 2,656 billion.

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

The Colombian Stock Exchange is the principal non-U.S. trading market for the preferred shares and the sole market for the common shares. As of March 31, 2014, the market capitalization for Bancolombia's preferred shares based on the closing price in the Colombian Stock Exchange was COP 12,406 billion (Bancolombia's total market capitalization, which includes the common and preferred shares, was COP 26,138 billion or USD 13.27 billion as of the same date).

There are no official market makers or independent specialists on the Colombian Stock Exchange to ensure market liquidity and, therefore, orders to buy or sell in excess of corresponding orders to sell or buy will not be executed. The aggregate equity market capitalization of the Colombian Stock Exchange, as of March 31, 2013, was COP 433,484 billion (USD 220.6 billion), with 93 companies listed as of that date.

D. SELLING STOCKHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Set forth below is certain information concerning the Bank's capital stock and a brief summary of certain significant provisions of the Bank's bylaws and Colombian corporate law. This description does not purport to be complete and is qualified by reference to the Bank's bylaws (an English translation of which is attached as Exhibit 1 to the Bank's Annual Report on Form 20-F for the year ended December 31, 2010, filed with the SEC on April 28, 2011) and to Colombian corporate law.

Bancolombia is a publicly held corporation with its principal place of business in the city of Medellín, Colombia, governed mainly by the Bank's bylaws and by Colombian corporate law.

Bancolombia's Corporate Purpose

Pursuant to Article four of its bylaws, Bancolombia's corporate purpose consists of all kinds of banking operations, business, acts and services. Subject to applicable law, Bancolombia may carry out all the activities and investments authorized to banking establishments. Bancolombia is also authorized to participate in the capital stock of other companies, subject to any restrictions imposed by applicable law.

Board of Directors

As of the date of filing of this Annual Report, Bancolombia's board of directors is composed of seven directors, elected for a two-year term, with no alternate directors being provided for. For additional information regarding Bancolombia's current directors please see Item 6.A, "Directors and Senior Management Directors".

After being designated, all of the members of the Board of Directors need an authorization from the Superintendency of Finance. The SFC assesses whether the director has an adequate profile for the position according to the requirements of the Colombian Law.

The directors of Bancolombia must abstain from participating, directly or through an intermediary, on their own behalf or on behalf of a third party, in activities that may compete against the Bank or in conflict-of-interest transactions that may generate a conflict of interest situation, unless the general shareholders meeting expressly authorizes such transactions. For such purposes, the directors shall provide the shareholders meeting with all the relevant information necessary for the shareholders to reach a decision. If the director is a shareholder, his or her vote shall be excluded from the respective decision process. In any case, the general shareholders meeting could only grant its authorization if the act does not adversely affect Bancolombia's interests.

In the general annual shareholders meeting the shareholders are responsible for determining, the compensation of the members of the board of directors.

Pursuant to the by-laws of Bancolombia, the board of directors has the power to authorize the execution of any agreement, within the corporate purpose of Bancolombia, and to adopt the necessary measures in order for the Bank to accomplish its purpose.

The by-laws of Bancolombia provide an age limit requirement of 65 years regarding retirement for senior management. It also provides an age limit of 70 years for the members of the Board of Directors at the time of their election.

Description of Share Rights, Preferences and Restrictions

Bancolombia's bylaws provide for an authorized capital stock of COP 500 billion divided into 1,000,000,000 shares of a par value of COP 500 each, which must belong to one of the following classes: (i) common shares, (ii) privileged shares; and (iii) shares with preferred dividend and no voting rights ("preferred shares"). Pursuant to Article 6 of the bylaws, all shares issued shall have the same nominal value.

As of December 31, 2013, Bancolombia had 509,704,584 common shares and 342,122,416 preferred shares outstanding and a capital stock of COP 12,493 billion divided into 851,827,000 shares.

Voting Rights

Common Shares

The holders of common shares are entitled to vote on the basis of one vote per share on any matter subject to approval at a general shareholders' meeting. These general meetings may be ordinary meetings or extraordinary meetings.

Ordinary general shareholder's meetings occur at least once a year but no later than three months after the end of the prior fiscal year, for the following purposes: (i) to consider the approval of Bancolombia's annual report, including the financial statements for the preceding fiscal year; (ii) to review the annual report prepared by the external auditor; (iii) to determine the compensation for the members of the board of directors, the external auditor and the client representative (defensor del consumidor financiero). The client representative acts as spokesman of the clients and users before the Bank, his primary duty is to objectively solve, free of charge and within the terms established by law, the individual complaints submitted by clients; (iv) to elect directors, the client representative and the external auditor (each for a two-year term); and (v) to determine the dividend policy and the allocation of profits, if any, of the preceding fiscal year, as well as any retained earnings from previous fiscal years.

According to Decree 3923 of 2006, the election of independent directors must be in a separate ballot from the ballot to elect the rest of the directors, unless the reaching of the minimum number of independent directors required by law or by the by-laws is assured, or when there is only one list that includes the minimum number of independent directors required by law or by the by-laws.

According to Law 964 of 2005, 25% of the members of the board of directors shall be independent. A person who is an “independent director” is understood to mean a director who is NOT: (i) An employee or director of the issuer or any of its parent or subsidiary companies, including all those persons acting in said capacity during the year immediately preceding that in which they were appointed, except in the case of an independent member of the board of directors being re-elected; (ii) Shareholders, who either directly or by virtue of an agreement direct, guide or control the majority of the entity’s voting rights or who determine the majority composition of the administrative, directing or controlling bodies of this same entity; (iii) A partner or employee of any association or firm that provides advisory or consultancy services to the issuer or to companies who belong to the same economic group to which the issuer in question belongs, in the event that income obtained from such services represent for said association or firm twenty per cent (20%) or more of its total operating income; (iv) An employee or director of a foundation, association or institution that receives significant donations from the issuer. The term “significant donations” is quantified as being twenty per cent (20%) or more of the total amount of donations received by the respective institution; (v) An administrator of any entity on whose board of directors a legal representative of the issuer participates; and (vi) Any person who receives from the issuer any kind of remuneration different from fees as a member of the board of directors, of the audit committee or any other committee set up by the board of directors. Both elections are made under a proportional representation voting system. Under that system: (i) each holder of common shares is entitled at the annual general shareholders’ meeting to nominate for election of one or more directors (ii) each nomination of one or more directors constitutes a group for the purposes of the election; (iii) each group of nominees must contain a hierarchy as to the order of preference for nominees in that group to be elected; (iv) once all groups have been nominated, holders of common shares may cast one vote for each common share held in favor of a particular group of nominees. Votes may not be cast for particular nominees in a group; they may be cast only for the entire group; (v) the total number of votes casted in the election is divided by the number of directors to be elected. The resulting quotient is the quota of votes necessary to elect particular directors. For each time that the number of votes cast for a group of nominees is divisible by the quota of votes, one nominee from that group is elected, in the order of the hierarchy of that group; and (vi)when no group has enough remaining votes to satisfy the quota of votes necessary to elect a director, any remaining board seat or seats are filled by electing the highest remaining nominee from the group with the highest number of remaining votes cast until all available seats have been filled.

Extraordinary general shareholders’ meetings may take place when duly called for a specified purpose or purposes, or, without prior notice, when holders representing all outstanding shares entitled to vote on the issues presented are present at the meeting.

Quorum for both ordinary and extraordinary general shareholders’ meetings to be convened at first call requires the presence of two or more shareholders representing at least half plus one of the outstanding shares entitled to vote at the relevant meeting. If a quorum is not present, a subsequent meeting is called at which the presence of one or more holders of shares entitled to vote at the relevant meeting constitutes a quorum, regardless of the number of shares represented. General meetings (whether ordinary or extraordinary) may be called by the board of directors, the President or the external auditor of Bancolombia. In addition, two or more shareholders representing at least 20% of the outstanding shares have the right to request that a general meeting be convened. Notice of ordinary general meetings must be published in one newspaper of wide circulation at Bancolombia’s principal place of business at least 15 business days prior to an ordinary general shareholders’ meeting. Notice of extraordinary general meetings, listing the matters to be addressed at such a meeting must be published in one newspaper of wide circulation at Bancolombia’s principal place of business at least five calendar days prior to an extraordinary general meeting.

Except when Colombian law or Bancolombia’s bylaws require a special majority, action may be taken at a general shareholder’s meeting by the vote of two or more shareholders representing a majority of common shares present. Pursuant to Colombian law and/or Bancolombia’s bylaws, special majorities are required to adopt the following corporate actions: (i) a favorable vote of at least 70% of the shares represented at a general shareholders’ meeting is required to approve the issuance of stock without granting a preemptive right in respect of that stock in favor of the shareholders; (ii) a favorable vote of at least 78% of the holders of common shares present to decide not to distribute as dividend at least 50% of the annual net profits of any given fiscal year as required by Colombian law; (iii) a favorable vote of at least 80% of the holders of common shares and 80% of the holders of subscribed preferred shares to approve the payment of a stock dividend; and (iv) a favorable vote of at least 70% of the holders of common shares and of subscribed preferred shares to effect a decision to impair the conditions or rights established for such preferred shares, or a decision to convert those preferred shares into common shares.

Adoption of certain of the above-mentioned corporate actions also requires the favorable vote of a majority of the preferred shares as specified by Colombian law and Bancolombia's bylaws. If the Superintendency of Finance determines that any amendment to the bylaws fails to comply with Colombian law, it may demand that the relevant provisions be modified accordingly. Under these circumstances, Bancolombia will be obligated to comply in a timely manner.

Preferred Shares

The holders of preferred shares are not entitled to receive notice of, attend to or vote at any general shareholder's meeting of holders of common shares except as described below.

The holders of preferred shares will be entitled to vote on the basis of one vote per share at any shareholders' meeting, whenever a shareholders vote is required on the following matters: (i) In the event that changes in the Bank's bylaws may impair the conditions or rights assigned to such shares and when the conversion of such shares into common shares is to be approved. (ii)When voting the anticipated dissolution, merger or transformation of the corporation or change of its corporate purpose. (iii) When the preferred dividend has not been fully paid during two consecutive annual terms. In this event, holders of such shares shall retain their voting rights until the corresponding accrued dividends have been fully paid to them. (iv) When the general shareholders' meeting orders the payment of dividends with issued shares of the Bank. (v) If at the end of a fiscal period, the Bank's profits are not enough to pay the minimum dividend and the Superintendency of Finance, by its own decision or upon petition of holders of at least ten percent (10%) of preferred shares, determines that benefits were concealed or shareholders were misled with regard to benefits received from the Bank by the Bank's directors or officers decreasing the profits to be distributed, the Superintendency of Finance may resolve that holders of preferred shares should participate with speaking and voting rights at the general shareholders' meeting, in the terms established by law. (vi)When the registration of shares at the Colombian Stock Exchange or at the National Register of Securities and Issuers which is a registry kept by the Superintendency of Finance, is suspended or canceled. In this event, voting rights shall be maintained until the irregularities that resulted in such cancellation or suspension are resolved.

Bancolombia must cause a notice of any meeting at which holders of preferred shares are entitled to vote to be mailed to each record holder of preferred shares. Each notice must include a statement stating: (i) the date of the meeting; (ii) a description of any resolution to be proposed for adoption at the meeting on which the holders of preferred shares are entitled to vote; and (iii) instructions for the delivery of proxies.

Dividends

Common Shares

Once the balance sheet is approved by the general shareholders meeting, the appropriation for the payment of taxes of the corresponding taxable year has been made, and the transfers to the legal reserve have been performed, then they can determine the allocation of distributable profits, if any, of the preceding year. This is done through a resolution adopted by the vote of the holders of a majority of the common shares at the annual general shareholder's meeting pursuant to the recommendation of the board of directors and the President of Bancolombia.

Under the Colombian Commerce Code, a company must distribute at least 50% of its annual net profits to all shareholders, payable in cash, or as determined by the shareholders, within a period of one year following the date on which the shareholders determine the dividends. If the total amount segregated in all reserves of a company exceeds its outstanding capital, this percentage is increased to 70%. The minimum common stock dividend requirement of 50% or 70%, as the case may be, may be waived by a favorable vote of the holders of 78% of a company's common stock present at the meeting.

Under Colombian law and Bancolombia's bylaws annual net profits are to be applied as follows: (i)first, an amount equivalent to 10% of net profits is segregated to build a legal reserve until that reserve is equal to at least 50% of Bancolombia's paid-in capital (ii) second, payment of the minimum dividend on the preferred shares; and (iii) third, allocation of the net profits is determined by the holders of a majority of the common shares entitled to vote on the recommendation of the board of directors and the President and may, subject to further reserves required by the by-laws, be distributed as dividends (iv)under Colombian law, the dividends payable to the holders of common shares cannot exceed the dividends payable to holders of the preferred shares. Bancolombia's bylaws requires to maintain a reserve fund equal to 50% of paid-in capital. All common shares that are fully paid in and outstanding at the time a dividend or other distribution is declared are entitled to share equally in that dividend or other distribution. Common shares that are only partially-paid in participate in a dividend or distribution in the same proportion than the shares have been paid in at the time of the dividend or distribution.

The general shareholders' meeting may allocate a portion of the profits to welfare, education or civic services, or to support economic organizations of the Bank's employees.

Preferred Shares

Holders of preferred shares are entitled to receive dividends based on the profits of the preceding fiscal year, after deducting losses affecting the capital and once the amount that shall be legally set apart for the legal reserve has been deducted, but before creating or accruing for any other reserve, of a minimum preferred dividend equal to one per cent (1%) yearly of the subscription price of the preferred share, provided this dividend is higher than the dividend assigned to common shares, if this is not the case, the dividend shall be increased to an amount that is equal to the per share dividend on the common shares. The dividend received by holders of common shares may not be higher than the dividend assigned to preferred shares.

Payment of the preferred dividend shall be made at the time and in the manner established in the general shareholders' meeting and with the priority indicated by Colombian law.

In the event that the holders of preferred shares have not received the minimum dividend for a period in excess of two consecutive fiscal years, they will acquire certain voting rights. See Item 10.B. "Memorandum and Articles of Association ¾Description of Share Rights, Preferences and Restrictions Voting Rights Preferred Shares".

General Considerations Relating to Dividends

Subject to the decision of the General Meeting of Shareholders, the dividend may be payable is stock. This decision shall be compulsory to the stockholder's provided it has been approved of the majority in the manner provided for on number 3 of Article 47 of the Bancolombia's Bylaws.

The dividend periods may be different from the periods covered by the general balance sheet. In the general shareholders' meeting, shareholders will determine such dividend periods, the effective date, the system and the place for payment of dividends.

Dividends declared on the common shares and the preferred shares will be payable to the record holders of those shares, as they are recorded on Bancolombia's stock registry, on the appropriate record dates as determined in the general shareholders' meeting.

Any stock dividend payable by Bancolombia will be paid in common shares to the holders of common shares and in preferred shares to the holders of preferred shares. Nonetheless, Shareholders at the general shareholders' meeting may authorize the payment in common shares to all shareholders.

Any stock dividend payable in common shares requires the approval of 80% or more of the shares present at a shareholders' meeting, which will include 80% or more of the outstanding preferred shares. In the event that none of the holders of preferred shares is present at such meeting, a stock dividend may only be paid to the holders of common shares that approve such a payment.

Liquidation Rights

Bancolombia will be dissolved if certain events take place, including the following: (i) its term of existence, as stated in the by-laws, expires without being extended by the shareholders prior to its expiration date (ii) losses cause the decrease of its shareholders' equity below 50% of its outstanding capital stock, unless one or more of the corrective measures described in the Colombian Commercial Code are adopted by the shareholders within six months (iii) by decision at the general shareholders' meeting (iv) in certain other events expressly provided by law and in the by-laws.

Upon dissolution, a liquidator must be appointed by a general meeting of the shareholders to wind up its affairs. In addition, the Superintendency of Finance has the power to take over the operations and assets of a commercial bank and proceed to its liquidation under certain circumstances and in the manner prescribed in the *Estatuto Orgánico del Sistema Financiero*, Decree 663 of 1993. For more information see Item 4. "Information on The Company - B. Business Overview - B.7. Supervision and Regulation - Intervention Powers of the Superintendency of Finance - Bankruptcy Considerations".

Preemptive Rights and Other Anti-Dilution Provisions

Pursuant to the Colombian Commerce Code, Bancolombia is allowed to have an amount of outstanding capital stock smaller than the authorized capital stock set out in its bylaws.

Under Bancolombia's bylaws, the holders of common shares determine the amount of authorized capital stock, and the board of directors has the power to (a) order the issuance and regulate the terms of subscription of common shares up to the total amount of authorized capital stock and (b) regulate the issuance of shares with rights to a preferential dividend but without the right to vote, when expressly delegated at the general shareholders' meeting. The issuance of preferred shares must always be first approved at the general shareholders' meeting, which shall determine the nature and extent of any privileges, according to the bylaws and Colombian law.

At the time a Colombian company is formed, its outstanding capital stock must represent at least 50% of the authorized capital. Any increases in the authorized capital stock or decreases in the outstanding capital stock must be approved by the majority of shareholders required to approve a general amendment to the by-laws. Pursuant to Decree 663, the Superintendency of Finance may order a commercial bank to increase its outstanding capital stock under certain special circumstances.

The Bank's bylaws and Colombian law require that, whenever the Bank issues new shares of any outstanding class, it must offer the holders of each class of shares the right to purchase a number of shares of such class sufficient to maintain their existing percentage ownership of the aggregate capital stock of the Bank. These rights are called preemptive rights. See Item 3. "Key Information D. Risk Factors Preemptive rights may not be available to holders of ADRs."

Shareholders at a general meeting of shareholders may suspend preemptive rights with respect to a particular capital increase by a favorable vote of at least 70% of the shares represented at the meeting. Preemptive rights must be exercised within the period stated in the share placement terms of the increase, which cannot be shorter than 15 business days following the publication of the notice of the public offer of that capital increase. From the date of the notice of the share placement terms, preemptive rights may be transferred separately from the corresponding shares.

The Superintendency of Finance will authorize decreases in the outstanding capital stock decided by the holders of common shares only if: (i) Bancolombia has no liabilities (ii) Bancolombia's creditors consent in writing or (iii) the outstanding capital stock remaining after the reduction represents at least twice the amount of Bancolombia's liabilities.

Limits on Purchases and Sales of Capital Stock by Related Parties

Pursuant to the Colombian Commerce Code, the members of the Bank's board of directors and certain of our principal executive officers may not, directly or indirectly, buy or sell shares of our capital stock while they hold their positions, except when dealing with nonspeculative operations and in that case they need to obtain the prior authorization of the board of directors passed with the vote of two-thirds of its members (excluding, in the case of transactions by a director, such director's vote) or when deemed relevant by the Board of Directors of the Bank with the authorization of the Shareholders Meeting the affirmative vote of the ordinary majority foreseen in the bylaws, excluding the vote of the petitioner.

No Redemption

Colombian law prohibits Bancolombia from repurchasing shares of its capital stock, including the preferred shares.

Limitations on the Rights to Hold Securities

There are no limitations in our by-laws or Colombian law on the rights of Colombian residents or foreign investors to own the shares of the Bank, or on the right to hold or exercise voting rights with respect to those shares.

Restrictions on Change of Control Mergers, Acquisitions or Corporate Restructuring of the Company

Under Colombian law and our bylaws, the general shareholders' meeting has full and exclusive authority to approve any corporate restructuring including, mergers, acquisitions or spin-offs upon authorization by the Colombian Superintendency of Finance.

Ownership Threshold Requiring Public Disclosure

We must disclose to the Superintendency of Finance at the end of each fiscal year the names of the shareholders of our company, indicating at least, the twenty shareholders with the highest number of shares.

Colombian securities regulations set forth the obligation to disclose any material event or relevant fact. Any transfer of shares equal or greater than 5% of our capital stock or any person acquiring a percentage of shares that would make him the beneficial owner of 5% or more of our capital stock, is a material event, and therefore, must be disclosed to the Superintendency of Finance.

Changes in the Capital of the Company

There are no conditions in our by-laws governing changes in our capital stock that are more stringent than those required under Colombian law.

C. MATERIAL CONTRACTS

Bancolombia has not entered into any contract, other than those entered in the ordinary course of business (including agreements relating to our acquisitions of Grupo Agromercantil Holding and Banistmo S.A.) or that are not considered to be material, to which it or any of its subsidiaries is a party, for the two years immediately preceding publication of this Annual Report.

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D. EXCHANGE CONTROLS

The Central Bank has consistently made foreign currency available to Colombian private sector entities to meet their foreign currency obligations. Nevertheless, in the event of shortages of foreign currency, foreign currency may not be available to private sector companies and foreign currency needed by the Bank to service foreign currency obligations may not be purchased in the open market without substantial additional cost.

The Foreign Exchange Statute, Law 9 of 1991, outlines of the Colombian foreign exchange regime which relates to matters such as imports and exports of goods, foreign indebtedness, and guarantees in foreign currencies, amongst others. Additionally, Decree 2080 of 2000, as amended, sets forth an International Investments Regime which provides for rules applicable to foreign residents who invest in the Colombian securities markets and undertake other types of investments, prescribes registration with the Central Bank of certain foreign exchange transactions, and specifies procedures pursuant to which certain types of foreign investments are to be authorized and administered. Both, the Foreign Exchange Statute and the International Investments Regime are regulated by External Resolution No. 8 of 2000 and External Regulating Circular DCIN 83 of 2006, both as amended, of the board of directors of the Central Bank.

Under Colombian law and the Bank's by-laws, foreign investors receive the same treatment as Colombian citizens with respect to ownership and the voting rights of ADSs and preferred shares. For a detailed discussion of ownership restrictions see Item 4. "Information on the Company – B. Business Overview – B.7. Supervision and Regulation – Ownership Restrictions".

E. TAXATION

Colombian Taxation

For purposes of Colombian taxation, an individual is a resident of Colombia if he or she has a consecutive or non-consecutive physical presence in Colombia for more than 183 days, including days of arrival and departure from the country, during a 365 continuous days' period, provided that, if the physical presence is exercised in two different fiscal years, the individual is deemed to be a resident on the second fiscal year. An individual is also considered as resident if he or she meets any of the following conditions:

- The individual is exempt from income and occasional gains' taxes in the country in which he or she resides, as a consequence of his or her service as a member of the foreign or diplomatic service of Colombia.

· The individual is a Colombian citizen and during the applicable fiscal year:

(a) his or her spouse or life partner, or underage children, are residents in Colombia;

(b) 50% or more of his or her gross income has a Colombian source;

(c) 50% or more of his or her assets are managed or held in Colombia;

(d) The Colombian taxation authority has requested evidence of the non-resident status, and it is not provided by the individual; or

(e) He or she has a fiscal residence in a tax haven jurisdiction.

For purposes of Colombian taxation, a legal entity is a resident of Colombia if it´s principal office located in Colombia. For this purpose, the principal office means the place where material commercial and management decisions are made.

Foreign companies, foreign investment funds, and individuals that are not Colombian residents are not required by law to file an income tax return in Colombia when their income has been previously subject to withholding tax, provided that such income results from payments of dividends, capital gains or labor related income.

Pursuant to the International Investment Regime (see “Item 10. Additional Information – D. Exchange Controls”), the preferred shares deposited under the Deposit Agreement constitute a Foreign Institutional Capital Investment Fund (the “Fund”)”. Under Article 18-1 of the *Estatuto Tributario*, Decree 624 of 1989, as amended (the “Fiscal Statute”), profits of the Fund, excluding dividends, are subject to withholding tax. The applicable taxation rate is 14%, provided that the Depositary is not located in a tax haven, in which case, the applicable taxation rate is 25%.

If the Depositary sells, or otherwise negotiates, the preemptive rights it would be entitled to in the event of a new issue of shares (see “Item 3. D. Risk Factors - Risks Relating to the Preferred Shares and the “ADSs”)), the profits obtained from such disposal will be subject to withholding tax.

Dividends paid by the Bank are not subject to withholding tax, provided that they are previously taxed earnings of Bancolombia, pursuant to Article 49 of the Fiscal Statute. If the dividends are paid out of non-taxed earnings of the Bank, they will be subject to a withholdable tax at a rate of 25%.

Likewise, dividends paid to a holder of preferred shares (as distinguished from the ADSs representing such preferred shares) who is not a resident of Colombia, and who holds the preferred shares in his own name, rather than through another institutional or individual fund, in compliance with the International Investment Regime, will be subject to income tax if such dividends do not correspond to the Bank’s profits that have been previously taxed. For these purposes, the applicable rate is 33%.

Pursuant to article 36-1 of the Fiscal Statute, profits received by a Colombian or foreign investor derived from the disposal or negotiation of stock listed in the Colombian Stock Exchange, are not subject to withholding or any other tax in Colombia, provided that the transaction does not involve the disposal of 10% or more of the company’s outstanding shares by the same beneficial owner in one taxable year.

Other Tax Considerations

As of the date of this report, there is no income tax treaty and no inheritance or gift tax treaty in effect between Colombia and the United States. Transfers of ADSs from non-residents or residents to non-residents of Colombia by gift or inheritance are not subject to Colombian income tax. Transfers of ADSs or preferred shares by gift or inheritance from residents to residents or from non-residents to residents will be subject to Colombian income tax at the income tax rate applicable for occasional gains obtained by residents of Colombia. Transfers of preferred shares by gift or inheritance from non-residents to non-residents or from residents to non-residents are also subject to income tax in Colombia at the applicable rate. There are no Colombian stamps, issue, registration, transfer or similar taxes or duties payable by holders of preferred shares or ADSs.

United States Federal Income Taxation Considerations

In General

This section describes the material United States federal income tax consequences generally applicable to ownership by a U.S. holder (as defined below) of owning shares or ADSs. It applies to you only if you hold your shares or ADSs as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a tax-exempt organization,
- a life insurance company,

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- a person liable for alternative minimum tax,
- a person that actually or constructively owns 10% or more of our voting stock,
- a person that holds shares or ADSs as part of a straddle or a hedging or conversion transaction,
- a person that purchases or sells shares or ADSs as part of a wash sale for tax purposes, or
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions. These laws are subject to change, possibly on a retroactive basis. There is currently no comprehensive income tax treaty between the United States and Colombia. In addition, this section is based in part upon the representations of the Depositary and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

If a partnership holds the shares or ADSs, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the shares or ADSs should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the shares or ADSs.

You are a U.S. holder if you are a beneficial owner of shares or ADSs and you are:

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust’s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

In general, and taking into account the earlier assumptions, for United States federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the shares represented by those ADRs. Exchanges of shares for ADRs, and ADRs for shares generally will not be subject to United States federal income tax.

Taxation of Dividends and Distributions

Under the United States federal income tax laws, and subject to the passive foreign investment company, or PFIC, rules discussed below, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation. If you are a non-corporate U.S. holder, dividends paid to you that constitute qualified dividend income will be taxable to you at preferential rates applicable to long-term capital gains provided that you hold the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date (or, if the dividend is attributable to a period or periods aggregating over 366 days, provided that you hold the shares or ADSs for more than 90 days during the 181-day period beginning 90 days before the ex-dividend date) and meet other holding period requirements. Dividends we pay with respect to the shares or ADSs generally will be qualified dividend income provided that, in the year that you receive the dividend, the shares or ADSs are readily tradable on an established securities market in the United States. The Bank believes that its ADSs, which are listed on the NYSE, are readily tradable on an established securities market in the United States; however, there can be no assurance that the Bank's ADSs will continue to be readily tradable on an established securities market.

You must include any Colombian tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when you, in the case of shares, or the Depositary, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Colombian Peso payments made, determined at the spot Colombian Peso / U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the shares or ADSs and thereafter as capital gain. However, we do not expect to calculate earnings and profits in accordance with U.S. federal income tax principles. Accordingly, you should expect to generally treat distributions with respect to shares or ADSs as dividends.

Subject to certain limitations, the Colombian tax withheld and paid over to Colombia will be creditable or deductible against your United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to preferential rates. To the extent a refund of the tax withheld is available to you under Colombian law; the amount of tax withheld that is refundable will not be eligible for credit against your United States federal income tax liability. The rules governing foreign tax credits are complex, and U.S. holders should consult their tax advisors regarding the creditability of foreign taxes in their particular circumstances.

For foreign tax credit purposes, dividends will be income from sources outside the United States and will, depending on your circumstances, be either “passive” or “general” income for purposes of computing the foreign tax credit allowable to you.

Taxation of Capital Gains

Subject to the PFIC rules discussed below, if you sell or otherwise dispose of your shares or ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your shares or ADSs. Capital gain of a non-corporate U.S. holder is generally taxed at preferential rates where the property is held for more than one year. The deductibility of capital losses is subject to limitations. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

PFIC Rules

We believe that shares and ADSs should not be treated as stock of a PFIC for United States federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. If we were to be treated as a PFIC, unless you elect to be taxed annually on a mark-to-market basis with respect to your shares or ADSs, the following rules would apply. With certain exceptions, your shares or ADSs would be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your shares or ADSs.

Any "excess distributions," which would include any distributions during a taxable year that are greater than 125% of the average annual distributions received by you in respect of the shares or ADSs during the three preceding taxable years or, if shorter, your holding period for the shares or ADSs, and any gain realized on the sale or other disposition of your shares or ADSs would be allocated ratably over your holding period for the shares or ADSs and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. Any gain recognized would not be treated as capital gain.

If you own shares or ADSs in a PFIC that are treated as marketable stock, you may make a mark-to-market election. If you make this election, you will not be subject to the PFIC rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your shares or ADSs at the end of the taxable year over your adjusted basis in your shares or ADSs. These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. You will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of your shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your basis in the shares or ADSs will be adjusted to reflect any such income or loss amounts.

In addition, notwithstanding any election you make with regard to the shares or ADSs, dividends that you receive from us would not be eligible for the special tax rates applicable to qualified dividend income if we are treated as a PFIC with respect to you either in the taxable year of the distribution or the preceding taxable year, but instead would be taxable at rates applicable to ordinary income.

Medicare Tax

A U.S. holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. holder's "net investment income" for the relevant taxable year and (2) the excess of the U.S. holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between USD 125,000 and USD 250,000, depending on the individual's circumstances). A holder's net investment income will generally include its dividend income and its net gains from the disposition of shares or ADSs, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of the Medicare tax to your income and gains in respect of your investment in the shares or ADSs.

Information with Respect to Foreign Financial Assets

Owners of "specified foreign financial assets" with an aggregate value in excess of USD 50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons (including the shares and ADSs), (ii) financial instruments and contracts held for investment that have non-United States issuers or counterparties, and (iii) interests in foreign entities. U.S. holders are urged to consult their tax advisors regarding the application of this reporting requirement to their ownership of the shares or ADSs.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

Bancolombia files reports and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any document that Bancolombia files at the SEC's public reference room at 100 F Street NE, Washington, D.C. 20549. Some of the Bank's SEC filings are also available to the public from the SEC's website at http://www.sec.gov.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Introduction

The following section describes the market risks to which Bancolombia is exposed and the tools and methodology used to measure these risks as of December 31, 2013. Bancolombia faces market risk as a consequence of its lending, trading and investments businesses. Market risk represents the potential loss due to adverse changes in market prices of financial instruments as a result of movements in interest rates, foreign exchange rates, equity prices and other risk factors, such as sovereign risk.

Bancolombia's risk management strategy, called the Integrated Risk Management Strategy, is based on principles set by international bodies and by Colombian regulations, and is guided by Bancolombia's corporate strategy. The main objective of the Integrated Risk Management Strategy is to identify measure, coordinate, monitor, report and propose policies for market and liquidity risks of the Bank, which in turn serve to facilitate the efficient administration of Bancolombia's assets and liabilities. The Board of Directors and senior management have formalized the policies, procedures, strategies and rules of action for market risk administration in its "Market Risk Manual". This manual defines the roles and responsibilities within each subdivision of the Bank and their interaction to ensure adequate market risk administration.

The Bank's Market Risks Management Office is responsible for: (a) identifying, measuring, monitoring, analyzing and controlling the market risk inherent in the Bank's businesses: (b) analyzing the Bank's exposure under stress scenarios and confirming compliance with Bancolombia's risk management policies: (c) designing the methodologies for valuation of the market value of certain securities and financial instruments: (d) reporting to senior management and the Board of Directors any violation of Bancolombia's risk management policies: (e) reporting to the senior management on a daily basis the levels of market risk associated with the trading instruments recorded in its treasury book (the "Treasury Book"), and (f) proposing policies to the Board of Directors and to senior management that ensure the maintenance of predetermined risk levels. The Bank has also implemented an approval process for new products across each of its subdivisions. This process is designed to ensure that each subdivision is prepared to incorporate the new product into its procedures, that every risk is considered before the product is incorporated and that approval is obtained from the Board of Directors before the new product can be sold.

The Bank's assets include both trading and non-trading instruments. Trading instruments are recorded in the Treasury Book and include fixed income securities, foreign exchange (FX) and bond futures, and over-the-counter plain vanilla and exotic derivatives. Trading in derivatives includes forward contracts in foreign currency operations, plain vanilla options and Asian options on U.S. dollar/COP currency, foreign exchange swaps and interest rate swaps. Non-trading instruments are recorded in the Bank's banking book (the "Banking Book"), which includes primarily loans, time deposits, checking accounts and savings accounts.

The Bank uses a VaR calculation to limit its exposure to the market risk of its Treasury Book. The Board of Directors is responsible for establishing the maximum VaR based on its assessment of the appropriate level of risk for Bancolombia. The Capital Market Risks Committee is responsible for establishing the maximum VaR by type of investment (e.g., fixed income in public debt) and by type of risk (e.g., currency risk). These limits are supervised on a daily basis by the Market Risk Management Office.

For managing the interest rate risk from banking activities, the Bank analyzes the interest rate mismatches between its interest earning assets and its interest bearing liabilities. In addition, the foreign currency exchange rate exposures arising from the Banking Book are provided to the Treasury Division where these positions are aggregated and managed.

Trading Instruments Market Risk Measurement

The Bank currently measures the Treasury Book exposure to market risk (including over-the-counter derivatives positions) as well as the currency risk exposure of the Banking Book, which is provided to the Treasury Division, using a VaR methodology established in accordance with “chapter XXI of the Basic Accounting Circular”, issued by the Superintendency of Finance.

The VaR methodology established by "chapter XXI of the Basic Accounting Circular" is based on the model recommended by the Amendment to the Capital Accord to Incorporate Market Risks of Basel Committee of 2005, which focuses on the Treasury Book and excludes investments classified as "held to maturity" which are not being given as collateral and any other investment that comprises the Banking Book, such as non-trading positions. In addition, the methodology aggregate all risks by the use of correlations, through an allocation system based on defined zones and bands, affected by given sensitivity factors.

The total market risk for the Bank is calculated by the arithmetical aggregation of the VaR calculated for each subsidiary. The aggregated VaR is reflected in the Bank's Capital Adequacy (Solvency) ratio, in accordance with Decree 1771 of 2012.

For purposes of VaR calculations, a risk exposure category is any market variable that is able to influence potential changes in the portfolio value. Taking into account a given risk exposure, the VaR model assesses the maximum loss not exceeded at a specified confidence level over a given period of time. The fluctuations in the portfolio's VaR depend on volatility, modified duration and positions changes relating to the different instruments that are subject to market risk.

The relevant risk exposure categories for which VaR is computed by Bancolombia according to "chapter XXI, appendix 1 of the Basic Accounting Circular" are: (i) interest rate risks relating to local currency, foreign currency and UVR; (ii) currency risk; (iii) stock price risk; and (iv) fund risk.

Interest Rate Risk**:** The interest rate risk is the probability of decrease in the market value of the position due to fluctuations in market interest rates. Bancolombia calculates the interest rate risk for positions in local currency, foreign currency and UVR separately; in accordance with chapter XXI of the Basic Accounting Circular issued by the Superintendency of Finance. The calculation of the interest rate risk begins by determining the net position in each instrument and estimating its sensitivity by multiplying its net present value ("NPV") by its "modified duration" and by the interest rate's estimated fluctuation (as defined by the Superintendency of Finance). The interest rate's fluctuations are established by the Superintendency of Finance according to historical market performance, as shown in the following table:

Figure 1. Interest Risk – Sensitivity by Bands and Zones

		Modified Duration		Interest Rate Fluctuations (basis points)		
Zone	Band	Low	High	Pesos	UVR	USD

	1	0	0.08	274	274	100
	2	0.08	0.25	268	274	100
Zone 1	3	0.25	0.5	259	274	100
	4	0.5	1	233	274	100
	5	1	1.9	222	250	90
Zone 2	6	1.9	2.8	222	250	80
	7	2.8	3.6	211	220	75
	8	3.6	4.3	211	220	75
	9	4.3	5.7	172	200	70
	10	5.7	7.3	162	170	65
Zone 3	11	7.3	9.3	162	170	60
	12	9.3	10.6	162	170	60
	13	10.6	12	162	170	60
	14	12	20	162	170	60
	15	20	-	162	170	60

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Once the sensitivity factor is calculated for each position, the modified duration is then used to classify each position within its corresponding band. A net sensitivity is then calculated for each band, by determining the difference between the sum of all long-positions and the sum of all short-positions. Thereaftera net position is calculated for each zone (which consists of a series of bands) determined by the Superintendency of Finance. The final step is to make adjustments within each band, across bands and within each zone, which results in a final number that is the interest rate risk VaR by currency. Each adjustment is performed following the guidelines established by the Superintendency of Finance.

The Bank's exposure to interest risk primarily arises from investments in Colombian government's treasury bonds (TES) and securities issued by the Colombian government.

The interest rate risk VaR decreased from COP 343 billion on December 31st, 2012 to COP 215.9 billion on December 31st, 2013, due to the short position in Colombian government treasury bonds TES, in the trading portfolio. During the year 2013, the average interest rate risk VaR was COP 311 billion, the maximum value COP 505 billion, and the minimum value COP 204 billion.

Currency, Equity and Fund Risk: The VaR model uses a sensitivity factor to calculate the probability of loss due to fluctuations in the price of stocks, funds and currencies in which the Bank maintains a position. As previously indicated, the methodology used in this Annual Report to measure such risk consists of computing VaR, which is derived by multiplying the position by the maximum probable variation in the price of such positions ("Dp"). The Dp is determined by the Superintendency of Finance, as shown in the following table:

Figure 2. Sensitivity Factor for Currency Risks, Equity Risks and Fund Risks

USD	5.50 %
Euro	6.00 %
Other currencies	8.00 %
Funds	14.70%
Stock Price	14.70%

The currency risk VaR increased from COP 17.3 billion as of December 31, 2012 to COP 77.3 billion as of December 31, 2013 due to the raise in the net long position in U.S. dollars, Euros and Mexican pesos. Between December 31, 2012 and December 31, 2013, the average currency risk VaR was COP 39.6 billion, the maximum value COP 77.3 billion, and the minimum value COP 18 billion.

The equity risk VaR increased from COP 13 billion as of December 31, 2012 to COP 23.7 billion as of December 31st, 2013, due to the increase in the brokerage firm's trading position and the structural position in the Panama subsidiaries. Between December 31, 2012 and December 31, 2013, the average equity VaR was COP 20 billion, the maximum value COP 24.9 billion, and the minimum value COP 15.3 billion.

The fund risk which arises from investment in mutual funds decreased from COP 45.2 billion as of December 31, 2012 to COP 40.8 billion as of December 31, 2013. Between December 31, 2012 and December 31, 2013, the average fund risk VaR was COP 52.1 billion, the maximum value COP 92.5 billion, and the minimum value COP 40.8 billion.

As mentioned above the Bank uses the regulatory VaR model to measure its exposure to market risk, in accordance with chapter XXI of the Basic Accounting Circular, issued by the Superintendency of Finance. The interest rate's fluctuations and the sensitivity factors for currency, equity and fund risk used in the model are established by the Superintendency of Finance according to historical market performance, and have not changed since March 2011.

Total Market Risk VaR

The total market risk VaR is calculated as the algebraic sum of the interest rate risk, the currency risk, the stock price risk and the fund risk.

The total market risk VaR had a 14.5% reduction going from COP 418.6 billion in December 31, 2012 to COP 357.8 billion as of December 31, 2013, due mainly to the drop in the interest rate and fund risk mentioned above.

Assumptions and Limitations of VaR Models: Although VaR models represent a recognized tool for risk management, they have inherent limitations, including reliance on historical data that may not be indicative of future market conditions or trading patterns. Accordingly, VaR models should not be viewed as predictive of future results. The Bank may incur losses that could be materially in excess of the amounts indicated by the models on a particular trading day or over a period of time, and there have been instances when results have fallen outside the values generated by the Bank's VaR models. A VaR model does not calculate the greatest possible loss. The results of these models and analysis thereof are subject to the reasonable judgment of the Bank's risk management personnel.

The chart below provides information about Bancolombia's consolidated VaR for trading instruments at the end of December 2012 and December 2013.

(in millions of COP)	2012	2013
Interest Rate Risk VaR	343,026	215,916
Currency Risk VaR	17,319	77,345
Equity Risk VaR	13,021	23,733
Fund Risk VaR	45,249	40,816
Total VaR	418,615	357,810

Between December 31, 2012 and December 31, 2013, the average total VaR was COP 423.2 billion, the maximum value COP 602 billion, and the minimum value COP 309.7 billion.

Non-Trading Instruments Market Risk Measurement

The Banking Book's relevant risk exposure is interest rate risk, which is the probability of unexpected changes in net interest income as a result of a change in market interest rates. Changes in interest rates affect Bancolombia's earnings as a result of timing differences on the repricing of the assets and liabilities. The Bank manages the interest rate risk arising from banking activities in non trading instruments by analyzing the interest rate mismatches between its interest earning assets and its interest bearing liabilities. The foreign currency exchange rate exposures arising from the Banking Book are provided to the Treasury Division where these positions are aggregated and managed.

The Bank has performed a sensitivity analysis of market risk sensitive instruments based on hypothetical changes in the interest rates. The Bank has estimated the impact that a change in interest rates would have on the net present value of each position in the Banking Book, using a modified duration model and assuming positive parallel shifts of 50 and 100 basis points.

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The following tables provide information about Bancolombia's interest rate sensitivity for the balance sheet items comprising the Banking Book. These tables show the following information for each group of assets and liabilities:

FAIR VALUE: Sum of the original net present value.

+ 50 bps: Net present value change with an increase of 50 bps.

+ 100 bps: Net present value change with an increase of 100 bps.

Interest Rate Risk (COP million)

2013

	FAIR VALUE	+50bps	+100bps
Assets			
Held To Maturity Securities	3,974,890	(30,579)	(61,019)
Loans	90,491,411	(432,970)	(863,969)
Total interest rate sensitive assets	94,466,301	(463,549)	(924,988)
Liabilities	***FAIR VALUE***	***+50bps***	***+100bps***
Demand deposits	53,484,781	(380,843)	(759,954)
Time Deposits	35,057,738	(86,187)	(171,983)
Interbank borrowings	12,404,923	(23,785)	(47,462)
Long-term debt	13,578,374	(251,417)	(501,689)
Total interest rate sensitive liabilities	114,525,816	(742,232)	(1,481,088)
Total net change		278,684	556,099

Interest Rate Risk (COP million)

2012

	FAIR VALUE	+50bps	+100bps
Assets			
Held To Maturity Securities	3,865,571	(38,334)	(76,493)
Loans	69,414,492	(315,339)	(629,243)
Total interest rate sensitive assets	73,280,063	(353,673)	(705,736)
Liabilities	***FAIR VALUE***	***+50bps***	***+100bps***
Demand deposits	39,828,522	(166,897)	(333,034)
Time Deposits	25,599,781	(84,946)	(169,506)
Interbank borrowings	4,935,049	(7,376)	(14,718)

Long-term debt	13,281,224	(261,635)	(522,080)
Convertible Bonds	361,276	(2,146)	(4,282)