BANCOLOMBIA SA
Form 20-F
June 30, 2009

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 30, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 20-F

(Mark One)

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

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________________ to ________________

OR

o **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)

Juan Esteban Toro Valencia, Investor Relations Manager
Carrera 48 # 26-85, Medellín, Colombia
Tel. +5744041837, Fax. + 574 4045146, e-mail: juatoro@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*

*

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 4 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	**278,122,419**

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

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 o No þ

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 þ No o

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).
o Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

(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 o	International Financial Reporting Standards as issued by the International Accounting Standards Board o	Other þ

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 o Item 18 þ

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 o No þ

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 (§232.405 of this chapter) during the precedent 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

(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 o No o

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CERTAIN DEFINED TERMS

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

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 Panamá and authorized to operate as a bank holding company 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 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 or we refer to Bancolombia S.A., a banking institution organized under 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 Panamá refer to Bancolombia Panamá S.A., a Subsidiary of Bancolombia organized under the laws of the Republic of Panama that provides a complete line of banking services mainly to Colombian customers.

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

References to billing or billings refer to credit card balances.

References to Central Bank refer to the Central Bank of Colombia.

References to Colombia refer to the Republic of Colombia.

References to peso , pesos or Ps refer to the lawful currency of Colombia.

References to Conavi refer to Conavi Banco Comercial y de Ahorros S.A. as it existed immediately before the Conavi/Corfinsura merger (as defined below).

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 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 Factoring Bancolombia refer to Factoring Bancolombia S.A., a Subsidiary of Bancolombia organized under the laws of the Republic of Colombia that specializes in accounts receivable financing.
References to Fiduciaria Bancolombia refer to Fiduciaria Bancolombia S.A., a Subsidiary of Bancolombia.which is the largest fund manager among its peers, including other fund managers and brokerage firms in Colombia.
References to Leasing Bancolombia refer to Leasing Bancolombia S.A. Compañía de Financialmiento Comercial, a Subsidiary of Bancolombia organized under the laws of the Republic of Colombia that specializes in leasing activities, offering a wide range of financial leases, operating leases, loans, time deposits and bonds.
References to Renting Colombia refer to Renting Colombia S.A., a Subsidiary of Bancolombia 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 Superintendency of Finance. 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 Superintendency of Finance refer to the Colombian Superintendency of Finance (Superintendencia Financiera de Colombia).
References to SMMLV refer to *Salario Mínimo Mensual Legal Vigente*, the effective legal minimum monthly salary in Colombia.
References to Subsidiaries refer to subsidiaries of Bancolombia in which Bancolombia holds, directly or indirectly, 50% or more of the outstanding voting shares.
References to Sufinanciamiento refer to Compañía de Financiamiento Comercial Sufinanciamiento S.A., a Subsidiary of Bancolombia organized under the laws of the Republic of Colombia that specializes in risk products such as vehicle financing, private brand credit cards and personal loans.
The term trillion means one million million (1,000,000,000,000).
References to U.S. or United States refer to the United States of America.
References to U.S. dollar , U.S. dollars , 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 to over 200,000 clients.

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PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Accounting Principles

The accounting practices and the preparation of the Bank s consolidated financial statements follow the special regulations of the *Superintendencia Financiera de Colombia* (the Superintendency of Finance) and generally accepted accounting principles in Colombia (collectively Colombian 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 GAAP and U.S. GAAP as they relate to the Bank s audited consolidated financial statements and provides a reconciliation of net income and shareholders equity for the years and dates indicated herein. References to Colombian GAAP in this Annual Report are to Colombian GAAP as supplemented by the applicable rules of the Superintendency of Finance.

For consolidation purposes under Colombian 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 with regard to investments, loans, leased assets, goodwill and foreclosed assets.

For 2008, the Bank s consolidated financial statements include companies in which it holds, directly or indirectly, 50% or more of outstanding voting shares. The Bank consolidates directly Leasing Bancolombia, Fiduciaria Bancolombia, Banca de Inversión , Sufinanciamiento, Bancolombia Puerto Rico Internacional, Inc. , Patrimonio Autónomo Sufinanciamiento, Bancolombia Panamá, Valores Bancolombia, Factoring Bancolombia. and FCP Colombia Inmobiliaria. As described below, some of the Bank s Subsidiaries also consolidate their own subsidiaries. The Bank s Subsidiary Bancolombia Panamá consolidates Bancolombia Cayman S.A., Sistema de Inversiones y Negocios S.A., Sinesa Holding Company Limited, Future Net S.A., Suleasing International USA Inc. and Banagrícola (which in turn consolidates Banco Agrícola Panamá S.A, Inversiones Financieras Banco Agrícola S.A., Banco Agrícola, Arrendadora Financiera S.A., Credibac S.A. de C.V., Bursabac S.A. de C.V., AFP Crecer S.A., Aseguradora Suiza Salvadoreña S.A. and Asesuisa Vida S.A.). The Bank s Subsidiary Banca de Inversión consolidates with Inmobiliaria Bancol S.A., Valores Simesa S.A., Inversiones CFNS Ltda., Todo Uno Colombia S.A. and Inversiones IVL S.A. The Bank s Subsidiary Leasing Bancolombia consolidates Renting Colombia (which in turn consolidates Renting Perú S.A.C., Capital Investments SAFI S.A., Fondo de Inversión en Arrendamiento Operativo Renting Perú, Transportes Empresariales de Occidente Ltda. and RC Rent a Car S.A.). The Bank s Subsidiary Valores Bancolombia consolidates Suvalor Panamá S.A, and the Bank s Subsidiary Fiduciaria Bancolombia consolidates Fiduciaria GBC S.A.

Currencies

The Bank maintains accounting records in Colombian pesos. The audited consolidated financial statements of Bancolombia for the years ended December 31, 2006, 2007 and 2008 (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 Ps 2,243.59 per US$ 1.00, which corresponds to the Representative Market Rate calculated on December 31, 2008 the last business day of the year. The Representative Market Rate is computed and certified by the Superintendency of Finance, the Colombian banking regulator, 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 Superintendency of Finance 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 Colombian 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 May 31, 2009, the Representative Market Rate was Ps 2,140.66 per US$ 1.00.

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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.

Information included on or accessible through Bancolombia s internet site is not part of this Annual Report

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.

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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 , exp
intend , plan , predict , target , forecast , guideline , should , project and similar words and expressions, 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:

- changes in general economic, business, political, social, fiscal or other conditions in Colombia, or in any of the countries where the Bank operates;
- changes in capital markets or in markets in general that may affect policies or attitudes towards lending;
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms;
- inflation, changes in foreign exchange rates and/or interest rates;
- sovereign risks;
- liquidity risks;
- increases in defaults by the Bank s borrowers and other loan delinquencies;
- lack of acceptance of new products or services by the Bank s targeted customers;
- competition in the banking, financial services, credit card services, insurance, asset management, remittances business and other industries in which the Bank operates;
- adverse determination of legal or regulatory disputes or proceedings;
- 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;
- regulatory issues relating to acquisitions; and
- 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.

Neither the Bank s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures, with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and they assume no responsibility for, and disclaim any association with, the prospective financial information.

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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, 2007 and 2008, and for each of the three fiscal years in the period ended December 31, 2008 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, 2004, 2005 and 2006, and for each of the two fiscal years in the period ended December 31, 2005 set forth below have been derived from the Bank s audited consolidated financial statements for the respective periods, which are not included herein.

The Bank s consolidated financial statements for each period were prepared in accordance with Colombian GAAP. 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.

NON-GAAP FINANCIAL MEASURES

A non-GAAP financial measure is generally defined by the SEC as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. We disclose in this Annual Report certain non-GAAP financial measures, including Basic and Diluted net operating income per share, Basic and Diluted net operating income per ADS, Shareholders equity per share and Shareholders equity per ADS. Management has included these measures as it considers that they may help investors to perform calculations and comparisons between Bancolombia s and its peers financial results.

Basic and Diluted net operating income per share for any period is defined as consolidated net operating income divided Weighted average of Preferred and Common Shares outstanding. Basic and Diluted net operating income per share should not be considered as an alternate measure of net operating income, as determined on a consolidated basis using amounts derived from statement of operations prepared in accordance with Colombian GAAP. Basic and Diluted net operating income per ADS for any period is defined as Basic and Diluted net operating income per share multiplied for four preferred shares of Bancolombia (Each ADS is equivalent to four preferred shares of Bancolombia). Basic and Diluted net operating income per ADS should not be considered as an alternate measure of net operating income, as determined on a consolidated basis using amounts derived from statement of operations prepared in accordance with Colombian GAAP.

Shareholders equity per share is equal to Shareholders equity under U.S. GAAP divided Weighted average of Preferred and Common Shares outstanding, Shareholders equity per ADS is equal to Shareholders equity per share multiplied by four preferred shares of Bancolombia (Each ADS is equivalent to four preferred shares of Bancolombia). Shareholders equity per share and Shareholders equity per ADS should not were 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 Annual Report are not a substitute for the GAAP measures of financial performance.

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	As of and for the year ended December 31,					
	2004	***2005***[9]	***2006***	***2007***[10] [12]	***2008***	***2008***[1]
	(In millions of Ps and thousands of US$[1]*, except per share and per American Depositary Share*					
	(ADS) amounts)					
NSOLIDATED STATEMENT OPERATIONS:						
ombian GAAP:						
rest income	Ps 1,803,108	Ps 3,200,084	Ps 3,013,732	Ps 4,810,408	Ps 6,313,743	US$ 2,814,1
rest expense	(585,743)	(1,150,274)	(1,246,229)	(2,002,090)	(2,753,341)	(1,227,2
interest income	**1,217,365**	**2,049,810**	**1,767,503**	**2,808,318**	**3,560,402**	**1,586,9**
visions for loans and accrued rest losses, net of recoveries[2]	(61,423)	(123,575)	(195,361)	(617,868)	(1,155,262)	(514,9
vision for foreclosed assets and r assets, net of recoveries [3]	(5,201)	(7,465)	45,179	20,833	22,095	9,8
interest income after provisions	**1,150,741**	**1,918,770**	**1,617,321**	**2,211,283**	**2,427,235**	**1,081,8**
s and income from services and r operating income, net [4]	574,453	962,277	1,139,094	1,510,129	1,964,084	875,4
rating expenses	(912,421)	(1,654,805)	(1,871,000)	(2,271,418)	(2,639,997)	(1,176,6
operating income	**812,773**	**1,226,242**	**885,415**	**1,449,994**	**1,751,322**	**780,5**
non-operating income excluding ority interest	7,140	4,650	45,346	12,058	31,888	14,2
ority interest (loss)	(2,425)	(6,496)	(6,352)	(13,246)	(18,511)	(8,2
ome before income taxes	**817,488**	**1,224,396**	**924,409**	**1,448,806**	**1,764,699**	**786,5**
ome taxes	(238,810)	(277,515)	(174,880)	(361,883)	(474,056)	(211,2
income	**Ps 578,678**	**Ps 946,881**	**Ps 749,529**	**Ps 1,086,923**	**Ps 1,290,643**	**US$ 575,2**
ghted average of Preferred and nmon Shares outstanding[5]	576,695,395	652,882,756	727,827,005	758,313,771	787,827,003	
c and Diluted net income per e[5] [13]	1,003	1,450	1,030	1,433	1,638	0
c and Diluted net income per S [11] [13]	4,012	5,800	4,119	5,732	6,552	2
n dividends declared per share[6]	376	508	532	568	624	

n dividends declared per share[6]												
ed in US Dollars)		0.16		0.22		0.24		0.28		0.28		
n dividends declared per ADS [11]		1,504		2,032		2,128		2,272		2,496		
n dividends declared per ADS												
ed in US Dollars)		0.63		0.88		0.95		1.13		1.11		
. GAAP:[7]												
income	Ps	642,126	Ps	891,121	Ps	941,183	Ps	1,015,644	Ps	849,920	US$	378,8
c and Diluted net income per												
mon share[8]		1,445		1,715		1,619		1,683		1,326		0
c and Diluted net income per												
S [8] [11]		5,780		6,860		6,476		6,732		5,304		2

(1) Amounts stated in U.S. dollars have been translated at the rate of Ps 2,243.59 to US$ 1.00, which is the Representative Market Rate calculated on December 31, 2008 (the last business day of 2008), as reported and certified by the Superintendency of Finance. In this document certain Colombian pesos amounts have been translated into United States dollars at the rate of Ps 2,243.59. Such translations should not be construed as representations that the Colombian pesos amounts represent, or have been or

could be converted into, United States dollars at that or any other rate.

(2) Represents the provision for loan, accrued interest losses and other receivables, net and recovery of charged-off loans. Includes a provision for accrued interest losses amounting to Ps 4,483 million, Ps 12,379 million, Ps 14,825 million, Ps 35,543 million and Ps 58,721 million for the years ended December 31, 2004, 2005, 2006, 2007 and 2008, respectively.

(3) Represents the provision for foreclosed assets and other assets and the recovery of provisions for foreclosed assets and other assets.

(4) Represents the total fees and income from services, net and the total other operating income.

(5)

The weighted average of preferred and common shares outstanding for fiscal year 2004, include 178,435,787 preferred shares and 398,259,608 common shares. For fiscal year 2005, it included 198,261,641 preferred shares and 454,621,115 common shares. For fiscal years 2006, it included 218,122,421 preferred shares and 509,704,584 common shares. For fiscal year 2007, it included 248,609,187 preferred shares and 509,704,584 common shares. For fiscal year 2008, it included 278,122,419 preferred shares and 509,704,584.

(6) This data is presented on an annualized basis.

(7) See Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP

(8) Under U.S. GAAP, these shares are

considered outstanding since the beginning of the earliest period presented. 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 (398,258,607 for 2004; 509,704,584 for 2005, 2006, 2007 and 2008). See Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP

(9) The consolidated statement of operations for the year ended December 31, 2005, includes Conavi and Corfinsura s results for the full year. For U.S. GAAP purposes, see Note 31. Differences Between Colombian Accounting Principles for Banks and U.S.

GAAP m) Business combinations .

(10) The consolidated statement of operations for the year ended December 31, 2007 includes Banagrícola s results for the full year. For U.S. GAAP purposes, see Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP m) Business combinations .

(11) Each ADS is equivalent to four preferred shares of Bancolombia.

(12) The consolidated statement of operations for the year 2007 was modified due to reclassifications made particularly in commissions from banking services and other services, administrative and other expenses and other income, with the purpose of better presenting comparative

information regarding the gains on the sale of mortgage loans. The selected financial data for 2004 through 2006 has not been reclassified to the 2008 presentation because the amounts are insignificant and do not have a material impact on the consolidated statement of operations for each of the respective years.

(13) Basic and diluted net income per share for any period is defined as consolidated net income divided by weighted average of preferred and common shares outstanding. Basic and diluted net income per share should not be considered as an alternate measure of net income, as determined on a consolidated basis using amounts derived from consolidated statement of operations prepared in

accordance with Colombian GAAP. Basic and diluted net income per ADS for any period is defined as basic and diluted net income per share multiplied by four preferred shares of Bancolombia (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. 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 net income, as determined on a consolidated basis using amounts derived from consolidated statement of operations prepared in accordance with Colombian GAAP.

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	As of and for the year ended December 31,					
	2004	*2005(3)*	*2006*	*2007(4)*	*2008*	*2008(1)*
	(In millions of Ps and thousands of US$(1), except per share and per American Depositary Share (ADS) amounts)					
ONSOLIDATED BALANCE SHEET						
olombian GAAP:						
ssets:						
ash and due from banks	Ps 768,514	Ps 1,241,435	Ps 1,548,752	Ps 3,618,619	Ps 3,870,927	US$ 1,725,32
vernight funds	480,846	488,587	457,614	1,609,768	1,748,648	779,39
vestment securities, net	5,250,211	8,459,703	5,677,761	5,774,251	7,278,276	3,244,03
oans and financial leases, net	9,600,861	17,920,370	23,811,391	36,245,473	42,508,210	18,946,51
ccrued interest receivable on loans, net	121,276	198,266	255,290	398,560	505,658	225,37
ustomers acceptances and derivatives	43,894	133,420	166,395	196,001	272,458	121,43
ccounts receivable, net	173,875	590,313	562,598	716,106	828,817	369,41
emises and equipment, net	346,243	623,729	712,722	855,818	1,171,117	521,98
perating leases, net	8,311	143,974	167,307	488,333	726,262	323,70
reclosed assets, net	12,206	31,360	18,611	32,294	24,653	10,98
epaid expenses and deferred charges	15,950	26,898	46,462	137,901	132,881	59,22
oodwill	73,607	50,959	40,164	977,095	1,008,639	449,56
her assets	315,394	563,588	675,265	580,642	1,093,850	487,54
eappraisal of assets	267,941	330,915	348,364	520,788	612,683	273,08
otal assets	**Ps 17,479,129**	**Ps 30,803,517**	**Ps 34,488,696**	**Ps 52,151,649**	**Ps 61,783,079**	**US$ 27,537,59**
abilities and shareholders equity:						
eposits	Ps 11,862,116	Ps 18,384,982	Ps 23,216,467	Ps 34,374,150	Ps 40,384,400	US$ 17,999,90
orrowings (5)	1,104,201	3,927,551	3,516,426	4,851,246	5,947,925	2,651,07
her liabilities	2,422,089	5,113,694	4,109,191	7,726,983	9,333,909	4,160,25
areholders equity	2,090,723	3,377,290	3,646,612	5,199,270	6,116,845	2,726,36
otal liabilities and shareholders equity	**Ps 17,479,129**	**Ps 30,803,517**	**Ps 34,488,696**	**Ps 52,151,649**	**Ps 61,783,079**	**US$ 27,537,59**
S. GAAP(2):						
areholders equity	Ps 2,267,286	Ps 4,125,996	Ps 4,549,018	Ps 5,937,554	Ps 6,422,815	US$ 2,862,74
areholders equity per share(6)	3,932	6,320	6,250	7,830	8,153	3.6
areholders equity per ADS(6)	15,728	25,280	25,001	31,320	32,612	14.5

(1) Amounts stated in U.S. dollars have been converted at the rate of Ps 2,243.59 to US$ 1.00, which is the Representative Market Rate

calculated on December 31, 2008 (the last business day of 2008) as reported and certified by the Superintendency of Finance.

(2) Refer to Note 31 to the Financial Statements included in this Annual Report for the reconciliation for U.S. GAAP.

(3) The consolidated balance sheet for the year ended December 31, 2005, includes Conavi and Corfinsura s results. For U.S. GAAP purposes, see Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP m) Business combinations .

(4) The consolidated statement of operations for the year ended December 31, 2007 includes Banagrícola s results. For U.S. GAAP purposes, see Note 31. Differences Between Colombian Accounting Principles for

Banks and U.S. GAAP m) Business combinations .

(5) Includes interbank borrowing and domestic development banks borrowings and other.

(6) The weighted average (rounded to the nearest million) of preferred and common shares outstanding was 577 million for the fiscal year ended December 31, 2004, 653 million for the fiscal year ended December 31, 2005, 728 million for the fiscal year ended December 31, 2006, 758 million for the fiscal year ended December 31, 2007 and 788 million for the fiscal year ended December 31, 2008. Shareholders equity per share is equal to Shareholders equity under U.S. GAAP divided by the weighted average of preferred and common shares outstanding, shareholders equity per ADS is equal to

shareholders equity per share multiplied by four preferred shares of Bancolombia (Each ADS is equivalent to four preferred shares of Bancolombia). Shareholders equity per share and shareholders 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. Should not be considered as an alternate measure of shareholders equity as determined on a consolidated basis using amounts derived from consolidated balance sheet prepared in accordance with Colombian 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 in December 31, 2004, 2005, 2006, 2007 and 2008.

Differences Between Colombian and U.S. GAAP Results

The Bank s consolidated financial statements have been prepared in accordance with Colombian GAAP, which are the accounting principles and policies that are summarized in Note 2 to the Bank s Financial Statements included in this Annual Report. These accounting principles and policies differ in some significant respects from U.S. GAAP. A reconciliation of net income and shareholders equity under U.S. GAAP is included in Note 31 to the Financial Statements included in this Annual Report.

Consolidated net income under U.S. GAAP for the year ended December 31, 2008 was Ps 849,920 million (compared with Ps 1,015,644 million for fiscal year 2007 and Ps 941,183 million for fiscal year 2006). The difference in some significant adjustments between Colombian and U.S. GAAP results are described in Note 31 Differences between Colombian Accounting Principles for Banks and U.S. GAAP to the Financial Statements included in this Annual Report.

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	2004	2005(10)	2006	2007(11)(12)	2008
	As of and for the year ended December 31, (Percentages, except for operating data)				
SELECTED RATIOS: (1)					
Colombian GAAP:					
Profitability ratios:					
Net interest margin(2)	8.75	8.12	6.19	7.60	7.70
Return on average total assets(3)	3.62	3.30	2.31	2.52	2.34
Return on average shareholders equity(4)	32.14	31.49	22.10	26.13	23.68
Efficiency Ratio:					
Operating expenses as a percentage of interest, fees, services and other operating income	50.92	54.94	64.37	52.60	47.79
Capital ratios:					
Period-end shareholders equity as a percentage of period-end total assets	11.96	10.96	10.57	9.97	9.90
Period-end regulatory capital as a percentage of period-end risk-weighted assets(5)	13.44	10.93	11.05	12.67	11.24
Credit quality data:					
Non-performing loans as a percentage of total loans(6)	0.88	1.48	1.36	1.77	2.35
C , D and E loans as a percentage of total loans(9)	3.86	3.38	2.54	3.10	4.40
Allowance for loan and accrued interest losses as a percentage of non-performing loans	496.30	259.02	252.87	223.67	224.53
Allowance for loan and accrued interest losses as a percentage of C , D and E (9) loans	113.47	113.59	135.06	127.38	120.21
Allowance for loan and accrued interest losses as a percentage of total loans	4.37	3.84	3.43	3.95	5.29
OPERATING DATA:					
Number of branches(7)	377	678	701	888	892
Number of employees(8)	8,609	14,562	16,222	24,836	19,728

(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 shareholders equity.

(5) For an explanation of risk-weighted assets and Technical Capital, see Item 4. Information on the Company B. Business Overview B.7. Supervision and Regulation Capital Adequacy Requirements .

(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) Number of branches

includes branches of the Bank s Subsidiaries.

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

(9) See Item 4. Information on the Company E. Selected Statistical Information E.3. Loan Portfolio Classication of the loan portfolio and Credit Categories for a description of C , D and E Loans .

(10) Selected ratios for the year ended December 31, 2005, include Conavi and Corfinsura s results. For U.S. GAAP purposes, see Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP m) Business combinations .

(11) Selected ratios for the year

ended December 31, 2007 include Banagrícola s results. For U.S. GAAP purposes, see Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP m) Business combinations .

(12) The selected ratios for the year 2007 were modified to reflect certain reclassifications made in commissions from banking services and other services, administrative and other expenses and other income that conform to the presentation of 2008 figures, in order to provide a better basis of comparison with respect to 2008 figures regarding the gains on the sale of mortgage loans. No such changes were made for 2006, as the reclassifications would not have a material impact on the

figures for that period, and accordingly, would not be material for comparative purposes.

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Exchange Rates

On May 31, 2009, the Representative Market Rate was Ps 2,140.66 per US$ 1.00. The Federal Reserve Bank of New York does not report a rate for pesos; the Superintendency of Finance calculates the Representative Market Rate based on the weighted averages 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 high and low Representative Market Rate for the last six months:

Recent exchange rates of U.S. dollars per peso:

Month	***Low***	***High***
December 2008	2,163.14	2,333.54
January 2009	2,197.72	2,420.26
February 2009	2,420.26	2,596.37
March 2009	2,335.29	2,590.97
April 2009	2,283.20	2,544.24
May 2009	2,140.66	2,288.64
June 2009(1)	2,014.91	2,188.50

Source: Superintendency of Finance.

(1) Figures are as of June 26, 2009

The following table sets forth the average peso/ U.S. dollar Representative Market Rate for each of the five most recent financial years, calculated by using the average of the exchange rates on the last day of each month during the period.

Peso/US$ 1.00
Representative Market Rate

Period	***Average***
2004	2,614.79
2005	2,320.77
2006	2,359.13
2007	2,069.21
2008	1,993.80

Source: Superintendency of Finance.

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 information presented in this Annual Report. In addition, the factors 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 could be materially and adversely affected.

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Risk factors relating to Colombia and other countries where the Bank operates

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

The Bank is a Colombian financial institution and most of the Bank s operations, property and customers are located in Colombia. In addition, the Bank is active in other jurisdictions in Latin America, primarily in El Salvador and also in Panama, Cayman Islands, Puerto Rico and Peru through a network of branches and subsidiaries and, accordingly, its business is subject to a variety of economic, political, market and credit risks in these jurisdictions. As a result, the quality of its assets, financial condition and results of operations significantly depend on macroeconomic and political conditions prevailing in Colombia and the other jurisdictions in which the Bank operates. Colombia and the other jurisdictions in which the Bank operates are subject to political, economic and other uncertainties, including renegotiation, or nullification of existing contracts, currency exchange restrictions, and international monetary fluctuations. Furthermore, changes in monetary, exchange, and trade policies could affect the overall business environment in Colombia and the other jurisdictions in which the Bank operates, which would in turn impact the Bank s financial condition and results of operations. In Colombia, for instance, the Central Bank could raise interest rates, which could negatively affect the Bank s assets and restrict their growth. Increases in exchange rates could negatively affect borrowers foreign currency position, while setbacks in trade relations with Venezuela and Ecuador, as well as any difficulties with the approval of the Free Trade Agreement with the United States, could affect the financial position of the Bank s larger customers. Any of these events could have a negative impact on the Bank s financial condition.

Furthermore, decreases in the growth rate in the economies where the Bank operates, particularly in Colombia and El Salvador, periods of negative growth, or increases in inflation or interest rates could result in lower demand for the Bank s services and products, lower real pricing of its services and products, or in a shift toward lower margin services and products. Because a large percentage of the Bank s costs and expenses are fixed, it may not be able to reduce costs and expenses upon the occurrence of any of these events, and its profit margins and results of operations could suffer as a result.

The economies of the countries where the Bank operates remain vulnerable to external shocks 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 their economic growth and their ability to service their public debt.

Emerging-market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.

In the case of Colombia, a significant decline in the economic growth of any of its major trading partners, such as the United States, Venezuela and Ecuador, could have a material adverse impact on Colombia s balance of trade, and adversely affect Colombia s economic growth. In addition, a contagion effect, in which an entire region or class of investment is disfavored by international investors, could negatively affect Colombia and El Salvador or other economies where the bank operates (i.e. El Salvador, Panama, Cayman Islands, Peru and Puerto Rico). Lower economic growth or a contagion effect may cause higher ratios of past due loans and a decrease in market prices and liquidity of Bancolombia s securities. In addition, a sustained downturn in the U.S. economy could negatively impact the Bank s international remittance business, which serves a customer base of Salvadorians and Colombians living in the United States.

The current global economic downturn, which began in the U.S financial sector and then spread to different economic sectors and countries around the world, has had, and is expected to continue to have, adverse effects on the economies of the countries where the Bank operates. At the end of 2008, the economies of the United States and some European countries were contracting, and this began to materially impact other economies including those of Colombia and El Salvador. In the case of Colombia, exports have been growing at a lower rate, and this growth is expected to slow or even decline in 2009, while unemployment has increased considerably. In the case of El Salvador, remittances, particularly from the United States, have been affected significantly. The effects of the external shock on the economies where the Bank operates have already resulted in asset quality deterioration and as the impact of the economic downturn is expected to intensify in 2009, the Bank expects further deterioration in asset quality to occur.

Government policies in the jurisdictions where the Bank operates could significantly affect the local economy and, as a result, the Bank s business and financial condition.

The Bank s business and financial condition could be adversely affected by changes in policy, or future judicial interpretations of such policies, involving exchange controls and other matters such as currency depreciation, inflation, interest rates, taxation, banking laws and regulations and other political or economic developments in or affecting Colombia, El Salvador or the other jurisdictions where the Bank operates.

In particular, the governments of Colombia and El Salvador have historically exercised substantial influence over their economies, and their policies are likely to continue to have an important effect on Colombian and Salvadorian entities (including the Bank), market conditions, prices and rates of return on securities of local issuers (including the Bank s securities). On June 1, 2009, a new member of the FMLN party took office as President of El Salvador after 20 years of rule by the ARENA party and accordingly significant changes in Salvadorian laws, public policies and regulations could occur.

Future developments in government policies could impair the Bank s business or financial condition or the market value of its securities.

Any additional taxes resulting from changes to tax regulations or the interpretation thereof in Colombia, El Salvador 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. Colombian and Salvadorian national authorities have levied new taxes in recent years. 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.

Additional tax regulations could be implemented that could require the Bank to make additional tax payments, negatively affecting its financial condition, results of operation, and cash flow. In addition, either 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.

Instability of banking laws and regulations in Colombia and in other jurisdictions where 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 where 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.

Banking regulations, accounting standards and corporate disclosure applicable to the Bank and its subsidiaries differ from those 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 from those other regulations. For example, capital adequacy requirements for banks under Colombian regulations differ from those under U.S. regulations, and may differ from other countries.

The Bank prepares its annual audited financial statements in accordance with Colombian GAAP, which differs in significant respect to 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 main significant differences affecting earnings and shareholders equity include the accounting treatment for restructuring, loan origination fees and costs, deferred income taxes and the accounting treatment for business combination accounting.

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Moreover, under Colombian GAAP, allowances for non-performing loans are computed by establishing each non-performing loan s individual inherent risk, using criteria established by the Superintendency of Finance that differs from that 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).

Although the Colombian government has undertaken a review of present regulations relating to accounting, audit, and information disclosure, with the intention of conforming them to international standards and proposing pertinent modifications to the Colombian congress, current regulations continue to differ in certain respects from those in other countries. Accordingly, there may be less publicly available information about the Bank than is regularly published by or about U.S. issuers or an issuer in another country.

In addition, banking regulations, accounting standards and corporate disclosure in other jurisdictions in which the Bank operates, may also differ from those of the United States.

The Bank is subject to regulatory inspections, examinations, inquiries or audits in Colombia and in other countries where 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 Colombian banking authorities. These regulatory authorities have broad powers to adopt regulations and other requirements affecting or restricting virtually all aspects of its 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 Colombian banks. In the event of non-compliance with applicable regulation, the Bank could be subject to fines, sanctions or the revocation of licenses or permits to operate its business. In the event the Bank encounters significant financial problems or becomes insolvent or in danger of becoming insolvent, Colombian banking authorities would have the power to take over the Bank s management and operations.

Moreover, Colombian banking and financial services laws and regulations are subject to continuing review and changes, and any such changes in the future may have an adverse impact on the Bank s operations, including making and collecting loans and other extensions of credit, which in turn could materially and adversely affect the Bank s results of operations and financial position.

The Bank is also subject to laws and regulations in other jurisdictions where it operates. Any sanctions, fines and other penalties resulting from non-compliance with such regulations could materially and adversely affect the Bank s business, financial condition, results of operations and reputation.

The increase of constitutional 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.

Under the Colombian Constitution, individuals may initiate constitutional or class actions to protect their collective or class rights, respectively. In recent years, Colombian financial institutions, including the Bank, have experienced a substantial increase in the aggregate number of these actions. The great majority of such actions are related to fees, financial services and interest rates, and their outcome is uncertain. Although during 2008 the aggregate number of such actions brought against the Bank remained stable as compared to 2007, the number of such actions might not remain stable in the future. The number of these actions may continue to increase in the future and could significantly affect the Bank s businesses.

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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. A portion of the Bank s revenues and operating cash flow is generated by its credit services and any such limitations could materially and adversely affect the Bank s results of operations and financial position.

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. 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, or 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. Moreover, additional deterioration in the economic and political situation of neighboring countries could affect national stability or the Colombian economy by disrupting Colombia s diplomatic or commercial relationships with these countries.

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

The quality of the Bank s loan portfolio and of other assets may decline.

Unforeseen changes in the income levels of the Bank s borrowers, increases in the inflation rate or an increase in interest rates 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. In particular, the Bank might not be able to maintain its current level of asset quality and credit risk in the future. Furthermore, if the Bank increases the proportion of consumer, mortgage and small business credits in its loan portfolio, it may experience detrimental changes in its credit risk levels.

The Bank s increasing focus on individuals and small and medium-sized businesses could lead to higher levels of non-performing loans and subsequent charge-offs.

As part of the Bank s business strategy, it seeks to increase lending and other services to individuals and to small and medium-sized companies. Low to medium income individuals and small and medium-sized companies are, however, more likely to be adversely affected by downturns in the Colombian economy that are large corporations and high-income individuals. Consequently, in the future the Bank may experience higher levels of non-performing loans, which could result in higher provisions for loan losses. The levels of non-performing loans and subsequent charge-offs could be higher in the future.

As of December 31, 2007 and 2008, the Bank s Retail and Small-and Medium-Sized Enterprises (SMEs) loan portfolio represented 31.5% and 30.3%, respectively, of Bancolombia s total loan portfolio.

As a result of an increase in interest rates for loans to individuals in the Colombian market during the 2008, the number of past due loans of this type has increased generally in the Colombian financial system and in Bancolombia s portfolio.

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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. Risks associated with this market to which the Bank is exposed include the risk of increases in interest rates that may reduce the volume of mortgage loans that the Bank originates. 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 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.

The aggregate outstanding principal amount of the Bank s 25 largest borrowing relationships represented approximately 8.99% of its total consolidated loan portfolio as of December 31, 2008. Problems with one or more of the Bank s largest borrowers could materially and adversely affect its results of operations and financial position. For more information, see Item 4. Information on the Company E. Selected Statistical Information E.3. Loan Portfolio Borrowing Relationships .

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.

The Bank might not be able to effectively control and reduce the level of the impaired loans in its total loan portfolio. In particular, the amount of the Bank s non-performing loans may increase in the future, including loan portfolios that the Bank may acquire through auctions or otherwise, as a result of factors beyond the Bank s control, such as the impact of macroeconomic trends and political events affecting Colombia or events affecting specific industries. In addition, the Bank s current loan loss reserves may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of its total loan portfolio. As a result, if the quality of its total loan portfolio deteriorates the Bank may be required to increase its loan loss reserves, which may adversely affect its financial condition and results of operations. Moreover, there is no precise method for predicting loan and credit losses, and loan loss reserves might not be sufficient to cover actual losses. If the Bank is unable to control or reduce the level of its non-performing or poor credit quality loans, its financial condition and results of operations could be materially and adversely affected.

If the Bank is unable to realize the collateral or guarantees securing its loans to cover the outstanding principal and interest balance of its loans, its financial condition and results of operations may be adversely affected.

The Bank s loan collateral primarily includes real estate, assets given in financial leasing and other assets that are located in Colombia and El Salvador, the value of which may significantly fluctuate or decline due to factors beyond the Bank s control, including macroeconomic factors and political events affecting the economy. An economic slowdown may lead to a downturn in the Colombian or Salvadorian real estate market, which may in turn result in declines in the value of the collateral, consisting primarily of real estate, securing many of the Bank s loans to levels below the outstanding principal balance of such loans. 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 an adverse impact in 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 provided, and local protectionism, may make foreclosures on collateral and enforcement of judgments in its favor difficult, and hence may result in losses, which could materially and adversely affect its results of operations and financial position.

The failure to successfully implement and continue to upgrade the Bank s credit risk management system could materially and adversely affect its business operations and prospects.

A principal risk inherent in the Bank s business is credit risk. The Bank may not be able to upgrade, on a timely basis, its credit risk management system. For example, an important part of its credit risk management system is to employ an internal credit rating system to assess the particular risk profile of a client. As this process involves detailed analyses of the client s credit risk, taking into account both quantitative and qualitative factors, it is subject to human error. In exercising their judgment, the Bank s employees may not always be able to assign an accurate credit rating to a client or credit risk, which may result in the Bank s exposure to higher credit risks 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 tools available to it, the Bank s employees may not be able to effectively implement its credit risk management system, which may increase its exposure to credit risk. As a result, the Bank s failure to implement effectively, consistently follow or 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.

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

An element of the Bank s business strategy is to identify and pursue growth-enhancing strategic opportunities. As part of that strategy, the Bank acquired interests in various institutions during recent years. For example, in 2007, The Bank acquired 98.9% of all the issued and outstanding shares of Banagrícola. The Bank will continue to actively consider other strategic acquisitions and partnerships from time to time. The Bank must necessarily base any assessment of potential acquisitions and partnerships on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. The Banagrícola acquisition, future acquisitions, significant investments and alliances may not produce anticipated synergies or perform in accordance with the Bank s expectations and could adversely affect its operations and profitability. In addition, new demands on the Bank s existing organization and personnel resulting from the integration of new acquisitions could disrupt the Bank s operations and adversely affect its operations and profitability.

The Bank and members of its senior management are defendants in several legal proceedings.

The Bank is a party to lawsuits arising in the ordinary course of business that can be expensive and lengthy. In addition, the Bank and its management, including the Bank s current President and Vice-President, are currently involved in several legal proceedings relating to the acquisition of its predecessor entity. An unfavorable resolution to any of the lawsuits or investigations could negatively affect the Bank s reputation and the price of its outstanding securities. See Item 8. Financial Information A. Consolidated Statements and Other Financial Information A.1. Consolidated Financial Statements A.2. Legal Proceedings in this Annual Report.

The Bank s financial results are constantly exposed to market and interest rate risk. The Bank is subject to fluctuations in interest rates and other market risks, which may materially and adversely affect its financial condition and results of operations.

Market risk refers to the probability of variations in the Bank s net interest income or in the market value of its assets and liabilities due to interest rate volatility. Changes in interest rates affect the following areas, among others, of the Bank s business: net interest income, the volume of loans originated, the market value of the Bank s securities holdings; asset quality, and gains from sales of loans and securities.

Changes in short-term interest rates may affect the Bank s interest margins and therefore the Bank s net interest income, which comprises the majority of the Bank s revenue.

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Increases in interest rates may reduce the volume of loans the Bank originates. 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.

Increases in interest rates may reduce the value of the Bank s financial assets. The Bank holds a substantial portfolio of loans and debt securities that have both fixed and floating interest rates. In addition, the Bank may incur costs (which, in turn, will impact its results) as it implements strategies to reduce future interest rate exposure.

Increases in interest rates may reduce gains or require the Bank to record losses on sales of its loans or securities.

The Bank is subject to trading risks with respect to its trading activities.

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 substantial amount of its trading income has been derived from alternative investment strategies such as same-day foreign exchange trades and adjustable-rate bond instruments. A significant decline in the Bank s trading income, or incurring a trading loss, could adversely affect its results of operations and financial position.

The Bank s results could be negatively impacted by the depreciation of sovereign debt securities.

The Bank s debt securities portfolio is primarily composed of sovereign debt securities, mainly 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, 2008, the Bank s total debt securities represented 11.7% of Bancolombia s total assets, and 39.36% 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 2006, for instance, an increase in interest rates in foreign markets significantly and negatively affected the price of securities issued by the Colombian government, which in turn had an adverse impact on the Bank s results.

The Bank is subject to credit risks with respect to its non-traditional banking businesses such as investing in securities and entering into types of derivatives transactions.

A portion of the Bank s businesses are not in the traditional banking businesses of lending and deposit-taking and therefore expose it to credit risk. Non-traditional sources of credit risk can arise from: 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 its 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 risk or bankruptcy of any of the counterparties, could materially and adversely affect the Bank s results of operations and financial position.

The Bank is subject to market and operational risks associated with its derivative transactions, as well as structuring risks and the risk that its documentation will not incorporate accurately the terms and conditions of its derivatives transactions.

The Bank enters into derivative transactions primarily for hedging purposes and, to a lesser extent, 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 well developed in the jurisdictions where the Bank operates as compared to other more developed countries, and the court systems in the countries where the Bank operates have limited experience in dealing with issues related to derivative transactions. Given that the derivatives market and related documentation are not yet well developed in the countries where the Bank operates, there are structuring risks and the risk that the Bank s documentation will not incorporate accurately the terms and conditions of derivatives transactions. In addition, the execution and performance of these types of transactions depend on the Bank s ability to develop adequate control and administration 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 s concentration in and reliance on short-term deposits may increase its funding costs.

The Bank s principal sources of funds are short-term deposits, checking accounts and savings accounts, which together represented a share of 72.80%, 73.07% and 72.74% of total funds at the end of 2006, 2007 and 2008, 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 where Bancolombia operates, the Bank might not be able to maintain its current level of funding without incurring higher costs or selling certain assets at prices below their prevailing market value.

Reductions in the Bank s credit ratings would increase its cost of borrowing funds and make its ability to raise new funds, attract deposits or renew maturing debt more difficult.

The Bank s credit ratings are an important component of its liquidity profile. Among other factors, its credit ratings are based on the financial strength, credit quality and concentrations in its total loan portfolio, the level and volatility of its earnings, its capital adequacy, the quality of management, the liquidity of its balance sheet, the availability of a significant base of core retail and commercial deposits, and its ability to access a broad array of wholesale funding sources. Adverse changes in the Bank s credit ratings would increase its cost of raising funds in the capital markets or of borrowing funds. The Bank s ability to renew maturing debt may be more difficult and expensive. In addition, its lenders and counterparties in derivative transactions are sensitive to the risk of a rating downgrade.

The Bank s ability to compete successfully in the marketplace for deposits depends on various factors, including its financial stability as reflected by the Bank s credit ratings. A downgrade in its credit ratings may adversely affect perception of the Bank s financial stability and the Bank s ability to raise deposits.

The Bank obtains both consolidated credit ratings and individual credit ratings by local rating institutions. A reduction in the credit rating of one of the Bank s subsidiaries could also affect the financial results of that subsidiary and as a result, have a direct impact on Bancolombia s consolidated results.

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The Bank s loan portfolio is subject to risk of prepayment, which could negatively affect its net interest income because the Bank would not be able to receive the interest income from the prepayment date to the maturity date.

The Bank s loan portfolio is subject to prepayment risk, which results from the ability of a borrower or issuer to pay a debt obligation prior to maturity. Generally, in a declining interest rate environment, prepayment activity increases which reduces the weighted average lives of the Bank s interest earning assets and adversely affects its operating results. Prepayment risk also has a significant adverse impact on 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 at lower yields.

The Bank is subject to operational risks

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, 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 s currently adopted procedures may not be effective in controlling each of the operational risks faced by the Bank.

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 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 across numerous and diverse markets and products at its various branches, 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 its decision making process, its risk management and internal control systems as well as 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 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, to be lost or to be delivered to the Bank s clients with delays or errors, which could reduce demand for the Bank s services and products and could materially and adversely affect the Bank s results of operations and financial position.

Any failure to effectively improve or upgrade the Bank s information technology infrastructure and management information systems in a timely manner could adversely affect its 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 Bank must continually make significant investments and improvements in its information technology infrastructure in order to remain competitive. In particular, as the Bank continues to open new branches, it needs to improve its information technology infrastructure, including maintaining and upgrading its software and hardware systems and its bank-office operations. 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. In addition, the Bank may experience difficulties in upgrading, developing and expanding its information technology systems quickly enough to accommodate its growing customer base. Bancolombia is currently undertaking a project to renovate its IT platform. Any failure to effectively improve or upgrade the Bank s information technology infrastructure and management information systems, including its IT platform renovation in a timely manner could materially and adversely affect its competitiveness, financial condition and results of operations.

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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 only been recently adopted and may not completely eliminate instances where it may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent the Bank may fail to fully comply with applicable laws and regulations, the relevant government agencies to which it reports have the power and authority to impose fines and other penalties on the Bank. In addition, the Bank s business and reputation could suffer if customers use the Bank for money laundering or illegal or improper purposes.

Increased competition and consolidation in the Colombian financial industry could adversely affect the Bank s market share.

The Colombian financial system is highly competitive. Since the 1990s, when the Colombian financial market was deregulated and international capital flows resumed, there has been an ongoing process of financial system consolidation. The Bank expects this consolidation to lead to the creation of large local institutions and the possibility of foreign entities banks entering the market, presenting the risk that the Bank could lose a portion of its share in the industry affecting the Bank s results of operations.

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 its 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 its current customers with 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.

The Bank is exposed to new or increased risks as it expands the range of its products and services.

As the Bank expands the range of its products and services, some of which are at an early stage of development in the markets where the Bank operates, the Bank will be exposed to new and increasingly complex risks. The Bank s employees and its risk management systems may not be adequate to handle such risks. As a result, the Bank is subject to substantial market, credit and other risks in relation to the expanding scope of its products, services and trading activities, which could cause the Bank to incur substantial losses.

The Bank may have difficulties competing in the credit card industry, and its success may depend significantly on its ability to grow organically or to strengthen alliances with its strategic partners.

The credit card business is subject to a number of risks and uncertainties, including the composition and risk profile of credit card customers. The success of the Bank s credit card business will also depend, in part, on the success of the Bank s product development, product rollout efforts and marketing initiatives, including the marketing of credit card products to existing retail and mortgage loan customers, and the Bank s ability to continue to successfully target creditworthy customers.

As part of its credit card business, the Bank faces risks relating to the price of merchant fees. There has been an ongoing dispute in Colombia, between retailers and banks, regarding merchant fees. For instance, the Superintendency of Commerce and Industry has issued resolutions related to Credibanco and Redeban, the entities that manage the credit card system in Colombia, in order to prevent an agreement on the prices of the merchant fees. As a result, the clearance fees among the banks and the fees collected from the customers have decreased. These types of disputes could result in a decrease in income from credit card merchant fees or could also lead to changes in commercial strategies that could impact the Bank s financial results.

Minimum profitability coverage requirements imposed by law could negatively affect the profitability of the pension fund business in El Salvador.

Bancolombia participates in the pension fund business in El Salvador through AFP Crecer S.A. As of December 31, 2008 the assets of its subsidiary in El Salvador AFP Crecer S.A. (whose assets represent 0.14% of Bancolombia s total assets) are subject to minimum profitability coverage requirements that may significantly affect its financial position and that could, in turn, result in adverse effects on the Bank s financial condition.

According to the Pension Saving System Law of El Salvador (SAP), assets under management by pension funds, like AFP Crecer S.A., must have a minimum return based on a pre-determined formula. According to articles 84 and 85 of the SAP, each pension fund must either have a reserve known as *Aporte Especial de Garantía* Special Guarantee Contribution equal to 0.25% of the assets under management or post a bond intended to guarantee the minimum profitability of the pension funds being managed as required by SAP.

If the pension fund s return is lower than the minimum required profitability under SAP, and neither the Special Guarantee Contribution nor the bond are sufficient to cover the difference, the remaining amount must be covered by AFP Crecer S.A. Additionally, any change to the minimum profitability coverage requirements may significantly affect the financial position of AFP Crecer S.A. and could, in turn, result in adverse effects on the Bank s financial condition.

The Bank s insurance subsidiary is exposed to risks particular to the insurance industry in El Salvador

Bancolombia participates in the insurance business in El Salvador through its subsidiaries Aseguradora Suiza Salvadoreña S.A. (Asesuisa) and Asesuisa Vida S.A. As of December 31, 2008 the assets of Asesuisa represented 0.23% of Bancolombia s total assets, and the assets of Asesuisa Vida S.A. represented 0.13% of Bancolombia s total assets. Like other insurance companies, Asesuisa is exposed to underwriting risk, and its earnings depend significantly upon the extent to which actual claims experience is consistent with the assumptions used to determine liabilities for future policy benefits and claims. If these assumptions are not realized, Asesuisa s reserves could be insufficient to pay amounts ultimately required to settle liabilities and premium rates charged could be inadequate to cover the costs of underwritten risks. In addition, claims due to catastrophic events, which are inherently unpredictable, can result in unusually high levels of losses. The lack of statistical and actuarial data specific to the insurance market in El Salvador increases these risks. Furthermore, because the insurance market in El Salvador is characterized by a low volume of policies with a high degree of exposure, adequate reinsurance for such risks may not be available or affordable. If Asesuisa is not able to obtain sufficient reinsurance on acceptable terms, its risk of loss could increase and its ability to underwrite future business could be adversely affected. These risks, which are particular to insurance companies operating in El Salvador, may individually or in the aggregate, have a material adverse effect on the results of operations and financial condition of Asesuisa.

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

The Bank is exposed to the risk of natural disasters such as earthquakes, volcanic eruptions, tornadoes, tropical storms, wind and hurricanes in the regions where it operates, particularly El Salvador. In the event of a natural disaster, unanticipated problems with the Bank s disaster recovery systems could have a material adverse impact 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. A natural disaster or multiple catastrophic events could have a material adverse effect on the Bank s business in the affected region and could result in substantial volatility in the

Bank s results of operations for any fiscal quarter or year.

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

American Depositary Receipts (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 regulation 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 .

Preemptive rights may not be available to holders of ADRs.

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, 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 stocks or an exemption from the registration requirement thereunder is available. 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.

To the extent holders of ADRs are unable to exercise these 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. 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. 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, and 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.

Exchange rate volatility may adversely affect the Colombian economy, the market price of our ADS, and the dividend payable to holders of the Bank s ADSs.

Pursuant to the Colombian Constitution and Law 31 of 1992, the Central Bank maintains the power to intervene on the exchange market in order to consolidate or dispose of international reserves, as well as to control any volatility in the exchange rate, acting through a variety of mechanisms, including discretionary ones. During the last years, the Central Bank has adopted a floating exchange rate system with sporadic interventions. From time to time, there have been significant fluctuations in the exchange rate between the Colombian peso and the U.S. dollar. For instance, the peso appreciated 4.42% against the U.S. dollar in 2005, 1.99% in 2006, and 10.01% in 2007, and depreciated 11.36% against the U.S. dollar in 2008.

Unforeseen events in the international markets, fluctuations in interest rates or changes in capital flows, may cause exchange rate instability that could in turn depress the value of the Colombian peso thereby decreasing the value of the dividends paid to holders of the Bank s ADRs.

In addition, a portion of our assets and liabilities are denominated in, or indexed to, foreign currencies, specially the U.S. dollar. Therefore, changes in exchange rates may negatively impact the Bank s results. Required Government approvals relating to ownership of the Bank s preferred shares and ADRs may affect the market liquidity of the preferred shares and ADRs.

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Pursuant to Colombian banking regulations, any transaction resulting in an individual or a corporation holding 10% or more of the capital stock of any Colombian financial institution, including, in the case of the Bank, transactions in ADRs representing 10% or more of the Bank s outstanding stock, requires prior authorization from the Superintendency of Finance. Transactions entered into without the prior approval of the Superintendency of Finance are null and void, and cannot be recorded in the relevant institution s stock ledger.

In addition to the above restrictions, pursuant to Colombian securities regulations, any transaction involving the sale of publicly-traded stock of any Colombian company, including any sale of preferred shares (but not a sale of ADRs) or common shares, for the equivalent of 66,000 UVRs or more, must be effected through the Bolsa de Valores de Colombia (the Colombian Stock Exchange).

The Bank s preferred shares have limited voting rights.

The Bank s corporate affairs are governed by its by-laws and Colombian law. Under Colombian law, the Bank s preferred shareholders may have fewer rights than shareholders 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.

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, very few 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.

There are restrictions on foreign investment in Colombia.

Colombia s International Investment Statute, which has been modified from time to time through related decrees and regulations, regulates the manner in which entities and individuals that are not Colombian residents can invest in Colombia and participate in the Colombian securities markets. Among other requirements, the statute mandates registration of certain foreign exchange transactions with the Central Bank and specifies procedures to authorize and administer certain types of foreign investments.

Investors who wish to participate in the Bank s ADR facility and hold ADSs will be required to submit to the custodian of the ADR facility certain information and comply with certain registration procedures required under the foreign investment regulations in connection with foreign exchange controls restricting the conversion of pesos into U.S. dollars. Holders of ADRs who wish to withdraw the underlying preferred shares will also have to comply with certain registration and reporting procedures, among other requirements. Under these foreign investment regulations, the failure of a non-resident investor to report or register with the Central Bank foreign exchange transactions relating to investments in Colombia on a timely basis may prevent the investor from obtaining remittance rights, constitute an exchange control infraction and result in a fine. The Central Bank might not reduce restrictions on foreign investments and could implement more restrictive rules in the future.

Colombia currently has a free float exchange rate system; however, other restrictive rules for the exchange rate system could be implemented in the future. In the event that a more restrictive exchange rate system is implemented, financial institutions, including the Bank, may be unable to transfer U.S. dollars abroad to pay their financial obligations.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Bancolombia is one of Colombia s leading financial institutions, providing a wide range of financial products and services to a diversified individual and corporate customer base throughout Colombia as well as in other jurisdictions such as Panama, El Salvador, Puerto Rico, the Cayman Islands, Peru, Brazil, the United States and Spain.

The Bank was incorporated in Colombia in 1945, under the name Banco Industrial Colombiano S.A. or BIC . 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. The merger was effective upon the filing of the public deed in the public commercial record of the Chamber of Commerce of Medellín, which took place on August 1, 2005. In May 2007, Bancolombia Panamá acquired Banagrícola which controls several subsidiaries, including Banco Agrícola in El Salvador and Banco Agrícola Panamá S.A. in Panama, dedicated to banking, commercial and consumer activities, insurance, pension funds and brokerage. Bancolombia was originally established for a fifty-year term, starting on December 9, 1944. In 1994, this term was extended for fifty more years, until December 8, 2044. The Bank is domiciled in Medellín, Colombia and operates under Colombian laws and regulations, mainly the Colombian Code of Commerce and Decree 663 of 1993, as a *sociedad comercial por acciones, de la especie anónima*.

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 its common shares have been traded on Colombian Exchanges 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, 2008, Bancolombia had, on a consolidated basis:

- Ps 61,783 billion in total assets;
- Ps 42,508 billion in total net loans and financial leases;
- Ps 40,384 billion in total deposits; and
- Ps 6,117 billion in shareholders equity.

Bancolombia s consolidated net income for the period ended December 31, 2008 was Ps 1,290,643 million, representing an average return on equity of 23.68% and an average return on assets of 2.34%.

The address and telephone number of the Bank s principal place of business 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.

KEY RECENT DEVELOPMENTS

In March 2008 at the annual general shareholders meeting of Bancolombia S.A., Bancolombia s shareholders designated PricewaterhouseCoopers Ltda. as external auditor of Bancolombia to audit financial statements for the year ended December 31, 2008.

In August 2008, the Bank issued and sold ordinary notes with an aggregate principal amount of six hundred billion pesos (Ps 600,000,000,000) in notes. This issuance and offering was the second of multiple and successive issuances of global ordinary notes which are limited to an aggregate principal amount of one trillion five hundred billion pesos (Ps 1,500,000,000,000).

In October 2008, the Bank and the unions Uneb and Sintrabancol reached a new collective bargaining agreement (the Collective Bargaining Agreement). The Collective Bargaining Agreement has a term of three (3) years, beginning on November 1, 2008. Approximately 71% of Bancolombia s employees are covered by the Collective Bargaining Agreement. The most important economic aspects of the Collective Bargaining Agreement are an increase of the salaries and improved benefits for the Bank s covered employees.

In October 2008, the Bank made an in-kind contribution of 38 real estate properties to the private equity fund Colombia Inmobiliaria (Colombia Inmobiliaria). The 38 properties were valued in approximately Ps 23.1 billion Colombia Inmobiliaria will be managed by Bancolombia s subsidiary Fiduciaria Bancolombia. In exchange for its contribution Bancolombia will receive securities issued by Colombia Inmobiliaria. These securities are expected to be traded in the Colombian Stock Exchange.

In October 2008, the board of directors of the Bank authorized the acquisition of more than 25% of the assets and liabilities of Sufinanciamiento. This transaction is subject to certain regulatory approvals.

In October 2008, the board of directors of the Bank appointed Mr. Mauricio Rosillo Rojas as Legal Vice President and Secretary General. Mr. Rosillo Rojas has held several positions in the public and private sectors.

In December 2008, the Bank announced the sale to CMB S.A. of 67.42% of its interest in a real estate property located in the Chambacú sector in Cartagena, Colombia. The sale price amounted to Ps 22.5 billion and has been already paid to the Bank.

In December 2008, the Bank announced that it made donations totaling Ps 8,676 million which were duly authorized at the general shareholders meeting and by the board of directors of the Bank.

In March 2009, the Bank completed a local public offering of subordinated ordinary notes for an aggregate principal amount of four hundred billion pesos (Ps 400,000,000,000). This issuance and offering was the first of multiple and successive issuances of subordinated ordinary notes which are limited up to an aggregate principal amount of one trillion Colombian pesos (Ps 1,000,000,000,000).

On June 26, 2009, the board of directors of Bancolombia decided to call an extraordinary shareholders meeting to be held on Wednesday July 8, 2009, at 9:00 a.m. in Bancolombia s headquarters in Medellín, Colombia. The only matter on the agenda for this extraordinary shareholders meeting will be a proposal to issue non-voting preferred shares of Bancolombia and the delegation of authority to determine the terms of the issuance and offering of such preferred shares to the Bank s board of directors.

On June 29, 2009, the Bank filed an amendment on Form 20-F/A to its annual report on Form 20-F for the year ended December 31, 2007, filed with the SEC on July 8, 2008 to reflect the restatements described below. For the years ended 2006 and 2007, the Bank reviewed certain of its service agreements with vehicles used to securitize the Bank s performing loans and reconsidered the analysis under SFAS 140 and concluded that such vehicles did not meet the definition of a qualified special-purpose entity under SFAS 140. Consequently, the Bank restated the Supplemental Consolidated Condensed Balance Sheets, Supplemental Consolidated Condensed Statements of Operations and the Supplemental Consolidated Condensed Statements of Cash Flows in order to consolidate the vehicles in which the Bank is the primary beneficiary under FIN 46R Consolidation of Variable Interest Entities (Revised). In addition, the Bank restated the Supplemental Consolidated Condensed Statements of Cash Flows to correct errors related to (i) for the fiscal years ended on December 31, 2005, 2006 and 2007, the inappropriate classification of the changes in the loan portfolio as operating activities rather than investing activities, (ii) for the years ended December 31, 2005 and 2007, clerical errors in the elimination and reclassification of cash flows related to the different accounting treatment for business combinations under Colombian GAAP and U.S. GAAP, (iii) for the fiscal years ended on December 31, 2006 and 2007, the presentation of the effects of exchange rate changes on cash and cash equivalents. In addition, as noted above, the restatement relating to the treatment of vehicles used to securitize the Bank s performing loans also affected the Supplemental Consolidated Condensed Statements of Cash Flows for the years ended December 31, 2006 and 2007.

PUBLIC TAKEOVER OFFERS

During 2008, and as of the date of this Annual Report, there have been no public takeover offers by third parties in respect of the Bank s shares or by the Bank in respect to another company s shares.

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CAPITAL EXPENDITURES AND DIVESTITURES

During the past three years, Bancolombia has made significant capital expenditures aimed at increasing the Bank s productivity, accessibility and cost efficiency. These expenditures include the improvements made to the Bank s internet and technology systems, referred to as the IT Platform and those related to new ATMs and branches.

During 2006, total capital expenditures of the Bank, on an unconsolidated basis, amounted to approximately Ps 104.57 billion. Such investments were made mainly in hardware (Ps 55.40 billion), software (Ps 1.05 billion), and furniture and equipment (Ps 18.31 billion).

During 2007, total capital expenditures of the Bank, on an unconsolidated basis, amounted to approximately Ps 192.9 billion. Such investments were made mainly in buildings under construction (Ps 111.5 billion), purchase of lands and buildings (Ps 21.3 billion), technology and data processing equipment (Ps 37.5 billion) and furniture and equipment (Ps 21.5 billion).

During 2008, total capital expenditures of the Bank amounted to Ps 539.9 billion. Investments in land and buildings amounted to Ps 201.6 billion, data processing equipment to Ps 54.7 billion, furniture and fixtures to Ps 48.7 billion, vehicles to Ps 199.6 billion, and investments related to the IT Platform Renewal totaled Ps 35.3 billion. In 2008, the Bank continued the renovation of its IT Platform which is expected to be completed over an additional three year period. Likewise, during the fourth quarter of 2008 the construction of the Bank s new administrative headquarters in Medellín was completed as reflected in the capital expenditures item for land and buildings. With the new headquarters, the Bank centralized most of its Medellín operations in a single location. In addition, capital expenditures related to vehicles are primarily due to the business growth of Renting Colombia S.A., Bancolombia s subsidiary which provides operating lease and fleet management services for individuals and companies.

In 2008, Bancolombia funded its capital expenditures with its own resources and plans to continue to fund those currently in progress in the same way. No assurance can be given, however, that all of such capital expenditures will be made and, if made, that such expenditures will be in the amounts currently expected.

During 2009, the Bank expects to invest an approximate amount of Ps 305 billion. This figure represents only an estimate and may change according to the continuing assessment of the Bank s projects portfolio. The most representative projects are: an estimated investment of Ps 155 billion in connection with an IT Platform renewal project which focuses particularly in the purchase and adaptation of software and hardware, the expansion of the Bank s branch and ATM networks for an estimated investment of Ps 70 billion, purchase of hardware for the expansion, updating, and replacement of the current equipment for an estimated amount of Ps. 55 billion and other investments such as, an anti-fraud project, for an estimated amount of Ps. 12 billion.

The following table summarizes the Bank s capital expenditures and divestitures for the years ending December 31, 2006, 2007 and 2008, as of December 31:

Capital Expenditures (Ps million)	*2006*	*2007*	*2008*	*Total*
Banagrícola S.A.		Ps 1,776,310	Ps 2,503	Ps 1,778,813
Inversiones Financieras Banco Agrícola S.A.		608,365	865	609,230
Banco Agrícola S.A.		94,384	3,951	98,335
Compañía de Financiamiento Comercial Sufinanciamiento S.A.	8	79,981	24,997	104,986
Renting Colombia S.A.		67,043	7,774	74,817
Aseguradora Suiza Salvadoreña S.A.			605	605
Asesuisa, S.A.			605	605
Asesuisa Vida S.A.		11,947		11,947
Suleasing International USA Inc.	8,685	6,446		15,131
Sutecnología S.A.	1,192	3,067		4,259
Suramericana de Inversiones S.A.		1,311		1,311
Leasing Bancolombia S.A.	30,999	1,157		32,156
FCP Colombia Inmobiliaria			26,595	26,595
Fiduciaria Bancolombia S.A.		31		31

Factoring Bancolombia S.A.	44,238	10	5,000	49,248
Fondo de Inversión en arrendamiento operativo			21,089	21,089
3001 S.A.	14,551			14,551
VISA Inc.			5,237	5,237
Transportempo S.A.			2,493	2,493
Renting Peru S.A.C.			4,936	4,936
Inversiones IVL S.A.			4,757	4,757
Others	7,469	3,860	5,076	16,405
Total Expenditures	**Ps 107,142**	**Ps 2,653,912**	**Ps 115,878**	**Ps 2,876,932**

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Divestitures (Ps million)	*2006*	*2007*	*2008*	*Total*
Acerias Paz del Río			56	56
Banco de Crédito			268	268
Almacenar S.A. (2)		14,262		14,262
Inversiones IVL S.A. (2)		9,542		9,542
Sociedad Portuaria Regional de Buenaventura S.A. (2)		4,917		4,917
Terminal Marítimo Muelles El Bosque S.A. (2)		3,320		3,320
Bolsa de Valores de Colombia S.A. (2)		2,261		2,261
Carreteras Nacionales del Meta S.A. (2)	5,509			5,509
Fideicomiso Devinorte S.A. (2)	5,277			5,277
Venrepa C.A.(1)	2,535			2,535
3001 S.A. (3)	34,873			34,873
Suramericana de Inversiones S.A. (2)	67,004		1,675	68,679
Lab Investment & Logistics S.A. (2)	17,704			17,704
Multienlace (2)			13,710	13,710
Bolsa de Valores de Colombia (2)			13,468	13,468
Fundicom S.A. (2)			11,789	11,789
Promotora La Alborada (2)			14,001	14,001
P.A. Renting Colombia (2)			13,296	13,296
Interconexión Eléctrica S.A. (2)			1,632	1,632
Valores Simesa S.A. (2)			1,248	1,248
Inversiones Valsimesa S.A. (2)			1,119	1,119
Others (1) (2)	314	2,093	3,129	5,536
Total Divestitures	**Ps 133,216**	**Ps 36,395**	**Ps 75,391**	**Ps 245,002**

(1) Investments Charged-off

(2) Investments Sold

(3) Settlement

B. BUSINESS OVERVIEW

B.1. GENERAL

Bancolombia is a full service financial institution incorporated in Colombia that offers a wide range of banking products and services to a diversified individual and corporate customer base of more than 6.4 million customers. Bancolombia delivers its product and services through its regional network comprising Colombia s largest non-government owned banking network, El Salvador s leading financial conglomerate off-shore banking subsidiaries in Panama, Cayman and Puerto Rico, as well as an agency in Miami and minor operations in Peru, Brazil and Spain. Together, Bancolombia and its subsidiaries provide stock brokerage, investment banking, leasing, factoring, consumer finance, fiduciary and trust services, asset management, pension fund administration, and insurance, among other products and services.

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B.2. OPERATIONS

In connection with its Annual Report for the year ended December 31, 2008, the Bank performed a review of its business segments and has changed the presentation of segment information. The information for 2006 and 2007 has been reclassified to reflect these changes. For an explanation regarding these changes, see Item 4. Information on the Company B. Business Overview B.3 Bancolombia s Business . The following tables set forth Bancolombia s revenues for each operating segment for each of the last three fiscal years:

Year Ended December 31, 2006 [(1)]

(Ps million)

	Retail and Small Business Banking	*Corporate and Governmental Banking*	*Treasury*	*Offshore Commercial Banking*	*Leasing*	*All other Segments*	*Total*
Revenues from external customers	Ps 547,311	Ps 169,871		Ps 130	Ps 38,515	Ps 222,699	Ps 978,526
Revenues and expenses from transactions with other operating segments of the Bank		60,861		12,493	12,691	73,058	159,103
Interest income	1,201,392	864,665	343,496	495,222	437,977	274,651	3,617,403
Provision for loans losses	Ps 130,613	Ps (50,742)	Ps (30,134)	Ps 13,316	Ps 51,741	Ps 87,978	Ps 202,772

Year Ended December 31, 2007 [(1) (2)]

(Ps million)

	Retail and Small Business Banking	*Corporate and Governmental Banking*	*Treasury*	*Offshore Commercial Banking*	*Leasing*	*All other Segments*	*Total*
Revenues from external customers	Ps 801,924	Ps 179,491	Ps (2,302)	Ps 11,858	Ps 84,086	Ps 261,692	Ps 1,336,749
Revenues and expenses from transactions with other operating segments of the Bank	(10,844)	25,309	10,655	148,783	1,345	317,738	492,986
Interest income	2,019,666	1,385,482	507,934	299,067	624,606	424,687	5,261,442
	Ps 421,576	Ps 187,766	Ps (14,634)	Ps 19,271	Ps 108,538	Ps 26,111	Ps 748,628

Provision for loans losses

Year Ended December 31, 2008 [(1)]

(Ps million)

	Retail and Small Business Banking	Corporate and Governmental Banking	Treasury	Offshore Commercial Banking	Leasing	All other Segments	Total
Revenues from external customers	Ps 913,333	Ps 206,529	Ps 14,244	Ps 5,303	Ps 245,739	Ps 318,071	Ps 1,703,219
Revenues and expenses from transactions with other operating segments of the Bank	(11,117)	57,992	(5,175)	38,642	8,427	167,611	256,380
Interest income	2,730,204	1,839,523	602,931	260,652	848,623	1,024,001	7,305,934
Provision for loans losses	Ps 802,255	Ps 330,148	Ps (11,261)	Ps 16,001	Ps 143,234	Ps 38,352	Ps 1,318,729

(1) The methodology used for segment disclosure was changed for purposes of comparability. The segments Retail and Small Business Banking were combined in a single segment as part of the new organizational structure defined by the Bank. The segments Corporate Banking and Governmental Banking were

also combined in a single segment.

(2) The segment disclosure was modified to reflect certain reclassifications made in commissions from banking services and other services, administrative and other expenses and other income that conform to the presentation of 2008 figures, in order to provide a better basis of comparison with respect to 2008 figures regarding the gains on the sale of mortgage loans. No such changes were made for 2006, as the reclassifications would not have a material impact on the figures for that period, and accordingly, would not be material for comparative purposes.

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For more information on the segment disclosure, see Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP x) Segment disclosure .

The following table sets forth Bancolombia s geographic revenues and long-term assets distribution as of December 31, 2006, 2007 and 2008:

	As of December 31,					
	2006		2007(2)		2008	
	(Ps million)					
Geographic Information	*Revenues*	*Long-Term Term - Assets(1)*	*Revenues*	*Long-Term Term - Assets*	*Revenues*	*Long-Term Term - Assets(1)*
Colombia	Ps 3,801,365	Ps 878,917	Ps 5,540,069	Ps 1,202,108	Ps 7,558,997	Ps 1,718,190
Panama and Cayman Islands	512,629	12,285	515,749	10,242	260,282	10,476
Puerto Rico	37,171	141	51,765	164	39,191	238
Perú			357	6,706	8,319	22,453
El Salvador			774,026	143,658	759,587	148,422
USA	31,630	928	48,010	115	42,770	199
Total	4,382,795	892,271	6,929,976	1,362,993	8,669,146	1,899,978
Eliminations of intersegment operations	(159,103)	(13)	(492,986)	11	(256,380)	2,674
Total, net	**Ps 4,223,692**	**Ps 892,258**	**Ps 6,436,990**	**Ps 1,363,004**	**Ps 8,412,766**	**Ps 1,902,652**

(1) Includes foreclosed assets, net, allowances for foreclosed assets and property, plant and equipment, net.

(2) The segment disclosure was modified to reflect certain reclassifications made in commissions from banking services and other services,

administrative and other expenses and other income that conform to the presentation of 2008 figures, in order to provide a better basis of comparison with respect to 2008 figures regarding the gains on the sale of mortgage loans. No such changes were made for 2006, as the reclassifications would not have a material impact on the figures for that period, and accordingly, would not be material for comparative purposes.

The following table summarizes and sets forth Bancolombia s total revenue over the last three fiscal years:

	2006	*2007*[4] *(Ps million)*	*2008*
Revenues			
Revenues for reportable segments [1]	Ps 4,755,032	Ps 7,091,177	Ps 9,265,533
Non-operating income [2]	(372,237)	(161,201)	(596,387)
Elimination of intersegment revenues	(159,103)	(492,986)	(256,380)
Total revenues for reportable segments [3]	**Ps 4,223,692**	**Ps 6,436,990**	**Ps 8,412,766**

(1) Total revenues for reportable segments includes Revenues from external

customers, revenues and expenses from transactions with other operating segments of the same enterprise and interest income.

(2) Non-operating income represents other income classified as revenue for segment reporting purposes.

(3) Total revenues for reportable segments include interest, fees, other services and other operating income.

(4) The segment disclosure was modified to reflect certain reclassifications made in commissions from banking services and other services, administrative and other expenses and other income that conform to the presentation of 2008 figures, in order to provide a better basis of comparison with

respect to 2008 figures regarding the gains on the sale of mortgage loans. No such changes were made for 2006, as the reclassifications would not have a material impact on the figures for that period, and accordingly, would not be material for comparative purposes.

The following table lists the main revenue-producing fees along with their variation from the prior fiscal year:

	For the years 2006	2007(1)	2008	Growth 2008/2007
	(Ps million)			
Main fees and commissions				
Commissions from banking services	Ps 162,273	Ps 279,528	Ps 238,918	(14.53)%
Electronic services and ATMs fees	85,049	80,711	86,070	6.64%
Branch network services	62,403	104,601	104,010	(0.57)%
Collections and payments fees	74,708	130,421	157,281	20.59%
Credit card merchant fees	8,150	39,191	32,215	(17.80)%
Credit and debit card annual fees	238,898	293,583	446,647	52.14%
Checking fees	60,083	67,438	67,963	0.78%
Warehouse services	72,494			
Fiduciary activities	62,114	69,200	98,799	42.77%
Pension plan administration		82,453	87,826	6.52%
Brokerage fees	67,034	62,493	54,742	(12.40)%
Check remittance	11,040	22,762	26,148	14.88%
International operations	34,281	43,643	47,962	9.90%
Fees and other service expenses	(70,866)	(116,453)	(134,939)	15.87%
Total fees and income from services, net	**Ps 867,661**	**Ps 1,159,571**	**Ps 1,313,642**	**13.29%**

(1) The main fees and commissions for the year ended 2007 were modified to reflect certain reclassifications made in commissions from banking services and other services, administrative and other expenses and other income that conform to the presentation of 2008 figures, in order to provide a better basis of comparison with

respect to 2008 figures regarding the gains on the sale of mortgage loans. No such changes were made for 2006, as the reclassifications would not have a material impact on the figures for that period, and accordingly, would not be material for comparative purposes.

B.3. BANCOLOMBIA S BUSINESS

Bancolombia offers traditional banking products and services, such as checking accounts, saving accounts, time deposits (which are tradable certificates of deposits), lending (including overdraft facilities), mortgage loans, credit cards, and cash management services. It also offers nontraditional products and services, such as pension funds services, insurance, bancassurances, international transfers, trust fund services, leasing brokerage services and investment banking.

The principal lines of business of Bancolombia by operating segments are as follows:

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For purposes of this Annual Report, the management of Bancolombia adjusted the method of calculating income and expenses per operating segment in order to better reflect the performance of each of the business segments defined by management. The information for 2006 and 2007 has been reclassified to reflect these changes. Specifically, the following adjustments were made:

Dividends received by the Bank are no longer included in the Treasury segment, but in All Other Segments.

Government accounts for small towns and cities were moved from Corporate and Governmental Banking to Retail and Small Business Banking.

Depreciation and amortization expense for the Retail and Small Business Banking, Corporate and Governmental Banking, and Treasury segments are now distributed proportional to assets and not to administrative expenses.

Time deposits sold by the Treasury division are no longer included in Corporate and Governmental Banking, but in Treasury.

Goodwill is included as an amortization within All Other Segments.

Retail and Small Business Banking: The Bank s Retail Banking segment provides a wide range of financial products and services to individuals and SMEs (firms that are not part of the Corporate and Governmental segment) in Colombia and El Salvador. Bancolombia s Retail and Small Business Banking segments serve a wide range of clients with different needs, goals and lifestyles, and is divided into eight subsegments, as shown below.

Preferential: Serves individuals with monthly income equal or greater than 15 SMMLV.

Personal Plus: Serves individuals with monthly income between 2 and 15 SMMLV.

Personal: Serves individuals with monthly income below 2 SMMLV.

Government (small towns and cities): Serves State-owned and official institutions with annual revenues lower than 32,500 SMMLV.

SME: Serves small and medium enterprises with annual sales between 542 and 32,500 SMMLV.

Entrepreneurial: Serves corporations with annual sales above 542 SMMLV.

Colombians abroad: Serves Colombian citizens living outside of Colombia.

Private Banking: Provides private banking services to clients with assets under management above US$150,000.

The Bank also offers special programs for its clients according to their respective profile (children, senior citizens and groups) in order to provide clients with value-added products and services that are aligned with their needs and preferences.

Corporate and governmental Banking: This segment provides commercial banking products and services to local and international companies, from both the public and private sectors with annual sales of more than Ps 15,000 million. The Bank s clients include many leaders their respective markets, which makes them highly sophisticated in terms of processes, operations and projects. The Bank s strategy is to grow with these clients based on value-added, long-term relationships. In order to offer specialized services to clients engaged in a diverse spectrum of industries, the Bank s sales force determines the needs and its challenges of each client and specializes in nine economic sectors: Agribusiness, Commerce, Manufacturing of Supplies and Materials, Media, Financial Services, Non-Financial Services, Construction, Government and Natural Resources.

Treasury: This segment is 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. In addition, Bancolombia s Economic Research Department is included in this division. Additional information on Bancolombia s treasury products can be found in section Item 4. Information on the Company B. Business Overview B.5 Products and Services .

In 2008, all of the Bank s capital market operators were accredited by the Autorregulador del Mercado de Valores AMV (a Colombian securities market self-regulatory authority) as certified Derivative and Fixed Income Security Operators . Bancolombia s Treasury Division s market share and innovative products make it a leader in the Colombian capital markets.

Offshore Commercial Banking: Bancolombia Panamá S.A., Bancolombia Cayman, Bancolombia Puerto Rico Internacional Inc. and Banco Agrícola (Panama) S.A. provide a complete line of offshore banking services to Colombian and Salvadorian customers, including 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, and PC Banking. 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.

Leasing: This segment provides financial and operational leases, including cross-border and international leasing services to clients in Colombia as well as in Central America, Mexico and Brazil. Bancolombia offers these services through its Subsidiaries: Leasing Bancolombia, Renting Colombia, Renting Perú S.A., Tempo Rent a Car S.A., Capital Investment Safi S.A, Suleasing International USA Inc., and Arrendadora Financiera S.A.

All Other Segments: This segment provides the following products and services: (i) Investment Banking. Banca de Inversión specializes in providing investment banking services to corporate customers in areas such as mergers and acquisitions, project finance, issuances of debt and equity securities and syndicated loan transactions. (ii) Brokerage and Asset Management. Valores Bancolombia, Suvalor Panama and Bursabac provide brokerage and asset management services. It provides its customers with domestic and international investment alternatives. (iii) Trust, Pension Fund and Insurance. The Bank offers, through its subsidiaries Fiduciaria Bancolombia S.A., and Fiduciaria GBC S.A, investment funds which allow customers with the opportunity to diversify their investments. (iv) Bancassurance. Through their branch network, Bancolombia and Banco Agrícola offer various insurance products. (v) Insurance. Asesuisa and Asesuisa Vida offer insurance products for individuals and corporations, covering a wide range of risks and exposures in El Salvador and (vi) Pension Fund Management. AFP Crecer S.A. is a pension fund manager that manages both voluntary and mandatory contributions through individual savings accounts for the elderly, common disability and surviving pensions.

In addition, the operations of the following subsidiaries are part of the All Other Segments segment: FCP Colombia Inmobiliaria, Inversiones Financieras Banco Agrícola S.A., Bursabac S.A. de C.V., Inmobiliaria Bancol S.A., Valores Simesa S.A., Inversiones CFNS Ltda., Todo Uno Colombia S.A., Inversiones IVL S.A, Transportes Empresariales de Occidente Ltda., and Fiduciaria GBC S.A. The Bank s corporate headquarters are included in this segment as well.

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B.4. DISTRIBUTION NETWORK

Bancolombia provides its products and services through a traditional branch network, as well as through mobile branches (or Puntos de Atención Móviles , which consist of commercial advisors who visit small towns on specific days, to offer Bancolombia s products and services to the local population), non-banking correspondents, ATM network, online banking, telephone banking, Bancolombia s website, Factruranet, the payment button, PC Banking, mobile banking service (transactions through mobile phones), and PACs (Point of Sale) and Kiosks, among others.

B.4.i. Branch Network

As of December 31, 2008, Bancolombia s consolidated branch network consisted of 892 offices which comprised 717 from Bancolombia, 107 from Banco Agrícola and 68 from other subsidiaries. As of December 2008 Bancolombia had presence in 602 cities and municipalities in Colombia.

Company	*Number of branches 2007*	*Number of branches 2008*
Bancolombia (unconsolidated)	719	717
Bancolombia Panamá	1	1
Leasing Bancolombia	10	10
Renting Colombia	4	4
Valores Bancolombia	7	7
Suvalor Panama	1	1
Banca de Inversión Bancolombia	2	2
Fiduciaria Bancolombia	6	6
Bancolombia Puerto Rico International Inc.	1	1
Factoring Bancolombia	5	5
Sufinanciamiento	6	8
Renting Peru S.A.C	1	1
Tempo Rent a Car	5	8
Inversiones CFNS	1	1
Banco Agrícola	107	107
Arrendadora Financiera S.A.	1	1
Bursabac S.A. de C.V	1	1

AFP Crecer S.A.	6	6
Aseguradora Suiza Salvadoreña S.A.	1	1
Asesuisa Vida S.A.	1	1
Multienlace S.A.	2	
Total	**888**	**892**

B.4.ii. Electronic Distribution Channels

Bancolombia has a network of alternative electronic distribution channels designed to enable cost-effective transactions and services. In order to make its branch offices more efficient, the Bank has worked to transfer customer transactions from branch offices to electronic distribution channels. Transactions effected through electronic distribution represented approximately 86% of all transactions made by Bancolombia on an unconsolidated basis in 2008.

The following are the electronic distribution channels offered by the Bank:

B.4.ii.a. Automatic Teller Machines ATM Network

As of December 31 2008, Bancolombia s ATM network consisted of 2,355 machines, 1974 in Colombia and 381 in El Salvador. During 2008 a total of 257.5 million transactions were executed through ATMs which corresponds to a 7.8% increase as compared to the figure for 2007.

B.4.ii.b. Online Banking

Bancolombia offers the following online banking channels and services.

Online Banking for Corporations

This platform allows corporate customers to inquire their account balances, monitor transactions in their deposit accounts, loans and credit cards, make virtual term investments, disburse loans, make payroll and supplier payments, and complete other transactions in real time with the superior level of security that Bancolombia believes its customers require. The number of transactions made through this channel in 2008 was 117.9 million from Bancolombia and 9.7 million from Banagrícola.

Online Banking for individuals

This platform allows individual customers to inquire their financial products, make payments and money transfers, and buy financial products. The number of transactions made through this channel in 2008 was 262.6 million, representing a 52.9% increase as compared to 2007.

Bancolombia s Website

A total of 30 content portals, providing interactive information to customers and users, were consolidated on Bancolombia s website in 2008 (www.grupobancolombia.com).

Facturanet

Facturanet was the first electronic bill payment system introduced in Colombia. It was developed by Todo 1 Services, a company with a business model designed to generate revenue from online banking, e-commerce and e-business. Through Facturanet, Bancolombia s customers can make payments and receive alerts via e-mail when a new bill is submitted for payment from any entity that has signed an agreement with the Bank.

Payment Button

Bancolombia offers two options for making purchases and payments via internet:

- E-Pagos, a button exclusively for the Bank s customers through which they can make purchases and payments via the internet.
- Electronic Services Supplier (*Proveedor de Servicios Electrónicos*, or PSE), a centralized, standardized system, developed by ACH Colombia S.A. (ACH), an independent company, through which companies may allow their users to purchase and pay for items over the internet, debiting the corresponding amounts from the financial institution where the users have their account and transferring these amounts to the payee accounts. This button accepts payments through banks that are part of the ACH network.

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B.4.ii.c. PC Banking

Enlinea Bancolombia, the remote access platform of the Bank (unconsolidated), allows corporate customers to connect to the Bank via modem through an application that is installed on a computer at the customer s location.

B.4.ii.d. Telephone Banking

Bancolombia s telephone banking offers customized and convenient advisory services, efficient transactions and the sale of products and services, extending Bancolombia s commercial and service strategy to customers of all segments.

B.4.ii.e. Electronic Point of Service (PACs):

Through the Electronic Point of Service (*Punto de Atención Cercano Electrónico*) Bancolombia s customers may make balance inquiries and carry out transactions in checking and savings accounts, transfers funds to their own accounts or to those of third parties at Bancolombia or other financial institutions, make payments to public utility services, make credit card payments, make disbursements of loans into accounts and make changes to credit and debit card passwords.

B.4.iii. Bancolombia s Mobile Banking Service

This distribution channel allows Bancolombia s clients to conduct various transactions using their mobile phone: transfer of funds between Bancolombia accounts, inquiries of account balances, purchases of prepaid mobile phone air time and payment of mobile phone invoices.

B.4.iv. Kiosks

This channel, mainly used in Banco Agrícola, consists of small kiosks located inside the Bank s agencies, shopping malls, and other public places. Through this channel customers may make balance inquiries, carry out transactions and transfer funds. In 2008, the number of transactions made through these channel was 8.9 million, representing a 11.5% increase as compared to the same period in 2007.

B.4.v. Sales Force

As of December 31 2008, more than 10,500 employees were part of Bancolombia s consolidated sales and customer service force.

B.5. PRODUCTS AND SERVICES

The following are the products and services offered by Bancolombia:

Savings and Investment: The Bank offers its customers checking accounts, savings accounts, fixed term deposits and other investment products. Bancolombia is committed to helping its clients to save and invest by providing a wide range of savings plans based on the specific transactional needs of each client and their income bracket.

Financing: Bancolombia offers its customers a variety of financing options including: trade financing, loans funded by domestic development banks, working capital loans, credit cards, personal loans, vehicle loans, overdrafts, among others. Bancolombia is committed to play a central part in the development of the countries where it operates by performing its economic role as an efficient allocator of capital resources. In order to fulfill this objective, the Bank offers a wide range of credit alternatives.

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

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

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

Treasury: Bancolombia assists its clients in hedging their market risks through innovative derivative structures. The Bank also performs inter-bank lending, repurchase agreements or repos , sovereign and corporate securities sales and trading, foreign currency forwards, interest rate and cross currency swaps and European options.

Comprehensive Cash Management: Bancolombia provides support to its clients in efficiently controlling and managing their cash. Bancolombia offers a portfolio of standard products that allows clients to make their payments and collections.

Foreign Currency: Bancolombia offers its clients specialized solutions to satisfy their investment, financing and payment needs with regard to foreign currency transactions.

Bancassurance and Insurance: Bancolombia has consolidated a comprehensive portfolio of insurance and pension banking products aimed at new market niches and focusing on building long-term relationships with clients. Through its branch network, Bancolombia offers various insurance products (life insurance, home insurance and personal accident insurance) from Compañía Suramericana de Seguros, one of the major insurance companies in Colombia. With respect to 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).

Brokerage Services: Bancolombia offers, through Valores Bancolombia, Suvalor Panama and Bursabac, brokerage and investment advisory services, covering various investment alternatives including equities, futures, foreign currencies, fixed income securities, mutual funds, and structured products.

Investment Banking: Bancolombia offers, through Banca de Inversión an ample portfolio of value-added services, that allow it to advise and assist companies from all economic sectors, in areas relating to project finance, capital markets, capital investments, M&A, restructurings and corporate lending.

Asset Management and Trust Services: Bancolombia provides, through Fiduciaria Bancolombia, Valores Bancolombia and AFP Crecer S.A, asset management and trust products which include mutual funds, pension funds, administration and payment trusts, public trusts, real estate trusts, securitization and guarantee trusts.

B.5.i. 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 during 2008.

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Integrated Payment and Collection Services

As part of enhancing its comprehensive cash management services, the Bank launched a technology application that allows its clients to retrieve payment and collection information processed through its network.

Standardized Derivatives

With the creation of the *Cámara de Riesgo Central de Contraparte* (CRCC) as central counterparty clearing house for the trading of standardized derivatives in Colombia, Bancolombia added futures on Colombian government bonds to its derivatives product portfolio and is currently participating as clearing member of the CRCC.

Time Deposit Indexed to the Indicador Bancario de Referencia (IBR).

As part of increasing its Savings and Investment products the Bank introduced a time deposit with variable rate calculated based on a reference interest rate known as the IBR, which acts as a reference of overnight and one-month interbank loans, and is based on quotations to be submitted to the Central Bank on every business day by eight participating banks. Using a weighted average of the quotations submitted, the Central Bank calculates the overnight IBR on every business day. The one-month IBR is calculated each Tuesday.

Fixed Rate Loan

In April of 2008, Bancolombia launched a special loan facility directed to corporate clients which allows them to cover their medium and long-term financing needs at an interest rate that will not change during the life of the loan. This product reduces the cash flow uncertainty for the client due to interest rate changes and a prepayment fee provides an additional income for the Bank.

B.6. COMPETITION

B.6.i. Description of the Colombian Financial System

Overview

The Colombian financial system was historically composed of specialized institutions operating in market niches that were regulated and delineated by law. However, Law 45 of 1990, Law 35 of 1993 and the *Estatuto Orgánico del Sistema Financiero* (Decree 663 of 1993, as amended) significantly deregulated the Colombian financial system, providing commercial banks with the opportunity to set up subsidiaries to compete in different markets, and permitting other financial institutions to enter markets in the Colombian financial system from which they had previously been excluded. These laws have increased competition among the different types of financial institutions, promoted consolidation of the financial industry and created considerable overlap in the permitted scope of business activities of the various types of financial institutions, particularly with respect to foreign exchange operations. This legal framework also permits foreign investment in all types of financial institutions.

Additional laws have since been promulgated with the purpose of further deregulating the Colombian financial system. Law 510 of 1999, Law 546 of 1999 and Law 795 of 2003 further broadened the scope of activities permitted to financial institutions and set forth general circumstances under which the Colombian government may intervene in the financial sector, as well as the rules governing such intervention.

In recent years the Colombian banking system has been undergoing a period of readjustment given the series of mergers and acquisitions that have taken place within the sector, reflecting worldwide tendencies towards a greater consolidation on the part of ever growing financial institutions. More specifically, several mergers and acquisitions took place in 2005, including the Conavi/Corfinsura merger, the acquisition of Banco Aliadas by Banco de Occidente, the merger of Banco Tequendama and Banco Sudameris, as well as the merger of the Colmena and the Caja Social banks. The trend towards mergers and acquisitions continued throughout 2006, with the completion of certain transactions first announced during 2005. These include the acquisition of Banco Superior by Davivienda, of Banco Granahorrar by BBVA Colombia and of Banco Unión by Banco de Occidente. Also during 2006, Banco de Bogota acquired Megabanco and Davivienda announced its acquisition of Bancafé. In 2007, HSBC acquired Banitsmo and Bancolombia also 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) purchased the Colombian arm of ABN Amro Bank and General Electric (GE) Money acquired a 49.7% stake in Colpatria, with an option of extending this stake by another 25% by 2012. As of December 31, 2008, and according to the Superintendency of Finance, the principal participants in the Colombian financial system were the Central Bank, 18 commercial banks (ten domestic banks, seven foreign banks, and one state owned bank), three finance corporations and 27 commercial finance companies (10 leasing companies and 17 traditional finance 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 2008

Despite a restrictive monetary policy and the turbulent conditions in the international financial markets, the Colombian financial system recorded an increase in its activities during 2008, although lower than that experienced in 2007. According to the Superintendency of Finance, the financial system s loan portfolio decreased from a total growth of 24.9% for 2007 to 18.2% for 2008. This slowdown in the credit market mostly affected consumer loans which grew more slowly increasing 11.6% in 2008 compared with 32.4% in 2007. Mortgage loans for Colombia s financial system grew at a lower rate in 2008, going from 17.3% in 2007 to 13.7% in 2008. Commercial loans, however, maintained a similar growth with a year-end growth rate of 21.5% compared with 22.7% recorded at the end of December, 2007. Microcredit loans grew in 2008 by an annual rate of 55.7% driven by the entrance of new banking entities specializing in this type of product.

The trends seen in the Colombian financial system s loan portfolio were consistent with indicators of quality of loan portfolio (past due loans/total loans) of 4.04% and coverage (provisions/past due loans) of 120.54%, as of December 31, 2008, as compared with indicators of 3.26% and 132.62%, respectively as of December 31, 2007.

The tendency towards reorganization in the composition of assets in favor of the loan portfolio remained stable during 2008. The loan portfolio as a percentage of total assets increased from 64.3% as of December 31, 2007 to 64.6% as of December 31, 2008. The investment portfolio as a percentage of total assets decreased from 19.0% as of December 31, 2007 to 18.1% as of December 31, 2008.

At the end of 2008, the Colombian financial sector recorded Ps 213 trillion in total assets, representing a 16.3% increase as compared to the same period in 2007. The Colombian financial system s total composition of assets shows banks with a market share of 87.39%, followed by commercial financing companies with 10.76% and financial corporations with 1.85%.

In terms of profits, the Colombian financial system recorded a total of Ps 4.80 trillion for 2008, an increase of 20.5% compared to Ps 3.99 trillion in 2007. The technical capital ratio for credit institutions was 13.4% (including banks, financing companies and commercial financing companies), as of December 31, 2008, which is well above the minimum legal requirement of 9%.

B.6.ii. Bancolombia and its Competitors

In 2008, according to the Superintendency of Finance, Bancolombia led the Colombian finance sector, among 18 different entities, and ranked first in terms of assets according to the Superintendency of Finance. Its main competitors in the corporate sector are Banco de Bogota, Davivienda, BBVA and Banco de Occidente. In the consumer sector Bancolombia s main competitors are Banco Davivienda, BBVA, Popular and Citibank.

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Indicators for Bancolombia and Its Competitors

The following table shows the key profitability and loan portfolio quality indicators for Bancolombia and its main competitors as published by the Superintendency of Finance. The table also shows the capital adequacy requirements for Bancolombia and its main competitors as of December 31, 2008 as compared to the previous year.

	ROE		***ROA***		***Past due loan/ Total loans***		***Allowances/ Past due loans***		***Capital Adequacy***	
	Dec-07	*Dec-08*	*Dec-07*	*Dec-08*	*Dec-07*	*Dec-08*	*Dec-07*	*Dec-08*	*Dec-07*	*Dec-08*
Bancolombia (unconsolidated)	15.9%	17.7%	2.4%	2.6%	2.39%	3.07%	169.57%	164.36%	17.4%	14.8%
Banco de Bogota	19.1%	23.2%	2.3%	2.6%	2.25%	2.50%	152.90%	137.01%	10.0%	10.3%
Banco de Occidente	18.8%	24.0%	2.2%	2.6%	2.75%	3.99%	160.98%	216.43%	11.6%	10.6%
BBVA	21.2%	20.2%	1.8%	1.8%	2.49%	4.24%	161.41%	102.00%	10.9%	11.0%
Citibank	13.9%	15.5%	2.2%	2.6%	4.33%	6.03%	109.82%	107.69%	12.8%	14.5%
Davivienda	27.3%	17.8%	2.7%	1.9%	4.15%	4.01%	138.01%	147.41%	12.0%	13.3%
Banco Popular	24.2%	26.2%	2.3%	2.6%	2.24%	2.81%	197.09%	158.68%	9.8%	12.9%

Source: Superintendency of Finance.

* ROE is return on average shareholders equity.

** ROA is return on average assets

The following charts illustrate the market share of Bancolombia (unconsolidated) and its main competitors with respect to various key products, based on figures published by the Superintendency of Finance for the years ended December 31, 2006, 2007 and 2008:

Total Net Loans Market Share

Total Net Loans Market Share %	***2006***	***2007***	***2008***
Bancolombia	20.62	21.70	21.99
Bogotá	14.19	14.09	14.69
Occidente	6.54	6.69	6.52
Citibank	4.33	4.00	3.39
BBVA	10.64	11.11	11.30
Davivienda	7.80	12.22	11.93
Popular	4.72	4.92	4.76

Source: Ratios are calculated by

Bancolombia based on figures published by the Superintendency of Finance.

Checking Accounts Market Share

Checking Accounts Market Share %	*2006*	*2007*	*2008*
Bancolombia	21.80	22.61	22.12
Bogotá	17.29	19.15	19.28
Occidente	15.00	14.15	13.78
Citibank	2.87	2.56	2.47
BBVA	9.85	9.91	8.97
Davivienda	3.95	9.84	9.38
Popular	4.86	4.76	5.28

Source: Ratios are calculated by Bancolombia based on figures published by the Superintendency of Finance.

Time Deposits Market Share

Time Deposits Market Share %	*2006*	*2007*	*2008*
Bancolombia	13.39	15.09	15.54
Bogotá	9.26	12.95	14.22
Occidente	3.27	3.77	4.25
Citibank	5.83	5.78	4.31
BBVA	11.01	10.73	13.94
Davivienda	11.76	14.57	12.56
Popular	2.91	3.33	4.27

Source: Ratios are calculated by Bancolombia based on figures from the Superintendency of Finance.

Saving Accounts Market Share

Saving Accounts Market Share %	*2006*	*2007*	*2008*
Bancolombia	20.57	19.95	21.33
Bogotá	12.62	12.26	13.18
Occidente	6.07	6.57	6.86
Citibank	2.89	3.07	2.70
BBVA	13.07	13.88	11.21
Davivienda	9.48	13.24	12.74
Popular	6.80	6.87	7.43

Source: Ratios are calculated by Bancolombia based on figures from the Superintendency of Finance.

B.6.iii. Description of the Salvadorian Financial System

As of December 31, 2008, the Salvadorian financial system was composed of 12 institutions; eight commercial banks, two state owned banks and two foreign banks.

The total system assets amounted to U.S. 13.5 billion in 2008, increasing 3.2% as compared to the previous year. As of December 31, 2008, loans represented 66.3% of total assets in the Salvadorian financial system, while investments represented 14.6%, and cash and due from banks represented 14%.

B.6.iv. Banco Agrícola and its Competitors

In 2008, Banco Agrícola continued to lead the Salvadorian financial system and ranked first in terms of assets and profits. The following table shows the market share for the main institutions of the financial Salvadorian financial system for the year ended December 31, 2008:

		MARKET SHARE			
	Assets	***Shareholder s Equity***	***Loans***	***Deposits***	***Profits***
Banco Agrícola	29.3%	30.4%	29.50%	29.5%	48.1%
Citi	21.2%	22.9%	19.50%	21.2%	10.6%
HSBC	16.6%	16.6%	16.20%	16.6%	16.1%
Scotiabank	15.5%	14.8%	17.30%	14.8%	9.2%
BAC	8.3%	7.4%	8.60%	7.6%	11.1%
Others	9.1%	8.0%	8.90%	10.2%	4.9%

Source: ABANSA (*Asociación Bancaria Salvadoreña*). Figures as of December 31, 2008.

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B.7. SUPERVISION AND REGULATION

Colombian Banking Regulators

Pursuant to the Colombian Constitution, Colombia s National Congress has the power to prescribe the general framework within which the government may regulate the financial system. The governmental agencies vested with the authority to regulate the financial system are the board of directors of the Central Bank, the Colombian Ministry of Finance and Public Credit (Ministry of Finance) and the Superintendency of Finance.

Central Bank:

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

Pursuant to the Colombian Constitution of 1991, the Central Bank has autonomy from the government in the formulation of monetary policy and for administrative matters. Specifically, the Constitution of 1991 established administrative, technical, budgetary and legal autonomy for the Central Bank and its board of directors in respect of monetary, credit and foreign exchange matters. The Central Bank reports only to the National Congress. Its board of directors has seven members, one of whom is the Minister of Finance and Public Credit.

Ministry of Finance and Public Credit:

This Ministry designs, coordinates, regulates and executes economic policy, guaranteeing an optimum administration of public finances for the economic and social development of the country.

One of the functions of the Ministry of Finance is to regulate in all aspects of finance, securities and insurance activities. It is also responsible for inspecting, supervising and controlling all those entities engaged in such activities, specifically through the Superintendency of Finance.

As part of its duties, the Ministry of Finance issues decrees and regulations related mainly, to financial, taxation, customs, public credit and budgetary matters that may affect banking operations in Colombia.

Superintendency of Finance:

The Superintendency of Finance was created as a result of the merger between the Superintendency of Banking and the Superintendency of Securities through Decree 4327 issued by the President of the Republic of Colombia, in November 2005.

All the responsibilities and attributions of the former Superintendency of Banking and Superintendency of Securities set forth in Decree 663 of 1993, as amended, Decree 2739 of 1991, as amended, and Law 964 of 2005, were assigned to the newly created Superintendency of Finance.

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The Superintendency of Finance is a technical branch of the Ministry of Finance that acts as the inspection, supervision and control authority of the financial, insurance and securities exchange sectors and any other activities related to the investment or management of the public s savings. The Superintendency of Finance has been entrusted with the objective of supervising the Colombian financial system with the purpose of preserving its stability and trustworthiness, as well as promoting, organizing and developing the Colombian securities market and protecting the users of financial and insurance services and investors.

Financial institutions must obtain the authorization of the Superintendency of Finance before initiating operations.

Violations to provisions of Colombia s financial system are subject to administrative sanctions and, in some cases, may have criminal consequences. The Superintendency of Finance may inspect Colombian financial institutions on a discretionary basis, and has the authority to impose fines on such institutions, their directors and officers for violations of Colombian laws, regulations, or such financial institutions own by-laws.

In addition, the Superintendency of Finance continues to make on-site inspections of Colombian financial institutions, including Bancolombia, on a regular basis, as did the Superintendency of Banking.

Both as a financial institution and as an issuer of securities traded in the Colombian Stock Exchange, Bancolombia is subject to the supervision and regulation of the Superintendency of Finance.

Additionally, Bancolombia s subsidiaries located in Colombia, which are financial entities, finance corporations, commercial finance companies, trust companies and its brokerage firms are each subject to the supervision and regulation of the Superintendency of Finance.

Regulatory Framework for Colombian Banking Institutions

The basic regulatory framework for the operations 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 and Law 964 of 2005. Laws 510 and 795 substantially modified the control, regulation and surveillance powers of the Superintendency of Banking (now Superintendency of Finance). Law 510 also streamlined the procedures for the *Fondo de Garantías de Instituciones Financieras* (Fogafin), an agency that assists troubled financial institutions and intervenes on behalf of economically troubled companies. The main purpose of Law 510 was to increase the solvency and stability of Colombia s financial institutions, by establishing rules regarding their incorporation, as well as permitted investments of credit institutions, insurance companies and investment companies. Law 546 of 1999 was enacted in order to regulate the system of long-term home loans. Afterwards, Law 795 was enacted with the main purpose of broadening the scope of activities to be performed by financial institutions and to update Colombian regulations with the latest principles of the Basel Committee. Law 795 also increased the minimum capital requirements in order to incorporate a financial institution (for more information see Minimum Capital Requirements below) and authorized the Superintendency of Finance to take precautionary measures, consisting mainly in preventive interventions with respect to financial institutions whose capital falls below certain thresholds. For example, in order to avoid a temporary taking of possession by the Superintendency of Finance, troubled financial institutions must submit to the Superintendency of Finance a restructuring program to restore their financial situation.

In order to implement and enforce the provisions related to Colombia s financial system, the Superintendency of Finance and the board of directors of the Central Bank issue periodic circulars and resolutions. By means of External Circular 007 of 1996, as amended, the Superintendency of Banking (now Superintendency of Finance) compiled all the rules and regulations applicable to financial institutions. Likewise, by means of External Circular 100 of 1995, as amended (Basic Accounting Circular), it compiled all regulations applicable to the accounting and financial treatment of banking financial institutions.

On April 10, 2008, the Colombian government presented a bill to the Colombian congress which established a bill of rights for customers as well as obligations for financial institutions. The bill seeks to minimize disputes between financial institutions and their customers. The bill was approved by the Colombian congress on June 18 2009, and will become a law once it is signed by the president.

Violations of Laws 510, 795 and 964, as well as of specific provisions of Decree 663 and their relevant regulations, are subject to administrative sanctions and, in some cases, criminal sanctions.

Key Interest Rates

Colombian commercial banks, finance corporations and commercial finance companies are required to report to the Central Bank, on a weekly basis, 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 calculates 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 deposit maturities of 90 days. The DTF is the weighted average interest rate paid by finance corporations, commercial banks and commercial finance companies for certificates of deposit with maturities of 90 days. For the week of June 15-21, 2009, the DTF was 5.46% and the TCC was 6.04%.

The Central Bank also calculates the IBR, which acts as a reference of overnight and one-month interbank loans, based on quotations submitted on every business day by eight participating banks to the Central Bank. Using a weighted average of the quotations submitted, the Central Bank calculates the overnight IBR on every business day. The one-month IBR is calculated each Tuesday.

Capital Adequacy Requirements

Capital adequacy requirements for Colombian financial institutions (as set forth in Decree 1720 of 2001, as amended) are based on the Basel Committee standards. The regulations establish four categories of assets, which are each assigned different risk weights, and require that a credit institution s Technical Capital (as defined below) be at least 9% of that institution s total risk-weighted assets.

Technical Capital for the purposes of the regulations consists of basic capital (Primary Capital) and additional capital (Secondary Capital) (collectively, Technical Capital). Primary Capital consists mainly of:

- outstanding and paid-in capital stock;
- legal and other reserves;
- profits retained from prior fiscal years;
- the total value of the revaluation of equity account (*revalorizacion 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;
- any shares held as guarantee by Fogafin when the entity is in compliance with a recovery program aimed at bringing the Bank back into compliance with capital adequacy requirements (if the Superintendency of Finance establishes that such recovery program has failed, these shares shall not be taken into account when determining the Primary Capital);

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- subordinated bonds issued by financial institutions and subscribed by Fogafin when they comply with the 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;
- the value of dividend declared to be paid in shares; and
- the value of the liabilities owed by minority interests.

Items deducted from Primary Capital are:

- any prior or current period losses;
- the total value of the capital revaluation account (if negative);
- accumulated inflation adjustment 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 entities (excluding subsidiaries) subject to the supervision of the Superintendency of Finance 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; and
- 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 foreign currency translation and excludes appraisals.

Secondary Capital consists of other reserves and retained earnings, which are added to the Primary Capital in order to establish the total Technical Capital. Secondary Capital includes:

- 50% of the accumulated inflation adjustment of non-monetary assets (provided that such assets have not been disposed of);
- 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 Superintendency of Finance and subject to the conditions set forth by the Superintendency of Finance);
- subordinated monetary obligations as long as said obligations do not exceed 50% of Primary Capital and comply with additional requirements stated in the regulations;
- the part of the surplus capital account from donations in compliance with the requirements set forth in the applicable regulation; and
- general allowances made in accordance with the instructions issued by the Superintendency of Finance.

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The following items are deducted from Secondary Capital:

50% of the direct or indirect capital investments (in entities subject to the supervision of the Superintendency of Finance excluding subsidiaries) and mandatory convertible bonds reappraisal, in compliance 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.

In computing Technical Capital, Secondary Capital may not exceed (but can be less than) the total amount of Primary Capital.

The following table sets forth certain information regarding the Bank s consolidated capital adequacy as of December 31, 2008:

	As of December 31, 2007		As of December 31, 2008	
	(Ps million, except percentages)			
Subscribed capital	Ps	460,684	Ps	460,684
Legal reserve and other reserves		3,359,604		3,975,021
Unappropriated retained earnings		92,218		135,292
Net Income		1,054,315		594,083
Subordinated bonds subscribed by Fogafin		7,346		4,897
Less:				
Long term investments		(91,730)		(79,678)
Non monetary inflation adjustment		(153,336)		(118,544)
Primary capital (Tier I)	Ps	4,729,101	Ps	4,971,755
Reappraisal of assets		121,363	Ps	162,932
Provision loans		128,087		97,034
Non-monetary inflation adjustment		81,362		63,967
Subordinated bonds		848,404		949,936
Computed secondary capital (Tier II)	Ps	1,179,216	Ps	1,273,869
Primary capital (Tier I)	Ps	4,729,101	Ps	4,971,755
Secondary capital (up to an amount equal to primary capital) (Tier II)		1,179,216		1,273,869
Technical Capital	Ps	5,908,317	Ps	6,245,624
Capital ratios				
Primary capital to risk-weighted assets (Tier I)		10.14%		8.95%
Secondary capital to risk-weighted assets (Tier II)		2.53%		2.29%

Technical capital to risk-weighted assets	12.67%		11.24%
Risk-weighted assets including market risk	Ps 46,628,036	Ps	55,542,485

As of December 31, 2008, the Bank s technical capital ratio was 11.24%, exceeding the requirements of the Colombian government and the Superintendency of Finance by 224 basis points. As of December 31, 2007, the Bank s technical capital ratio was 12.67%. The year-over-year decrease in the capital adequacy ratio is explained by the growth in risk-weighted assets, as those assets increased 19.1% outpacing the growth of the technical capital which was 5.7%.

Liquidity risks and market risks are currently governed by the Basic Accounting Circular, issued by the former Superintendency of Banking (now Superintendency of Finance), which defines criteria and procedures for the Bank s exposure to interest rate risk, foreign exchange risk, and market risk. Since January 2002, Colombian Banks have been required to calculate a VaR (value at risk) with a methodology provided by the Superintendency of Finance, which is considered in the Bank s solvency calculation, in accordance with Decree 1720 of 2001. Future changes in VaR requirements could have material impact on the Bank s operations in the future. The Superintendency of Finance, in its External Circular 037 of 2004, provided that financial institutions must maintain a ratio between its Technical Capital and credit/market risk-weighted assets of more than 9%.

Bancolombia s loan portfolio, net of provisions, is 100% weighted as risk-weighted assets. By measuring credit risk, the provisions corresponding to each of Bancolombia s operations is determined. For this purpose, different levels of risk are set up, and ratings are awarded (A, B, C, D and E) to the various credit operations showing the gradual increase in risk. Each of these ratings has a minimum provision level, as established by the Superintendency of Finance in Chapter II of the Basic Accounting Circular, which the Bank complies with in the case of each of its credit transactions.

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 from time to time. The minimum capital requirement for 2008 was Ps 64,850 million. Failure to meet such requirement can result in a fine by the Superintendency of Finance of 3.5% of the difference between the required minimum capital and the Bank s effective capital for each month in arrears. As of December 31, 2008, the Bank has met all such requirements.

Capital Investment Limit

All investments in subsidiaries and other authorized capital investments, other than those carried out in order to fulfill legal provisions, may not exceed 100% of the total aggregate of the capital, equity reserves and the equity reappraisal account of the respective bank, financial corporation or commercial finance company, excluding unadjusted fixed assets and including deductions for accumulated losses.

Foreign Currency Position Requirements

According to External Resolution 5 of 2005 issued by the board of directors of the Central Bank, 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), realized or contingent, including those that may be sold in Colombian legal currency.

Resolution 4 of 2007 of the board of directors of the Central Bank provides that the average of a bank s foreign currency position for three business days cannot exceed the equivalent in Colombian pesos of 20% of the bank s Technical Capital. Currency exchange intermediaries such as Bancolombia 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). As of March 31 2009, Bancolombia had an unconsolidated positive foreign currency position of U.S. dollars 121 million, which falls within the aforementioned regulatory guidelines. For further discussion, see Note 3. Transactions in Foreign Currency to the Bank s consolidated financial statements included in this Annual Report.

Resolution 4 of 2007 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 of 2007, the three day average shall be calculated on a daily basis and the foreign currency position in cash cannot be negative.

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Resolution 4 of 2007 also defines the gross position of leverage which is equal to (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; and (iii) the value of the exchange rate risk exposure associated with exchange rate options and derivatives. Resolution 4 of 2007 sets a limit to the gross position of leverage which cannot exceed 550% of the technical capital of a bank.

Resolution 12 of 2007, added a paragraph to Article 3 of Resolution 4 of 2007. Article 1 of Resolution 12 of 2007 excludes from the calculation of the gross position of leverage exchange transactions that intermediaries of the foreign exchange market perform, in their role as local suppliers of liquidity of foreign currency, using the Systems of Compensation and Liquidation of Currencies when there is a breach of payment by a participant. In accordance with certain regulations, the funding in foreign currency that the intermediaries would obtain to perform these exchange transactions is also excluded from the calculation.

Reserve Requirements

Commercial banks are required by the Central Bank s board of directors to satisfy reserve requirements with respect to deposits. Such reserves are held by the Central Bank in the form of cash deposits and their required amounts vary. According to the Central Bank s board of directors Resolution 5 of 2008 and Resolution 11 of 2008, the reserve requirements for Colombian banks as of December 31, 2008 are:

	Ordinary Reserve Requirements %
Private demand deposits	11.0
Government demand deposits	11.0
Other deposits and liabilities	11.0
Savings deposits	11.0
Time deposits [(1)]	4.5

(1) 4.5 % for deposits with maturities under 540 days, and 0% for deposits with maturities above 540 days.

Central Bank s board of directors Resolution 5, released on June 20, 2008, eliminated the marginal reserve requirements.

Foreign Currency Loans

According to regulations issued by the Central Bank every Colombian resident and institution borrowing funds in foreign currency must post with the Central Bank a non-interest bearing deposit for a percentage of the respective indebtedness during a term specified by the Central Bank s board of directors.

Pursuant to Resolution 10 of October 9 of 2008 of the board of directors of the Central Bank, which repealed the External Resolution 8 of 2000 of the board of directors of the Central Bank, the percentage of deposit required for the foreign capital portfolio investments is now zero percent (0%).

Non-Performing Loan Allowance

The Superintendency of Finance has issued guidelines on non-performing loan allowances for Colombian credit institutions. See Item 4. Information on the Company E. Selected Statistical Information E.4. Summary of Loan Loss Experience Allowance for Loan Losses .

Lending Activities

Through the issuance of Decrees 2360 and 2653 of 1993, as amended, the Colombian government set the maximum amounts that each financial institution may lend to a single borrower. These maximum amounts may not exceed 10% of a commercial bank s Technical Capital. The limit is raised to 25% when any amounts lent above 5% of Technical Capital are secured by guarantees that comply with the financial institutions guidelines, in accordance with the requirements set forth in Decrees 2360 and 2653. Also, according to Decree 1886 of 1994, a bank may not make a loan 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 a bank s capital stock exceed 20% of a bank s Technical Capital. In addition, no loan to a single financial institution may exceed 30% of a bank s Technical Capital, with the exception of loans funded by Colombian development banks which have no limit. As of December 31, 2008, the Bank s lending limit per borrower on an unconsolidated basis was Ps 543,060 million for unsecured loans and Ps 1,357,651 million for secured loans. If a financial institution exceeds these limits, the Superintendency of Finance may impose a fine up to twice the amount by which any such loan exceeded the limit, and at such date, the Bank was in compliance with these limitations.

Also, Decree 2360 set a maximum limit for risk concentrated in one single party, equivalent to 30% of a 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 established by the Superintendency of Finance.

Ownership Restrictions

The Bank is organized as a stock company (*sociedad anónima*), and its corporate existence is subject to the rules applicable to commercial companies, principally the Colombian Commerce Code and Law 222 of 1995. The Colombian Commerce 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 capital stock of the Bank.

Pursuant to Decree 663 of 1993 (as amended by Law 795 of 2003) any transaction resulting in an individual or corporation holding 10% or more of any class of capital stock of any Colombian financial institution, including in the case of Bancolombia, transactions resulting in holding ADRs representing 10% or more of the outstanding stock of Bancolombia, is subject to the prior authorization of the Superintendency of Finance. For that purpose, the Superintendency of Finance must evaluate the proposed transaction based on the criteria and guidelines specified in Law 510 of 1999, as amended by Law 795 of 2003. Transactions entered into without the prior approval of the Superintendency of Finance are null and void and cannot be recorded in the institution s stock ledger. These restrictions apply equally to Colombian as well as foreign investors.

In addition, pursuant to Article 1.2.5.6 of Resolution 400 of 1995, as amended, issued by the former Superintendency of Securities (now Superintendency of Finance), any entity or group of entities ultimately representing the same beneficial owner, directly or through one or more intermediaries, may only become the beneficial owner of more than 25% of the outstanding common stock of a company that is publicly traded in Colombia by making a tender offer directed at all holders of the common stock of that company, following the procedures established by the Superintendency of Finance. Moreover, any beneficial owner of more than 25% of the outstanding common stock of a company who wants to acquire additional common stock of the company representing more than 5% of the company s outstanding common stock may only do so by making a tender offer directed at all holders of the company s common stock, following the procedures established by the Superintendency of Finance. These requirements need not be met if the purchase is approved by 100% of the holders of the outstanding capital stock of the company, or if the purchaser acquires the percentages indicated above through a public stock auction made on the Colombian Stock Exchange, the company reacquires its own shares or when the company issues common stock, among others pursuant to Article 1.2.5.7 of Resolutions 400 of 1995, as amended, of the Superintendency of Securities (now Superintendency of Finance). Any transaction involving the sale of publicly-traded stock of any Colombian company, including any sale of the Bank s preferred shares (but not a sale of ADRs) for the peso-equivalent of 66,000 UVRs or more must be effected through the Colombian Stock Exchange.

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Intervention Powers of the Superintendency of Finance Bankruptcy Considerations

Pursuant to Colombian Banking Law, the Superintendency of Finance 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 Superintendency of Finance may intervene in a bank s business (1) prior to the liquidation of the bank, by taking precautionary measures (*medidas cautelares*) in order to prevent the bank from incurring in a cause for the taking of possession by the Superintendency of Finance, (2) take possession of the bank (*toma de posesión*) (Taking of Possession), to either administer the bank or order its liquidation, depending on how critical the situation is found by the Superintendency of Finance.

The purpose of Taking of 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.

As a result of the Taking of Possession the Superintendency of Finance 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 the bank is ordered to be liquidated.

During the Taking of 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 Superintendency of Finance 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.

Troubled Financial Institutions Deposit Insurance

In response to the crisis faced by the Colombian financial system during the early 1980s, in 1985 the Colombian 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. In 1998 and 1999, to address the adverse effects of the economic crisis, Law 550 (*Ley de Reactivación Económica*), Law 546 (*Ley de Vivienda*), External Circular 039 and External Circular 044 were also adopted. These regulations sought to aid the recovery of the Colombian economy, by helping troubled companies and had some influence on the Bank s credit policies for such companies.

To protect the customers of commercial banks and certain financial institutions, Resolution No. 1 of 1988 of the board of directors of Fogafin, as amended, requires mandatory deposit insurance. Under this Resolution No. 1, banks must pay an annual premium of 0.5% of total funds received on saving accounts, checking accounts and certificates of deposit. If a bank is liquidated, the deposit insurance will cover 75% of all funds deposited by an individual or corporation with such bank, up to a maximum of Ps 20 million. Thus, the maximum amount that a customer of a liquidated financial institution is entitled to recover under deposit insurance is Ps 15 million.

Anti-Money Laundering Provisions

The regulatory framework to prevent and control money laundering is contained among others, in Decree 663 of 1993, Circular 061 of 2007, 062 of 2007, 085 of 2007, 026 of 2008 issued by the Superintendency of Finance, as well as Law 599 of 2000 (the Colombian Criminal Code).

External Circular 061 of 2007, which went into effect on December 14, 2007, repealed previous regulations that had been based on the requirements promulgated by the Financial Task Force on Money Laundering (FATF). The former rules emphasized know your customer policies as well as complete knowledge by financial institutions of their users and markets. They also established processes and parameters to identify and monitor a financial institution s customers and to identify unusual operations and to report suspicious operations. The new requirements include procedures to protect financial institutions from being used directly by shareholders and executives in money laundering activities, for channeling funds for terrorist activities, or for the concealment of assets from such activities and set forth detailed requirements for monitoring these risks. The new requirements are applicable to the Bank and its subsidiaries and its affiliates.

Decree 4449 of 2008 introduced new criminal rules and regulations in the Colombian legislation to prevent, control, detect, eliminate and judge all matters related to financing terrorism and money laundering. The new criminal rules and regulations cover the omission of reports on cash transactions, mobilization or storage of cash, and the lack of controls.

Regulatory Framework for Subsidiaries Who Do Not Belong to the Finance Sector

All of Bancolombia s Colombian subsidiaries that are not part of the finance sector are governed by the laws and regulations stipulated in the Colombian Civil Code and the Colombian Code of Commerce 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.

Banking Regulation of El Salvador

The regulatory banking system of El Salvador establishes the Financial System Superintendency (the Salvadorian Finance Superintendency) as the entity responsible for the surveillance, inspection and control of the banking activity in El Salvador. By means of Decree 628 of the Legislature, this Superintendency is created as an institution integrated into the Central Bank of Reserve of El Salvador, which has autonomy in the administrative, budgetary and the practice of the functions conferred by the Law. (Article 1 of Decree 628).

According to Article 2 of Decree 628, as its main purpose, the Salvadorian Finance Superintendency must supervise the compliance with the applicable provisions by the institutions under its control and it is responsible for the examination of various institutions, including, among others, the Central Bank of El Salvador, commercial banks, savings and loan associations, insurance companies, and the stock and commodities exchange.

The Salvadorian Finance Superintendency has the following functions: a) to fulfill and enforce the laws, regulations and other legal provisions applicable to the Central Bank of El Salvador and the other entities subject to its surveillance; b) to issue the set of laws or regulations, within the powers expressly conferred by law, for the performance of the institutions under its control; c) to authorize the establishment, operation and closure of the banks, savings and loan associations, insurance companies and other entities established by law, d) to supervise and examine the operations of the institutions under its control, and d) Other inspection and surveillance in compliance with law. (Article 3 of Decree 628).

Banking Law of El Salvador

The Legislature of the Republic of El Salvador establishes the banking law through Decree 697, which seeks to regulate the financial intermediation and other operations performed by the banks, enabling them to provide the population a transparent, reliable and efficient service that will contribute to the country s development.

That Law stipulates that banks organized in El Salvador should be structured and operate as corporations with fixed capital. It also defines all the requirements related to the organization, administration and operation of the banking entities, their minimum capital, reserves, solvency and liquidity conditions. The assets and liabilities operations, as well as the services that banks can provide, are also subject to this law.

The banks are required under the provisions of the banking law to establish a liquidity reserve, which must be set by the Salvadorian Finance Superintendency in accordance to the deposits and obligations of such bank. The liquidity reserve of each bank must be established in accordance with the standards and regulations issued by the Salvadorian Finance Superintendency.

The Salvadorian Finance Superintendency will determine the frequency with which the reserve of liquidity is estimated and will establish the period within which a bank can offset the amount of liquidity deficiencies on certain days, with the surplus that would result in other days of the same period. The Salvadorian Finance Superintendency has issued the necessary standards for the implementation of the provisions regarding the liquidity reserve included in the banking law.

Each bank is able to use its reserves for its liquidity needs, in accordance with the provisions of chapter VI of the banking law and the regulations that the Salvadorian Finance Superintendency has issued for this purpose.

Monetary Integration Law of El Salvador

Since November 2000, the Monetary Integration Law enacted by the Legislature of El Salvador established that the exchange rate between the colon (then, the legal currency of El Salvador) and the U.S. dollar would have a fixed rate of 8.75 colones per U.S. dollar.

It establishes that the U.S. dollar would have an unrestrictive legal circulation with unlimited power for paying money obligations in the national territory and also defines that bills in colones and its fractional coins issued before the effective date of this law, will continue to have unrestricted legal circulation in permanent form, but the institutions of the banking system must change them for U.S. dollars as they are presented for any transaction.

All financial operations, such as bank deposits, loans, pensions, issuance of securities and any other 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.

B.8. RAW MATERIALS

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

B.9. PATENTS, LICENSES AND CONTRACTS

Bancolombia is not dependent on patents or licenses, nor is dependent on any industrial, commercial or financial contract individually considered (including contracts with customers or suppliers).

B.10. SEASONALITY OF DEPOSITS

Historically, the Bank has experienced some seasonality in its checking account deposits, with higher average balances at the end of the year and lower average balances in the first quarter of the year. Customers move their funds from checking accounts to savings accounts and from savings accounts to checking accounts to adjust to their liquidity needs producing seasonality in the checking account deposits.

As of December 31, 2008 checking account deposits totaled Ps 7,301 billion which represented 13.9% of the Bank s total deposits. In December 2006, the aggregate amount deposited in checking accounts was Ps 5,366 billion, which declined 7.9% to Ps 4,941 billion by March 31, 2007. In December 2007, the aggregate amount deposited in checking accounts was Ps 6,868 billion, which declined 18.2% to Ps 5,619 billion by March 31, 2008.

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C. ORGANIZATIONAL STRUCTURE

The following are Bancolombia s main subsidiaries:

The following is a list of Bancolombia s subsidiaries as of December 31, 2008:

SUBSIDIARIES

Entity	*Jurisdiction of Incorporation*	*Business*	*Shareholding directly and indirectly*
Leasing Bancolombia S.A.	Colombia	Leasing	100%
Fiduciaria Bancolombia S.A.	Colombia	Trust	98.81%
Fiduciaria GBC S.A.	Peru	Trust	98.82%
Bancolombia Panamá S.A.	Panama	Banking	100%
Bancolombia Caymán	Cayman Islands	Banking	100%
Sistema de Inversiones y Negocios S.A.	Panama	Investments	100%
Sinesa Holding Company Ltd.	British Virgin Islands	Investments	100%
Future Net Inc	Panama	E-commerce	100%
Banca de Inversión Bancolombia S.A.	Colombia	Investment banking	100%
Inmobiliaria Bancol S.A.	Colombia	Real estate broker	99.06%
Valores Simesa S.A.	Colombia	Investments	70.75%
Todo UNO Colombia S.A.	Colombia	E-commerce	89.92%
Compañía de Financiamiento Comercial S.A. Sufinanciamiento	Colombia	Financial services	99.99%
Renting Colombia S.A.	Colombia	Operating leasing	80.50%
Renting Perú S.A.C.	Peru	Operating leasing	80.63%
RC Rent a Car S.A.	Colombia	Car rental	81.51%
Capital Investments SAFI S.A. (CI)	Peru	Trust	80.63%
Fondo de Inversión en Arrendamiento Operativo Renting Perú	Peru	Car rental	80.63%
Transportes Empresariales de Occidente Ltda.	Colombia	Transportation	80.30%
Suleasing Internacional USA Inc	USA	Leasing	100%
Inversiones CFNS Ltda.	Colombia	Investments	100%
Valores Bancolombia S.A.	Colombia	Securities brokerage	100%
Suvalor Panamá S.A.	Panama	Securities brokerage	100%
Bancolombia Puerto Rico Internacional, Inc	Puerto Rico	Banking	100%
Inversiones IVL S.A.	Colombia	Investments	98.25%
Factoring Bancolombia S.A.	Colombia	Financial services	99.99%
Patrimonio Autónomo CV Sufinanciamiento	Colombia	Loan management	100%
Banagrícola S.A.	Panama	Investments	99.12%
Banco Agrícola Panamá S.A.	Panama	Banking	99.12%
Inversiones Financieras Banco Agrícola S.A.	El Salvador	Investments	98.38%
Banco Agrícola S.A.	El Salvador	Banking	96.72%
Arrendadora Financiera S.A.	El Salvador	Leasing	96.73%
Credibac S.A. de CV	El Salvador	Credit card services	96.72%
Bursabac S.A. de CV	El Salvador	Securities brokerage	98.38%
AFP Crecer S.A.	El Salvador	Pension fund	98.60%
Aseguradora Suiza Salvadoreña S.A.	El Salvador	Insurance company	95.81%
Asesuisa Vida S.A.	El Salvador	Insurance company	95.80%
FCP Colombia Inmobiliaria	Colombia	Real estate broker	64.12%

The following is a brief description of the most representative subsidiaries:

Fiduciaria Bancolombia

Fiduciaria Bancolombia is the largest fund manager among its peers, including other fund managers and brokerage firms in Colombia. On June 24, 2008, Fiduciaria GBC S.A., a subsidiary of Fiduciaria Bancolombia incorporated in Perú began operations.

In May 2008, Fiduciaria Bancolombia obtained from BRC Investor Services a rating of AAA , the highest local rating for the seventh consecutive year for its asset management quality. In its report, BRC Investor Services highlighted Fiduciaria Bancolombia s commercial strategy and the improvement of its risk management tools.

In October 2008, Duff and Phelps of Colombia assigned a rating of AAA , the highest local rating, to Fiduciaria Bancolombia for the ninth consecutive year for its asset management quality, highlighting the quality and effectiveness of its risk management tools and methodologies.

Leasing Bancolombia

Leasing Bancolombia specializes in leasing activities, offering a wide range of financial leases, operating leases, loans, time deposits and bonds.

Leasing Bancolombia provides leased assets, usually involving equipment, for a fixed term that is shorter than the asset s useful life. Once the term ends, the customer has the option of acquiring the asset for its commercial value.

The following table illustrates Leasing Bancolombia s number of lease agreements, customers and the corresponding agreement s net value:

Year ended December 31	*Number of lease contracts*	*Number of customers*	*Net value (Ps million)*
2006	23,497	10,380	3,158,717
2007	28,932	13,103	4,190,595
2008	35,663	15,571	5,680,569

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Renting Colombia

Renting Colombia, provides operating leases and fleet management services for individuals and companies and offers a wide range of solutions for the transportation and vehicular needs of large companies. In 2008, Renting Colombia finalized the acquisition of the transportation company Transportes Empresariales de Occidente Ltda. which specializes in cargo transportation and logistics services. In addition, Renting Colombia has entered the business of short term auto rental through its subsidiary RC Rent a Car S.A. which is authorized to use the Brazilian franchise Localiza.

Renting Colombia also operates in Peru through its subsidiary Renting Peru SAC.

Banca de Inversión

Banca de Inversión specializes in providing investment banking services to corporate customers in areas such as mergers and acquisitions, project finance, syndicated loan transactions, debt and capital markets (bonds, commercial papers, securitization and equity). Banca de Inversión Bancolombia also owns and manages a diversified equity portfolio, which invests in different sectors of the Colombian economy, including telecommunications, real estate, oil and gas, and toll road concessions. As of December 31, 2008, its equity portfolio book value was approximately Ps 227 billion.

Valores Bancolombia

Valores Bancolombia, provides brokerage and asset management services to approximately 220,000 clients.

In 2008, Valores Bancolombia maintained its leading position in assets under management and stocks traded volume with 32% and 13% market share, respectively, within brokerage firms in Colombia As of December 31, 2008, Valores Bancolombia had Ps 17.4 trillion in total assets under management. In April 2008, Duff & Phelps granted Valores Bancolombia a maximum AAA rating, based on the firm s asset management capacity and strength.

Sufinanciamiento

Sufinanciamiento (a consumer finance company) targets the personal banking segment that is not traditionally served by commercial banks by specializing in higher risk products such as vehicle financing, private brand credit cards and personal loans to be used at the customers discretion. Sufinanciamiento also finances payroll loans.

As of December 31, 2008, Sufinanciamiento had 1,405,537 customers representing, a 7.58% increase as compared to 1,306,520 customers as of December 31, 2007. Most of Sufinanciamiento s customers are targeted through retail chains.

According to the figures published by the Superintendency of Finance, in December of 2008, Sufinanciamiento held the first place, in terms of outstanding loans, among Colombian traditional commercial finance companies.

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Factoring Bancolombia

Factoring Bancolombia, a consumer finance company, is a credit institution that specializes in accounts receivables financing.

In July 2008, the rating agency Duff & Phelps of Colombia upgraded Factoring Bancolombia s risk rating to AA+ and DP1+ for long-term debt and short-term debt, respectively. In addition, Factoring Bancolombia joined Factor Chain International (FCI) in January 2007. FCI is a global network of factoring companies that use each other as correspondents to offer cross-border factoring services.

Factoring Bancolombia is subject to the control and supervision of the Superintendency of Finance and is registered in the Colombian National Guarantee Fund.

Bancolombia Panamá and Bancolombia Cayman

Bancolombia Panamá and Bancolombia Cayman, are located in Panama and the Cayman Islands, respectively. Each provides a complete line of banking services mainly to Colombian customers, which includes 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 and PC Banking. Through these subsidiaries, Bancolombia also offers to its high net worth customers and prestige banking customers investments opportunities in U.S. dollars, in savings accounts and checking accounts, CD-Time deposits, and investment funds.

Bancolombia Puerto Rico Internacional, Inc.

Located in the financial district of San Juan, Puerto Rico, Bancolombia s subsidiary is an international banking entity under Act 52 of August 11, 1989 and Regulation Number 5356 (International Banking Center Regulatory Act). Bancolombia Puerto Rico Internacional, Inc. offers a portfolio of international products and financial.

Bancolombia s Miami Agency

Bancolombia s Miami Agency is an international banking agency that offers a broad range of deposit-taking products and services to non-U.S. residents, mainly Bancolombia customers, including savings, money market and checking accounts, time deposits, trade finance, working capital and personal loans, and funds transfers among others. Through the Miami Agency, the Bank supports its customers in international trade offering cash management services, and processing of import and export letters of credit, standby letters of credit, guarantees, collections and foreign exchange currency transactions. The Agency enhances its products and services portfolio by offering new investment and saving opportunities in the U.S. for both individuals and entities.

Banco Agrícola (Panamá), S.A.

Banco Agrícola (Panamá) S.A (Banco Agrícola Panamá) is a financial institution with an international license granted by the Superintendency of Banking of the Republic of Panama to perform off-shore banking transactions from Panama.

The board of directors of Banco Agrícola Panamá authorized on January 22, 2008, its liquidation in order to consolidate Bancolombia s international financial licenses issued by the Panamanian government. On March 19, 2008, the Superintendency of Banking of Panama authorized the liquidation by the transfer of assets and liabilities to Bancolombia Panamá, on July 23, 2008.

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On December 15, 2008, the Superintendency of Banking of Panama authorized a liquidation plan for Banco Agrícola Panamá establishing December 15, 2009 as due date for the liquidation. At this time Banco Agrícola (Panama) is in the process of dissolution, and due to this transition it is not offering bank services and products to its clients.

Banco Agrícola

Banco Agrícola is the leading financial institution in El Salvador and has offered a wide range of banking products and services to its customers since March 24, 1955.

Asesuisa and Asesuisa Vida S.A.

Asesuisa and Asesuisa Vida S.A., hold a leading position in the Salvadorian insurance market. According to the Salvadorian Finance Superintendency. Asesuisa is a market leader in El Salvador in business areas such as auto insurance, with a market share of approximately 27% in terms of net premiums. Asesuisa Vida S.A. is also a leader in life insurance with over 30% of market share in terms of net premiums.

Bursabac, S.A de C.V.

Bursabac S.A. de C.V. (Bursabac) provides investment banking, brokerage and asset management services. In the area of investment banking, Bursabac assesses its clients capital raising needs and designs, structures and places the securities on behalf of its clients, which include both private and government institutions in El Salvador.

Bursabac s brokerage business operates in the Salvadorian Securities Exchange (*Bolsa de Valores de El Salvador*) which operates as a centralized, regulated, and organized securities market. Bursabac s brokerage clients include individuals, corporations, government and financial institutions in El Salvador.

AFP Crecer S.A.

Founded on March 4, 1998, AFP Crecer S.A. is the result of the merger of three companies: AFP Crecer S.A., formerly called AFP Máxima, AFP Porvenir and Previsión. AFP Crecer S.A., the surviving company, is organized under the laws of El Salvador and is regulated by the Pensions Saving System (*Sistema de Ahorro para Pensiones*). In 2005 Banagrícola acquired AFP Crecer S.A.

Every year since 2002, Fitch Ratings has granted AFP Crecer S.A. the highest local rating for a company in El Salvador (AAA). According to information provided by Superintendency of Pensions of El Salvador (*Superintendencia de Pensiones de El Salvador*), AFP Crecer S.A. leads the Salvadorian pension business with 959,817 customers which represent 52.8% of the market as of December 2008, and as of the same date also had US$2.1 billion under management, which represented a market share of 45.7%.

Credibac, S.A. de C.V.

Credibac, S.A. de C.V. is a consumer finance company, that issues Visa and Mastercard credit cards in El Salvador.

D. PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2008, the Bank owned Ps 1,878 billion in property, plant and equipment (including operating leases). Ps 889.09 billion correspond to land and buildings, of which approximately 83.41% are administrative real estate and branches, located in 84 municipalities in Colombia and in 25 municipalities in El Salvador. Ps 200.56 billion correspond to computer equipment, of which 66.21% corresponds to the central computer and servers and the rest are PCs, ATMs, telecommunications equipment and other equipment.

In addition to its own branches, the Bank occupies 417 rented offices.

The Bank does not have any liens on its property.

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 GAAP and do not reflect adjustments necessary to state the information in accordance with U.S. GAAP. See Note 31 to the Bank s consolidated financial statements as of December 31, 2008 included in this Annual Report for a summary of the significant differences between Colombian GAAP and U.S. GAAP.

The consolidated selected statistical information as of December 31, 2004 includes the selected statistical information of Bancolombia and its subsidiaries, without reflecting any effect of the Conavi/Corfinsura merger, while consolidated selected statistical information at December 31, 2005 corresponds to the Bank and its Subsidiaries, including all additional subsidiaries acquired as a result of the Conavi/Corfinsura merger; for this reason, selected statistical information for 2004 and 2005 should be read taking into account the impact of the Conavi/Corfinsura merger.

The consolidated selected statistical information as of December 31, 2008 includes the selected statistical information of Bancolombia and its Subsidiaries, including Banagrícola and its subsidiaries acquired as a result of the acquisition of Banagrícola.

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.

Real Average Interest Rates

The real average interest rates set forth in the tables below have been calculated by adjusting the nominal average interest rates on peso-denominated assets and liabilities using the following formula:

$$R(p) = \frac{1 + N(p)}{1 + I} - 1$$

Where:

R(p) = real average interest rate on peso-denominated assets and liabilities for the period.

N(p) = nominal average interest rate on peso-denominated assets and liabilities for the period.

I = the consumer price index rate in Colombia for the period (based on the Colombian inflation rate).

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Under this adjustment formula, assuming positive nominal average interest rates, the real average interest rate on a portfolio of peso-denominated assets or liabilities would be equal to the nominal average interest rate on that portfolio if the inflation rate were zero. The real average interest rate can be negative for a portfolio of peso-denominated interest-earning assets when the inflation rate for the period is higher than the average nominal rate of this interest-earning asset portfolio for the same period. In addition, the real average interest rate would be negative if the inflation rate were greater than the average nominal interest rate. Colombia had, in previous decades, long periods of sustained inflation; therefore, the Bank believes that the use of real average interest rates is appropriate for the assessment of the distribution of assets and liabilities.

Average balance sheet

The following tables show for the years ended December 31, 2006, 2007 and 2008, respectively:

- average annual balances calculated using actual month-end balances for all of the Bank s assets and liabilities;
- interest income and expense amounts; and
- nominal and real interest rates for the Bank s interest-earning assets and interest-bearing liabilities.

In the tables below, the nominal interest rate for U.S. dollar-denominated items is considered to be the real interest rate because this activity was originated outside of Colombia and would not be impacted by the inflation and devaluation levels that would impact domestic activity.

In addition, the interest rate subtotals are based on the weighted average of the average peso-denominated and U.S. dollar denominated balances.

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	Average Balance Sheet and Income from Interest-Earning Assets for the Fiscal Years Ended December 31,										
	2006				*2007[3]*				*2008[3]*		
	Average Balance	*Interest Earned*	*Average Nominal Interest Rate*	*Average Real Interest Rate*	*Average Balance*	*Interest Earned*	*Average Nominal Interest Rate*	*Average Real Interest Rate*	*Average Balance*	*Interest Earned*	*Av No Int R*
	(Ps million, except percentages)										
ing											
ds [2]											
nated	Ps 36,581	Ps 4,695	12.8%	8.0%	Ps 120,768	Ps 8,251	6.8%	1.1%	Ps 428,144	Ps 46,198	
inated	261,159	20,504	7.9%	7.9%	828,449	86,761	10.5%	10.5%	649,167	38,869	
	297,740	25,199	8.5%		949,217	95,012	10.0%		1,077,311	85,067	
nated	5,102,999	144,715	2.8%	-1.6%	3,769,877	302,408	8.0%	2.2%	4,387,502	406,802	
inated	1,792,735	128,482	7.2%	7.2%	1,534,254	114,236	7.4%	7.4%	1,705,124	24,787	
	6,895,734	273,197	4.0%		5,304,131	416,644	7.9%		6,092,626	431,589	
nancial											
nated	17,410,381	2,397,421	13.8%	8.9%	23,450,352	3,453,571	14.7%	8.6%	28,491,159	4,923,704	
inated	3,928,500	299,251	7.6%	7.6%	7,291,171	824,869	11.3%	11.3%	10,922,602	852,242	
	21,338,881	2,696,672	12.6%		30,741,523	4,278,440	13.9%		39,413,761	5,775,946	
ng											
nated	22,549,961	2,546,831	11.3%	6.5%	27,340,997	3,764,230	13.8%	7.6%	33,306,805	5,376,704	
inated	5,982,394	448,237	7.5%	7.5%	9,653,874	1,025,866	10.6%	10.6%	13,276,893	915,898	
	28,532,355	2,995,068	10.5%		36,994,871	4,790,096	12.9%		46,583,698	6,292,602	
ng											
nated	4,071,643				5,025,959				6,277,291		
inated	(166,711)				1,174,093				2,260,525		

	3,904,932		6,200,052		8,537,816	
and						
s						
nated	26,621,604	2,546,831	32,366,956	3,764,230	39,584,096	5,376,704
inated	5,815,683	448,237	10,827,967	1,025,866	15,537,418	915,898
	Ps 32,437,287	**Ps 2,995,068**	**Ps 43,194,923**	**Ps 4,790,096**	**Ps 55,121,514**	**Ps 6,292,602**

(1) Includes performing loans only.

(2) Overnight funds interest earned includes commissions and therefore differs from the concept in the consolidated statement of operations.

(3) For the years ended December 31, 2007 and 2008, the Bank includes Banagrícola s results.

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	Average Balance Sheet and Interest Paid on Interest-Bearing Liabilities for the Fiscal Years Ended December 3										
	2006				2007(2)				2008(2)		
	Average Balance	Interest Paid	Average Nominal Interest Rate	Average Real Interest Rate	Average Balance	Interest Paid	Average Nominal Interest Rate(1)	Average Real Interest Rate(1)	Average Balance	Interest Paid	Avera Nomin Intere Rate(
					(Ps million, except percentages)						
ES AND OLDERS											
aring											
eposits ninated	Ps 294,062	Ps 6,568	2.2%	-2.2%	Ps 348,131	Ps 7,626	2.2%	-3.3%	Ps 468,000	Ps 16,012	3.4
ominated	939,789	26,108	2.8%	2.8%	1,410,746	31,450	2.2%	2.2%	1,733,507	23,245	1.
	1,233,851	32,676	2.6%		1,758,877	39,076	2.2%		2,201,507	39,257	1.
posits ninated	8,252,173	261,550	3.2%	-1.3%	10,309,007	446,596	4.3%	-1.3%	10,952,894	555,628	5.
ominated	136,420	2,831	2.1%	2.1%	1,165,839	14,841	1.3%	1.3%	1,880,546	34,090	1.
	8,388,593	264,381	3.2%		11,474,846	461,437	4.0%		12,833,440	589,718	4.
its ninated	5,275,213	376,919	7.1%	2.6%	6,882,302	560,996	8.2%	2.3%	10,276,935	1,015,373	9.
ominated	1,796,282	82,594	4.6%	4.6%	4,071,678	255,692	6.3%	6.3%	5,989,037	241,369	4.
	7,071,495	459,513	6.5%		10,953,980	816,688	7.5%		16,265,972	1,256,742	7.
funds ninated	1,086,896	80,413	7.4%	2.8%	1,046,906	104,172	10.0%	4.0%	1,301,213	123,638	9.
ominated	397,212	20,463	5.2%	5.2%	401,515	26,955	6.7%	6.7%	1,013,888	42,491	4.
	1,484,108	100,876	6.8%		1,448,421	131,127	9.1%		2,315,101	166,129	7.
s from nt and other anks ninated	2,218,433	174,108	7.8%	3.2%	2,599,267	254,627	9.8%	3.9%	3,036,553	332,747	11.
ominated	181,326	6,399	3.5%	3.5%	291,124	13,085	4.5%	4.5%	600,817	12,153	2.
	2,399,759	180,507	7.5%		2,890,391	267,712	9.3%		3,637,370	344,900	9.
orrowings ninated	1,574,870	94,872	6.0%	6.0%	1,480,150	116,615	7.9%	7.9%	1,578,252	74,792	4.7

ominated											
	1,574,870	94,872	6.0%	6.0%	1,480,150	116,615	7.9%		1,578,252	74,792	4.
debt ninated	1,442,367	113,404	7.9%	3.2%	1,258,676	105,526	8.4%	2.5%	1,640,560	191,534	11.
ominated					839,442	63,909	7.6%	7.6%	1,493,208	90,270	6.
	1,442,367	113,404	7.9%	7.9%	2,098,118	169,435	8.1%		3,133,768	281,804	9.

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Average Balance Sheet and Interest Paid on Interest-Bearing Liabilities for the Fiscal Years Ended December 31

	2006				*2007(2)*				*2008(2)*		
	Average Balance	*Interest Paid*	*Average Nominal Interest Rate*	*Average Real Interest Rate*	*Average Balance*	*Interest Paid*	*Average Nominal Interest Rate(1)*	*Average Real Interest Rate(1)*	*Average Balance*	*Interest Paid*	*Avera Nomi Inter Rate*
					(Ps million, except percentages)						
aring											
minated	18,569,144	1,012,962	5.5%	0.9%	22,444,289	1,479,543	6.6%	0.9%	27,676,155	2,234,932	8.
ominated	5,025,899	233,267	4.6%	4.6%	9,660,494	522,547	5.4%	5.4%	14,289,255	518,410	3.
	23,595,043	1,246,229	5.3%		32,104,783	2,002,090	6.2%		41,965,410	2,753,342	6.
est and t bearing nd rs equity											
minated	26,493,304	1,012,962			32,325,570	1,479,543			39,524,490	2,234,932	
ominated	5,943,983	233,267			10,869,353	522,547			15,597,024	518,410	
lities and ers	**Ps 32,437,287**	**Ps 1,246,229**			**Ps 43,194,923**	**Ps 2,002,090**			**Ps 55,121,514**	**Ps 2,753,342**	

(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) For the years ended

December 31, 2007 and 2008, the Bank includes Banagrícola s results.

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CHANGES IN NET INTEREST INCOME AND EXPENSES VOLUME AND RATE ANALYSIS

The following table allocates, by currency of denomination, 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, 2008 compared to the fiscal year ended December 31, 2007; and the fiscal year ended December 31, 2007 compared to the fiscal year ended December 31, 2006. 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.

	2006-2007 Increase (Decrease) Due To Changes in:			*2007-2008[(1)] Increase (Decrease) Due To Changes in:*		
	Volume	*Rate*	*Net Change*	*Volume*	*Rate*	*Net Change*
			(Ps million)			
Interest-earning assets:						
Overnight funds						
Peso-denominated	Ps 5,752	Ps (2,196)	Ps 3,556	Ps 33,167	Ps 4,780	Ps 37,947
U.S. Dollar-denominated	59,411	6,846	66,257	(10,735)	(37,157)	(47,892)
Total	65,163	4,650	69,813	22,432	(32,377)	(9,945)
Investment securities						
Peso-denominated	(106,939)	264,632	157,693	57,265	47,129	104,394
U.S. Dollar-denominated	(19,246)	5,000	(14,246)	2,484	(91,933)	(89,449)
Total	(126,185)	269,632	143,447	59,749	(44,804)	14,945
Loans						
Peso-denominated	889,516	166,634	1,056,150	871,128	599,005	1,470,133
U.S. Dollar-denominated	380,428	145,190	525,618	283,344	(255,971)	27,373
Total	1,269,944	311,824	1,581,768	1,154,472	343,034	1,497,506
Total interest-earning assets						
Peso-denominated	788,329	429,070	1,217,399	961,560	650,914	1,612,474
U.S. Dollar-denominated	420,593	157,036	577,629	275,093	(385,061)	(109,968)
Total	1,208,922	586,106	1,795,028	1,236,653	265,853	1,502,506
Interest-bearing liabilities:						
Checking deposits						
Peso-denominated	1,184	(126)	1,058	4,101	4,285	8,386
U.S. Dollar-denominated	10,499	(5,157)	5,342	4,328	(12,533)	(8,205)
Total	11,683	(5,283)	6,400	8,429	(8,248)	181
Savings deposits						
Peso-denominated	89,104	95,942	185,046	32,664	76,368	109,032
U.S. Dollar-denominated	13,104	(1,094)	12,010	12,956	6,293	19,249

Total	102,208	94,848	197,056	45,620	82,661	128,281
Time deposits						
Peso-denominated	130,998	53,079	184,077	335,394	118,983	454,377
U.S. Dollar-denominated	142,890	30,208	173,098	77,273	(91,596)	(14,323)
Total	273,888	83,287	357,175	412,667	27,387	440,054
Overnight funds						
Peso-denominated	(3,979)	27,738	23,759	24,164	(4,698)	19,466
U.S. Dollar-denominated	289	6,203	6,492	25,664	(10,128)	15,536
Total	(3,690)	33,941	30,251	49,828	(14,826)	35,002
Borrowings from development and other domestic banks						
Peso-denominated	37,307	43,212	80,519	47,918	30,202	78,120
U.S. Dollar-denominated						
Dollar-denominated	4,935	1,751	6,686	6,264	(7,196)	(932)
Total	42,242	44,963	87,205	54,182	23,006	77,188

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	2006-2007 Increase (Decrease) Due To Changes in:			2007-2008[1] Increase (Decrease) Due To Changes in:		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(Ps million)					
Interbank borrowings						
Peso-denominated						
U.S. Dollar-denominated	(7,463)	29,206	21,743	4,649	(46,472)	(41,823)
Total	(7,463)	29,206	21,743	4,649	(46,472)	(41,823)
Long-term debt						
Peso-denominated	(15,400)	7,522	(7,878)	44,585	41,423	86,008
U.S. Dollar-denominated	63,909		63,909	39,523	(13,162)	26,361
Total	48,509	7,522	56,031	84,108	28,261	112,369
Total interest-bearing liabilities						
Peso-denominated	239,214	227,367	466,581	488,826	266,563	755,389
U.S. Dollar-denominated	228,163	61,117	289,280	170,657	(174,794)	(4,137)
Total	**467,377**	**288,484**	**755,861**	**659,483**	**91,769**	**751,252**

(1) For the years ended December 31, 2007 and 2008, the Bank includes Banagrícola s results.

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, 2006, 2007 and 2008, respectively.

	Interest-Earning Assets-Yield For the Fiscal Year Ended December 31,		
	2006	2007[4]	2008[4]
	(in millions of pesos, except percentages)		
Total average interest-earning assets			
Peso-denominated	Ps 22,549,961	Ps 27,340,997	Ps 33,306,805
U.S. Dollar-denominated	5,982,394	9,653,874	13,276,893
Total	Ps 28,532,355	Ps 36,994,871	Ps 46,583,698
Net interest earned[1]			

Peso-denominated	Ps 1,533,869	Ps 2,284,687	Ps 3,141,772
U.S. Dollar-denominated	214,970	503,319	397,488
Total	Ps 1,748,839	Ps 2,788,006	Ps 3,539,260
Average yield on interest-earning assets			
Peso-denominated	11.3%	13.8%	16.1%
U.S. Dollar-denominated	7.5%	10.6%	6.9%
Total	10.5%	12.9%	13.5%
Net interest margin(2)			
Peso-denominated	6.8%	8.4%	9.4%
U.S. Dollar-denominated	3.6%	5.2%	3.0%
Total	6.1%	7.6%	7.7%
Interest spread(3)			
Peso-denominated	5.8%	7.2%	8.1%
U.S. Dollar-denominated	2.9%	5.2%	3.3%
Total	5.2%	6.7%	6.9%

(1) Net interest earned is interest income less interest paid 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 paid on interest-bearing liabilities.

(4) For the years ended December 31,

2007 and 2008, the Bank includes Banagrícola s results.

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E.2. INVESTMENT PORTFOLIO

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

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 one year and they are recorded at market value with changes to the values of these securities recorded in a separate account in the equity section. Held to maturity investments are those acquired to be held until maturity and are valued at amortized cost.

As of December 31, 2008, Bancolombia s investment portfolio was Ps 6,819,669 million.

In accordance with the Chapter 1 of Circular 100 of 1995 issued by the Superintendency of Finance, investments in debt securities are fully reviewed in June and December and partially reviewed every three months for impairment, by considering the related solvency risk, market exposure, currency exchange and country risk. Investments in securities with certain ratings by external agencies recognized by the Superintendency of Finance cannot be recorded on the balance sheet of the Bank for an amount higher than certain percentages of the face value (as shown in the table below), net of the amortizations recorded as of the valuation date.

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

Short-Term Classification	*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 fair value of the Bank s investments in Colombian government and corporate securities and certain other financial investments as of the dates indicated:

	As of December 31,		
	***2006*(1)(2)**	***2007*(1)(2)**	***2008*(1)(2)**
		(in millions of pesos)	
U.S. Dollar-denominated			
Securities issued or secured by the Colombian Government	Ps 840,508	Ps 208,275	Ps 58,942
Securities issued or secured by the El Salvador Central Bank		586,211	670,266
Securities issued or secured by government entities (3)		170,093	144,518
Securities issued or secured by other financial entities	383,988	152,968	69,125
Securities issued by foreign governments	66,530	450,484	687,557
Others	58,368	10,720	15,398
Subtotal	1,349,394	1,578,751	1,645,806

	As of December 31,		
	2006(1)(2)	***2007***(1)(2)	***2008***(1)(2)
	(in millions of pesos)		
Peso-denominated			
Securities issued or secured by the Colombian Government	2,016,413	2,013,143	2,633,806
Securities issued or secured by the Central Bank	267	153	2
Securities issued or secured by government entities	565,575	445,912	609,129
Securities issued or secured by financial entities	1,385,698	1,414,412	1,849,069
Others	198,688	121,850	81,857
Subtotal	4,166,641	3,995,470	5,173,863
Total	**Ps 5,516,035**	**Ps 5,574,221**	**Ps 6,819,669**

(1) Includes debt securities only. Net investments in equity securities were Ps 161,726 million, Ps 200,030 million and Ps 458,607 million for 2006, 2007 and 2008, respectively.

(2) These amounts are net of allowances for decline in value which were Ps 14,525 million for 2006, Ps 21,830 million for 2007, Ps 20,927 million for 2008, respectively.

(3) For the years 2007 and 2008, 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 FICAFE). This trust was formed with the transfer of the coffee sector s loan portfolio by a number of banks in El Salvador, including like Banco Agrícola. The purpose of this transaction was to carry out the restructuration of those loans, promoted by the government of El Salvador.

As of December 31, 2006, 2007 and 2008 Bancolombia holds securities issued by foreign governments and in the amounts, describe as follows:

As of December 31,	***Issuer***	***Investment Amount - Book Value - (in million of pesos)***		***Investment Amount - Book Value - (U.S. dollars)***	
2006	Republic of Brazil	Ps	58,717	US$	26,227,198
	U.S. Treasury	Ps	7,812	US$	3,489,830
2007	Republic of El Salvador	Ps	216,389	US$	107,402,043
	U.S. Treasury	Ps	142,059	US$	70,509,161
	Republic of Brazil	Ps	50,480	US$	25,055,174
	Republic of Sweden	Ps	9,816	US$	4,871,877
	Republic of Germany	Ps	9,205	US$	4,569,001
	Republic of Ireland	Ps	7,092	US$	3,519,874
	Republic of Italy	Ps	6,170	US$	3,062,423

	Republic of Austria	Ps	2,094	US$	1,039,193
	Spain	Ps	2,083	US$	1,033,955
	Republic of Canada	Ps	2,052	US$	1,018,588
	Republic of Finland	Ps	2,045	US$	1,014,783
	Republic of Panama	Ps	999	US$	495,625
2008	Republic of El Salvador	Ps	230,749	US$	102,847,983
	U.S. Treasury	Ps	405,050	US$	180,536,473
	Republic of Brazil	Ps	51,981	US$	23,168,684

The Bank increased the size and decreased the diversification of the U.S. dollar denominated portfolio in response to a less positive environment in the money market, looking to focus in the most liquid assets in the global markets and in order to achieve the liquidity needed to serve increasing portfolio of U.S. dollar denominated.

During 2008, the Bank increased the amount of its peso-denominated portfolio to Ps 5,173 billion, keeping investments in securities issued by the Colombian government at 50.9% of such portfolio. Such strategy is based on the Bank s needs for liquidity to serve the increasing loan portfolio disbursements.

See Item 5. Operating and financial review and prospects B. Liquidity and Capital Resources B.1 Liquidity and Funding for further discussion of the Bank s policies regarding liquidity.

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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, 2008:

	As of December 31, 2008									
	Maturing in less than 1 year		***Maturing between 1 and 5 years***		***Maturing between 5 and 10 years***		***Maturing more than 10 years***		***Total***	
	Balance(1)	**Yield %(2)**	**Balance(1)**	**Yield %(2)**	**Balance(1)**	**Yield %(2)**	**Balance(1)**	**Yield %(2)**	**Balance(1)**	**Yiel %(2**
	(in millions of pesos, except yields)									
.										
lar-denominated:										
urities issued or ured by ombian ernment			Ps 51,503	5.34%	Ps 7,417	5.90%	Ps 22	6.32%	Ps 58,942	5.4
urities issued or ured by El vador Central nk	639,269	0.00%	30,997	2.94%					670,266	0.1
urities issued or ured by ernment entities	2,482	5.32%	35,749	6%	40,584	6.49%	65,703	5.20%	144,518	5.7
urities issued by er financial ties	45,047	5.48%	24,078	5.80%					69,125	5.5
urities issued by eign governments	532,066	1.41%	70,595	5.67%	2,314	5.87%	82,582	10.15%	687,557	2.9
ers	14,858	3.38%	540	5.76%					15,398	3.4
total	1,233,722	0.86%	213,462	5.22%	50,315	6.37%	148,307	7.95%	1,645,806	2.2
o-denominated										
urities issued or ured by ombian ernment	711,301	9.47%	1,475,623	6.49%	377,114	3.53%	69,768	7.42%	2,633,806	6.8
urities issued or ured by the ntral Bank	2	26.39%							2	26.3
urities issued or ured by ernment entities	560,594	6.41%	32,958	8.30%	1,875	14.69%	13,702	11.34%	609,129	6.6
urities issued by er financial ties	252,352	11.65%	204,571	12.24%	881,208	8.19%	510,938	9.66%	1,849,069	9.5
ers	9,537	10.56%	50,094	11.67%	22,175	12.13%	51	4.98%	81,857	11.6

total	1,533,786	8.72%	1,763,246	7.34%	1,282,372	6.90%	594,459	9.44%	5,173,863	7.8
al	**Ps 2,767,508**		**Ps 1,976,708**		**Ps 1,332,687**		**Ps 742,766**		**Ps 6,819,669**	

(1) Amounts are net of allowances for decline in value which amounted to Ps 20,927 million in 2008.

(2) Yield was calculated using the internal return rate (IRR) as of December 31, 2008.

As of December 31, 2008, the Bank had the following investments in securities of issuers that exceeded 10% of its shareholders equity:

	Issuer	***Amortized Cost*** *(Ps million)*	***Fair value***
Securities issued or secured by Colombian government	Ministry of Finance	Ps 2,692,748	Ps 2,586,958
Securities issued by other financial entities	Titularizadora Colombiana	1,373,768	1,381,516
Securities issued by El Salvador Central Bank	Dirección General de Tesorer a	670,266	669,629
Total		**Ps 4,736,782**	**Ps 4,638,103**

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E.3. LOAN PORTFOLIO

The following table shows the Bank s loan portfolio classified into corporate, retail, financial leases and mortgage loans:

	As of December 31,				
	2004	*2005*	*2006*	*2007*(2)	*2008*
			(Ps million)		
Domestic					
Corporate					
Trade financing	Ps 253,632	Ps 783,894	Ps 777,417	Ps 845,810	Ps 640,033
Loans funded by development banks	770,331	948,659	321,263	842,957	970,456
Working capital loans	4,298,354	7,702,420	11,534,148	13,320,319	15,524,940
Credit cards	24,621	42,293	50,803	36,613	33,039
Overdrafts	67,018	62,041	74,218	50,536	55,796
Total corporate	5,413,956	9,539,307	12,757,849	15,096,235	17,224,264
Retail (1)					
Credit cards	392,900	582,533	796,175	1,855,999	2,317,178
Personal loans	1,111,250	1,556,429	2,281,177	2,305,390	2,369,852
Vehicle loans	381,723	629,326	963,072	1,305,685	1,314,685
Overdrafts	89,867	101,957	119,882	195,063	208,123
Loans funded by development banks	359,494	403,414	386,283	713,007	887,978
Trade financing	54,189	76,643	70,406	93,037	98,344
Working capital loans	1,295,643	1,612,650	2,331,999	3,715,945	4,125,358
Total retail	3,685,066	4,962,952	6,948,994	10,184,126	11,321,518
Financial Leases	880,110	2,660,556	3,553,286	4,698,702	5,406,712
Mortgage	56,107	1,463,437	1,385,445	1,930,742	2,313,864
Total loans	10,035,239	18,626,252	24,645,574	31,909,805	36,266,358
Allowance for loan losses	(434,378)	(705,882)	(834,183)	(1,251,561)	(1,810,577)
Total loans, net	**Ps 9,600,861**	**Ps 17,920,370**	**Ps 23,811,391**	**Ps 30,658,244**	**Ps 34,455,781**
Foreign					
Corporate					
Trade financing				Ps 313,736	Ps 1,128,931
Loans funded by development banks				39,758	52,308
Working capital loans				2,779,180	3,807,352
Credit cards				6,546	9,327
Overdrafts				8,610	7,712

Total corporate	3,147,830	5,005,630
Retail [(1)]		
Credit cards	164,612	201,813
Personal loans	1,473,168	1,917,663
Vehicle loans	6,711	5,724
Overdrafts	22,943	21,089
Loans funded by development banks	6,204	8,304
Trade financing	4,941	25,482
Working capital loans	13,399	13,015
Total retail	1,691,978	2,193,090
Financial Leases	125	100,030
Mortgage	952,886	1,077,462
Total loans	5,792,819	8,376,212
Allowance for loan losses	(205,590)	(323,783)
Total loans, net	**5,587,229**	**8,052,429**
Total Foreign and Domestic Loans	**Ps 36,245,473**	**Ps 42,508,210**

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

(2) In 2007 the foreign loan category became material to the Bank due to the acquisition of Banagrícola,; because of this, there is not information for previous years.

The Bank classifies its loan portfolio into the following categories:

- Corporate loans, which include loans to medium and large corporations;
- Retail loans, which include loans to individuals, such as personal lines of credit, vehicle loans and credit card loans, microcredit loans;
- Financial leases; and
- Mortgage loans, for the acquisition and building of new or used housing.

As of December 31, 2008, the Bank s total loan portfolio amounted to Ps 44.64 trillion, increasing 18.41% compared to the Ps 37.70 trillion recorded as of December 31, 2007. This increase is lower than that recorded for the prior year given the prevailing economic slowdown, both in Colombia and the rest of the world, as well as the fact that the increase in the loan portfolio reported in 2007 reflected the acquisition of Banagrícola.

As of December 31, 2007, Bancolombia s total loan portfolio amounted to approximately Ps 37.70 trillion, representing an increase of 52.98% as compared to Ps 24.65 trillion in 2006. This increase was due to the positive performance of the Colombian economy, the better conditions of law and order in Colombia which generated a better business climate that raised the demand for credit in the majority of the economic sectors, and the acquisition of Banagrícola which increased the loan portfolio by Ps 5.80 trillion at December 31, 2007.

In 2006, the Bank s total loan portfolio increased 32.32% to Ps 24.65 trillion from Ps 18.63 trillion in 2005. This increase was due to the positive performance of the Colombian economy and the increase of credit demand during 2006.

Below is a brief explanation of the factors that contributed to the increase in Bancolombia s loan portfolio as of December 31, 2008 in each of the loan portfolio s categories.

Corporate Loans

Corporate loans showed a year-over-year increase of 21.8%, going from Ps 18.24 trillion in 2007 to Ps 22.23 trillion in 2008. This was mainly due to an increase of Ps 3.2 trillion in working capital loans and Ps 0.6 trillion in trade financing, representing a growth of 20.07% and a 52.6% respectively.

The sectors registering the highest annual growth rates upon comparing the years 2007 and 2008 were the mining/quarrying, business financial and transportation sectors with rates of 7.3%, 5.6% and 4.0% respectively, based on information published by the *Departamento Administrativo Nacional de Estadística* (the National Administrative Department of Statistics or DANE).

According to figures published by the Superintendency of Finance, the Commercial Loan/GDP ratio showed high growth rates in December 2008 as compared to December 2007, going from 14.88% to 16.38%. On the other hand, the Consumer Loan/GDP ratio decreased in the same period from 7.99% to 7.51%.

As of December 31, 2007, corporate loans amounted to Ps 18.24 trillion, increasing 43.0% as compared to Ps 12.76 trillion as of December 31, 2006, of which 24.7% is related to the acquisition of Banagrícola. Loans funded by domestic development banks represented the highest growth (174.76%) increasing from approximately Ps 0.32 trillion in 2006 to approximately Ps 0.88 trillion in 2007. Working capital loans increased from approximately Ps 11.53 trillion in 2006 to approximately Ps 16.10 trillion in 2007, representing an increase of 39.58%, of which 24.1% is related to the acquisition of Banagrícola.

In 2006, total corporate loans increased 33.74% to Ps 12.76 trillion primarily due to a 49.75% increase in working capital loans, a 20.12% increase in credit cards, and a 19.63% increase in overdrafts, offset by a 66.14% reduction (Ps 667,396 million) in loans funded by domestic development banks. This decrease is explained by the high level of liquidity that Bancolombia had during 2006, which allowed the Bank to fund its loan portfolio with its own funds and not using funds from domestic development banks.

As of December 31, 2006, 2007 and 2008 total corporate loans represented 51.77%, 48.39% and 49.80% respectively, of the Bank s total loan portfolio.

Retail Loans

Growth in retail loans reached 13.8%, increasing from Ps 11.88 trillion in 2007 to Ps 13.41 trillion in 2008. The largest increases corresponded to the lines of personal loans, credit cards and working capital loans which grew 13.5%, 24.7% and 11.0% respectively. This reflects the Bank s efforts to maintain the dynamism of the retail loan portfolio since retail sales for 2008 only grew by 0.5% in comparisson to 2007, according to DANE. Strategies such as the Bank s banking expansion initiative, geared at providing greater nationwide coverage through its non-banking correspondent network which increased from 57 in 2007 to 319 correspondents by the end of 2008, allowed the Bank to continue to grow its retail loan portfolio.

In 2007, retail loans increased 70.9% as compared to 2006, increasing from Ps 6.95 trillion in 2006 to Ps 11.88 trillion in 2007, of which 24.3% is related to the acquisition of Banagrícola. This increase was primarily due to a 153.8% increase in credit card billings (20.7% related to the Banagrícola acquisition), 86.19% in loans funded by domestic development banks (1.6% related to the Banagrícola acquisition), 65.6% increase in personal retail loans (64.6% related to the Banagrícola acquisition) and 59.9% increase in working capital loan (0.6% related to the Banagrícola acquisition). On a macroeconomic level, these growth rates were driven by 9.46% growth on retail sales in 2006 (this information is provided by the DANE in the *Encuesta Muestra Mensual de Comercio al Por Menor* or Monthly Survey of Retail Commerce) which encouraged the use of the Bank s products, such as credit cards and personal credit. The increase in retail loans was also driven by the opening of 18 new branches as well as the implementation of new mobile branches together with 57 non-banking correspondents, in different cities within Colombia. Additionally there was an increase in the number of credit cards outstanding.

Total retail loans increased 40.02% in 2006 from approximately Ps 4.96 trillion in 2005 to approximately Ps 6.95 trillion in 2006. This increase was primarily due to a 46.56% increase in personal loans, a 53.03% increase in vehicle loans and a 36.67% increase in credit card billings. This increase in retail loans was driven by the opening of 30 new branches and the implementation of new mobile branches in different cities and towns in Colombia, as well as the increase in the number of outstanding credit cards and the expansion of Sufinanciamiento s business.

As of December 31, 2006, 2007 and 2008, retail loans represented 28.20%, 31.50% and 30.27%, respectively, of the Bank s total loan portfolio.

Mortgage Loans

As of December 31, 2008 mortgage loans showed an increase of 17.61%, from Ps 2.88 trillion in 2007 to Ps 3.39 trillion in 2008, which was higher than the average growth rate of 10.41% recorded by the Colombian financial institutions, accordingto the Superintendency of Finance. Additionally, the Bank sold mortgage loans to Titularizadora Colombiana S.A. amounting to Ps 691 billion in 2008. If the outstanding securitized loans were added to the outstanding loans on the Bank s balance sheet, mortgage loans would total 4.08 billion, representing an increase of 41.6% as compared to 2007.

As of December 31, 2007, mortgage loans amounted to approximately Ps 2.88 trillion, increasing 108.14% as compared to approximately Ps 1.39 trillion in 2006, of which 68.8% is related to the acquisition of Banagrícola. As of December 31, 2007, mortgage loans represented 7.65% of the total loan portfolio, compared with 5.62% of the total loan portfolio for 2006. This increase was mainly driven by the favorable performance of the construction sector as well as the sales strategy adopted by the Bank. Additionally, the Bank sold mortgage loans to Titularizadora Colombiana S.A. amounting to approximately Ps 729 billion in 2007. During 2006, mortgage loans decreased 5.3% as a result of securitizations that totaled Ps 905 billion and which occurred during the third quarter of the year. Those securtitizations imply a reallocation of assets as the Bank repurchases some of the securities derived from the securitization transactions.

As of December 31, 2006, 2007 and 2008, mortgage loans represented 5.62%, 7.65% and 7.60%, respectively, of the Bank s total loan portfolio.

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Financial Leases

According to information published by the Superintendency of Finance as of December 31, 2008, Bancolombia, through its subsidiaries Leasing Bancolombia and Sufinanciamiento, is the Colombian leader in financial lease contracts origination. Including the Subsidiaries mentioned above, and with Factoring Bancolombia, Suleasing International USA Inc., Bancolombia Puerto Rico Internacional, Inc. and Bancolombia Panamá, compared to the figures as of December 31, 2007, the financial lease loan portfolio increased 17.19% in 2008, from Ps 4.70 trillion in 2007 to approximately Ps 5.51 trillion in 2008, representing approximately 12.34% of the total loan portfolio at the end of the year.

During 2007, financial leases increased 32.24%, from Ps 3.55 trillion in 2006 to Ps 4.70 trillion, The acquisition of Banagrícola had no effect on these numbers as Banagrícola did not have financial leases at the end of 2007. The financial leases as a percentage of Bancolombia s total loan portfolio, decreased from 14.42% in 2006 to 12.46% in 2007 and 12.34% in 2008. This decrease is mainly due to the acquisition of Banagrícola which does not have any financial leases.

In 2008, commercial loans represented 62.87% of the Bank s total loan portfolio. As a percentage of the total loan portfolio, consumer loans represented 16.87%, financial leases 12.34%, mortgage loans 7.60% and Small Business Loans 0.32%. In 2007, commercial loans represented 62.06% of the Bank s total loan portfolio. As a percentage of the total loan portfolio, consumer loans represented 17.49%, financial leases 12.46%, mortgage loans 7.65% and Small Business loans 0.34%.

Past due loans increased from Ps 1,104,933 million in 2007 to Ps 1,624,005 million in 2008, representing an increase of 46.98%. The percentage of past due loans as a percentage of total loans went from 2.93% in 2007 to 3.64% in 2008. In spite of this increase in past due loans, the coverage ratio only decreased from 131.88% in 2007 to 131.43% in 2008.

The total amount of past due loans increased from Ps 569,335 million in 2006 to Ps 1,104,933 million in 2007, representing an increase of 94.07%. The percentage of past due loans as a percentage of the Bank s total loan portfolio increased from 2.31% in 2006 to 2.93% in 2007. The increase was due to higher interest rates in Colombia, Bancolombia s largest market, and the higher participation that the retail and SME s segment reached in the Bank s loan book.

Borrowing Relationships

As of December 31, 2008, the aggregate outstanding principal amount of the Bank s 25 largest borrowing relationships, on a consolidated basis, represented approximately 8.99% of the loan portfolio, and no single borrowing relationship represented more than 1.28% of the loan book. Also, 100% of those loans were corporate loans and 97.45% of these relationships were classified as A .

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Maturity and Interest Rate Sensitivity of Loans

The following table shows the maturities of the Bank s loan portfolio as of December 31, 2008:

	Due in one year or less	Due from one to five years	Due after five years	Total
		(Ps million)		
Domestic loans and financial leases:				
Corporate				
Trade financing	Ps 520,971	Ps 110,118	Ps 8,944	Ps 640,033
Loans funded by development banks	306,064	524,154	140,238	970,456
Working capital loans	6,203,168	7,339,345	1,982,427	15,524,940
Credit cards	4,877	28,160	2	33,039
Overdrafts	55,796			55,796
Total corporate	Ps 7,090,876	Ps 8,001,777	Ps 2,131,611	Ps 17,224,264
Retail				
Credit cards	Ps 268,140	Ps 2,047,302	Ps 1,736	Ps 2,317,178
Personal loans	268,181	2,084,265	17,406	2,369,852
Vehicle loans	59,246	859,158	396,281	1,314,685
Overdrafts	208,113	10		208,123
Loans funded by development banks	106,780	638,161	143,037	887,978
Trade financing	90,978	7,366		98,344
Working capital loans	1,534,492	2,270,932	319,934	4,125,358
Total retail	2,535,930	7,907,194	878,394	11,321,518
Financial leases	430,331	3,595,922	1,380,459	5,406,712
Mortgage	37,843	163,267	2,112,754	2,313,864
Total domestic loans and financial leases	Ps 10,094,980	Ps 19,668,160	Ps 6,503,218	Ps 36,266,358
Foreign loans and financial leases:				
Corporate				
Trade financing	Ps 427,698	Ps 459,797	Ps 241,436	Ps 1,128,931
Loans funded by development banks	38,357	4,158	9,793	52,308
Working capital loans	1,643,166	1,541,115	623,071	3,807,352
Credit cards		9,327		9,327
Overdrafts	7,712			7,712
Total corporate	Ps 2,116,933	Ps 2,014,397	Ps 874,300	Ps 5,005,630
Retail				
Credit cards	Ps 424	Ps 201,389		Ps 201,813
Personal loans	51,826	501,663	1,364,174	1,917,663
Vehicle loans	319	4,954	451	5,724

Overdrafts		21,089						21,089
Loans funded by development banks		51		1,593		6,660		8,304
Trade financing		3,076		3,763		18,643		25,482
Working capital loans		1,931		7,579		3,505		13,015
Total retail	Ps	78,716	Ps	720,941	Ps	1,393,433	Ps	2,193,090
Financial leases		1,496		98,475		59		100,030
Mortgage		4,855		39,035		1,033,572		1,077,462
Foreign loans and financial leases		2,202,000		2,872,848		3,301,364		8,376,212
Total loans	**Ps**	**12,296,980**	**Ps**	**22,541,008**	**Ps**	**9,804,582**	**Ps**	**44,642,570**

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, 2008:

		As of December 31, 2008 *(Ps million)*
Loans with term of 1 year or more:		
Variable Rate		
Domestic-denominated	Ps	21,276,345
Foreign-denominated		5,644,333
Total		26,920,678
Fixed Rate		
Domestic-denominated		4,895,033
Foreign-denominated		529,879
Total		5,424,912
Loans with terms of less than 1 year:		
Domestic-denominated		10,094,980
Foreign-denominated		2,202,000
Total		12,296,980
Total loans	**Ps**	**44,642,570**

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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,									
	2004	*%*	*2005*	*%*	*2006*	*%*	*2007*	*%*	*2008*	
ultural	Ps 480,414	4.8%	Ps 844,651	4.5%	Ps 996,091	4.0%	Ps 1,695,451	4.5%	Ps 1,940,328	
g products l	140,137	1.4%	273,580	1.5%	456,770	1.9%	711,836	1.9%	710,992	
beverage bacco	666,602	6.6%	1,371,696	7.4%	1,665,850	6.8%	2,000,330	5.3%	2,496,656	
cal ction	386,434	3.9%	572,000	3.0%	805,900	3.3%	1,213,368	3.2%	1,886,283	
industrial acturing cts	1,762,447	17.6%	2,982,246	16.0%	3,867,432	15.7%	5,558,371	14.7%	6,558,650	1
nment	1,027,009	10.2%	1,226,597	6.6%	602,585	2.4%	772,539	2.1%	659,800	
uction	575,679	5.7%	2,980,173	16.0%	1,534,816	6.2%	2,680,281	7.1%	3,864,585	
and n	1,760,120	17.5%	2,693,730	14.5%	2,791,340	11.3%	4,713,417	12.5%	6,967,723	1
portation unications	720,031	7.2%	1,496,371	8.0%	1,924,129	7.8%	2,340,138	6.2%	2,543,964	
services	469,658	4.7%	941,975	5.0%	1,183,361	4.8%	1,514,595	4.0%	1,112,110	
mer es	1,601,132	16.0%	2,134,950	11.5%	5,804,779	23.6%	10,564,706	28.0%	11,912,170	2
ercial es	445,576	4.4%	1,108,283	6.0%	3,012,521	12.2%	3,937,592	10.5%	3,989,309	
loans	**Ps 10,035,239**	**100.0%**	**Ps 18,626,252**	**100.0%**	**Ps 24,645,574**	**100.0%**	**Ps 37,702,624**	**100.0%**	**Ps 44,642,570**	**10**

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 5 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 businesses and are subject to the following requirements: (i) the maximum amount to be lent is equal to twenty-five (25) SMMLV without at any time the balance of one single borrower exceeding such amount (this pursuant to that stipulated in Article 39 of Law 590 of 2000) and that the main source of payment for the corresponding obligation shall be the revenues obtained from the activities of the borrower 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: Commercial loans are loans and financial leases that are granted to individuals or companies in order to carry out organized economic activities; and not classified as small business loans.

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

	Loan Portfolio by Type of Loan As of December 31,				
	2004	2005	2006	2007	2008
			(Ps million)		
Commercial Loans	Ps 7,353,956	Ps 11,949,501	Ps 16,028,505	Ps 23,397,058	Ps 28,068,731
Consumer Loans	1,655,066	2,437,727	3,587,260	6,593,211	7,532,649
Small Business Loans	90,000	115,031	91,078	129,900	143,122
Financial Leases	880,110	2,660,556	3,553,286	4,698,827	5,506,742
Mortgage	56,107	1,463,437	1,385,445	2,883,628	3,391,326
Total Loans and Financial Leases	10,035,239	18,626,252	24,645,574	37,702,624	44,642,570
Allowance for Loans and Financial Lease Losses	434,378	705,882	834,183	1,457,151	2,134,360
Total Loans and Financial Leases, Net	**Ps 9,600,861**	**Ps 17,920,370**	**Ps 23,811,391**	**Ps 36,245,473**	**Ps 42,508,210**

Risk categories

The Superintendency of Finance 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 lease 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 lease in this category represent insufficiencies in the debtors 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 lease 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 *Risk of Non-Recoverability"*: Loans and financial lease in this category are deemed uncollectible.

For further details about this risk categories see Note 2. Summary of significant accounting policies (i) Loans and Financial Lease Evaluation by credit risk categories of Notes to Consolidated Financial Statements.

	As of December 31,								
	2004	%	2005	%	2006	%	2007	%	2008
					(Ps million, except percentages)				
ormal	Ps 9,327,398	93.0%	Ps 17,359,081	93.2%	Ps 23,310,545	94.6%	Ps 35,397,503	93.9%	Ps 40,650,096
bnormal	320,959	3.2%	638,131	3.4%	708,774	2.9%	1,135,022	3.0%	2,216,832
eficient	93,175	0.9%	202,934	1.1%	209,386	0.8%	300,085	0.8%	576,557
oubtful ry	204,344	2.0%	252,635	1.4%	242,763	1.0%	604,034	1.6%	871,892
verable	89,363	0.9%	173,471	0.9%	174,106	0.7%	265,980	0.7%	327,193

ans and l leases	Ps 10,035,239	100.0%	Ps 18,626,252	100.0%	Ps 24,645,574	100.0%	Ps 37,702,624	100.0%	Ps 44,642,570
ed as C , d E as a age of ans	3.9%		3.4%		2.5%		3.1%		4.0%

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Suspension of Accruals

The Superintendency of Finance 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

The Bank adopted a policy, in which loans of any type, with the exception of mortgage loans that are more than 30 days past due, cease to accumulate interest on the statement of operations and instead are recorded in the memorandum accounts until such time the client proceeds with their payment. 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, cease to accumulate interest on the statement of operations once they are 60 days past due, at which time an allowance is made for 100% of the value of the loan.

Those loans that become past due and that at some point have stopped accruing interest, UVR, lease payments or other items of income, will stop accruing said income from their collection. Their entries will be recorded in memorandum accounts until such loans are collected.

The following table sets forth the breakdown of the Bank s loans at least one day past due by type of loan in accordance with the criteria of the Superintendency of Finance in effect at the end of each period:

	As of December 31,									
	2004	***%***	***2005***[(3)]	***%***	***2006***	***%***	***2007***	***%***	***2008***	***%***
	(Ps million, except percentages)									
Performing past due loans:[(1)]										
Consumer loans past due from 31 to 60 days	Ps 21,987	38.7%	Ps 34,630	19.7%	Ps 62,201	26.4%	Ps 131,824	30.1%	Ps 150,762	22.4%
Small loans past due from 31 to 60 days[(3)]	1,845	3.2%		0.0%		0.0%		0.0%		0.0%
Commercial loans past due from 31 to 90 days	26,398	46.5%	46,485	26.5%	74,577	31.8%	164,163	37.4%	323,185	48.0%
Mortgage loans past due from 31 to 60/90/120 days[(3)]		0.0%	84,156	47.9%	62,919	26.8%	81,523	18.6%	100,785	15.0%
Financial leases past due from 31 to 60/90 days[(2)]	6,593	11.6%	10,301	5.9%	35,150	15.0%	61,055	13.9%	98,644	14.6%
	56,823	**100.0%**	**175,572**	**100.0%**	**234,847**	**100.0%**	**438,565**	**100.0%**	**673,376**	**100.0%**

Total performing past due loans and Financial leases										
Non-performing past due loans:										
Consumer loans past due more than 61 days	40,882	46.2%	66,121	24.0%	114,101	34.1%	234,659	35.2%	296,153	31.2%
Small loans past due more than 31 days(3)	3,781	4.3%	5,979	2.1%	10,003	3.0%	14,630	2.2%	17,600	1.9%
Commercial loans past due more than 90 days(2)	40,171	45.4%	114,496	41.5%	133,987	40.0%	233,883	35.1%	387,571	40.7%
Mortgage loans past due more than 60/90/120 days(3)	37	0.0%	77,394	28.1%	65,187	19.5%	124,251	18.6%	184,597	19.4%
Financial leases past due from 31 to 60/90 days	3,580	4.1%	11,874	4.3%	11,210	3.4%	58,945	8.9%	64,708	6.8%

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	As of December 31,									
	2004	*%*	*2005(3)*	*%*	*2006*	*%*	*2007*	*%*	*2008*	*%*
	(Ps million, except percentages)									
tal n-performing t due loans l Financial ses	**88,451**	**100.0%**	**275,864**	**100.0%**	**334,488**	**100.0%**	**666,368**	**100.0%**	**950,629**	**100.(**
tal past due ns and ancial leases	**Ps 145,274**		**Ps 451,436**		**Ps 569,335**		**Ps 1,104,933**		**Ps 1,624,005**	
al n-performing t due loans l Financial ses	88,451		275,864		334,488		666,368		950,629	
eclosed assets	153,071		236,536		193,004		234,116		204,480	
ner accounts eivable more n 180 days t due	5,813		28,980		29,146		38,182		**34,486**	
tal n-performing ets	**Ps 247,335**		**Ps 541,380**		**Ps 556,638**		**Ps 938,666**		**Ps 1,189,595**	
owance for n and financial ses losses	(434,378)		(705,882)		(834,183)		(1,457,151)		(2,134,360)	
owance for mated losses foreclosed ets	(140,865)		(205,176)		(174,393)		(201,822)		(179,827)	
owance for ounts eivable and rued interest ses	(18,807)		(40,727)		(34,936)		(69,956)		(114,009)	
ans at least day past due a percentage otal loans		1.5%		2.5%		2.3%		2.9%		3.(
		299.0%		156.4%		146.5%		131.9%		131.4

owance for n losses as a centage of ns at least one past due					
owance for n losses as a centage of ns classified C , D and E	112.3%	112.2%	133.2%	124.5%	120.:
centage of forming loans otal loans	99.1%	98.5%	98.6%	98.2%	97.9

(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. Once interest is unpaid on accrual loans for a longer period than is specified above, the loan is classified as non-performing. Under Colombian Banking regulations, a loan is past due when it is at least 31 days past the actual due date. Bancolombia (unconsolidated), Sufinanciamiento, Patrimonio Autónomo C.V. Sufinanciamiento, Bancolombia Panamá and Bancolombia Cayman, adopted a policy, in which all loans and financial leasing

operations of any type, with the exception of mortgage loans that are more than 30 days past due, cease to accumulate interest on the statement of operations and instead are recorded in the memorandum accounts until such time the client proceeds with their payment.

(2) The Consumer financial leases are due from 31 to 60 days and the commercial financial leases are due from 31 to 90 days.

(3) Effective as of January 1, 2005, External Circular 052 of 2004 of the Superintendency of Finance modified the classification between performing and non performing loans. According to the new regulation mortgage and small business loans are classified as non -performing when they are past due more than 60 and 30 days,

respectively. This change in the regulation applies for fiscal years 2005, 2006, 2007 and 2008. For fiscal years ended on December 31, 2004, mortgage and small business loans are classified as nonperforming when they are past due more than 120 and 60 days, respectively.

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 Superintendency of Finance for domestic and for foreign loans at the end for each period:

	2004	*2005*	*2006*		*2007[1]*			*2008*	
	Total	*Total*	*Total*	*Foreign Loans*	*Domestic Loans*	*Total*	*Foreign Loans*	*Domestic Loans*	*Total*
Non-performing past due loans:									
Consumer loans past due more than 61 days	Ps 40,882	Ps 66,121	Ps 114,101	Ps 29,920	Ps 204,739	Ps 234,659	Ps 52,666	Ps 243,487	Ps 296,153
Small loans past due more than 31 days	3,781	5,979	10,003	1,742	12,888	14,630	2,017	15,583	17,600
Commercial loans past due more than 90 days	40,171	114,496	133,987	41,426	192,457	233,883	50,613	336,958	387,571
Mortgage loans past due from 60/90/120	37	77,394	65,187	18,735	105,516	124,251	23,313	161,284	184,597
Financial leases past due from 31 to 60/90 days	3,580	11,874	11,210	43	58,902	58,945	1,548	63,160	64,708
Total non-performing past due loans and financial leases	**Ps 88,451**	**Ps 275,864**	**Ps 334,488**	**Ps 91,866**	**Ps 574,502**	**Ps 666,368**	**Ps 130,157**	**Ps 820,472**	**Ps 950,629**

(1) In 2007 the Foreign loan

category
becomes
material to the
Bank due to the
acquisition of
Banagrícola.

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

	As of December 31,									
	2004	*%*	*2005*	*%*	*2006*	*%*	*2007(2)*	*%*	*2008*	*%*
	(Ps million, except percentages)									
Domestic										
Corporate										
Trade financing	Ps 3,862	2.7%	Ps 9,728	2.2%	Ps 18,218	3.2%	Ps 9,073	1.0%	Ps 2,472	0.2%
Loans funded by development banks	1,705	1.2%	7,463	1.7%	6,820	1.2%	6,710	0.7%	22,125	1.6%
Working capital loans	21,211	14.6%	55,354	12.3%	67,267	11.8%	101,613	10.8%	150,795	11.1%
Credit cards	1,273	0.9%	1,616	0.4%	2,669	0.5%	377	0.0%	456	0.0%
Overdrafts	1,668	1.1%	4,177	0.9%	7,716	1.4%	1,835	0.2%	3,032	0.2%
Total corporate	29,719	20.5%	78,338	17.4%	102,690	18.0%	119,608	12.7%	178,880	13.1%
Retail										
Credit cards	13,785	9.5%	25,967	5.8%	40,307	7.1%	144,621	15.3%	172,409	12.7%
Personal loans	43,945	30.2%	63,008	14.0%	113,514	19.9%	128,954	13.7%	144,336	10.6%
Vehicle loans	9,697	6.7%	23,829	5.3%	41,641	7.3%	74,379	7.9%	142,336	10.5%
Overdrafts	8,637	5.9%	10,234	2.3%	11,771	2.1%	27,932	3.0%	33,277	2.5%
Loans funded by development banks	6,382	4.4%	8,391	1.9%	12,166	2.1%	21,168	2.2%	33,530	2.5%
Trade financing	156	0.1%	658	0.1%	1,403	0.2%	3,213	0.3%	8,169	0.6%
Working capital loans	22,743	15.7%	41,000	9.1%	57,976	10.2%	139,307	14.8%	287,587	21.2%
Total retail	105,345	72.5%	173,087	38.3%	278,778	49.0%	539,574	57.2%	821,644	60.6%
Financial Leases (1)	10,173	7.0%	22,175	4.9%	46,359	8.1%	119,956	12.7%	155,678	11.5%
Mortgage	37	0.0%	177,836	39.4%	141,508	24.9%	164,901	17.4%	201,186	14.8%
Total past due loans	**Ps 145,274**	**100.0%**	**Ps 451,436**	**100.0%**	**Ps 569,335**	**100.0%**	**Ps 944,039**	**100.0%**	**Ps 1,357,388**	**100.0%**
Foreign										
Corporate										
Trade financing							Ps 5,098	3.2%	Ps 19,157	7.2%

Loans funded by development banks	1,132	0.7%	1,552	0.6%
Working capital loans	64,522	40.1%	106,532	40.0%
Credit cards	130	0.0%	222	0.0%
Overdrafts	137	0.1%	341	0.1%
Total corporate	71,019	44.1%	127,804	47.9%

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