BANCOLOMBIA SA
Form 20-F
April 28, 2011

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON April 28, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2010

OR

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

For the transition period from __________ to __________

OR

¨ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report__________

Commission file number: 001-32535

BANCOLOMBIA S.A.
(Exact name of Registrant as specified in its charter)
N/A
(Translation of Registrant's name into English)
Republic of Colombia
(Jurisdiction of incorporation or organization)
Carrera 48 # 26-85, Avenida Los Industriales
Medellín, Colombia
(Address of principal executive offices)

Alejandro Mejia Jaramillo, Investor Relations Manager
Carrera 48 # 26-85, Medellín, Colombia
Tel. +5744041837, Fax. + 574 4045146, e-mail: almejia@bancolombia.com
(Name, Telephone, E-Mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each Class

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

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

Securities registered or to be registered pursuant to Section 12(g) of the Act.
Not applicable
(Title of Class)
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
Not applicable
(Title of Class)
Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Common Shares	509,704,584
Preferred Shares	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 x No ¨

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definitions of "accelerated filer and large, accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨
(Do not check if a smaller reporting company)

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

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

If "Other" has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ¨ Item 18 x

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

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

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

Yes ¨ No ¨

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CERTAIN DEFINED TERMS

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

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

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

References to “Banagrícola” refer to Banagrícola S.A., a company incorporated in 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” , “we” or “our” refer to Bancolombia S.A., a banking institution organiz under the laws of the Republic of Colombia, which may also act under the name of Banco de Colombia S.A., including its Subsidiaries on a consolidated basis, unless otherwise indicated or the context otherwise requires.

References to “Bancolombia 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.

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

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

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 “NYSE” refer to the New York Stock Exchange.

References to “preferred shares” and “common shares” refer to our authorized preferred and common shares, designated as acciones preferenciales and acciones ordinarias, respectively.

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

References to “SMEs” refer to Small and Medium Enterprises.

References to “SMMLV” refer to Salario Mínimo Mensual Legal Vigente, the effective legal minimum monthly salary in Colombia.

References to “peso”, “pesos” or “COP” refer to the lawful currency of 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 “Superintendency of Finance” refer to the Colombian Superintendency of Finance (Superintendencia Financiera de Colombia), a technical entity under the Ministry of Finance and Public Credit having inspection, supervision and control over the persons involved in financial activities, stock market, insurance and any other services related to the management, use or investment of resources collected from the public.

References to “U.S.” or “United States” refer to the United States of America.

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

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

References to “Valores Bancolombia” refer to Valores Bancolombia S.A. Comisionista de Bolsa, a Subsidiary of Bancolombia organized under the laws of the Republic of Colombia that provides brokerage and asset management services to over 200,000 clients.

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

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

Our fiscal year ends on December 31, and references in this annual report to any specific fiscal year are to the twelve-month period ended December 31 of such year.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Accounting Principles

The accounting practices used in 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 stockholders' 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 regulations 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.

For 2010, the Bank's consolidated financial statements include companies in which it holds, directly or indirectly, 50% or more of the outstanding voting shares. The Bank consolidates directly Leasing Bancolombia S.A. Compañía de Financiamiento, Fiduciaria Bancolombia S.A. Sociedad Fiduciaria, Banca de Inversión Bancolombia S.A. Corporación Financiera, Compañía de Financiamiento Tuya S.A., Bancolombia Puerto Rico Internacional Inc, Bancolombia Panamá S.A., Valores Bancolombia S.A. Comisionista de Bolsa, Factoring Bancolombia S.A. Compañía de Financiamiento and Cobranzas Bancolombia S.A. are in liquidation. Some of the Bank's Subsidiaries also consolidate their own subsidiaries. Bancolombia Panamá S.A. consolidates Bancolombia Cayman S.A., Sistema de Inversiones y Negocios S.A. Sinesa, Future Net S.A., Suleasing International USA Inc. and Banagrícola S.A. (which, in turn, consolidates Banco Agrícola Panamá S.A, Inversiones Financieras Banco Agrícola S.A. IFBA, Banco Agrícola S.A., Arrendadora Financiera S.A. Arfinsa, Credibac S.A. de C.V., Bursabac S.A. de C.V., AFP Crecer S.A., Aseguradora Suiza Salvadoreña S.A. Asesuisa and Asesuisa Vida S.A.). Banca de Inversión consolidates with Inmobiliaria Bancol S.A., Valores Simesa S.A., Inversiones CFNS S.A.S., Todo Uno Colombia S.A., CFNS Infraestructura S.A.S. and Vivayco S.A.S. The Bank's Subsidiary Leasing Bancolombia S.A. Compañía de Financiamiento consolidates Leasing Perú S.A., Renting Colombia S.A. (which, in turn, consolidates Renting Perú S.A.C., Capital Investments SAFI S.A., Fondo de Inversión en Arrendamiento Operativo Renting Perú, and Transportempo S.A.S.). The Bank's Subsidiary Valores Bancolombia S.A. Comisionista de Bolsa consolidates Valores Bancolombia Panamá S.A. and Suvalor Panamá Fondo de Inversión S.A. and the Bank's Subsidiary Fiduciaria Bancolombia S.A. Sociedad Fiduciaria consolidates FiduPerú S.A. Sociedad Fiduciaria

Currencies

The Bank maintains accounting records in Colombian pesos. The audited consolidated financial statements of Bancolombia S.A. as of December 31, 2010, and 2009 and for three years ended December 31, 2010 (collectively, including the notes thereto, the "Financial Statements") contained in this Annual Report are expressed in pesos.

This Annual Report translates certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, such peso amounts have been translated at the rate of COP 1,913.98 per US$ 1.00, which corresponds to the Representative Market Rate calculated on December 31, 2010 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 S.A.). 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 April 27, 2011, the Representative Market Rate was COP 1,787.88 per US$ 1.00.

Rounding Comparability of Data

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

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. None of the information contained in or otherwise accessible through these websites is part of this annual report.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The selected consolidated financial data as of December 31, 2010 and 2009, and for each of the three fiscal years in the period ended December 31, 2010 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, 2008, 2007 and 2006, and for each of the two fiscal years in the period ended December 31, 2007 set forth below have been derived from the Bank's audited consolidated financial statements for the respective periods, which are not included herein.

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

Differences Between Colombian GAAP 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. Summary of Significant Accounting Policies" 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.

Consolidated net income under U.S. GAAP for the year ended December 31, 2010 was COP 1,544,761 million (compared with COP 1,172,524 million for fiscal year 2009 and COP 849,920 million for fiscal year 2008). A reconciliation of net income and stockholders' equity under U.S. GAAP is included in "Note 31. Differences between Colombian Accounting Principles for Banks and U.S. GAAP" to the Financial Statements included in this Annual Report.

	As of and for the year ended December 31,					
	2010(1)	2010	2009	2008	2007(8) (10)	2006
	(in millions of COP and thousands of US$ (1), except per share and per American Depositary Share (“AD					
CONSOLIDATED STATEMENT OF OPERATIONS:						
Colombian GAAP:						
Interest income	USD 2,585,547	COP 4,948,685	COP 6,427,698	COP 6,313,743	COP 4,810,408	COP 3
Interest expense	(821,106)	(1,571,581)	(2,625,416)	(2,753,341)	(2,002,090)	(
Net interest income	1,764,441	3,377,104	3,802,282	3,560,402	2,808,318	1
Provisions for loans and accrued interest losses, net of recoveries(2)	(267,811)	(512,585)	(1,103,595)	(1,155,262)	(617,868)	(
Provision for foreclosed assets and other assets, net of recoveries(3)	(18,354)	(35,130)	(49,779)	22,095	20,833	4
Net interest income after provisions	1,478,276	2,829,389	2,648,908	2,427,235	2,211,283	1
Fees and income from services and other operating income, net (4)	1,111,780	2,127,925	1,886,949	1,964,084	1,510,129	1
Operating expenses	(1,618,867)	(3,098,479)	(2,895,145)	(2,639,997)	(2,271,418)	(
Net operating income	971,189	1,858,835	1,640,712	1,751,322	1,449,994	8
Net non-operating income excluding minority interest	51,878	99,293	93,232	31,888	12,058	4
Minority interest (loss)	(6,906)	(13,217)	(15,081)	(18,511)	(13,246)	(
Income before income taxes	1,016,161	1,944,911	1,718,863	1,764,699	1,448,806	9
Income taxes	(265,633)	(508,417)	(462,013)	(474,056)	(361,883)	(
Net income	USD 750,528	COP 1,436,494	COP 1,256,850	COP 1,290,643	COP 1,086,923	COP 7
Weighted average of Preferred and Common Shares		787,827,003	787,827,003	787,827,003	758,313,771	7

outstanding(5)						
Basic and Diluted net income per share(5)	0.95	1,823	1,595	1,638	1,433	1
Basic and Diluted net income per ADS (10)	3.81	7,292	6,380	6,552	5,732	4
Cash dividends declared per share		669	637	624	568	5
Cash dividends declared per share (stated in U.S. Dollars)		0.35	0.31	0.28	0.28	(
Cash dividends declared per ADS		2,675	2,547	2,496	2,272	2
Cash dividends declared per ADS (stated in U.S. Dollars)		1.40	1.25	1.11	1.13	(
U.S. GAAP:						
Net income	USD 807,094	COP 1,544,761 (6)	COP 1,172,524 (6)	COP 849,920	COP 1,015,644	COP 9
Basic and Diluted net income per common share(7)	1.02	1,961	1,488	1,326	1,683	1
Basic and Diluted net income per ADS (7) (9)	4.10	7,844	5,952	5,304	6,732	6

(1) Amounts stated in U.S dollars have been translated at the rate of COP 1,913.98 per USD 1.00, which is the Representative Market Rate calculated on December 31, 2010 (the last business day of 2010), as reported and certified by the Superintendency of Finance. Such translations should not be construed as representations that the pesos amount represent, or have been or could be converted into, United States dollars at that or any other rate.

(2) Represents the provision for loan, accrued interest losses and other receivables, net and recovery of charged-off loans. Includes a provision for accrued interest losses amounting to COP 14,825 million, COP 35,543 million, COP 58,721 million, COP 46,840 million and COP 33,540 million for the years ended December 31, 2006, 2007, 2008, 2009 and 2010 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 total other operating income.

(5) The weighted average of preferred and common shares outstanding for fiscal years 2010, 2009 and 2008, includes 278,122,419 preferred shares and 509,704,584 common shares, for fiscal year 2007, includes 248,609,187 preferred shares and 509,704,584 common shares and for fiscal year 2006, includes 218,122,421 preferred shares and 509,704,584 common shares.

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

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(7) 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 (509,704,584 for 2010, 2009, 2008, 2007 and 2006). See "Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP".

(8) The consolidated statement of operations for the year ended December 31, 2010, 2009, 2008 and 2007, includes Banagrícola's results since the beginning of 2007. For U.S. GAAP purposes, see "Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP - m) Business combinations" to our Financial Statements included in this Annual Report.

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

(10) The consolidated statement of operations for the year ended December 31, 2007 was modified due to reclassifications made beginning in 2008 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 the year ended December 31, 2006 has not been reclassified because the amounts are insignificant and do not have a material impact on the consolidated statement of operations for that year.

	As of and for the year ended December 31,					
	2010(1)	2010	2009	2008	2007(3)	2006
	(in millions of COP and thousands of US$ (1), except per share and per American Depositary Share ("A amounts)					
CONSOLIDATED BALANCE SHEET						
Colombian GAAP:						
Assets:						
Cash and due from banks	USD 2,775,577	COP 5,312,398	COP 4,983,569	COP 3,870,927	COP 3,618,619	COP 1,548
Overnight funds	440,253	842,636	2,388,790	1,748,648	1,609,768	457,6
Investment securities, net	4,532,838	8,675,762	8,914,913	7,278,276	5,774,251	5,677
Loans and financial leases, net	24,081,692	46,091,877	39,610,307	42,508,210	36,245,473	23,81
Accrued interest receivable on loans, net	165,901	317,532	338,605	505,658	398,560	255,2
Customers' acceptances and derivatives	410,082	784,888	205,367	272,458	196,001	166,3
Accounts receivable, net	416,783	797,715	806,885	828,817	716,106	562,5
Premises and equipment, net	613,708	1,174,625	992,041	1,171,117	855,818	712,7
Operating leases, net	525,663	1,006,108	843,054	726,262	488,333	167,3
	36,718	70,277	80,668	24,653	32,294	18,61

Foreclosed assets, net						
Prepaid expenses and deferred charges	167,120	319,864	185,811	132,881	137,901	46,46
Goodwill	392,359	750,968	855,724	1,008,639	977,095	40,16
Other assets	619,639	1,185,977	922,265	1,093,850	580,642	675,2
Reappraisal of assets	399,445	764,529	736,366	612,683	520,788	348,3
Total assets	USD 35,577,778	COP 68,095,156	COP 61,864,365	COP 61,783,079	COP 52,151,649	COP 34,48
Liabilities and stockholders' equity:						
Deposits	USD 22,747,870	43,538,967	COP 42,149,330	COP 40,384,400	COP 34,374,150	COP 23,21
Borrowings(4)	2,743,282	5,250,587	4,039,150	5,947,925	4,851,246	3,516
Other liabilities	5,934,472	11,358,462	8,643,056	9,333,909	7,726,983	4,109
Stockholder' equity	4,152,154	7,947,140	7,032,829	6,116,845	5,199,270	3,646
Total liabilities and stockholders' equity	USD 35,577,778	COP 68,095,156	COP 61,864,365	COP 61,783,079	COP 52,151,649	COP 34,48
U.S. GAAP:						
Shareholders' equity	USD 4,216,003	COP 8,069,346 (2)	COP 7,095,266 (2)	COP 6,422,815	COP 5,937,554	COP 4,549
Shareholders' equity per share(5)	5,352	10,243	9,006	8,153	7,830	6,250
Shareholders' equity per ADS(5)	21,407	40,972	36,024	32,612	31,320	25,00

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(1) Amounts stated in dollars have been translated at the rate of COP 1,913.98 to US$1.00 which is the Representative Market Rate calculated on December 31, 2010 (the last business day of 2010), as reported and certified by the Superintendency of Finance. Such translation 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) Refer to "Note 31, Differences between Colombian Accounting Principles for Banks and U.S. GAAP" to the Financial Statements included in this Annual Report.

(3) The consolidated statement of operations for the year ended December 31, 2010, 2009, 2008 and 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".

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

(5) The weigthed average (rounded to the nearest million) of preferred and common shares outstanding was 788 million for the fiscal year ended December 31, 2010, 2009 and 2008, 758 million for the fiscal year ended December 31, 2007, and 728 million for the fiscal year ended December 31, 2006. 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 share 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 sustitute for net income, as a measure of operating performance or as a sustitute 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, 2010, 2009, 2008, 2007 and 2006.

	As of and for the year ended December 31,				
	2010	2009	2008	2007(10)(11)	2006
	(Percentages, except for operating data)				
SELECTED RATIOS:(1)					
Colombian GAAP:					
Profitability ratios:					
Net interest margin(2)	6.36	7.22	7.64	7.60	6.19
Return on average total assets(3)	2.27	2.01	2.34	2.52	2.31
Return on average stockholders' equity(4)	19.71	19.59	23.68	26.13	22.10
Efficiency Ratio:					
Operating expenses as a percentage of interest, fees, services and other operating income	56.28	50.89	47.79	52.60	64.37
Capital ratios:					
Period-end stockholders' equity as a percentage of period-end total assets	11.67	11.37	9.90	9.97	10.57
Period-end regulatory capital as a percentage of period-end risk- weighted assets(5)	14.67	13.23	11.24	12.67	11.05
Credit quality data:					
Non-performing loans as a percentage of total loans(6)	1.91	2.44	2.35	1.77	1.36
"C", "D" and "E" loans as a percentage of total loans(9)	4.32	5.11	4.40	3.10	2.54
Allowance for loan and accrued interest losses as a percentage of non-performing loans	274.36	241.08	224.53	223.67	252.87
Allowance for loan and accrued interest losses as a percentage of "C", "D" and "E" loans(9)	121.45	115.25	120.21	127.38	135.06
Allowance for loan and accrued interest losses as a percentage of total loans	5.24	5.89	5.29	3.95	3.43
OPERATING DATA:					
Number of branches(7)	921	889	890	888	701

Number of employees(8)	22,992	21,201	19,728	24,836	16,222

(1) Ratios were calculated on the basis of monthly averages.
(2) Net interest income divided by average interest-earning assets.
(3) Net income divided by average total assets.
(4) Net income divided by average stockholders' equity.
(5) For an explanation of risk-weighted assets and Technical Capital, see "Item 4. Information on the Company – B. Business Overview – B.7. Supervision and Regulation – Capital Adequacy Requirements".
(6) Non-performing loans are microcredit 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, 2007 include Banagrícola's results. With respect to U.S. GAAP information; see "Note 31. Differences between Colombian Accounting Principles for Banks and U.S. GAAP – m) Business combinations".
(11) 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 year, and accordingly, would not be material for comparative purposes.

Exchange Rates

On May 31, 2011, the Representative Market Rate was COP 1,870.60 per USD 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 average of the buy/sell foreign exchange rates quoted daily by certain financial institutions, including Bancolombia, for the purchase and sale of U.S. dollars.

The following table sets forth the high and low peso/U.S. dollar exchange rates for the last six months:

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

Month	Low	High
October 2010	1,786.20	1,846.41
November 2010	1,817.70	1,916.96
December 2010	1,880.82	2,027.33
January 2011	1,838.94	1,913.98
February 2011	1,852.67	1,907.69
March 2011	1,865.11	1,916.05

Source: Superintendency of Finance.

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
2010	1,901.67
2009	2,179.64
2008	1,993.80
2007	2,069.21
2006	2,359.13

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, its ability to raise capital and its ability to access funding could be materially and adversely affected. These risk factors should not be considered a complete list of potential risks that may affect Bancolombia.

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

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

Colombia has adopted a floating exchange rate system.The Colombian Central Bank maintains the power to intervene in the exchange market in order to consolidate or dispose of international reserves, and to control any volatility in the exchange rate. From time to time, there have been significant fluctuations in the exchange rate between the Colombian peso and the U.S. dollar. For instance, the peso depreciated 11% in 2008, appreciated 9% in 2009, and appreciated 6% in 2010. Unforeseen events in the international markets, fluctuations in interest rates or changes in capital flows, may cause exchange rate instability that could generate sharp movements in the value of the peso. Given that a portion of our assets and liabilities are denominated in, or indexed to, foreign currencies, especially the U.S. dollar, sharp movements in exchange rates may negatively impact the Bank's results. In addition, exchange rate fluctuations may adversely impact the value of dividends paid to holders of the Bank's ADSs as well as the market price and liquidity of ADSs.

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. Notably, the Colombian and Salvadorian governments have significant fiscal deficits that may result in future tax increases. Additional tax regulations could be implemented that could require the Bank to make additional tax payments, negatively affecting its results of operations and cash flow. In addition, national or local taxing authorities may not interpret tax regulations in the same way that the Bank does. Differing interpretations could result in future tax litigation and associated costs.

Changes in economic and political conditions in Colombia and 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's financial condition, results of operations and asset quality are significantly dependent on the macroeconomic and political conditions prevailing in Colombia, El Salvador and the other jurisdictions in which the Bank operates. Accordingly, decreases in the growth rate, periods of negative growth, increases in inflation, changes in policy, or future judicial interpretations of policies involving exchange controls and other matters such as (but not limited to) 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 may affect the overall business environment and may in turn impact the Bank's financial condition and results of operations.

In particular, the governments of Colombia and El Salvador have historically exercised substantial influence on 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 August 7, 2010, Juan Manuel Santos Calderon took office as president of Colombia and, accordingly, significant changes in Colombian laws, public policies and regulations may occur.The uncertainties characteristic of a change in government, including potential changes in laws, public policies and regulations, may cause instability and volatility in Colombia and its markets.

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

The economies of the countries where the Bank operates are 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.

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

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. Political tensions between Colombia and Venezuela in recent years have produced lower trade levels that have adversely impacted economic activity. Although relations with Venezuela have improved significantly since President Juan Manuel Santos Calderón took office in August 2010, the possibility of any further trade restrictions by Venezuela may deepen these adverse effects, while any resurgence in tensions between the two countries may cause political and economic uncertainty, instability, market volatility, lower confidence levels and higher risk aversion by investors and market participants that may negatively affect economic activity.

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., Panama, Cayman Islands, Peru and Puerto Rico), as well as the market prices and liquidity of securities issued or owned by the Bank.

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 and the market value of the Bank’s securities and any dividends distributed by it, could be adversely affected by rapidly changing economic and social conditions in Colombia and by the Colombian government’s response to such conditions.

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

The Bank is subject to credit risk; estimating overexposure to credit risk involves subjective and complex judgments.

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

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

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

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

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

Non-traditional sources of credit risk can arise from, among other things: investing in securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to the Bank, and executing securities, futures, currency or commodity trades from the Bank's proprietary trading desk that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Any significant increases in exposure to any of these non-traditional risks, or a significant decline in credit 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 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 such as periods of sustained high interest rates which 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 14.14% of its total consolidated loan portfolio as of December 31, 2010, as our loan portfolio became somewhat more concentrated in 2010. 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".

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

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

The Bank is subject to market risk.

We are directly and indirectly affected by changes in market conditions. Market risk, or the risk that values of assets and liabilities or revenues will be adversely affected by variation in market conditions, is inherent in the products and instruments associated with our operations, including loans, deposits, securities, bonds, long-term debt, short-term borrowings, proprietary trading in assets and liabilities and derivatives. Changes in market conditions that may affect our financial condition and results of operations include fluctuations in interest and currency exchange rates, securities prices, changes in the implied volatility of interest rates and foreign exchange rates, among others.

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

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

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

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

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

The Bank’s debt securities portfolio is primarily composed of sovereign debt securities,including securities issued or guaranteed by the Colombian government. Therefore, the Bank’s results are exposed to credit, market, and liquidity risk associated with sovereign debt. As of December 31, 2010, the Bank’s total debt securities represented 13.6% of its total assets, and 27% 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.

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

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

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

The Bank'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, which together represented a share of of 72.4% of total liabilities at the end of 2010 compared to 76.9% and 72.4% at the end of 2009, 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 the Bank operates, the Bank may not be able to maintain its current level of funding without incurring higher costs or selling assets at prices below their prevailing market value.

The Bank 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, reputation and internal control system as well as its financial condition and results of operations.

All of the Bank's principal businesses are highly dependent on the ability to timely collect and process a large amount of financial and other information at its various branches across numerous markets, at a time when transaction processes have become increasingly complex with increasing volume. The proper functioning of financial control, accounting or other data collection and processing systems is critical to the Bank's businesses and to its ability to compete effectively. A partial or complete failure of any of these primary systems could materially and adversely affect the Bank's decision making process, its risk management and internal control systems, the quality of its service, 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, reputation and results of operations could be materially and adversely affected. The Bank is also dependent on information systems to operate its website, process transactions, respond to customer inquiries on a timely basis and maintain cost-efficient operations. The Bank may experience operational problems with its information systems as a result of system failures, viruses, computer hackers or other causes. Any material disruption or slowdown of its systems could cause information, including data related to customer requests, 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 information available to and received by the Bank's management through its existing information systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in its operations. The Bank is currently undertaking a project to update its information technology platform ("IT platform") that will result in significant changes in the following areas: treasury, credit cards, customer management, products and distribution channels, financial management and accounting and human resources.. Any failure to effectively improve or upgrade the Bank's information technology infrastructure and information management information systems in a timely manner could materially and adversely affect the Bank's competitiveness, financial condition and results of operations.

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 adopted recently 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.

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 the banking authorities of Colombia, El Salvador and the other jurisdictions in which the Bank operates. 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 banks. In the event of non-compliance with applicable regulations, the Bank could be subject to fines, sanctions or the revocation of licenses or permits to operate its business. In Colombia, for instance, if the Bank encounters significant financial problems or becomes insolvent or in danger of becoming insolvent, banking authorities would have the power to take over the Bank's management and operations. Any sanctions, fines and other penalties resulting from non-compliance with regulations in Colombia and in the other jurisdictions where the Bank operates could materially and adversely affect the Bank's business, financial condition, results of operations and reputation.

Moreover, 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 could materially and adversely affect the Bank's results of operations and financial position.

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

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

An element of the Bank's business strategy is to identify and pursue growth-enhancing strategic opportunities. 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 may base assessments of potential acquisitions and partnerships on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. Future acquisitions, 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 is subject to increasing competition which may adversely affect its results of operations.

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

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.

Although Bancolombia currently complies with capital requirements, there can be no assurance, that future regulation will not change or require Bancolombia or its subsidiaries to seek additional capital. Moreover, the various regulators in the world have not reached consensus as to the appropriate level of capitalization for financial services institutions. Regulators in the jurisdictions where Bancolombia operates may alter the current regulatory capital requirements to which Bancolombia is subject and thereby necessitate equity increases that could dilute existing stockholders, lead to required asset sales or adversely impact the return on stockholders's equity and/or the market price of the Bank's common and preferred shares.

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

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

In particular, there has been an ongoing dispute in Colombia among merchants, payment servicers and banks regarding interchange fees. Specifically, in 2004, the Superintendency of Commerce and Industry began an investigation against Credibanco and Redeban, entities that participate in Colombia's payment services system, for an alleged illegal anticompetitive agreement relating to the manner in which interchange fees were determined according to the agreement.

The Superintendency of Commerce and Industry ended the investigation with a commitment of payment system companies (Redeban and Credibanco), and their associated banks (including Bancolombia) to deliver a study containing a methodology to calculate interchange fees and to send information regarding the costs related to the payment services systems. The term of this commitment was ongoing from 2005 to December 2009.

In 2008, the Superintendency of Commerce and Industry determined that there was a breach in the compliance of certain commitments signed among Redeban, Credibanco and the banks (including Bancolombia) and imposed a fine on the payment system companies (Redeban and Credibanco), and their associated banks (including Bancolombia). This decision was confirmed in September 2009.

Although, the dispute described above has ended, the Superintendency of Commerce and Industry may initiate new investigations regarding the interchange fees. This possibility may lead to additional decreases, which in turn could impact the Bank's financial results.

Banking regulations, accounting standards and corporate disclosures 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 those in effect in other countries. The Bank prepares its annual audited financial statements in accordance with Colombian GAAP, which differs in significant respects from U.S. GAAP and International Financial Reporting Standards ("IFRS"). Thus, Colombian financial statements and reported earnings may differ from those of companies in other countries in these and other respects. Some of the differences affecting earnings and stockholders' equity include, but are not limited to the accounting treatment for restructuring, loan origination fees and costs, deferred income taxes and the accounting treatment for business combinations. 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 differ from those used under U.S. GAAP. See "Item 4. Information on the Company – E. Selected Statistical Information – E.4. Summary of Loan Loss Experience – Allowance for Loan Losses".

Although the Colombian government is currently undertaking a review of present regulations relating to accounting, audit, and information disclosure, with the intention of seeking convergence with international standards, current regulations continue to differ in certain respects from those in other countries.

In addition, there may be less publicly available information about the Bank than is regularly published by or about U.S. issuers or issuers in other countries.

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 in El Salvador. In the event of a natural disaster, unanticipated problems with the Bank's disaster recovery systems could have a material adverse effect on the Bank's ability to conduct business in the affected region, particularly if those problems affect its computer-based data processing, transmission, storage and retrieval systems and destroy valuable data. In addition, if a significant number of the Bank's local employees and managers were unavailable in the event of a disaster, its ability to effectively conduct business could be severely compromised. A natural disaster or multiple catastrophic events could have a material adverse effect on the Bank's business and results of operations in the affected region.

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

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 Mellon, which acts as depositary (the "Depositary") for the Bank's ADR facility, unless a registration statement under the Securities Act is effective with respect to such rights and class of shares or an exemption from the registration requirement thereunder is available. 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.

The Bank's preferred shares have limited voting rights.

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

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

Holders of the Bank's ADRs may encounter difficulties in the exercise of some of their rights with respect to the shares underlying ADRs. If the Bank makes a distribution to holders of underlying shares in the form of securities, the Depositary is allowed, in its discretion, to sell those securities on behalf of ADR holders and instead distribute the net proceeds to the ADR holders. Also, under some circumstances, ADR holders may not be able to vote by giving instructions to the depositary in those limited instances in which the preferred shares represented by the ADRs have the power to vote.

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

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

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 regulatory regime. Accordingly, the tax benefits applicable in Colombia to equity investments, in particular, those relating to dividends and profits from sale, are not applicable to ADRs, including the Bank's ADRs. For more information see "Item 10. Additional Information.–E. Taxation –Colombian Taxation".

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Bancolombia is Colombia's leading financial institution, 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.

Bancolombia is a sociedad comercial por acciones, de la especie anónima, domiciled in Medellín, Colombia and operates under Colombian laws and regulations, mainly the Colombian Code of Commerce and Decree 663 of 1993.

Bancolombia was incorporated in Colombia in 1945, under the name Banco Industrial Colombiano S.A. or "BIC" and is incorporated until 2044. In 1998, the Bank merged with Banco de Colombia S.A., and changed its legal name to Bancolombia S.A. On July 30, 2005, Conavi and Corfinsura merged with and into Bancolombia, with Bancolombia as the surviving entity. Through this merger, Bancolombia gained important competitive advantages, as Conavi and Corfinsura were two of the top financial institutions in the Colombian market at the time. Conavi, the leader in mortgage banking in Colombia and one of the strongest in retail operations, significantly increased the Bank's participation and know-how in these specific markets. On the other hand, Corfinsura, then the largest financial corporation in Colombia and highly regarded for its expertise in handling large and mid-sized corporate credit and financial services, its investment bank and its modern and diversified treasury department, materially strengthened Bancolombia's multi-banking franchise.

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

Since 1995, Bancolombia has maintained a listing on the NYSE, where its ADSs are traded under the symbol "CIB", and on the Colombian Stock Exchange, where its preferred shares are traded under the symbol "PFBCOLOM". Since 1981 Bancolombia's common shares have been traded on 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, 2010, Bancolombia had, on a consolidated basis:

- COP 68,095 billion in total assets;
- COP 46,092 billion in total net loans and financial leases;
- COP 45,539 billion in total deposits; and
- COP 7,947 billion in stockholder' equity.

Bancolombia's consolidated net income for the year ended December 31, 2010 was COP 1,436 billion, representing an average return on equity of 22.07% and an average return on assets of 2.59%.

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

KEY RECENT DEVELOPMENTS

On March 7, 2011, at the annual general shareholders' meeting , the shareholders of the Bank elected the following individuals to the Board of Directors for the period from 2011 to 2013: David Bojanini García, José Alberto Vélez Cadavid, Carlos Enrique Piedrahita Arocha Gonzalo Alberto Pérez Rojas, Alejandro Gaviria Uribe, Ricardo Sierra Moreno and Rafael Martinez Villegas.

On February 5, 2011, Banagrícola S.A. and Inversiones Financieras Banco Agrícola S.A., subsidiaries of Bancolombia S.A., and Suramericana S.A., signed an agreement pursuant to which Banagrícola S.A. and Inversiones Financieras Banco Agrícola S.A. agreed to sell to Suramericana 97.03% of its shares of capital stock of Asesuisa, an insurance company in the Republic of El Salvador. Banagrícola S.A. and Inversiones Financieras Banco Agrícola S.A. will receive a total of USD 98 millon as payment for the shares.

On January 28, 2011, Banagrícola S.A. and Inversiones Financieras Banco Agrícola S.A., subsidiaries of Bancolombia S.A., and Protección S.A. Sociedad Administradora de Fondos de Pensiones y Cesantias ("Protección S.A."), signed a contract where Banagrícola S.A. and Inversiones Financieras Banco Agrícola S.A. sold to Protección S.A. the equivalent of 99.99% of its shares of capital stock of AFP Crecer, an administrator of pension funds in the Republic of El Salvador. Banagrícola S.A. and Inversiones Financieras Banco Agrícola S.A. will receive a total of USD 103 million as payment for the shares.

On January 5, 2011 the Bank priced USD 520 million in aggregate principal amount of its Senior Notes due 2016. The Senior Notes have a 5-year maturity and a coupon of 4.25%, payable semi-annually on January 12 and July 12 of each year, beginning on July 12, 2011. The transaction closed on January 12, 2011.

On December 15, 2010, Bancolombia S.A., announced its first offering of ordinary notes in the local market, corresponding to a program of ordinary bond issuances up to an aggregate principal amount of two trillion Colombian Pesos (COP 2,000 billion). The issued amount was six hundred thousand million Colombian Pesos (COP 600 billion).

On November 22, 2010, Mr. Jorge Londoño Saldarriaga, Bancolombia's Chief Executive Officer since 1995, submitted his resignation to the bank's Board of the Directors, effective on February , 2011.

Subsequently, on November 26, 2010, at an extraordinary meeting, the Board of Directors of Bancolombia appointed Mr. Carlos Raul Yepes Jimenez as the new President of Bancolombia.

On November 22, 2010, the Board of Directors of Bancolombia approved the issuance of up to COP $1,000 billion (approximately USD 533 million) in aggregate principal amount of Senior Notes ("Senior Notes") and the related Reglamento de la Emision (Terms of the Senior Notes).

On July 26, 2010, Mr. Juan Camilo Restrepo resigned as a member of the Board of Directors of the Bank and as a new member of the Audit Committee and the Risk Committee, following his appointment as Minister of Agriculture. Bancolombia's Board of Directors appointed Mr. Ricardo Sierra as a new member of Bancolombia's Audit Committee and Mr. Carlos Raul Yepes as a new member of the Risk Committee, to replace Mr. Restrepo.

On July 19, 2010, the Bank priced the public offering of USD 620 million in aggregate principal amount of its Subordinated Notes due July 26, 2020. The notes have a 10-year maturity and a coupon of 6.125%, payable semi-annually on January 26 and July 26 of each year, commencing on January 26, 2011.

On June 21, 2010, the Bank entered into a settlement agreement with members of the Gilinski family pursuant to which the parties agreed, among other things, to end all disputes relating to the acquisition by the former Banco

Industrial Colombia, now Bancolombia, of the majority shareholder of the Banco de Colombia. All such proceedings including arbitrations, as well as criminal investigations have now been terminated in accordance with that agreement. The resolution of these matters did not have a material effect on the Bank's results of operations or financial condition.

On June 11, 2010 Bancolombia entered into an agreement with the International Finance Corporation, a member of the World Bank Group, for the purpose of providing hedging instruments through a risk management facility in an aggregate principal amount of up to USD 400 million.

PUBLIC TAKEOVER OFFERS

During 2010, 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.

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 "IT Platform" and those related to new ATMs and branches.

During 2010, total capital expenditures amounted to COP 297 billion. Such investments were mainly in an IT Platform renewal project (COP 124 billion), the expansion of the Bank's branch and ATM network (COP 69 billion), the purchase of hardware for the expansion, updating and replacement of the current IT equipment (COP 32 billion), and other investments, such as an anti-fraud system and fixed assets (COP 77 billion). Additionally, purchases of fixed assets related to operating leasing and renting accounted for COP 389 billion during 2010; these activities are conducted mainly by Leasing Bancolombia S.A. and Renting Colombia S.A.

Additionally, in September 2010, the Board of Directors authorized Bancolombia to proceed with negotiations with Grupo de Inversiones Suramericana S.A. and Protección S.A. Sociedad Administradora de Fondos de Pensiones y Cesantías regarding the sale of Bancolombia's ownership interests, currently held through foreign subsidiaries, in AFP Crecer, Asesuisa and Asesuisa Vida in El Salvador. The stock purchase agreements were signed in January 2011 and both transactions are pending for authorization of the regulators in El Salvador and Colombia.

The amounts that will be paid toBancolombia are USD 103 million for AFP Crecer and USD 98 million for Asesuisa and Asesuisa Vida.

In 2010, Bancolombia funded its capital expenditures with its own resources and plans to continue to fund those currently in progress in the same way.

During 2009, total capital expenditures of the Bank and its subsidiaries on a consolidated basis amounted to COP 344 billion. Such investments were made mainly in land and buildings (COP 87 billion), data processing equipment (COP 40 billion), furniture and fixtures (COP 24 billion), vehicles (COP 106 billion), and investments related to the IT Platform Renewal (COP 87 billion). In 2009, the Bank continued the renovation of its IT Platform, while 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.

During 2008, total capital expenditures of the Bank and its subsidiaries on a consolidated basis amounted to COP 540 billion. Such investments were made mainly in land and buildings (COP 202 billion), data processing equipment (COP 55 billion), furniture and fixtures (COP 49 billion), vehicles (COP 200 billion) and investments related to the IT Platform Renewal project (COP 36 billion).

During 2011, the Bank expects to invest approximately COP 416 billion as follows: COP 255 billion in connection with an IT Platform renewal project, COP 71 billion in connection with the expansion of the Bank's branch and ATM network, COP 29 billion in connection with the purchase of hardware for the expansion, updating and replacement of the current IT equipment and COP 61 billion in connection with other investments, such as an anti-fraud system and fixed assets. These figures represent only an estimate and may change according to the continuing assessment of the Bank's projects portfolio. No assurance can be given, however, that all such capital expenditures will be made and, if made, that such expenditures will be in the amounts currently expected.

The following table summarizes the Bank's capital expenditures and divestitures in interests in other companies for the years ending December 31, 2010, 2009 and 2008:

	As of December 31,			
Capital Expenditures (COP million)	2010	2009	2008	Total
Banagrícola S.A.	93	469	2,503	3,065
Inversiones Financieras Banco Agrícola S.A.	68	4,512	865	5,445
Banco Agrícola S.A.	-	905	3,951	4,856
Compañía de Financiamiento Comercial Sufinanciamiento S.A.	-	-	24,997	24,997
Renting Colombia S.A.	39,104	-	7,774	46,878
Asesuisa, S.A.	-	-	605	605
FCP Colombia Inmobiliaria	-	25,700	26,595	52,295
Factoring Bancolombia S.A.	-	20,001	5,000	25,001
Fondo de Inversión en arrendamiento operativo	1,076	5,476	21,089	27,641
Visa Inc.	-	-	5,237	5,237
Transportempo S.A.	-	195	2,493	2,688
Renting Peru S.A.C.	-	5,466	4,936	10,402
Inversiones IVL S.A.	-	-	4,757	4,757
Epsa S.A. ESP	-	62,343	-	62,343
Promotora La Alborada	-	14,001	-	14,001
Bancolombia Cayman	-	10,221	-	10,221
Inversiones Inmobiliarias Arauco Alameda S.A.	-	20,657	-	20,657
Leasing Perú	25,741	-	-	25,741
Fiduciaria Bancolombia S.A.	69	-	-	69
Inversiones CFNS S.A.S.	11,441	-	-	11,441
Fiduciaria GBC Peru	1,561	-	-	1,561
Vivayco S.A.S	1,593	-	-	1,593
Others	3,349	7,741	5,076	16,166
Total Expenditures (COP million)	84,095	177,687	115,878	377,660

Divestitures (COP million)	2010	2009	2008	Total
Acerias Paz del Río(1)	-	-	56	56
Banco de Crédito(1)	-	-	268	268
Inversiones IVL S.A.(1)	33,895	-	-	33,895
Suramericana de Inversiones S.A.(1)	-	-	1,675	1,675
Multienlace(1)	-	-	13,710	13,710
Bolsa de Valores de Colombia(1)	5,886	-	13,468	19,354
Fundicom S.A.(1)	-	-	11,789	11,789
Promotora La Alborada(1)	-	-	14,001	14,001
P.A. Renting Colombia(1)	-	-	13,296	13,296
Interconexión Eléctrica S.A.(1)	-	-	1,632	1,632
Valores Simesa S.A.(1)	5,184	948	1,248	7,380
Inversiones Valsimesa S.A.(1)	-	-	1,119	1,119
Concesiones Urbanas S.A.(1)	-	2,859	-	2,859
Visa Inc(1)	-	31,589	-	31,589
Metrotel Redes S.A.(1)	30,000	-	-	30,000
Banco Agricola Panamá(2)	51,677	-	-	51,677
Others(1)	4,042	655	3,129	7,826

Total Divestitures (COP million)	130,684	36,051	75,391	242,126

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(1) Investments sold
(2) Capital decrease

B. BUSINESS OVERVIEW

B.1. GENERAL

COMPANY DESCRIPTION, PRODUCTS AND SERVICES

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 6.9 million customers. Bancolombia delivers its products and services through its regional network comprising Colombia's largest non-government owned banking network, El Salvador's leading financial conglomerate, off-shore banking subsidiaries in Panama, Cayman and Puerto Rico, as well as an agency in Miami and subsidiaries in Peru. Together, Bancolombia offers the following products and services:

Savings and Investment: Bancolombia offers its customers checking accounts, savings accounts, fixed term deposits and a diverse variety of investment products that fit the specific transactional needs of each client and their income bracket.

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

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

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

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 and spot sales, interest rate and cross currency swaps and European options.

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

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

Bancassurance and Insurance: Bancolombia has amassed a complete portfolio of insurance and pension products directed to new niche markets and centring on the construction of long-term relationships with clients in personal banking. Across its network of branches, Bancolombia offers diverse insurance products (life, personal accident and homeowner's insurance) offered by Compañía Suramericana de Seguros, one of the principal insurance companies in Colombia. In addition Bancolombia offers unemployment insurance issued by Sure General Cardif Colombia S.A. 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 allows it to advise and assist companies from all economic sectors, including in areas relating to project finance, capital markets, capital investments, M&A, restructurings and corporate lending.

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

NEW PRODUCTS OR SERVICES

Bancolombia continues its efforts to diversify and improve its product portfolio. Below is a brief description of the new products and services introduced in 2010:

Saving and Investment

Indexado Acciones Fund: mutual fund designed to offer investors profits associated with the performance of the stock index Colcap, which is the stock index that reflects the variations in the prices of the 20 most liquid stocks in the Colombian stock market.

Alternativo Dinámico Fund: closed-end fund that offers investors the possibility to participate in the profitability of assets with high valuation potential such as BRIC Stocks (stocks in the markets of Brazil, Russia, India and China).

Banconectados: Savings account targeting young investors, between 13 and 17 years of age, offering services according to age and financial needs such as discounted managment fees, exclusive website, and preferential interest rates. It also offers a loyalty program that gives points according to the balances saved.

Plan Crecer: Plan designed to promote saving. It does not charge management fees and it charges clients on a per transaction basis.

Plan Progreso: Plan created to give access to the formal financial system to the people that receive government subsidies with the objective of introducing them to the sense and importance of saving.

Plan Nómina Especial: Savings account designed to receive the payroll payments made by a company. This account gives the customer unlimited transactions across our ATM network free of any charge.

Electronic Payment for Bogotá D.C. Taxes: This service offers the District taxes contributors an easy way to make their payments using a website, avoiding the inconvenience of going to a branch.

Insurance

Mortgage Loan Insurance: Insurance that covers the client’s mortgage loan in case of unemployment, temporal disability or serious illnesses.

Payroll Loan Insurance: Insurance directed at the clients with payroll loans. It guarantees the payment of several credit installments in case of unemployment or serious illness.

Financing

20 year Mortgage LoanIt: Provides clients with access to a mortgage product, extending the financing term of credit up to 20 years.

Personal loans repayable with remittances: Credit aimed at customers who earn wages or are independent workers but are also beneficiaries of international remittances. The remittances received by these customers are counted as additional revenue that increases the customer's capacity of repayment, according to real income and needs.

Cash Management

Direct pay: Automatic payment product service that allows the generation, encryption, and sending of payments from the client's server to the bank without human intervention.

Treasury

UVR Swap: The UVR-indexed Swap: UVR-COP is a hedging instrument that allows institutional clients to mitigate their portfolios' exposure to domestic inflation.

Swap with asymmetric flows: This instrument offers our customers the possibility to hedge discontinuous cash flows related to assets and/or liabilities (i.e., quarterly rights vs. yearly liabilities).

Asset Swap: Investment strategy composed of: (i) a long position in a fixed income security; and (ii) a hedging instrument (Interest Rate Swap, Cross-currency Swap, Basis Swap, etc.). This strategy provides our clients with a 'yield pickup' compared to their portfolio benchmark. Also known as a Yield-Enhancement Strategy structured for fixed income portfolios.

IRS Swap with amortization: This instrument is the synthetic variation of a Principal-Only Amortizing Swap, taking into account a series of cash flow streams associated with a plain vanilla Interest Rate Swap, yet with different amortization schedules in terms of rights and obligations.

SUFI

Sufi Credit Card: Credit card designed to complement Sufi's financing offer and is used to pay all the services of maintenance associated with a vehicle. It gives our customers discounts in commercial establishments that give vehicle services such as concessionaires, accessories stores, among others. Also, the Sufi credit card can be used as a regular Mastercard credit card to acquire products and services in different establishments in Colombia and abroad.

Foreign Currency

Time Deposit Bancolombia Panamá: Debt issued by Bancolombia Panamá, internationally guarded by Euroclear or Clearstream, and offered in Colombia by Valores Bancolombia.

Valores Bancolombia

Colombian Global Market: Comprised of foreign securities that are listed in the local market without requiring the registration in the National Registry of Securities and Issuers (RNVE).Valores Bancolombia was selected as one of the three sponsors of this market. At the end on 2010, our Firm was sponsoring the following stocks: Bank of America Corp (BAC), Goldman Sachs Group Inc. (GS), JPMorgan Chase & Co. (JPM), Exxon Mobil Corp. (XOM), Chevron Corp. (CVX), Apple Inc. (AAPL), Procter & Gamble Co/The (PG), Johnson & Johnson (JNJ), Caterpillar Inc. (CAT).

MAIN LINES OF BUSINESS

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

To see the description and discussion about segments, please see “Item 5.Operating and Financial Review and Prospects – A. Operating Results – Results by Segment”.

B.2. OPERATIONS

See Note 31 – section (y) to the Bank's consolidated financial statements as of December 31, 2010 included in this Annual Report for a description of the principal markets in which the company competes, including a breakdown of total revenues by category of activity and geographic market for each of the last three financial years.

B.3. SEASONALITY OF DEPOSITS

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

B.4. RAW MATERIALS

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

B.5. DISTRIBUTION NETWORK

Bancolombia provides its products and services through a traditional branch network, sales and customer representatives as well as through mobile branches (or Puntos de Atención Móviles), non-banking correspondents, an ATM network, online and computer banking, telephone banking, mobile phone banking services, and PACs, among others. In addition, as of December 31, 2010, Bancolombia had a sales force of approximately 12,422 employees and transactions effected through electronic channels represented more than 88% of all transactions in 2010.

The following are the distribution channels offered by Bancolombia as of December 31, 2010:

Branch Network

As of December 31, 2010, Bancolombia's consolidated branch network consisted of 921 offices, which included 736 from Bancolombia, 102 from Banagrícola and 83 from other subsidiaries.

Company*	Number of branches 2010	Number of branches 2009	Number of branches 2008
Bancolombia S.A.(unconsolidated)	736	713	717
Bancolombia Panamá S.A.	1	1	1
Bancolombia Miami	1	1	1
Leasing Bancolombia S.A.	17	12	10
Renting Colombia S.A. (1)	16	4	4
Valores Bancolombia	9	8	7
Valores Bancolombia Panama S.A.	1	1	1
Banca de Inversión Bancolombia S.A	2	2	2
Fiduciaria Bancolombia S.A.	6	6	6
Tuya	6		
Bancolombia Puerto Rico International Inc.	1	1	1
Factoring Bancolombia S.A.	1	5	5

Sufinanciamiento S.A.(2)	-	8	8
Renting Peru S.A.C. (3)	5	1	1
Fondo Inversión Arrend.Operativo Renting Perú I	1		
RC Rent a Car S.A.S.	-	10	8
Inversiones CFNS	1	1	1
Banco Agrícola S.A.	102	101	107
Arrendadora Financiera S.A.	1	1	1
Credibac S.A. de C.V.	1	1	-
Bursabac S.A. de C.V.	1	1	1
AFP Crecer S.A.	6	6	6

Company*	Number of branches 2010	Number of branches 2009	Number of branches 2008
Aseguradora Suiza Salvadoreña S.A.	1	1	1
Asesuisa Vida S.A.	1	1	1
Capital investments S.A.	1	1	-
Transportempo SAS	1	1	-
Leasing Peru	1	1	-
Fiduciaria GBC S.A. (Peru)	1	-	-
Total	921	889	890

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

(1) 12 offices operated for the Localiza franchise in Colombia, are included in the total number of branches for Renting Colombia S.A.

(2) Due to the transfer of part of Sufinaciamiento S.A.'s assets, liabilities and contracts to Bancolombia's banking unit, SUFI's 11 branches have been added to the total corresponding to Bancolombia (unconsolidated).

(3) Four offices operated for the Localiza franchise in Perú, are included in the total number of branches for Renting Peru S.A.C.

Non-Banking Correspondents ("CNB")

A CNB is a platform which allows non-financial institutions such as stores open to the public, to provide financial services and transactions in towns where banks and financial institutions have limited or no presence. As of December 31, 2010, there were a total of 742 non-banking correspondents.

Puntos de Atención Móviles ("PAM")

PAMs consist of commercial advisors who visit small towns periodically to offer Bancolombia's products and services. As of December 31, 2010, there were a total of 600 PAMs.

Kiosks

Kiosks, used in El Salvador, are located inside the Bank's agencies, malls, and other public places and are used to provide the Bank's clients the possibility of conducting a variety of self-service transactions. As of December 31, 2010, there were a total of 154 kiosks.

Automatic Teller Machines ("ATM")

Bancolombia has a total of 2,945 ATMs, including 2,544 machines in Colombia and 401 ATMs in El Salvador.

Online/Computer Banking

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

Telephone Banking

We provide customized and convenient advisory services to customers of all segments through automatic interactive voice reponse (“IVR”) operations and a 24x7 contact center.

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

Through our own network of 8,073 PACs our customers may carry out a variety of transactions including transfer of funds, bill payments, and changes to credit and credit card PINs.

Mobile Phone Banking Service

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

B.6. PATENTS, LICENSES AND CONTRACTS

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

B.7. COMPETITION

Description of the Colombian Financial System

Overview

In recent years, the Colombian banking system has been undergoing a period of consolidation given the series of mergers and acquisitions that have taken place within the sector. More specifically, several mergers and acquisitions took place in 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 increasing this stake by another 25% by 2012. Also, in 2010, Banco de Bogotá acquired BAC-Credomatic, which has operations in several countries in Central America, for a reported purchase price of COP 3.53 billions.

As of December 31, 2010, and according to the Superintendency of Finance, the principal participants in the Colombian financial system were the Central Bank, 19 commercial banks (eleven domestic banks, seven foreign banks, and one state-owned bank), three finance corporations and 23 financing companies (6 leasing companies and 17 traditional financing companies). In addition, trust companies, cooperatives, insurance companies, insurance brokerage firms, bonded warehouse, special state-owned institutions, pension and severance pay funds also participate in the Colombian financial system.

The Financial Reform Act of 2009 (Law 1328 passed July 15, 2009) also made important advances towards a multi-banking framework. This new legislation authorized banks to provide merger and acquisition loans and allowed them to conduct financial leasing operations. As a result, some competitors have absorbed their financial leasing subsidiaries into their banking franchises and some leasing companies are in the process of becoming banks.

Financial System Evolution in 2010

Economic activity in Colombia rose at a real annual rate of 4% providing for a robust financial sector. Based on information issued by the Colombian Superintendency of Finance, lending grew at a rate of 17.5% for 2010, in contrast to the stagnation experienced in 2009 when lending grew only 1.9%. The rise in industrial output coupled with the country's expansive monetary policy drove up the demand for business loans which increased by 20.6% for 2010, compared to just 0.14% for the previous year. Low interest rates and rising confidence drove up consumer loans which grew by 16.4% in 2010, compared to just 1.7% in 2009. Mortgage and microcredit loans continued to do well, with increases of 13.4% and 16.6% respectively, for 2010.

The financial system's level of past due loans as a percentage of the total loan portfolio fell substantially throughout the year, going from 4.11% in December 2009 to 2.81% for the same month in 2010. In addition, coverage, measured as the ratio of allowances to past due loans, ended 2010 at 178.2%, compared to 136.9% at the end of 2009.

During 2009, both lending as well as investments gained a greater weighting of the financial system's structure. Loans increased from 60.2% of total assets at the end of 2009 to 61.5% at the end of 2010. The investment portfolio as a percentage of total assets increased from 21.8% at the end of 2009 to 22.5% at the end of 2010.

As of December 31, 2010, the Colombian financial sector recorded COP 267 trillion in total assets, representing a 15.1% increase as compared to the same period in 2009. The Colombian financial system's total composition of assets shows banks with a market share of 90.9%, followed by financing companies with 6.4% and financial corporations with 2.7%.

As of December 31, 2010, the capital adequacy ratio (tier 1 + tier 2) for credit institutions was 14.9% (including banks, finance corporations and financing companies), which is well above the minimum legal requirement of 9%.

Bancolombia and its Competitors

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

	ROE*		ROA**		Past due loans/ Total loans		Allowances/ Past due loans		Capital Adequacy	
	Dec-09	Dec-08	Dec-09	Dec-08	Dec-09	Dec-08	Dec-09	Dec-08	Dec-09	Dec-08
Bancolombia (unconsolidated)	14.4 %	17.7 %	2.4 %	2.6 %	3.13 %	3.07 %	184.51%	164.36%	17.3 %	14.8 %
Banco de Bogota	18.4 %	23.2 %	2.5 %	2.6 %	2.92 %	2.50 %	135.24%	137.01%	12.8 %	10.3 %
Davivienda	16.8 %	17.8 %	1.8 %	1.9 %	3.48 %	4.01 %	176.16%	147.41%	12.4 %	13.3 %
BBVA	18.1 %	20.2 %	1.9 %	1.8 %	5.03 %	4.24 %	112.87%	102.00%	12.4 %	11.0 %
Banco de Occidente	18.6 %	24.0 %	2.6 %	2.6 %	3.94 %	3.99 %	143.66%	132.68%	11.1 %	10.6 %
Banco Popular	23.0 %	26.2 %	2.8 %	2.6 %	3.20 %	2.81 %	145.25%	158.68%	12.7 %	12.9 %
Citibank	17.5 %	15.5 %	3.0 %	2.6 %	6.08 %	6.03 %	117.74%	107.69%	16.8 %	14.5 %

Source: Superintendency of Finance.
* ROE is return on average stockholders' equity.
** ROA is return on average assets.

In 2010, Bancolombia ranked first in Colombia and El Salvador in terms of amount of assets, deposits, stockholders' equity and net income.

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, 2010, 2009 and 2008:

Total Net Loans
Market Share

Total Net Loans – Market Share %	2010	2009	2008
Bancolombia	21.66	20.29	21.99
Bogotá	14.10	14.46	14.69
Davivienda	13.09	13.29	11.93
BBVA	9.57	9.53	11.30
Occidente	7.40	6.37	6.52
Popular	5.50	5.41	4.76
Citibank	2.78	2.95	3.39

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

Checking Accounts
Market Share

Checking Accounts – Market Share %	2010	2009	2008
Bancolombia	22.87	22.19	22.12
Bogotá	18.06	18.33	19.28
Occidente	15.09	14.65	13.78
BBVA	9.68	10.16	8.97
Davivienda	9.42	9.47	9.38
Popular	3.86	4.24	5.28
Citibank	2.74	2.69	2.47

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

Time Deposits
Market Share

Time Deposits – Market Share %	2010	2009	2008
Bancolombia	13.92	17.51	15.54
Bogotá	14.57	15.72	14.22
Davivienda	14.71	13.03	12.56
BBVA	7.30	7.11	13.94
Citibank	4.34	4.96	4.31
Popular	3.59	4.27	4.27
Occidente	3.65	4.12	4.25

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

Saving Accounts
Market Share

Saving Accounts – Market Share %	2010	2009	2008
Bancolombia	20.78	20.47	21.59
Bogotá	14.95	15.05	13.24
Davivienda	11.26	13.26	12.58
BBVA	11.56	10.98	11.40
Popular	7.12	7.84	7.45
Occidente	5.67	6.99	6.95
Citibank	3.65	3.07	2.82

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

Description of the Salvadorian Financial System

As of December 31, 2010, the Salvadorian financial system was comprised of 12 institutions (nine commercial banks, two state owned banks and one foreign bank).

The total Salvadorian financial system's assets amounted to USD 13 billon in 2010, decreasing 0.2% as compared to the previous year. As of December 31, 2010, loans represented 63.2% of total assets in the Salvadorian financial system, while investments represented 15.5% and cash and due from banks represented 16.2%. As of December 2009, the total Salvadorian financial system assets amounted to U.S. $13.1 billion, decreasing 4.3% as compared to the previous year. As of December 31, 2009, loans represented 65.1% of total assets in the Salvadorian financial system, while investments represented 14.2% and cash and due from banks represented 15.8%.

Banco Agrícola and its Competitors

In 2010, Banco Agrícola continued to lead the Salvadorian financial system and ranked first in terms of assets, loans, deposits, stockholder's equity and profits. The following table shows the market share for the main institutions of the Salvadorian financial system for the year ended December 31, 2010:

	MARKET SHARE									
	Assets		Stockholders' Equity		Loans		Deposits		Profits	
Banco Agrícola	30.0	%	33.8	%	30.4	%	29.3	%	64.7	%
Citi	18.5	%	20.9	%	15.8	%	18.4	%	6.1	%
HSBC	15.3	%	15.2	%	14.8	%	15.0	%	8.2	%
Scotiabank	14.6	%	13.9	%	17.2	%	14.4	%	8.6	%
BAC	9.5	%	7.7	%	9.5	%	10.2	%	8.4	%
Others	12.1	%	8.5	%	12.3	%	12.7	%	4.0	%

Source: ABANSA (Asociación Bancaria Salvadoreña).

The following charts illustrate the market share of Banco Angrícola and its main competitors with respect to various key products, based on figures published by the Salvadorian Banking Association (ABANSA) for the years ended December 31, 2010, 2009 and 2008:

Total Loans
Market Share

Total Loans – Market Share %	2010		2009		2008	
Banco Agrícola	30.4	%	30.5	%	29.7	%
Citi	15.8	%	17.8	%	19.6	%
HSBC	14.8	%	14.4	%	16.2	%
Scotiabank	17.2	%	17.6	%	17.2	%
BAC	9.5	%	9.4	%	8.5	%
Others	12.3	%	10.3	%	8.8	%

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

Checking Accounts
Market Share

Checking Accounts – Market Share %	2010		2009		2008	
Banco Agrícola	27.6	%	30.2	%	27.6	%
Citi	24.7	%	25.7	%	24.7	%
HSBC	12.0	%	10.9	%	12.0	%
Scotiabank	10.5	%	11.6	%	10.5	%
BAC	14.3	%	12.6	%	14.3	%
Others	10.8	%	9.0	%	10.8	%

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

Time Deposits
Market Share

Time Deposits – Market Share %	2010		2009		2008	
Banco Agrícola	26.6	%	28.8	%	30.5	%
Citi	12.6	%	15.5	%	14.5	%
HSBC	16.5	%	14.3	%	16.5	%
Scotiabank	16.4	%	17.4	%	16.3	%
BAC	10.8	%	9.1	%	7.9	%
Others	17.1	%	14.9	%	14.3	%

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

Saving Accounts
Market Share

Saving Accounts – Market Share %	2010		2009		2008	
Banco Agrícola	34.6	%	34.3	%	34.6	%
Citi	20.8	%	21.7	%	20.8	%
HSBC	15.7	%	17.6	%	15.7	%
Scotiabank	15.0	%	15.6	%	15.0	%
BAC	5.7	%	4.8	%	5.7	%
Others	8.2	%	5.9	%	8.2	%

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

B.8. SUPERVISION AND REGULATION

Colombian Banking Regulators

Pursuant to Colombia’s Constitution, the Colombian national legislature has the power to prescribe the general legal framework within which the government may regulate the financial system. The agencies vested with the authority to regulate the financial system are the Board of Directors of the Central Bank, the Ministry of Finance, the Superintendency of Finance, the Superintendency of Industry and Commerce (the “SIC”) and the Self-Regulatory Organization (Autoregulador del Mercado de Valores) (the “SRO”).

Central Bank

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

Ministry of Finance and Public Credit

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

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

Superintendency of Finance

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

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

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

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

Other Colombian regulators

Self Regulatory Organization

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

All capital market intermediaries, including the Bank, must become members of the SRO and are subject to its regulations.

Superintendency of Industry and Commerce

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

Regulatory Framework for Colombian Banking Institutions

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

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

Law 510 of 1999 and Law 795 of 2003 substantially amended the powers of the Superintendency of Finance to control, regulate and supervise financial institutions. Law 510 of 1999 also streamlined the procedures for the Fondo de Garantías de Instituciones Financieras ("Fogafin"), the agency that insures deposits in financial institutions and provides credit and support to troubled financial institutions.

The main purpose of Law 510 of 1999 was to improve the solvency standards and stability of Colombia's financial institutions by providing rules for their incorporation and regulating permitted investments of credit institutions, insurance companies and investment companies. Law 546 of 1999 was enacted to regulate the system of long-term home loans. Law 795 of 2003 was enacted to broaden the scope of activities that financial institutions can engage in, to update regulations with some of the then latest principles of the Basel Committee and to increase the minimum capital requirements in order to incorporate a financial institution. (For more information, see "Minimum capital requirements" below.) Law 795 of 2003 also provided authority to the Superintendency of Finance to take preventive measures, consisting mainly of preventive interventions with respect to financial institutions whose capital falls below certain thresholds. For example, in order to avoid a temporary take-over by the Superintendency of Finance, such financial institutions must submit to the Superintendency of Finance a restructuring program to restore their financial condition.

The recently enacted Law 1328 of 2009 provides a new set of rights and responsibilities for customers of the financial system and a set of obligations for financial institutions in order to minimize disputes. Prior to Law 1328 of 2009, foreign banks were able to operate in Colombia by establishing a Colombian subsidiary authorized by the Superintendency of Finance. Following the enactment of Law 1328 of 2009, as of June 15, 2013, foreign banks will be permitted to operate through their "branches" and will not be required to incorporate a Colombian subsidiary. Law 1328 of 2009 also broadened the scope of permitted business activities by regulated entities. Following its adoption, credit institutions were allowed to operate leasing businesses and banks were allowed to extend loans to third parties so that borrowers could acquire control of other companies. Pursuant to articles 62 and 63 of law 1430 of 2010 the Superintendency of Finance must follow behavior of the prices charged by financial institutions for at least 6 months; additionally, it must report its findings to the Colombian government. Subsequently the Colombian government may assess if there is "insufficient competition in the relevant market of financial services". Upon reaching its conclusion, the government has the power to: (i) fix the price of financial services; or (ii) determine price minimums or maximums.The Superintendency of Finance has authority to implement applicable regulations and, accordingly, issues from time to time administrative resolutions and circulars. By means of External Circular 007 of 1996 (as amended), the Superintendency of Finance compiled the rules and regulations applicable to financial institutions.

Likewise, by means of External Circular 100 of 1995 (the "Basic Accounting Circular"), the Superintendency of Finance compiled all regulations applicable to the accounting rules and regulations.

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

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

Key interest rates

Colombian commercial banks, finance corporations and consumer financing companies are required to provide the Central Bank, on a weekly basis, with data regarding the total volume (in pesos) of certificates of deposit issued during the prior week and the average interest rates paid for certificates of deposit with maturities of 90 days. Based on such reports, the Central Bank computes the Tasa de Captaciones de Corporaciones Financieras ("TCC") and the Depósitos a Término Fijo ("DTF") rates, which are published at the beginning of the following week for use in calculating interest rates payable by financial institutions. The TCC is the weighted average interest rate paid by finance corporations for deposits with maturities of 90 days. The DTF is the weighted average interest rate paid by finance corporations, commercial banks and consumer financing companies for certificates of deposit with maturities of 90 days. For the week of January 3, 2011, the DTF was 3.50% and the TCC was 2.78%.

Capital adequacy requirements

Capital adequacy requirements for Colombian financial institutions (as set forth in Decree 2555 of 2010, as amended) are based on applicable Basel Committee standards. 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 the sum of Tier One Capital (basic capital) and Tier Two Capital (additional capital) (Tier One Capital and Tier Two Capital, collectively, "Technical Capital").

Tier One Capital consists 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 (revalorización del patrimonio) (if positive) and of the foreign currency translation adjustment account (ajuste por conversion de estados financieros);
- current fiscal year profits in a proportion equal to the percentage of prior fiscal year profits that were capitalized, or allocated to increase the legal reserve, or all profits that must be used to cover accrued losses;
- any representative shares held as collateral 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 computed);
- subordinated bonds issued by financial institutions and subscribed by Fogafin when they comply with certain 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 dividends declared to be paid-in shares; and
- the value of the liabilities owed by minority interests.

Items deducted from Tier One Capital are:

- any prior or current period losses;
- the total value of the capital revaluation account (revalorización del patrimonio)(if negative);
- accumulated inflation adjustments on non-monetary assets (provided that the respective assets have not been transferred);
- investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by 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.

Tier Two Capital includes other reserves and retained earnings, which are added to the Tier One Capital in order to establish the total Technical Capital.

Tier Two Capital consists of:

- 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 payment obligations as long as said obligations do not exceed 50% of Tier One Capital and comply with additional requirements stated in the regulations;
- the part of the surplus capital account from donations that complies with the requirements set forth in the applicable regulation; and
- general allowances made in accordance with the instructions issued by the Superintendency of Finance.

The following items are deducted from Tier Two 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 that complies with the requirements set forth in the applicable regulation;
- 50% of the direct or indirect capital investments (excluding investments in 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; and
- 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 the total amount of Primary Capital.

The following table sets forth certain information regarding the Bank's consolidated capital adequacy as of December 31, 2010 and 2009:

	As of December 31, 2010		As of December 31, 2009	
	(COP million, except percentages)			
Subscribed capital	COP	460,684	COP	460,684
Legal reserve and other reserves		5,397,973		4,697,355
Unappropriated retained earnings		70,611		106,380
Net Income		591,261		648,786
Subordinated bonds subscribed by Fogafin		-		2,449
Less:				
Long - term investments		(102,204)		(91,808)
Non - monetary inflation adjustment		(74,556)		(97,527)
Primary capital (Tier I)	COP	6,343,769	COP	5,726,319
Reappraisal of assets	COP	188,454	COP	201,329
Provision loans		35,294		35,899
Non-monetary inflation adjustment		41,971		53,457
Subordinated bonds		2,407,960		1,269,292
Computed secondary capital (Tier II)	COP	2,673,679	COP	1,559,977
Primary capital (Tier I)	COP	6,343,769	COP	5,726,319
Secondary capital (up to an amount equal to primary capital) (Tier II)		2,673,679		1,559,977

Technical Capital	COP	9,017,448	COP	7,286,296	
Capital ratios					
Primary capital to risk-weighted assets (Tier I)		10.32	%	10.40	%
Secondary capital to risk-weighted assets (Tier II)		4.35	%	2.83	%
Technical capital to risk-weighted assets		14.67	%	13.23	%
Risk-weighted assets including market risk	COP	61,449,661	COP	55,084,655	

As of December 31, 2010, the Bank's technical capital ratio was 14.67%, exceeding the requirements of the Colombian government and the Superintendency of Finance by 567 basis points. As of December 31, 2009, the Bank's technical capital ratio was 13.23%. The year over-year increase in the capital adequacy ratio is explained by the growth in the Bank's technical capital which was higher than the growth of APNR (assets assigned with different risk weights).

Liquidity risks and market risks are currently governed by the Basic Accounting Circular, issued by the Superintendency of Finance. Since January 2002, Colombian banks have been required to calculate a VaR (value at risk) which is considered in the Bank's solvency calculation with a methodology provided by the Superintendency of Finance in accordance with the articles 2.1.1.1.1 through 2.1.1.1.16 of Decree 2555 of 2010, (previously Decree 1720 of 2001). Future changes in VaR requirements could have a material impact on the Bank's operations. According to the Superintendency of Finance, 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 in the calculation of risk-weighted assets.

Minimum capital requirements

The minimum capital requirement for banks on an unconsolidated basis is established in Article 80 of Decree 633 of 1993, as amended. The minimum capital requirement for 2010 is COP 68,913 million.Failure to meet such requirement can result in the Taking of Possession (toma de posesión) of the Bank by the Superintendency of Finance (See "Colombian banking regulations—Bankruptcy considerations").

Capital investment limit

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

Mandatory investments

Central Bank regulations require financial institutions, including the Bank, to make mandatory investments in securities issued by Finagro, a Colombian public financial institution that finances production and rural activities, to support the agricultural sector. The amount of these mandatory investments is calculated based on the current peso-denominated obligations of the relevant financial institution.

Foreign Currency Position Requirements

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

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

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

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

Reserve Requirements

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

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

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

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

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

Marginal reserve requirements were eliminated by the Central Bank in 2008.

Foreign Currency Loans

Residents of Colombia may only obtain foreign currency loans from foreign financial entities registered with the Central Bank and from Colombian currency exchange intermediaries (upon certain events). Foreign currency loans must be either channeled through a foreign exchange intermediary or deposited in offshore compensation accounts.

According to regulations issued by the Central Bank, every Colombian resident and institution borrowing funds in foreign currency is generally required to post with the Central Bank noninterest bearing deposits for a specified term, although the size of the required deposit is currently zero. No such deposits would be required for foreign currency loans aimed at financing Colombian investments abroad or for short-term exportation loans (provided the loan is disbursed against the funds of Banco de Comercio Exterior—Bancoldex). In addition, pursuant to Law 9 of 1991, the board of directors of the Central Bank is entitled to impose conditions and limitations on the incurrence of foreign currency indebtedness, as an exchange control policy, in order to avoid pressure in the currency exchange market.

Non-Performing Loan Allowance

The Superintendency of Finance maintains guidelines on non-performing loan allowances for financial institutions.

Lending Activities

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

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

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

Interest Rate Caps or Limitations

Pursuant to Article 884 of the Colombian Commercial Code, there is a limit on the amount of interest that may be charged in commercial transactions.

According to the aforementioned, no person or institution can charge an interest rate greater than one and a half times the Interés Bancario Corriente, which is calculated and certified by the Superintendency of Finance every three months. Banks that charge interest rates higher than the maximum permitted rate would commit a crime and would be forced to reverse interest charged in excess of the permitted rate. As of April 2011, the interest rate cap was 26.54% for consumer and ordinary loans and 44.00% for microcredit.

Ownership and Management Restrictions

The Bank is organized as a stock company (sociedad anónima). Its corporate existence is subject to the rules applicable to commercial companies, principally the Colombian Commerce Code. 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 the 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 the Bank, transactions resulting in holding ADRs representing 10% or more of the outstanding common and preferred shares of the Bank, 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.

Colombian financial institutions that are issuers of securities to the public must comply with special rules regarding the composition of their board of directors.In particular, at least 25% of the board members of the board of directors of the Bank must be independent. To be considered independent, the board members must not be (i) employees or directors of the Bank; (ii) shareholders of the Bank that directly or indirectly address or control the majority of the voting rights or that may determine the majority composition of the management boards; (iii) shareholders or employees of entities that render certain services to the Bank in cases in which the service provider receives 20% or more of its income from the Bank; (iv) employees or directors of a non-profit organization that receives donations from the Bank in certain amounts; (v) directors of other entities in whose board of directors one of the legal representatives of the Bank participates; and (vi) any other person that receives from the Bank any kind of economic consideration (except as for the considerations received by the board members, the auditing committee or any other committee of the board of directors).

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, (i) prior to the liquidation of the bank, by taking one of the following preventive measures (institutos de salvamento) : (a) submit the bank to a special supervision regime; (b) issue a mandatory order to recapitalize the bank; (c) place the bank under the management of another authorized financial institution, acting as trustee; (d) order the transfer of all or part of the assets, liabilities and contracts, as well as certain ongoing concerns (establecimientos de comercio) of the bank to another financial institution; (e) order the bank to merge with one or more financial institutions that consent to the merger, whether by creating a new institution or by having another institution absorb the bank; (f) order the adoption of a recovery plan by the bank, including adequate measures to reestablish its financial situation, pursuant to guidelines approved by the government; (g) order the exclusion of certain assets and liabilities by requiring the transfer of such assets and liabilities to another institution designated by the Superintendency of Finance; (h) order the progressive unwinding (desmonte progresivo) of the operations of the bank; or (ii) at any time, by taking possession of the bank (toma de posesión) ("Taking of Possession") to either administer the bank or order its liquidation, depending on how critical the situation is found to be by the Superintendency of Finance.

The following grounds for a Taking of Possession are considered to be "automatic" in the sense that, if the Superintendency of Finance discovers their existence, the Superintendency of Finance is obligated to step in and take over the respective financial institution: (i) if the financial institution's Technical Capital (patrimonio adecuado) falls below 40% of the legal minimum, or (ii) the expiration of the term of any then current recovery plans or the non-fulfillment of the goals set forth in such plans.The Superintendency of Finance also conducts periodic visits to financial institutions and, as a consequence of these visits, the Superintendency of Finance can impose capital or solvency obligations on financial institutions without taking control of the financial institution.

Additionally, and subject to the approval of the Ministry of Finance, the Superintendency of Finance may, at its discretion, initiate intervention procedures under the following circumstances: (i) suspension of payments; (ii) failure to pay deposits; (iii) refusal of the Bank to submit its files, accounts and supporting documentation for inspection by the Superintendency of Finance; (iv) repeated failure to comply with orders and instructions from the Superintendency of Finance; (v) repeated violations of applicable laws and regulations or of the bank's by-laws; (vi) unauthorized or fraudulent management of the bank's business; (vii) reduction of the bank's Technical Capital below 50% of its subscribed capital; (viii) failure to comply with the minimum capital requirements set forth in the Colombian Financial Statute; (ix) failure to comply with the recovery plans that were adopted by the bank; (x) failure to comply with the order of exclusion of certain assets and liabilities to another institution designated by the Superintendency of Finance; and (xi) failure to comply with the order of progressive unwinding (desmonte progresivo) of the operations of the bank.

The Superintendency of Finance may decide to order the Taking of Possession subject to the prior opinion of its advisory council (consejo asesor del Superintendente) and with the prior approval of the Ministry of Finance.

The purpose of Taking 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.

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

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

As a result of the Taking 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 it is decided whether to liquidate the bank.

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

During the Taking of Possession (which period ends when the liquidation process begins or the bank is restored to good financial condition), 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 assuming 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.

During the liquidation process, claims of creditors rank as follows: (i) amounts owed to employees and former employees for salaries, benefits, indemnities and pensions; (ii) bank deposits and other types of saving instruments; (iii) taxes; (iv) all other credits, except subordinated credits; and (v) subordinated credits. Each category of creditors will collect in the order indicated above, whereby distributions in one category will be subject to completing full distribution in the prior category.

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

Deposit insurance—Troubled Financial Institutions

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

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To protect the customers of commercial banks and certain financial institutions, Resolution No. 1 of 2010 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 0.3% of total funds received on saving accounts, checking accounts, certificates of deposit and other deposits. If a bank is liquidated, the deposit insurance will cover the funds deposited by an individual or corporation with such bank up to a maximum of COP 20 million regardless of the number of accounts held.

Anti-Money Laundering Provisions

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

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

Risk management systems

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

Generally, commercial banks are required to assign risk-weightings to their assets based on 0%, 25%, 50% and 100% ratios depending on their risks. Standards to evaluate risk have been established and different ratings are awarded (A, B, C, D and E) to each credit asset depending on the level of risk.

Depending on the rating assigned, a different amount of provisions are required, as established by the Superintendency of Finance in Chapter II of the Basic Accounting Circular.

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

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

Regulatory Framework for Subsidiaries Not Participants in the Financial Sector

All of Bancolombia's Colombian subsidiaries that are not part of the finance sector are governed by the laws and regulations 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 Financial System Superintendency of El Salvador is the entity responsible for the surveillance, inspection and control of the banking activity in El Salvador.

Pursuant to Article 3 of Decree 628 of 1997, the Salvadorian Financial System Superintendency: (i) fulfills and enforces the laws, regulations and other legal provisions applicable to the central bank of El Salvador and the other entities subject to its surveillance; (ii) issues the set of laws or regulations to be followed by the institutions under its control; (iii) authorizes the establishment, operation, intervention and closure of banks, savings and loan associations, insurance companies and other entities as established by law; (iv) supervises and examines the operations of the institutions under its control and (v) oversees compliance with law.

Banking Law of El Salvador

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

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

According to the Salvadorian Superintendency of Finance's regulations, the reserve requirements for Salvadorian banks as of December 31, 2010 are:

	Ordinary Reserve Requirements %	
Checking Accounts	25.0	%
Saving Accounts	20.0	%
Time Deposits	20.0	%
Borrowings from foreign banks	5.0	%
Long-term debt(1)	15.0% - 20.0	%

(1) 15% for long-term debt with maturity above one year and 20% for long-term debt with maturity less than one year.

An extraordinary reserve requirement of 3.0% over the total amount of deposits applicable to banks is in place as of December 31, 2010.

Monetary Integration Law of El Salvador

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

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

C.ORGANIZATIONAL STRUCTURE

The following are the main subsidiaries of Bancolombia S.A.:

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The following is a list of subsidiaries of Bancolombia S.A. as of December 31, 2010:

SUBSIDIARIES

Entity	Jurisdiction of Incorporation	Business	Shareholding directly and indirectly	
Leasing Bancolombia S.A. Compañía de Financiamiento	Colombia	Leasing	100	%
Fiduciaria Bancolombia S.A. Sociedad Fiduciaria	Colombia	Trust	98.81	%
Banca de Inversión Bancolombia S.A. Corporación Financiera	Colombia	Investment Banking	100	%
Valores Bancolombia S.A. Comisionista de Bolsa	Colombia	Securities brokerage	100	%
Compañía de Financiamiento Tuya S.A.	Colombia	Financial services	99.99	%
Factoring Bancolombia S.A. Compañía de Financiamiento	Colombia	Financial services	100	%
Renting Colombia S.A.	Colombia	Operating leasing	100	%
Transportempo S.A.S.	Colombia	Transportation	100	%
Valores Simesa S.A.	Colombia	Investments	68.75	%
Inversiones CFNS S.A.S.	Colombia	Investments	100	%
CFNS Infraestructura S.A.S.	Colombia	Investments	100	%
Inmobiliaria Bancol S.A.	Colombia	Real estate broker	99.00	%
Todo 1 Colombia S.A.	Colombia	E-commerce	90.09	%
Vivayco S.A.S.	Colombia	Portfolio Purchase	75.00	%
Cobranzas Bancolombia S.A. (Under “Liquidation process”)	Colombia	Technical and Administrative Services	99.99	%
Bancolombia Panamá S.A.	Panama	Banking	100	%
Valores Bancolombia Panamá S.A.	Panama	Securities brokerage	100	%
Suvalor Panamá Fondo de Inversión S.A.	Panama	Holding	100	%
Sistema de Inversiones y Negocios S.A. Sinesa	Panama	Investments	100	%
Future Net S.A.	Panama	E-commerce	100	%
Banagrícola S.A.	Panama	Investments	99.16	%
Banco Agrícola Panamá S.A.	Panama	Banking	99.16	%
Banco Agrícola S.A.	El Salvador	Banking	97.33	%
AFP Crecer S.A.	El Salvador	Pension fund	98.97	%
Aseguradora Suiza Salvadoreña S.A. Asesuisa	El Salvador	Insurance company	96.08	%
Asesuisa Vida S.A.	El Salvador	Insurance company	96.08	%
Arrendadora Financiera S.A. Arfinsa	El Salvador	Leasing	97.33	%
Credibac S.A. de C.V.	El Salvador	Credit card services	97.33	%
Bursabac S.A. de C.V.	El Salvador	Securities brokerage	98.89	%
	El Salvador	Investments	98.89	%

Inversiones Financieras Banco Agrícola S.A. IFBA

Renting Perú S.A.C.	Peru	Operating leasing	100	%
Capital Investments SAFI S.A.	Peru	Trust	100	%
Fondo de Inversión en Arrendamiento Operativo Renting Perú	Peru	Car Rental	100	%
Leasing Perú S.A.	Peru	Leasing	100	%
FiduPerú S.A. Sociedad Fiduciaria	Peru	Trust	98.82	%
Bancolombia Puerto Rico Internacional, Inc	Puerto Rico	Banking	100	%
Suleasing Internacional USA Inc	USA	Leasing	100	%
Bancolombia Cayman S.A.	Cayman Islands	Banking	100	%

D. PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2010, the Bank owned COP 2,165.33 billion in property, plant and equipment (including assets that are part of our operating leasing business). COP 804.47 billion correspond to land and buildings, of which approximately 95% are used for administrative offices and branches in 60 municipalities in Colombia and 25 municipalities in El Salvador. COP 196.90 billion correspond to computer equipment, of which 24.26% relate to the central computer and servers of Bancolombia and the rest relate to personal computers, ATMs, telecommunications equipment and other equipment. In 2010, the Bank is running two projects of construction and adaptation: "Nodo de Comunicaciones", project progress 90%, COP 46.8 billion and "Sede Alterna 1 y 2" project progress 73%, COP 0.92 billion.

In addition to its own branches, the Bank occupies 541 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, 2010 included in this Annual Report for a summary of the significant differences between Colombian GAAP and U.S. GAAP.

The consolidated selected statistical information for the year ended December 31, 2006, includes the selected statistical information of Bancolombia and its subsidiaries, without reflecting any pro-forma calculation of the effect of Banagrícola's acquisition, while consolidated selected statistical information for the years ended December 31, 2007, December 31, 2008, December 31, 2009 and December 31, 2010 corresponds to the Bank and its Subsidiaries, including all additional subsidiaries acquired as a result of the Banagrícola acquisition.

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

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

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

Average balance sheet

The following tables show for the years ended December 31, 2010, 2009 and 2008, respectively: (i) average balances for all of the Bank's assets and liabilities; (ii) interest earned and interest paid amounts; and (iii) average nominal interest rates/yield for the Bank's interest-earning assets and interest-bearing liabilities.

	Average Balance Sheet and Income from Interest-Earning Assets for the Fiscal Years Ended December 31,								
	2010			2009			2008		
	Average Balance	Interest Earned	Average Nominal Interest Rate	Average Balance	Interest Earned	Average Nominal Interest Rate	Average Balance	Interest Earned	Average Nominal Interest Rate
	(COP million, except percentages)								
ASSETS									
Interest-earning assets									
Overnight funds									
Peso-denominated	907,453	32,472	3.6 %	823,303	60,561	7.4 %	428,144	67,339	15.7%
U.S. Dollar-denominated	478,224	9,526	2.0 %	1,155,871	15,612	1.4 %	649,167	38,869	6.0 %
Total	1,385,677	41,998	3.0 %	1,979,174	76,173	3.8 %	1,077,311	106,208	9.9 %
Investment securities									
Peso-denominated	6,381,602	430,911	6.8 %	5,461,175	647,324	11.9%	4,387,502	406,802	9.3 %
U.S. Dollar-denominated	2,159,867	11,502	0.5 %	2,210,185	81,234	3.7 %	1,705,124	24,787	1.5 %
Total	8,541,469	442,413	5.2 %	7,671,360	728,558	9.5 %	6,092,626	431,589	7.1 %
Loans and Financial Leases (1)									
Peso-denominated	32,808,038	3,763,049	11.5%	31,577,872	4,713,033	14.9%	28,491,159	4,923,704	17.3%
U.S. Dollar-denominated	10,361,466	701,225	6.8 %	11,457,889	909,934	7.9 %	10,922,602	852,242	7.8 %
Total	43,169,504	4,464,274	10.3%	43,035,761	5,622,967	13.1%	39,413,761	5,775,946	14.7%
Total interest-earning assets									
Peso-denominated	40,097,093	4,226,432	10.5%	37,862,350	5,420,918	14.3%	33,306,805	5,397,845	16.2%
U.S. Dollar-denominated	12,999,557	722,253	5.6 %	14,823,945	1,006,780	6.8 %	13,276,893	915,898	6.9 %
Total	53,096,650	4,948,685	9.3 %	52,686,295	6,427,698	12.2%	46,583,698	6,313,743	13.6%
Total non-interest-earning assets									
Peso-denominated	6,957,834			7,440,325			6,277,291		
U.S. Dollar-denominated	3,300,597			2,502,976			2,260,525		
Total	10,258,431			9,943,301			8,537,816		
Total interest and non-interest- earning assets									
Peso-denominated	47,054,927	4,226,432		45,302,675	5,420,918		39,584,096	5,397,845	

U.S. Dollar-denominated	16,300,154	722,253	17,326,921	1,006,780	15,537,418	915,898
Total Assets (COP)	63,355,081	4,948,685	62,629,596	6,427,698	55,121,514	6,313,743

(1) Includes performing loans only.

	Average Balance Sheet and Interest Paid on Interest-Bearing Liabilities for the Fiscal Years Ended Decem								
	2010			2009			2008		
	Average Balance	Interest Paid	Yield / Rate(1)	Average Balance	Interest Paid	Yield / Rate(1)	Average Balance	Interest Paid	Yield / R
	(COP million, except percentages)								
LIABILITIES AND STOCKHOLDERS' EQUITY									
Interest-bearing liabilities:									
Checking deposits									
Peso-denominated	852,041	24,357	2.9%	625,108	19,729	3.2 %	468,000	16,012	3.4
U.S. Dollar-denominated	1,679,362	14,501	0.9%	1,729,212	23,482	1.4 %	1,733,507	23,245	1.3
Total	2,531,403	38,858	1.5%	2,354,320	43,211	1.8 %	2,201,507	39,257	1.8
Savings deposits									
Peso-denominated	14,046,068	307,106	2.2%	11,919,042	431,126	3.6 %	10,952,894	555,628	5.1
U.S. Dollar-denominated	2,122,407	14,556	0.7%	2,154,381	19,739	0.9 %	1,880,546	34,090	1.8
Total	16,168,475	321,662	2.0%	14,073,423	450,865	3.2 %	12,833,440	589,718	4.6
Time deposits									
Peso-denominated	11,117,836	537,145	4.8%	13,080,400	1,099,678	8.4 %	10,276,935	1,015,373	9.9
U.S. Dollar-denominated	5,835,906	156,601	2.7%	7,402,123	276,889	3.7 %	5,989,037	241,369	4.0
Total	16,953,742	693,746	4.1%	20,482,523	1,376,567	6.7 %	16,265,972	1,256,742	7.7
Overnight funds									
Peso-denominated	1,457,443	38,867	2.7%	1,213,463	74,492	6.1 %	1,301,213	123,638	9.5
U.S. Dollar-denominated	119,075	1,584	1.3%	493,706	19,607	4.0 %	1,013,888	42,491	4.2
Total	1,576,518	40,451	2.6%	1,707,169	94,099	5.5 %	2,315,101	166,129	7.2
Borrowings from development and other domestic banks(2)									
Peso-denominated	2,521,533	133,673	5.3%	2,889,261	244,644	8.5 %	3,036,553	332,747	11.
U.S. Dollar-denominated	127,093	5,359	4.2%	437,439	8,198	1.9 %	600,817	12,153	2.0
Total	2,648,626	139,032	5.2%	3,326,700	252,842	7.6 %	3,637,370	344,900	9.5
Interbank borrowings(2)(3)									
Peso-denominated	-	-		-	-		-	-	
U.S. Dollar-denominated	1,449,197	19,537	1.3%	1,270,413	47,650	3.8 %	1,578,252	74,792	4.7
Total	1,449,197	19,537	1.3%	1,270,413	47,650	3.8 %	1,578,252	74,792	4.7
Long-term debt									
Peso-denominated	2,759,345	209,542	7.6%	2,413,103	256,721	10.6%	1,640,560	191,533	11.
U.S. Dollar-denominated	1,952,604	108,753	5.6%	1,636,497	103,461	6.3 %	1,493,208	90,270	6.0
Total	4,711,949	318,295	6.8%	4,049,600	360,182	8.9 %	3,133,768	281,803	9.0
Total interest-bearing liabilities									
Peso-denominated	32,754,266	1,250,690	3.8%	32,140,377	2,126,390	6.6 %	27,676,155	2,234,931	8.1
U.S. Dollar-denominated	13,285,644	320,891	2.4%	15,123,771	499,026	3.3 %	14,289,255	518,410	3.6
Total	46,039,910	1,571,581	3.4%	47,264,148	2,625,416	5.6 %	41,965,410	2,753,341	6.6

	Average Balance Sheet and Interest Paid on Interest-Bearing Liabilities for the Fiscal Years Ended December 31,								
	2010			2009			2008		
	Average Balance	Interest Paid	Yield / Rate(1)	Average Balance	Interest Paid	Yield / Rate(1)	Average Balance	Interest Paid	Yield / Rate(1)
	(COP million, except percentages)								
Total interest and non-interest bearing liabilities and stockholders' equity									
Peso-denominated	47,981,394	1,250,690		45,380,776	2,126,390		39,524,490	2,234,931	
U.S. Dollar-denominated	15,373,687	320,891		17,248,820	499,026		15,597,024	518,410	
Total Liabilities and Stockholders' Equity(COP)	63,355,081	1,571,581		62,629,596	2,625,416		55,121,514	2,753,341	

(1) See "Item 4. Information on the Company – E. Selected Statistical Information – E.1 Distribution of Assets, Liablilities and Stockholders' Equity; Interest Rates and Interest Differential".
(2) Includes both short-term and long-term borrowings.
(3) Includes borrowings from banks located outside Colombia.

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, 2010 compared to the fiscal year ended December 31, 2009; and the fiscal year ended December 31, 2009 compared to the fiscal year ended December 31, 2008. 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.

	2009-2010 Increase (Decrease) Due To Changes in:			2008-2009 Increase (Decrease) Due To Changes in:		
	Volume	Rate	Net Change	Volume	Rate	Net Change
			(COP million)			
Interest-earning assets:						
Overnight funds						
Peso-denominated	3,011	(31,100)	(28,089)	29,067	(35,845)	(6,778)
U.S. Dollar-denominated	(13,498)	7,412	(6,086)	6,844	(30,101)	(23,257)
Total	(10,487)	(23,688)	(34,175)	35,911	(65,946)	(30,035)
Investment securities						
Peso-denominated	62,151	(278,564)	(216,413)	127,265	113,257	240,522
U.S. Dollar-denominated	(268)	(69,464)	(69,732)	18,563	37,884	56,447
Total	61,883	(348,028)	(286,145)	145,828	151,141	296,969
Loans and financial leases						
Peso-denominated	141,099	(1,091,083)	(949,984)	460,695	(671,366)	(210,671)
U.S. Dollar-denominated	(74,202)	(134,507)	(208,709)	42,510	15,182	57,692
Total	66,897	(1,225,590)	(1,158,693)	503,205	(656,184)	(152,979)
Total interest-earning assets						
Peso-denominated	206,261	(1,400,747)	(1,194,486)	617,027	(593,954)	23,073
U.S. Dollar-denominated	(87,968)	(196,559)	(284,527)	67,917	22,965	90,882
Total	118,293	(1,597,306)	(1,479,013)	684,944	(570,989)	113,955
Interest-bearing liabilities:						
Checking deposits						
Peso-denominated	6,487	(1,859)	4,628	4,958	(1,241)	3,717
U.S. Dollar-denominated	(430)	(8,551)	(8,981)	(58)	295	237
Total	6,057	(10,410)	(4,353)	4,900	(946)	3,954
Savings deposits						
Peso-denominated	46,506	(170,526)	(124,020)	34,947	(159,449)	(124,502)
U.S. Dollar-denominated	(219)	(4,964)	(5,183)	2,509	(16,860)	(14,351)
Total	46,287	(175,490)	(129,203)	37,456	(176,309)	(138,853)
Time deposits						
Peso-denominated	(94,819)	(467,714)	(562,533)	235,689	(151,384)	84,305
U.S. Dollar-denominated	(42,028)	(78,260)	(120,288)	52,859	(17,339)	35,520
Total	(136,847)	(545,974)	(682,821)	288,548	(168,723)	119,825
Overnight funds						
Peso-denominated	6,506	(42,131)	(35,625)	(5,387)	(43,759)	(49,146)

U.S. Dollar-denominated	(4,984)	(13,039)	(18,023)	(20,658)	(2,226)	(22,884)
Total	1,522	(55,170)	(53,648)	(26,045)	(45,985)	(72,030)
Borrowings from development and other domestic banks						
Peso-denominated	(19,494)	(91,477)	(110,971)	(12,472)	(75,631)	(88,103)
U.S. Dollar-denominated	(13,086)	10,247	(2,839)	(3,062)	(893)	(3,955)
Total	(32,580)	(81,230)	(113,810)	(15,534)	(76,524)	(92,058)

	2009-2010 Increase (Decrease) Due To Changes in:			2008-2009 Increase (Decrease) Due To Changes in:		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(COP million)					
Interbank borrowings						
Peso-denominated	-	-	-	-	-	-
U.S. Dollar-denominated	2,410	(30,523)	(28,113)	(11,546)	(15,596)	(27,142)
Total	2,410	(30,523)	(28,113)	(11,546)	(15,596)	(27,142)
Long-term debt						
Peso-denominated	26,293	(73,472)	(47,179)	82,188	(17,000)	65,187
U.S. Dollar-denominated	17,606	(12,314)	5,292	9,059	4,132	13,191
Total	43,899	(85,786)	(41,887)	91,247	(12,868)	78,378
Total interest-bearing liabilities						
Peso-denominated	(28,521)	(847,179)	(875,700)	339,923	(448,464)	(108,542)
U.S. Dollar-denominated	(40,731)	(137,404)	(178,135)	29,103	(48,487)	(19,384)
Total (COP)	(69,252)	(984,583)	(1,053,835)	369,026	(496,951)	(127,926)

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, 2010, 2009 and 2008, respectively.

	Interest-Earning Assets-Yield For the Fiscal Year Ended December 31,		
	2010	2009	2008
	(COP million, except percentages)		
Total average interest-earning assets			
Peso-denominated	40,097,093	37,862,350	33,306,805
U.S. Dollar-denominated	12,999,557	14,823,945	13,276,893
Total	53,096,650	52,686,295	46,583,698
Net interest earned(1)			
Peso-denominated	2,975,742	3,294,528	3,162,914
U.S. Dollar-denominated	401,362	507,754	397,488
Total	3,377,104	3,802,282	3,560,402
Average yield on interest-earning assets			
Peso-denominated	10.5%	14.3%	16.2%
U.S. Dollar-denominated	5.6%	6.8%	6.9%
Total	9.3%	12.2%	13.6%
Net interest margin(2)			
Peso-denominated	7.4%	8.7%	9.5%
U.S. Dollar-denominated	3.1%	3.4%	3.0%
Total	6.4%	7.2%	7.6%
Interest spread(3)			
Peso-denominated	6.7%	7.7%	8.1%
U.S. Dollar-denominated	3.1%	3.5%	3.3%
Total	5.9%	6.6%	7.0%

(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.

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 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, 2010, Bancolombia’s investment portfolio was COP 8,159 billion.

In accordance with 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 book value of the Bank’s investments in Colombian government and foreign governments and corporate securities and certain other financial investments as of the dates indicated:

	As of December 31,		
	2010(1)(2)	2009(1)(2)	2008(1)(2)
		(COP million)	
Foreign currency-denominated			
Securities issued or secured by the Colombian government	COP 111,482	COP 206,806	COP 58,942
Securities issued or secured by the El Salvador Central Bank	751,689	811,012	670,266
Securities issued or secured by government entities(3)	91,798	117,818	144,518
Securities issued or secured by other financial entities	262,361	93,371	69,125
Securities issued by foreign governments	522,599	717,640	687,557
Others(4)	184,800	171,925	15,398
Subtotal	1,924,729	2,118,572	1,645,806

Peso-denominated			
Securities issued or secured by the Colombian government	2,157,162	3,183,274	2,633,806
Securities issued or secured by the Colombian Central Bank	-	-	2
Securities issued or secured by government entities	1,011,385	854,620	609,129
Securities issued or secured by financial entities	2,969,900	2,143,165	1,849,069
Others(4)	117,909	82,313	81,857
Subtotal	6,256,356	6,263,372	5,173,863
Total	COP 8,181,085	COP 8,381,944	COP 6,819,669

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(1) Includes debt securities only. Net investments in equity securities were COP 494,678 million, COP 532,969 million and COP 458,607 million for 2010, 2009 and 2008.
(2) These amounts are net of allowances for decline in value which were COP 45,726 million for 2010, COP 54,300 million for 2009 and COP 20,927 million for 2008.
(3) 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 Banco Agrícola. The purpose of this transaction was to carry out the restructuring of those loans, promoted by the government of El Salvador. The Bank has recognized an allowance related to probable losses inherent in the FICAFE investment in an amount of COP 49,320 and COP 47,776 at December 31, 2010 and 2009, respectively.
(4) Includes debt securities in corporate bonds.

As of December 31, 2010, 2009 and 2008 Bancolombia held securities issued by foreign governments in the following amounts:

As of December 31,	Issuer	Investment Amount–Book Value (in millions of pesos)(1)		Investment Amount–Book Value (thousands of U.S. dollars)(1) (2)	
2010	Republic of El Salvador	COP	335,402	USD	175,238
	U.S. Treasury	COP	99,567	USD	52,021
	Republic of Brazil	COP	68,294	USD	35,682
	Republic of Panama	COP	43,446	USD	22,699
	Republic of Peru	COP	10,720	USD	5,601
	Republic of Chile	COP	153	USD	80
2009	Republic of El Salvador	COP	357,939	USD	175,097
	U.S. Treasury	COP	137,798	USD	67,408
	Republic of Brazil	COP	172,676	USD	84,470
	Republic of Panama	COP	74,818	USD	36,599
	Republic of Peru	COP	6,804	USD	3,329
2008	Republic of El Salvador	COP	230,749	USD	102,848
	U.S. Treasury	COP	405,050	USD	180,536
	Republic of Brazil	COP	51,981	USD	23,169

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(1) These amonunts are not net of allowances for decline in value which were COP 34,983 million (USD 18 million) for 2010, COP 32,395 million (USD 15.8 million) for 2009 and COP 223 million (USD 0.9 million) for 2008.
(2) These amounts have been translated at the rate of COP 1,913.98 per US$ 1.00 at December 2010, COP 2,044.23 per US$ 1.00 at December 2009 and COP 2,243.59 per US$ 1.00 at December 2008, which corresponds to the Representative Market Rate, calculated on December 31, the last business day of the year.

As of December 31, 2010, the Bank's peso-denominated debt securities portfolio amounted to COP 6,234, remaining stable in terms of relative size compared to the same period last year. Peso-denominated debt securities issued by the Colombian government, represented 34% of the Bank's peso-denominated debt securities portfolio in 2010.

On the other hand, as of December 31, 2010, Bancolombia's foreign currency-denominated debt securities portfolio amounted to COP 558 billion, decreasing 26% compared to the end of 2009. This variation is primarily explained by a reduction in the Bank's position in Brazilian sovereign bonds.

INVESTMENT SECURITIES PORTFOLIO MATURITY

The following table summarizes the maturities and weighted average nominal yields of the Bank's investment securities as of December 31, 2010:

	As of December 31, 2010									
	Maturing in less than 1 year		Maturing between 1 and 5 years		Maturing between 5 and 10 years		Maturing in more than 10 years		Total	
	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)
	(COP million, except yields)									
Securities issued or secured by:										
Foreign currency.-denominated:										
Colombian government	3,425	3.57%	103,385	3.55%	3,909	6.36%	763	6.23 %	111,482	3.67
El Salvador Central Bank	616,534	0.20%	135,155	2.43%	-	- -	-	-	751,689	0.60
Other government entities	-	- -	19,837	3.98%	22,655	4.75%	49,305	4.25 %	91,797	4.31
Other financial entities	5,480	3.91%	183,618	1.74%	73,264	5.53%	-	-	262,362	2.84
Foreign governments	265,903	2.74%	118,163	1.09%	60,649	2.38%	77,884	6.41 %	522,599	2.87
Others	17,472	5.30%	120,303	7.52%	47,026	4.59%	-	-	184,801	6.57
Subtotal	908,814	1.08%	680,461	3.13%	207,503	4.33%	127,952	5.57 %	1,924,730	2.45
Securities issued or secured by:										
Peso-denominated										
Colombian government	606,974	3.40%	880,380	5.00%	17,091	8.77%	1,026	8.15 %	1,505,471	4.40
Government entities	1,001,713	0.81%	9,672	5.58%	-	-	-	-	1,011,385	0.86
Other financial entities	161,777	4,67%	434,157	7.06%	1,044,957	6.10%	782,551	11.46%	2,423,442	7.91
Others	16,091	5.70%	90,782	6.63%	11,035	8.09%	-	-	117,908	6.64
Subtotal	1,786,555	2.08%	1,414,991	5.74%	1,073,083	6.16%	783,577	11.46%	5,058,206	5.42
Securities issued or secured by:										
UVR-denominated										
Colombian Government.	103,609	0.34%	544,107	0.65%	-	-	814	3.97 %	648,530	0.61
Other financial entities	-	-	131,327	4.48%	320,689	3.54%	88,922	8.18 %	540,938	4.53
Subtotal	103,609	0.34%	675,434	1.40%	320,689	3.54%	89,736	8.14 %	1,189,468	2.39
Total (COP)	2,798,978		2,770,886		1,601,275		1,001,265		8,172,404	

(1) Amounts are net of allowances for decline in value which amounted to COP 45,727 million in 2010.

(2) Yield was calculated using the internal return rate (IRR) as of December 31, 2010.

As of December 31, 2010, the Bank had the following investments in securities of issuers that exceeded 10% of the Bank's stockholders' equity:

	Issuer	Amortized Cost	Fair value
		(COP million)	
Securities issued or secured by:			
Colombian government	Ministry of Finance	2,268,644	2,230,242
Other financial entities	Titularizadora Colombiana	2,474,877	2,463,602
Government entities	FINAGRO	1,001,713	989,512
Total		5,745,234	5,683,356

E.3. LOAN PORTFOLIO

Types of loans

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

	As of December 31,				
	2010	2009	2008 (COP million)	2007(2)	2006
Domestic					
Corporate					
Trade financing	1,704,673	623,084	640,033	845,810	777,417
Loans funded by development banks	300,459	485,754	970,456	842,957	321,263
Working capital loans	18,360,582	15,003,979	15,524,940	13,320,319	11,534,148
Credit cards	31,297	26,947	33,039	36,613	50,803
Overdrafts	38,563	45,072	55,796	50,536	74,218
Total corporate	20,435,574	16,184,836	17,224,264	15,096,235	12,757,849
Retail(1)					
Credit cards	2,477,808	2,198,127	2,317,178	1,855,999	796,175
Personal loans	2,890,095	2,060,776	2,369,852	2,305,390	2,281,177
Vehicle loans	1,332,175	1,218,299	1,314,685	1,305,685	963,072
Overdrafts	156,244	168,760	208,123	195,063	119,882
Loans funded by development banks	667,299	792,437	887,978	713,007	386,283
Trade financing	27,547	48,955	98,344	93,037	70,406
Working capital loans	4,702,240	4,346,213	4,125,358	3,715,945	2,331,999
Total retail	12,253,408	10,833,567	11,321,518	10,184,126	6,948,994
Financial Leases	5,737,473	5,390,937	5,406,712	4,698,702	3,553,286
Mortgage	2,516,376	2,556,810	2,313,864	1,930,742	1,385,445
Total loans	40,942,831	34,966,150	36,266,358	31,909,805	24,645,574
Allowance for loan losses	(2,160,119)	(2,115,161)	(1,810,577)	(1,251,561)	(834,183)
Total loans, net (COP)	38,782,712	32,850,989	34,455,781	30,658,244	23,811,391
Foreign					
Corporate					

Trade financing	1,192,349	551,211	1,128,931	313,736
Loans funded by development banks	18,874	41,969	52,308	39,758
Working capital loans	3,644,287	3,509,893	3,807,352	2,779,180
Credit cards	6,712	8,462	9,327	6,546
Overdrafts	5,190	5,530	7,712	8,610
Total corporate	4,867,412	4,117,065	5,005,630	3,147,830
Retail(1)				
Credit cards	156,895	190,932	201,813	164,612
Personal loans	1,649,853	1,713,992	1,917,663	1,473,168
Vehicle loans	2,705	3,718	5,724	6,711
Overdrafts	18,449	19,853	21,089	22,943
Loans funded by development banks	12,143	9,410	8,304	6,204
Trade financing	7,516	4,343	25,482	4,941
Working capital loans	20,705	24,833	13,015	13,399
Total retail	1,868,266	1,967,081	2,193,090	1,691,978
Financial Leases	96,076	79,064	100,030	125
Mortgage	826,505	912,614	1,077,462	952,886
Total loans	7,658,259	7,075,824	8,376,212	5,792,819
Allowance for loan losses	(349,094)	(316,506)	(323,783)	(205,590)
Total loans, net (COP)	7,309,165	6,759,318	8,052,429	5,587,229
Total Foreign and Domestic Loans (COP)	46,091,877	39,610,307	42,508,210	36,245,473

(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.Foreign loans for 2006 are not material and therefore are not separately identified.

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

As of December 31, 2010, the Bank's total loan portfolio amounted to COP 48,601 billion, up 16% as compared to COP 42,042 billion in 2009, and 8% higher than the COP 44,643 billion at the end of 2008. Loan volume performance, during 2010, is primarily explained by the significantly increased economic activity in Colombia, which led individuals and corporations to demand more credit. For further discussion of some of these trends please see "Item 5. Operating and Financial Review and Prospects – D.Trend information".

As of December 31, 2010, corporate loans amounted to COP 25,303 billion, or 52% of loans, and increased 25% from COP 20,319 at the end of 2009.

Retail and SMEs loans totaled COP 14,122 billion, or 29% of total loans, of which COP 7,175 billion were consumer loans (15% of total loans). Retail and SMEs loans increased 10% over the year.

Financial leases totaled COP 5,834 as of the end of 2010, up 7% from COP 5,470 at the end of 2009.

Mortgage lending activity was dynamic during 2010, driven mainly by the Colombian government's housing subsidy program that was implemented in April 2009 as well as by lower long-term interest rates in Colombia. Taking into account securitized loans, mortgages increased 11% over the year. Bancolombia securitized COP 1,627 billion mortgage loans during 2010 in the local market.

Borrowing Relationships

As of December 31, 2010, the aggregate outstanding principal amount of the Bank's 25 largest borrowing relationships, on a consolidated basis, represented approximately 14.14% of the loan portfolio, and no single borrowing relationship represented more than 1.52% of the loan book. Also, 100% of those loans were corporate loans and 100% of these relationships were classified as "A".

Maturity and Interest Rate Sensitivity of Loans

The following table shows the maturities of the Bank's loan portfolio as of December 31, 2010:

	Due in one year or less	Due from one to five years	Due after five years	Total
		(COP million)		
Domestic loans and financial leases:				
Corporate				
Trade financing	1,549,311	51,785	103,577	1,704,673
Loans funded by development banks	47,728	128,687	124,044	300,459
Working capital loans	5,831,067	6,307,767	6,221,748	18,360,582
Credit cards	5,490	25,507	300	31,297
Overdrafts	38,563	-	-	38,563
Total corporate	7,472,159	6,513,746	6,449,669	20,435,574
Retail				
Credit cards	339,709	2,123,068	15,031	2,477,808
Personal loans	269,279	2,582,628	38,188	2,890,095
Vehicle loans	71,589	992,018	268,568	1,332,175
Overdrafts	156,244	-	-	156,244
Loans funded by development banks	50,099	489,226	127,974	667,299
Trade financing	27,068	479	-	27,547
Working capital loans	1,225,018	3,100,834	376,388	4,702,240
Total retail	2,139,006	9,288,253	826,149	12,253,408
Financial leases	324,091	3,218,401	2,194,981	5,737,473
Mortgage	35,226	123,843	2,357,307	2,516,376
Total domestic loans and financial leases	9,970,482	19,144,243	11,828,106	40,942,831
Foreign loans and financial leases:				
Corporate				
Trade financing	453,687	418,538	320,124	1,192,349
Loans funded by development banks	9,728	2,054	7,092	18,874
Working capital loans	903,658	1,649,043	1,091,586	3,644,287
Credit cards	-	6,712	-	6,712
Overdrafts	5,190	-	-	5,190
Total corporate	1,372,263	2,076,347	1,418,802	4,867,412
Retail				
Credit cards	465	156,412	18	156,895
Personal loans	62,830	627,366	959,657	1,649,853
Vehicle loans	145	2,320	240	2,705
Overdrafts	18,449	-	-	18,449
Loans funded by development banks	23	3,142	8,978	12,143
Trade financing	3,874	1,322	2,320	7,516
Working capital loans	3,338	13,952	3,415	20,705
Total retail	89,124	804,514	974,628	1,868,266
Financial leases	4,383	78,935	12,758	96,076
Mortgage	2,521	38,404	785,580	826,505
Foreign loans and financial leases	1,468,291	2,998,200	3,191,768	7,658,259
Total loans (COP million)	11,438,773	22,142,443	15,019,874	48,601,090

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, 2010:

	As of December 31, 2010 (COP million)	
Loans with term of 1 year or more:		
Variable Rate		
Domestic-denominated	COP	24,135,665
Foreign-denominated		5,262,887
Total		29,398,552
Fixed Rate		
Domestic-denominated		6,836,684
Foreign-denominated		927,081
Total		7,763,765
Loans with terms of less than 1 year:		
Domestic-denominated		9,970,482
Foreign-denominated		1,468,291
Total		11,438,773
Total loans	COP	48,601,090

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,									
	2010	%	2009	%	2008	%	2007 (1)	%	2006
	(COP million ,except percentages)								
Domestic									
Agricultural	1,810,415	4.4 %	1,625,790	4.6 %	1,691,697	4.7 %	1,453,047	4.6 %	996,091
Mining products and oil	1,863,052	4.6 %	1,193,712	3.4 %	521,249	1.4 %	496,296	1.6 %	456,770
Food, beverage and tobacco	2,922,405	7.1 %	2,243,064	6.4 %	2,264,246	6.2 %	1,799,891	5.6 %	1,665,850
Chemical production	2,727,045	6.7 %	1,310,495	3.7 %	1,790,731	4.9 %	1,145,943	3.6 %	805,900
Other industrial and manufacturing products	3,124,519	7.6 %	3,396,188	9.7 %	4,132,049	11.4 %	5,032,310	15.8 %	3,867,432
Government	1,310,226	3.2 %	1,234,824	3.5 %	659,800	1.8 %	772,539	2.4 %	602,585
Construction	4,092,951	10.0 %	3,520,673	10.2 %	3,422,564	9.4 %	2,325,378	7.2 %	1,534,816
Trade and tourism	5,614,774	13.7 %	5,471,749	15.7 %	6,216,359	17.2 %	3,919,082	12.3 %	2,791,340
Transportation and communications	2,803,387	6.9 %	2,544,050	7.3 %	2,426,608	6.7 %	2,262,124	7.1 %	1,924,129
Public services	2,220,108	5.4 %	1,659,742	4.7 %	836,298	2.3 %	1,266,250	4.0 %	1,183,361
Consumer services	9,353,171	22.8 %	7,916,772	22.7 %	8,709,958	24.1 %	8,070,250	25.2 %	5,804,779
Commercial services	3,100,778	7.6 %	2,849,091	8.1 %	3,594,799	9.9 %	3,366,695	10.6 %	3,012,521
Total loans domestic (COP)	40,942,831	100.0%	34,966,150	100.0%	36,266,358	100.0%	31,909,805	100.0%	24,645,574
Foreign									
Agricultural	327,430	4.3 %	301,866	4.3 %	248,631	3.0 %	242,404	4.2 %	
Mining products and oil	133,052	1.7 %	176,042	2.5 %	189,743	2.3 %	215,540	3.7 %	
Food, beverage and tobacco	138,252	1.8 %	118,092	1.7 %	232,410	2.8 %	200,439	3.5 %	
Chemical production	12,850	0.2 %	51,173	0.7 %	95,552	1.1 %	67,425	1.2 %	
Other industrial and manufacturing products	1,836,483	24.0 %	1,586,708	22.4 %	2,426,601	29.0 %	526,061	9.1 %	
Government	4	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %	

Construction	1,231,658	16.1 %	1,375,521	19.4 %	442,021	5.2 %	354,903	6.0 %
Trade and tourism	594,213	7.8 %	613,928	8.7 %	751,364	9.0 %	794,335	13.7 %
Transportation and communications	149,698	2.0 %	291,613	4.1 %	117,356	1.4 %	78,014	1.4 %
Public services	514,250	6.7 %	256,307	3.6 %	275,812	3.3 %	248,345	4.3 %
Consumer services	1,946,188	25.4 %	1,971,723	27.9 %	3,202,212	38.2 %	2,494,456	43.0 %
Commercial services	774,181	10.0 %	332,851	4.7 %	394,510	4.7 %	570,897	9.9 %
Total loans foreign (COP)	7,658,259	100.0 %	7,075,824	100.0 %	8,376,212	100.0 %	5,792,819	100.0 %
Total Foreign and Domestic Loans (COP)	48,601,090	100.0 %	42,041,974	100.0 %	44,642,570	100.0 %	37,702,624	100.0 %

(1) In 2007 the foreign loan category became material to the Bank due to the acquisition of Banagrícola. Foreign loans for 2006 are not material and therefore are not separately identified.

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.

Microcredit 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 and at any time the balance of any single borrower may not exceed such amount (as stipulated in Article 39 of Law 590 of 2000) and the main source of payment for the corresponding obligation shall be the revenues obtained from activities of the borrower's micro business. The balance of indebtedness on the part of the borrower may not exceed 120 SMMLV, as applicable, at the moment the credit is approved.

Commercial Loans: 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 microcredit loans.

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,				
	2010	2009	2008	2007	2006
			(COP million)		
Commercial Loans	30,992,403	26,011,915	28,068,731	23,397,058	16,028,505
Consumer Loans	8,177,175	6,888,615	7,532,649	6,593,211	3,587,260
Microcredit Loans	255,082	202,019	143,122	129,900	91,078
Financial Leases	5,833,549	5,470,001	5,506,742	4,698,827	3,553,286
Mortgage	3,342,881	3,469,424	3,391,326	2,883,628	1,385,445
Total Loans and Financial Leases	48,601,090	42,041,974	44,642,570	37,702,624	24,645,574
Allowance for Loans and Financial Lease Losses	2,509,213	2,431,667	2,134,360	1,457,151	834,183
Total Loans and Financial Leases, Net (COP)	46,091,877	39,610,307	42,508,210	36,245,473	23,811,391

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 leases in this category are acceptably serviced and guaranty protected, but there are weaknesses which may potentially affect, on a transitory or permanent basis, the debtor's paying capacity or its projected cash flows, to the extent that, if not timely corrected, would affect the normal collection of credit or contracts.

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

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

Category E or "Risk of Non-Recoverability": Loans and financial leases in this category are deemed uncollectible.

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

	As of December 31,								
	2010	%	2009	%	2008	%	2007	%	2006
	(COP million, except percentages)								
“A” Normal	44,914,187	92.4 %	38,180,628	90.8 %	40,650,096	91.0 %	35,397,503	93.9 %	23,310,5
“B” Subnormal	1,588,798	3.3 %	1,711,661	4.1 %	2,216,832	5.0 %	1,135,022	3.0 %	708,774
“C” Deficient	606,901	1.2 %	703,053	1.7 %	576,557	1.3 %	300,085	0.8 %	209,386
“D” Doubtful Recovery	1,014,289	2.1 %	1,105,442	2.6 %	871,892	2.0 %	604,034	1.6 %	242,763
“E” Unrecoverable	476,915	1.0 %	341,190	0.8 %	327,193	0.7 %	265,980	0.7 %	174,106
Total loans and financial leases	48,601,090	100.0 %	42,041,974	100.0 %	44,642,570	100.0 %	37,702,624	100.0 %	24,645,5
Loans classified as “C”, “D” and “E” as a percentage of total loans	4.3 %		5.1 %		4.0 %		3.1 %		2.5

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
Microcredit	1 month
Commercial	3 months

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

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

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 of each period:

	As of December 31,									
	2010	%	2009	%	2008	%	2007	%	2006	%
	(COP million, except percentages)									

Performing past due loans:(1)										
Consumer loans(2)	117,787	25.2 %	141,813	23.7 %	150,762	22.4 %	131,824	30.1 %	62,201	26.4 %
Commercial loans(3)	197,895	42.4 %	254,923	42.5 %	323,185	48.0 %	164,163	37.4 %	74,577	31.8 %
Mortgage loans(4)	107,639	23.0 %	115,611	19.3 %	100,785	15.0 %	81,523	18.6 %	62,919	26.8 %
Financial leases(5)	43,819	9.4 %	87,202	14.5 %	98,644	14.6 %	61,055	13.9 %	35,150	15.0 %
Total perf. PDLs	467,140	100.0%	599,549	100.0%	673,376	100.0%	438,565	100.0%	234,847	100.0%
Non-performing PDLs:										
Consumer loans(6)	180,668	19.5 %	231,790	22.6 %	296,153	31.2 %	234,659	35.2 %	114,101	34.1 %

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	As of December 31,									
	2010	%	2009	%	2008	%	2007	%	2006	%
	(COP million, except percentages)									
Small loans(7)	22,193	2.4 %	17,250	1.7 %	17,600	1.9 %	14,630	2.2 %	10,003	3.
Commercial loans(8)	450,161	48.5 %	488,248	47.5 %	387,571	40.7 %	233,883	35.1 %	133,987	40
Mortgage loans(9)	195,631	21.1 %	197,323	19.2 %	184,597	19.4 %	124,251	18.6 %	65,187	19
Financial leases(10)	80,106	8.5 %	93,101	9.0 %	64,708	6.8 %	58,945	8.9 %	11,210	3.
Total non-perf. PDLs	928,759	100.0 %	1,027,712	100.0 %	950,629	100.0 %	666,368	100.0 %	334,488	10
Total PDLs (COP)	1,395,899		1,627,261		1,624,005		1,104,933		569,335	
Total non-perf. PDLs	928,759		1,027,712		950,629		666,368		334,488	
Foreclosed assets	257,603		250,976		204,480		234,116		193,004	
Other accounts receivable (overdue > 180 days)	19,190		33,800		34,486		38,182		29,146	
Total non-performing assets (COP)	1,205,552		1,312,488		1,189,595		938,666		556,638	
Allowance for loan losses	(2,509,213)		(2,431,667)		(2,134,360)		(1,457,151)		(834,183)	
Allowance for estimated losses on foreclosed assets	(187,326)		(170,308)		(179,827)		(201,822)		(174,393)	
Allowance for accounts receivable and accrued interest losses	(111,848)		(124,916)		(114,009)		(69,956)		(34,936)	
PDLs/ Total loans		2.9 %		3.9 %		3.6 %		2.9 %		2.
Allowance for loan losses/ PDLs		179,8 %		149.4 %		131.4 %		131.9 %		14
Allowance for loan losses/ Loans classified as “C”, “D” and “E”		119.6 %		113.1 %		120.2 %		124.5 %		13
		98.1 %		97.6 %		97.9 %		98.2 %		98

Perf.
Loans/Total
loans

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

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 of each period:

	As of December 31,				
Non-performing past due loans:	2010	2009	2008	2007 (1)	2006
Consumer loans(2)					
Domestic	COP124,149	COP169,357	COP243,487	COP204,739	COP-
Foreign	56,519	62,433	52,666	29,920	-
Total Consumer Loans	180,668	231,790	296,153	234,659	114,101
Microcredit loans (3)					
Domestic	20,602	15,025	15,583	12,888	-
Foreign	1,591	2,225	2,017	1,742	-
Total Small Loans	22,193	17,250	17,600	14,630	10,003
Commercial loans(4)					
Domestic	378,380	430,695	336,958	192,457	-
Foreign	71,781	57,553	50,613	41,426	-
Total Commercial Loans	450,161	488,248	387,571	233,883	133,987
Mortgage loans(5)					
Domestic	151,975	159,697	161,284	105,516	-
Foreign	43,656	37,626	23,313	18,735	-
Total Mortgage Loans	195,631	197,323	184,597	124,251	65,187
Financial leases(6)					
Domestic	80,106	93,100	63,160	58,902	-
Foreign	-	1	1,548	43	-
Total Financial leases	80,106	93,101	64,708	58,945	11,210
Total non-perf. PDLs (domestic)	755,212	867,874	820,472	574,502	-
Total non-perf. PDLs (foreign)	173,547	159,838	130,157	91,866	-
Total non-perf. PDLs	COP928,759	COP1,027,712	COP950,629	COP666,368	COP334,488

(1) In 2007 the Foreign loan category becomes material to the Bank due to the acquisition of Banagrícola.This category was not material to the Bank for 2006 and is therefore not separately reported.

(2) Past due more than 60 days.

(3) Past due more than 30 days.

(4) Past due more than 90 days.

(5) Past due more than 60 days.

(6) Past due financial leases incluses Consumer financial leases that are more than 60 days past due and the commercial financial leases that are more than 90 days past due.

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

	As of December 31,									
	2010	%	2009	%	2008	%	2007 (1)	%	2006	%
	(COP million, except percentages)									
Domestic										
Corporate										
Trade financing	1,685	0.2 %	3,945	0.3 %	2,472	0.2 %	9,073	1.0 %	18,218	3.2 %
Loans funded by development banks	22,497	1.9 %	13,933	1.0 %	22,125	1.6 %	6,710	0.7 %	6,820	1.2 %
Working capital loans	189,833	16.4 %	154,071	11.2 %	150,795	11.1 %	101,613	10.8 %	67,267	11.8 %
Credit cards	351	0.0 %	376	0.0 %	456	0.0 %	377	0.0 %	2,669	0.5 %
Overdrafts	1,975	0.2 %	2,781	0.2 %	3,032	0.2 %	1,835	0.2 %	7,716	1.4 %
Total corporate	216,341	18.7 %	175,106	12.7 %	178,880	13.1 %	119,608	12.7 %	102,690	18.0 %
Retail										
Credit cards	137,649	11.9 %	163,924	11.9 %	172,409	12.7 %	144,621	15.3 %	40,307	7.1 %
Personal loans	62,392	5.4 %	86,358	6.3 %	144,336	10.6 %	128,954	13.7 %	113,514	19.9 %
Vehicle loans	68,194	5.9 %	117,601	8.6 %	142,336	10.5 %	74,379	7.9 %	41,641	7.3 %
Overdrafts	15,368	1.3 %	20,106	1.5 %	33,277	2.5 %	27,932	3.0 %	11,771	2.1 %
Loans funded by development banks	31,752	2.7 %	30,733	2.2 %	33,530	2.5 %	21,168	2.2 %	12,166	2.1 %
Trade financing	947	0.1 %	961	0.1 %	8,169	0.6 %	3,213	0.3 %	1,403	0.2 %
Working capital loans	272,522	23.5 %	353,744	25.7 %	287,587	21.2 %	139,307	14.8 %	57,976	10.2 %
Total retail	588,824	50.8 %	773,427	56.3 %	821,644	60.6 %	539,574	57.2 %	278,778	49.0 %
Financial Leases)	123,925	10.7 %	179,632	13.1 %	155,678	11.5 %	119,956	12.7 %	46,359	8.1 %
Mortgage	230,018	19.8 %	246,277	17.9 %	201,186	14.8 %	164,901	17.5 %	141,508	24.9 %
Total past due loans (COP)	1,159,108	100.0%	1,374,442	100.0%	1,357,388	100.0%	944,039	100.0%	569,335	100.0%
Foreign										
Corporate										
Trade financing	9,535	4.0 %	14,978	5.9 %	19,157	7.2 %	5,098	3.2 %		
Loans funded by development banks	376	0.2 %	2,306	0.9 %	1,552	0.6 %	1,132	0.7 %		
Working capital loans	76,559	32.3 %	80,031	31.7 %	106,532	40.0 %	64,522	40.1 %		
Credit cards	434	0.2 %	499	0.1 %	222	0.0 %	130	0.0 %		

Overdrafts	775	0.3 %	287	0.0 %	341	0.1 %	137	0.1 %
Total corporate	87,679	37.0 %	98,101	38.6 %	127,804	47.9 %	71,019	44.1 %
Retail								
Credit cards	7,615	3.2 %	12,450	4.9 %	10,692	4.0 %	6,901	4.3 %
Personal loans	65,749	27.8 %	72,157	28.5 %	63,172	23.7 %	39,739	24.7 %
Vehicle loans	203	0.1 %	239	0.1 %	110	0.0 %	116	0.0 %
Overdrafts	134	0.1 %	99	0.0 %	103	0.0 %	321	0.2 %
Loans funded by development banks	569	0.2 %	260	0.1 %	568	0.2 %	96	0.1 %
Trade financing	199	0.1 %	213	0.1 %	243	0.1 %	191	0.1 %
Working capital loans	1,391	0.6 %	1,972	0.8 %	1,764	0.7 %	1,535	1.0 %
Total retail	75,860	32.1 %	87,390	34.5 %	76,652	28.7 %	48,899	30.4 %
Financial Leases	-	0.0 %	671	0.3 %	7,674	2.9 %	43	0.0 %
Mortgage	73,252	30.9 %	66,657	26.6 %	54,487	20.5 %	40,933	25.5 %
Total past due loans (COP)	236,791	100.0%	252,819	100.0%	266,617	100.0%	160,894	100.0%

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(1) In 2007 the foreign loan category became material to the Bank due to the acquisition of Banagrícola. Foreign loans for 2006 are not material and therefore are not separately identified.

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

	As of December 31,									
	2010	%	2009	%	2008	%	2007	%	2006	%
	(COP million, except percentages)									
Secured										
Current	20,970,409	43.2%	19,061,249	45.3%	17,779,101	39.8%	16,923,998	44.9%	10,762,717	43.7%
Past due Commercial loans	327,323	0.7 %	411,359	1.0 %	324,541	0.7 %	198,901	0.5 %	96,641	0.4 %
Past due Consumer loans	73,476	0.2 %	88,740	0.2 %	70,934	0.2 %	72,601	0.2 %	29,116	0.1 %
Past due Microcredit loans	11,415	0.1 %	7,824	0.1 %	8,175	0.1 %	7,156	0.0 %	3,972	0.0 %
Past due Mortgage loans	303,270	0.6 %	312,934	0.7 %	285,382	0.6 %	205,774	0.6 %	148,050	0.6 %
Past due Financial	123,925	0.3 %	180,303	0.4 %	163,352	0.4 %	120,000	0.3 %	46,360	0.2 %

leases										
Total (COP)	21,809,818	45.1%	20,062,409	47.7%	18,631,485	41.8%	17,528,430	46.5%	11,086,856	45.0%
Unsecured(1)										
Current	26,234,778	54.0%	21,353,464	50.8%	25,239,464	56.5%	19,673,693	52.2%	13,313,522	54.0%
Past due Commercial loans	320,738	0.7 %	331,812	0.8 %	386,215	0.9 %	199,145	0.5 %	91,979	0.4 %
Past due Consumer loans	224,978	0.5 %	284,863	0.7 %	375,981	0.8 %	293,882	0.8 %	147,186	0.6 %
Past due Microcredit loans	10,778	0.0 %	9,426	0.0 %	9,425	0.0 %	7,474	0.0 %	6,031	0.0 %
Total (COP)	26,791,272	55.2%	21,979,565	52.3%	26,011,085	58.2%	20,174,194	53.5%	13,558,718	55.0%
Total current loans and financial leases	47,205,191	97.1%	40,414,713	96.1%	43,018,565	96.4%	36,597,691	97.1%	24,076,239	97.7%
Past due Commercial loans	648,061	1.4 %	743,171	1.9 %	710,756	1.6 %	398,046	1.0 %	188,620	0.8 %
Past due Consumer loans	298,454	0.6 %	373,603	0.9 %	446,915	1.0 %	366,483	1.0 %	176,302	0.7 %
Past due Microcredit loans	22,189	0.1 %	17,250	0.0 %	17,600	0.0 %	14,630	0.0 %	10,003	0.0
Past due Mortgage loans	303,270	0.6 %	312,934	0.7 %	285,382	0.6 %	205,774	0.6 %	148,050	0.6
Past due Financial leases	123,925	0.3 %	180,303	0.4 %	163,352	0.4 %	120,000	0.3 %	46,360	0.2
Total past due loans and financial leases (COP)	1,395,899	2.9 %	1,627,261	3.9 %	1,624,005	3.6 %	1,104,933	2.9 %	569,335	2.3
Total gross loans and financial leases	48,601,090	100 %	42,041,974	100 %	44,642,570	100 %	37,702,624	100 %	24,645,574	100
Allowance for loan and financial lease losses	(2,509,213)	(5.2)%	(2,431,667)	(5.8)%	(2,134,360)	(4.8)%	(1,457,151)	(3.9)%	(834,183)	(3.4
	46,091,877	94.8%	39,610,307	94.2%	42,508,210	95.2%	36,245,473	96.1%	23,811,391	96.6

Total loans and financial leases, net (COP)

(1) Includes loans with personal guarantees.

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

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

As of December 31, 2010, 2009, 2008, 2007 and 2006, Bancolombia did not have any performing loans which were past due for 90 days or more.

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

	As of December 31, 2010		
	Amount of Loans	Gross Interest Income	Interest income included in net income for the period
		(COP million)	
Foreign loans	COP 173,547	COP 16,682	COP 3,427
Domestic loans	755,212	278,343	202,577
Non-performing loans	COP 928,759	COP 295,025	COP 206,004

	As of December 31, 2009		
	Amount of Loans	Gross Interest Income	Interest income included in net income for the period
		(COP million)	
Foreign loans	COP 159,838	COP 15,957	COP 3,080
Domestic loans	867,874	302,451	208,829
Non-performing loans	COP 1,027,712	COP 318,408	COP 211,909

Performing Troubled Debt Restructuring Loans

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

	As of December 31,				
	2010	2009	2008	2007(1)	2006
	(COP million)				
Foreign loans	266,173	169,459	176,246	111,870	-
Domestic loans	1,088,117	994,506	623,722	521,181	578,099
Total Performing Troubled Debt Restructuring loans (COP)	1,354,290	1,163,965	799,968	633,051	578,099

(1) In 2007 the foreign loan category became material to the Bank due to the acquisition of Banagrícola.

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

	As of December 31, 2010		
	Amount of Loans	Gross Interest Income	Interest income included in net income for the period
	(COP million)		
Foreign loans	266,173	16,984	16,984
Domestic loans	1,088,117	92,130	92,130
Total Performing Troubled Debt Restructuring loans	COP 1,354,290	COP 109,114	COP 109,114

	As of December 31, 2009		
	Amount of Loans	Gross Interest Income	Interest income included in net income for the period
	(COP million)		
Foreign loans	169,459	14,006	14,006
Domestic loans	994,506	66,469	66,469
Total Performing Troubled Debt Restructuring loans	COP 1,163,965	COP 80,475	COP 80,475

Policies for the granting and review of credit

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

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

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

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

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

In general, the term of a loan will depend on the type of guarantee, the credit history of the borrower and the purpose of the loan. Almost 70% of the Bank's loan portfolio has a maturity of five years or less.
Loan applications, depending on their amount, are presented for approval to branch managers, the zone or regional managers, the Vice Presidents, the President, the Credit Committee and the board of directors of Bancolombia. In general, loan application decisions are made by the Bank's management in the corresponding committee. Approval at each level also requires the agreement of each lower level of the approval hierarchy.

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

The Bank has established policies for the valuation of collateral received as well as for the determination of the maximum loan amount that can be granted against the value of the collateral. Periodically, the Bank undertakes a valuation of collateral held as security for loans. In addition, for retail and mortgage loans that are between 5 and 60 days past due, an external collection company controls each obligation payment, for commercial lending this procedure is always made by internal employees. When a loan becomes 60 days past due, the loan will be given to an independent and specialized division where various steps will be taken to recover the loan.

With respect to monitoring outstanding loans, the Bank, in accordance with the requirements of the Superintendency of Finance, has implemented regional committees and a central qualification office to undertake a biannual evaluation of the loan portfolio, during the months of May and November each year. At least 50% of the outstanding portfolio is evaluated by the Superintendency of Finance. Clients evaluated have, among others, the following characteristics: high exposure, more than 30 days past due, bad record of historical payment behavior either with the Bank or the financial system and restructured loans or loans that are part of the watch list. The 30 clients with the largest debt and the 30 clients with the least debt in each region are also included, and 30 more clients are randomly selected. When monitoring outstanding loans, the Bank examines current financial statements including cash flow and financial indicators.

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

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

E.4. SUMMARY OF LOAN LOSS EXPERIENCE

ALLOWANCE FOR LOAN LOSSES

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

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

	Year Ended December 31,				
	2010	2009	2008	2007	2006
			(COP million)		
Balance at beginning of period	2,431,667	2,134,360	1,457,151	834,183	705,882
Balance at beginning of period (Factoring Bancolombia)	-	-	-	-	5,625
Balance at beginning of period (Banagrícola's subsidiaries)(3)	-	-	-	147,357	-
Provisions for loan losses(1)	1,842,406	2,448,581	1,986,710	1,203,543	568,679
Recoveries of provisions	(1,085,211)	(1,186,674)	(807,245)	(516,218)	(308,004)
Charge-offs	(658,151)	(925,592)	(547,860)	(186,273)	(136,789)
Effect of difference in exchange rate	(21,498)	(39,008)	45,604	(25,441)	(1,210)
Balance at end of year (2) (COP)	2,509,213	2,431,667	2,134,360	1,457,151	834,183

(1) The provision for past due accrued interest receivable, which is not included in this item, amounted to COP 33,540 million, COP 46,840 million, COP 58,721 million, COP 35,543 million and COP 14,825 for the years ended December 31, 2010, 2009, 2008, 2007 and 2006, respectively.

(2) The allowance for past due accrued interest receivable, which is not included in this item, amounted to COP 38,952 million, COP 45,937 million, COP 54,323 million, COP 33,303 million and COP 11,644 for the years ended December 31, 2010, 2009, 2008, 2007 and 2006, respectively. The allowance at the beginning the period for past due accrued interest receivable , which is not included in this item, amounted to COP 45,937 million, COP 54,323 million, COP 33,303 million, COP 11,644 million and COP 8,655 for the years ended December 31, 2010, 2009, 2008, 2007 and 2006, respectively.

(3) Includes allowance for loan losses of Banco Agrícola, Banco Agricola Panamá, Arrendadora Financiera, Credibac, Aseguradora Suiza Salvadoreña and Asesuisa Vida.

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

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

	As of December 31,				
	2010	2009	2008	2007	2006
			(COP million)		
Commercial loans	1,465,318	1,443,943	1,202,047	791,957	356,272
Consumer loans	559,789	523,353	502,496	340,247	152,842

Microcredit loans	21,719	17,263	12,424	9,050	6,365
Financial leases	269,634	253,764	197,952	133,837	49,463
Mortgage	157,459	157,445	122,407	53,973	23,948
General	35,294	35,899	97,034	128,087	245,293
Total allowance for loan losses (COP)	2,509,213	2,431,667	2,134,360	1,457,151	834,183

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

As of December 31,								
2010	%	2009	%	2008	%	2007(1)	%	2006