BANCOLOMBIA SA
Form 20-F
June 11, 2010

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 11, 2010

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, 2009

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)
Juan Esteban Toro Valencia, Investor Relations Manager
Carrera 48 # 26-85, Medellín, Colombia
Tel. +5744041837, Fax. + 574 4045146, e-mail: juatoro@bancolombia.com
(Name, Telephone, E-Mail and/or Facsimile number and Address of Company Contact Person)
Securities registered or to be registeredpursuant 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 ¨ Nox

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company
(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 share),

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 “preferred shares” and “common shares” refer to our authorized preferred and common shares, designated as acciones preferencialesand 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 “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 holding the inspection, supervision and control over the persons involved in financial activities, stock market, insurance and any other 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”, “U.S. dollars”, and “US$” refer to the lawful currency of the United States.

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

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

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 2009, the Bank's consolidated financial statements include companies in which it holds, directly or indirectly, 50% or more of outstanding voting shares. The Bank consolidates directly Leasing Bancolombia, Fiduciaria Bancolombia, Banca de Inversión, Sufinanciamiento, Bancolombia Puerto Rico Internacional, Inc., Patrimonio Autónomo Sufinanciamiento, Bancolombia Panamá, Valores Bancolombia and Factoring Bancolombia. As described below, some of the Bank's Subsidiaries also consolidate their own subsidiaries. Bancolombia Panamá consolidates Bancolombia Cayman S.A., Sistema de Inversiones y Negocios S.A., Sinesa Holding Company Limited, Future Net S.A., Suleasing International USA Inc. and Banagrícola (which, in turn, consolidates Banco Agrícola Panamá S.A, Inversiones Financieras Banco Agrícola S.A., Banco Agrícola, Arrendadora Financiera S.A., Credibac S.A. de C.V., Bursabac S.A. de C.V., AFP Crecer S.A., Aseguradora Suiza Salvadoreña S.A. and Asesuisa Vida S.A.). Banca de Inversión consolidates with Inmobiliaria Bancol S.A., Valores Simesa S.A., Inversiones CFNS Ltda., Todo Uno Colombia S.A. and Inversiones Valores y Logística S.A. The Bank's Subsidiary Leasing Bancolombia consolidates Leasing Perú, Renting Colombia (which, in turn, consolidates Renting Perú S.A.C., Capital Investments SAFI S.A., Fondo de Inversión en Arrendamiento Operativo Renting Perú, Transportes Empresariales de Occidente Ltda. and RC Rent a Car S.A.). The Bank's Subsidiary Valores Bancolombia consolidates Suvalor Panamá S.A and Suvalor Panamá Fondo de inversión and the Bank's Subsidiary Fiduciaria Bancolombia consolidates Fiduciaria GBC S.A.

Currencies

The Bank maintains accounting records in Colombian pesos. The audited consolidated financial statements of Bancolombia S.A. for the years ended December 31, 2007, 2008 and 2009 (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 2,044.23 per US$ 1.00, which corresponds to the Representative Market Rate calculated on December 31, 2009 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 May 25, 2010, the Representative Market Rate was COP 1,989.51 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.

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, 2009 and 2008, and for each of the three fiscal years in the period ended December 31, 2009 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, 2007, 2006 and 2005, and for each of the two fiscal years in the period ended December 31, 2005 set forth below have been derived from the Bank's audited consolidated financial statements for the respective periods, which are not included herein.

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

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

	As of and for the year ended December 31,					
	2009 (1)	2009	2008	2007 (10) (11)	2006	2005
	(in millions of COP and thousands of US$ (1) , except per share and per American Depositary Share (' amounts)					
CONSOLIDATED STATEMENT OF OPERATIONS:						
Colombian GAAP:						
Interest income	US$ 3,144,313	COP 6,427,698	COP 6,313,743	COP 4,810,408	COP 3,013,732	COP 3,
Interest expense	(1,284,306)	(2,625,416)	(2,753,341)	(2,002,090)	(1,246,229)	(1,
Net interest income	1,860,007	3,802,282	3,560,402	2,808,318	1,767,503	2,
Provisions for loans and accrued interest losses, net of recoveries (2)	(539,859)	(1,103,595)	(1,155,262)	(617,868)	(195,361)	(
Provision for foreclosed assets and other assets, net of recoveries (3)	(24,351)	(49,779)	22,095	20,833	45,179	
Net interest income after provisions	1,295,797	2,648,908	2,427,235	2,211,283	1,617,321	1,
Fees and income from services and other operating income, net (4)	923,061	1,886,949	1,964,084	1,510,129	1,139,094	
Operating expenses	(1,416,252)	(2,895,145)	(2,639,997)	(2,271,418)	(1,871,000)	(1,
Net operating income	802,606	1,640,712	1,751,322	1,449,994	885,415	1,
Net non-operating income excluding minority interest	45,607	93,232	31,888	12,058	45,346	
Minority interest (loss)	(7,377)	(15,081)	(18,511)	(13,246)	(6,352)	
Income before income taxes	840,836	1,718,863	1,764,699	1,448,806	924,409	1,
Income taxes	(226,008)	(462,013)	(474,056)	(361,883)	(174,880)	(
Net income	US$ 614,828	COP 1,256,850	COP 1,290,643	COP 1,086,923	COP 749,529	COP
Weighted average of Preferred andCommon Shares outstanding (5)		787,827,003	787,827,003	758,313,771	727,827,005	652,
Basic and Diluted net income per	0,78	1,595	1,638	1,433	1,030	

share (5)											
Basic and Diluted net income per ADS (12)		3,12		6,380		6,552		5,732		4,119	
Cash dividends declared per share (6)				637		624		568		532	
Cash dividends declared per share (6) (stated in U.S. Dollars)				0,31		0,28		0,28		0,24	
Cash dividends declared per ADS				2,547		2,496		2,272		2,128	
Cash dividends declared per ADS (stated in U.S. Dollars)				1,25		1,11		1,13		0,95	
U.S. GAAP:(7)											
Net income	US$	560,837	COP	1,146,480	COP	849,920	COP	1,015,644	COP	941,183	COP
Basic and Diluted net income per common share (8)		0.71		1,455		1,326		1,683		1,619	
Basic and Diluted net income per ADS (8) (12)		2.84		5,820		5,304		6,732		6,476	

(1) Amounts stated in U.S dollars have been translated at the rate of COP 2,044.23 per US$ 1.00, which is the Representative Market Rate calculated on December 31, 2009 (the last business day of 2009), as reported and certified by the Superintendency of Finance. Such translations should not be construed as representations that the pesos amounts represent, or have been or could be converted into, United States dollars at that or any other rate.

(2) Represents the provision for loan, accrued interest losses and other receivables, net and recovery of charged-off loans. Includes a provision for accrued interest losses amounting to COP 12,379 million, COP 14,825 million, COP 35,543 million, COP 58,721 million and COP 46,840 million for the years ended December 31, 2005, 2006, 2007, 2008 and 2009, 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 year 2005, include 198,261,641 preferred shares and 454,621,115 common shares. For fiscal year 2006, it included 218,122,419 preferred shares and 509,704,584 common shares. For fiscal year 2007, it included 253,300,502 preferred shares and 509,704,584 common shares. For fiscal years 2008 and 2009, it included 218,122,419 preferred shares and 509,704,584.

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

(7) See “Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP” to our Financial Statements included in this Annual Report.

(8) Under U.S. GAAP, these shares are considered outstanding since the beginning of the earliest period presented. Net income per share under U.S. GAAP is presented on the basis of net income available to common stockholders divided by the weighted average number of common shares outstanding (198,261,641 preferred shares and 454,621,115 common shares for 2005; 509,704,584 for 2006, 2007, 2008 and 2009). See “Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP”.

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(9) The consolidated statement of operations for the year ended December 31, 2005, includes Conavi and Corfinsura's results since the beginning of the year. 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.

(10) The consolidated statement of operations for the year ended December 31, 2007 includes Banagrícola's results since the beginning of the year. 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.

(11) The consolidated statement of operations for the year ended on December 2007 was modified due to reclassifications made particularly in commissions from banking services and other services, administrative and other expenses and other income, with the purpose of better presenting comparative information regarding the gains on the sale of mortgage loans. The selected financial data for year 2006 has not been reclassified to the 2008 presentation because the amounts are insignificant and do not have a material impact on the consolidated statement of operations for each of the respective years.

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

	As of and for the year ended December 31,					
	2009 (1)	2009	2008	2007 (4)	2006	2005 (3)
	(in millions of COP and thousands of US$ (1) , except per share and per American Depositary Share ("ADS") amounts)					
CONSOLIDATED BALANCE SHEET						
Colombian GAAP:						
Assets:						
Cash and due from banks	US$ 2,437,871	COP 4,983,569	COP 3,870,927	COP 3,618,619	COP 1,548,752	COP 1,241,43
Overnight funds	1,168,552	2,388,790	1,748,648	1,609,768	457,614	488,58
Investment securities, net	4,361,013	8,914,913	7,278,276	5,774,251	5,677,761	8,459,70
Loans and financial leases, net	19,376,639	39,610,307	42,508,210	36,245,473	23,811,391	17,920,37
Accrued interest receivable on loans, net	165,639	338,605	505,658	398,560	255,290	198,26
Customers' acceptances and derivatives	100,462	205,367	272,458	196,001	166,395	133,42
Accounts receivable, net	394,713	806,885	828,817	716,106	562,598	590,31
Premises and equipment, net	485,288	992,041	1,171,117	855,818	712,722	623,72
Operating leases, net	412,407	843,054	726,262	488,333	167,307	143,97
Foreclosed assets, net	39,461	80,668	24,653	32,294	18,611	31,36
Prepaid expenses and deferred charges	90,895	185,811	132,881	137,901	46,462	26,89
Goodwill	418,605	855,724	1,008,639	977,095	40,164	50,95
Other assets	451,156	922,265	1,093,850	580,642	675,265	563,58
Reappraisal of assets	360,217	736,366	612,683	520,788	348,364	330,91
Total assets	US$ 30,262,918	COP 61,864,365	COP 61,783,079	COP 52,151,649	COP 34,488,696	COP 30,803,51
Liabilities and stockholders' equity:						
Deposits	US$ 20,618,683	COP 42,149,330	COP 40,384,400	COP 34,374,150	COP 23,216,467	COP 18,384,98
Borrowings (5)	1,975,878	4,039,150	5,947,925	4,851,246	3,516,426	3,927,55
Other liabilities	4,228,025	8,643,056	9,333,909	7,726,983	4,109,191	5,113,69
Stockholders' equity	3,440,332	7,032,829	6,116,845	5,199,270	3,646,612	3,377,29
	US$ 30,262,918	COP 61,864,365	COP	COP 52,151,649	COP 34,488,696	COP 30,803,51

Total liabilities and stockholders' equity						61,783,079						
U.S. GAAP: (2)												
Stockholders' equity	US$	3,470,875	COP	7,095,266	COP	6,422,815	COP	5,937,554	COP	4,549,018	COP	4,125,99
Stockholders' equity per share (6)		4.41		9,006		8,153		7,830		6,250		6,32
Stockholders' equity per ADS (6)		17.64		36,024		32,612		31,320		25,001		25,28

(1) Amounts stated in U.S. dollars have been converted at the rate of COP 2,044.23 per US$ 1.00, which is the Representative Market Rate calculated on December 31, 2009 (the last business day of 2009) as reported and certified by the Superintendency of Finance.

(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 for the reconciliation to U.S. GAAP.

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

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

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

(6) The weighted average (rounded to the nearest million) of preferred and common shares outstanding was 653 million for the fiscal year ended December 31, 2005, 728 million for the fiscal year ended December 31, 2006, 758 million for the fiscal year ended December 31, 2007, 788 million for the fiscal year ended December 31, 2008 and 2009. Stockholders' equity per share is equal to Stockholders' equity under U.S. GAAP divided by the weighted average of preferred and common shares outstanding,. Stockholders' equity per ADS is equal to stockholders' equity per share multiplied by four preferred shares of Bancolombia (Each ADS is equivalent to four preferred shares of Bancolombia). Stockholders' equity per 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.

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, 2009, 2008, 2007, 2006 and 2005.

Differences Between Colombian and U.S. GAAP Results

The Bank's consolidated financial statements have been prepared in accordance with Colombian GAAP, which are the accounting principles and policies that are summarized in "Note 2, 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. 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.

Consolidated net income under U.S. GAAP for the year ended December 31, 2009 was COP 1,146,480 million (compared with COP 849,920 million for fiscal year 2008 and COP 1,015,644 million for fiscal year 2007). The difference in some significant adjustments between Colombian and U.S. GAAP results are described in "Note 31, Differences between Colombian Accounting Principles for Banks and U.S. GAAP" – to the Financial Statements included in this Annual Report.

	As of and for the year ended December 31,				
	2009	2008	2007 (11)(12)	2006	2005 (10)
	(Percentages, except for operating data)				
SELECTED RATIOS: (1)					
Colombian GAAP:					
Profitability ratios:					
Net interest margin (2)	7.22	7.70	7.60	6.19	8.12
Return on average total assets (3)	2.01	2.34	2.52	2.31	3.30
Return on average stockholders' equity (4)	19.59	23.68	26.13	22.10	31.49
Efficiency Ratio:					
Operating expenses as a percentage of interest, fees, services and other operating income	50.89	47.79	52.60	64.37	54.94
Capital ratios:					
Period-end stockholders' equity as a percentage of period-end total assets	11.37	9.90	9.97	10.57	10.96
Period-end regulatory capital as a percentage of period-end risk- weighted assets (5)	13.23	11.24	12.67	11.05	10.93
Credit quality data:					
Non-performing loans as a percentage of total loans (6)	2.44	2.35	1.77	1.36	1.48
"C", "D" and "E" loans as a percentage of total loans (9)	5.11	4.40	3.10	2.54	3.38
Allowance for loan and accrued interest losses as a percentage of non-performing loans (10)	241.08	224.53	223.67	252.87	259.02
Allowance for loan and accrued interest losses as a percentage of "C", "D" and "E" loans (9)	115.25	120.21	127.38	135.06	113.59
Allowance for loan and accrued interest losses as a percentage of total loans	5.89	5.29	3.95	3.43	3.84
OPERATING DATA:					
Number of branches (7)	889	890	888	701	678
Number of employees (8)	21,201	19,728	24,836	16,222	14,562

(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, 2005, include Conavi and Corfinsura's results. For U.S. GAAP purposes, see "Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP – m) Business combinations".

(11) Selected ratios for the year ended December 31, 2007 include Banagrícola's results. For U.S. GAAP purposes, see "Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP – m) Business combinations".

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

Exchange Rates

On May 31, 2010, the Representative Market Rate was Ps 1,971.55 per $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 weight average of the buy/sell foreign exchange rates quoted daily by certain financial institutions, including BC, 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 U.S. Dollars per Peso;

Month	Low	High
December 2009	1,989.94	2,054.10
January 2010	1,957.82	2,044.23
February 2010	1,914.87	2,003.76
March 2010	1,888.05	1,934.21
April 2010	1,911.07	1,973.05
May 2010	1,950.44	2,029.54

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
2009	2,179.64
2008	1,993.80
2007	2,069.21
2006	2,359.13
2005	2,320.77

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

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 each other's economies, and their policies are likely to continue to have an important effect on Colombian and Salvadorian entities (including the Bank), market conditions, prices and rates of return on securities of local issuers (including the Bank's securities). On June 1, 2009, a member of the FMLN party took office as President of El Salvador after 20 years of rule by the ARENA party and, accordingly, significant changes in Salvadorian laws, public policies and regulations could occur. In May 2010, Presidential elections will be held in Colombia. 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 remain vulnerable to external shocks that could be caused by significant economic difficulties experienced by their major regional trading partners or by more general "contagion" effects, which could have a material adverse effect on their economic growth and their ability to service their public debt.

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, 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.

The recent global economic downturn, which began in the U.S. financial sector and then spread to different economic sectors and countries around the world, has had, and is expected to continue to have, adverse effects on the economies of the countries where the Bank operates. Colombia and El Salvador for instance, have experienced decreases in economic growth that have resulted in higher past due loans and loan loss provisions for the Bank, as well as in lower demand for its products.

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. Recent political tensions between Colombia and Venezuela have produced lower trade levels that have adversely impacted economic activity. Further trade restrictions by Venezuela may deepen these adverse effects, while increasing tensions 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.

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.

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 on the exchange market in order to consolidate or dispose of international reserves, and as 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 appreciated 1.99% in 2006, appreciated 10.01% in 2007, depreciated 11.36% in 2008, and appreciated 8.89% in 2009. Unforeseen events in the international markets, fluctuations in interest rates or changes in capital flows, may cause exchange rate instability that could generate sharp movements in the value of the peso. Given that a portion of our assets and liabilities are denominated in, or indexed to, foreign currencies, especially the U.S. dollar, sharp movements in exchange rates may negatively impact the Bank's results. In addition, exchange rate fluctuations may adversely impact the value of dividends paid to holders of the Bank's ADSs as well as the market price and liquidity of ADSs.

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

Colombia has experienced several periods of criminal violence over the past four decades, primarily due to the activities of guerilla groups and drug cartels. In response, the Colombian government has implemented various security measures and has strengthened its military and police forces by creating specialized units. 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

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, future additional capital requirements could adversely affect the levels of return for stockholders' and/or the Bank's market price of its common and preferred shares.

Bancolombia's continuous assessment of its capital position aims at ensuring that Bancolombia and its financial subsidiaries maintain sufficient capital consistent with their risk profile, all applicable regulatory standards and guidelines as well as external rating agency conditions. There can be no assurance, however, that future regulation will not change or require Bancolombia or its subsidiaries to comply with 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 operate 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' equity.

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

While many of the policies underlying Colombian banking regulations are similar to those underlying regulations applicable to banks in other countries, including those in the United States, Colombian regulations can differ in a number of material respects from those other regulations. For example, capital adequacy requirements for banks under Colombian regulations differ from those under U.S. regulations and may differ from those in effect in other countries. The Bank prepares its annual audited financial statements in accordance with Colombian GAAP, which differs in significant respects to U.S. GAAP and International Financial Reporting Standards ("IFRS"). Thus, Colombian financial statements and reported earnings may differ from those of companies in other countries in these and other respects. Some of the 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 combination accounting. Moreover, under Colombian GAAP, allowances for non-performing loans are computed by establishing each non-performing loan's individual inherent risk using criteria established by the Superintendency of Finance that differs from that used under U.S. GAAP. See "Item 4. Information on the Company – E. Selected Statistical Information – E.4. Summary of Loan Loss Experience – Allowance for Loan Losses".

Although the Colombian government 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 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, in the event 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. In recent years, Colombian financial institutions, including the Bank, have experienced a substantial increase in the aggregate number of these actions. The great majority of such actions are related to fees, financial services and interest rates, and their outcome is uncertain. Although during 2009 the aggregate number of such actions brought against the Bank remained stable as compared to 2008 and 2007, the number of such actions might not remain stable in the future. The number of these actions may increase in the future and could significantly affect the Bank's business.

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

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

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. 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 services and banks regarding interchange fees. Specifically, in 2004, the Superintendency of Commerce and Industry started an investigation against Credibanco and Redeban, entities that participate in Colombia's payment services system, for an alleged illegal anticompetitive agreement based on the way in which interchange fees were determined at that time.

The Superintendency of Commerce and Industry has determined that there was a breach in the compliance of some commitments signed by Redeban, Credibanco and the banks and imposed a fine, a decision that was confirmed in September 2009.

As a consequence of the dispute described above, interchange fees in Colombia have been declining in recent years, while further pressures may lead to additional decreases, which in turn could impact the Bank's financial results.

The Bank is subject to credit risk.

A number of our products expose the Bank to credit risk, including loans, financial leases, lending commitments and derivatives. Changes in the income levels of the Bank's borrowers, increases in the inflation rate or an increase in interest rates could have a negative effect on the quality of the Bank's loan portfolio, causing the Bank to increase provisions for loan losses and resulting in reduced profits or in losses.

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 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 the impact of macroeconomic trends and political events affecting Colombia or other jurisdictions where the Bank operates, or events affecting specific industries.

The recent economic downturn has adversely affected, and may continue to adversely affect, Bancolombia's asset quality levels, which in turn have produced higher provision charges.

Recent lower economic activity has affected, and may continue to affect, consumer confidence levels, consumer spending, bankruptcy rates, and levels of incurrence and default on consumer and commercial debt, among other factors, in the markets where Bancolombia operates. Any of these factors, along with persistently high levels of unemployment, may result in a greater likelihood of delinquencies and past due loans, which in turn, could result in a higher level of loan losses and allowances for credit losses, all of which could adversely affect our earnings.

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 12% of its total consolidated loan portfolio as of December 31, 2009. 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 loans 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 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, the Bank may incur costs which, in turn, may impact its results as it implements strategies to reduce future interest rate exposure.

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

The Bank’s debt securities portfolio is primarily composed of sovereign debt securities, 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, 2009, the Bank’s total debt securities represented 13.6% of its total assets, and 40% 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 jurissdications 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 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"). 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 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.

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 must necessarily base any assessment of potential acquisitions and partnerships on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. The Banagrícola acquisition and 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'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 73.2%, 72.5% and 76.9% of total liabilities at the end of 2007, 2008 and 2009, 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 certain assets at prices below their prevailing market value.

The Bank is subject to reputational risk.

Damage to our reputation may limit our ability to attract customers, employees and investors. Harm to our reputation can arise from employee misconduct, legal and regulatory requirements, ethical issues, money laundering, and failing to deliver minimum standards of service and quality, among others. Failure to adequately address these issues may affect our business and prospects.

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 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.

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

American Depositary Receipts ("ADRs") do not have the same tax benefits as other equity investments in Colombia.

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

Preemptive rights may not be available to holders of ADRs.

The Bank's by-laws and Colombian law require that, whenever the Bank issues new shares of any outstanding class, it must offer the holders of each class of shares (including holders of ADRs) the right to purchase a number of shares of such class sufficient to maintain their existing percentage ownership of the aggregate capital stock of the Bank. These rights are called preemptive rights. United States holders of ADRs may not be able to exercise their preemptive rights through The Bank of New York, which acts as depositary (the "Depositary") for the Bank's ADR facility, unless a registration statement under the Securities Act is effective with respect to such rights and stocks or an exemption from the registration requirement thereunder is available. Although the Bank is not obligated to, it intends to consider at the time of any rights offering the costs and potential liabilities associated with any such registration statement, the benefits to the Bank from enabling the holders of the ADRs to exercise those rights and any other factors deemed appropriate at the time, and will then make a decision as to whether to file a registration statement. Accordingly, the Bank might decide not to file a registration statement in some cases.

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

The Bank's preferred shares have limited voting rights.

The Bank's corporate affairs are governed by its by-laws and Colombian law. Under Colombian law, the Bank's preferred 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".

H olders 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.

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 was incorporated in Colombia in 1945, under the name Banco Industrial Colombiano S.A. or "BIC". In 1998, the Bank merged with Banco de Colombia S.A., and changed its legal name to Bancolombia S.A. On July 30, 2005, Conavi and Corfinsura merged with and into Bancolombia, with Bancolombia as the surviving entity. 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. The Bank 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.

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, 2009, Bancolombia had, on a consolidated basis:

- COP 61,864 billion in total assets;
- COP 39,610 billion in total net loans and financial leases;
- COP 42,149 billion in total deposits; and
- COP 7,033 billion in stockholders' equity.

Bancolombia's consolidated net income for the year ended December 31, 2009 was COP 1,257 billion, representing an average return on equity of 19.6% and an average return on assets of 2.0%.

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 January 4th 2010, Banca de Inversión Bancolombia S.A. sold 5,863,418 shares of Inversiones, Valores Y Logística S.A. En Liquidación, equivalent to 98.252% of the outstanding shares of the company, to Inversiones Egeo I S.A.S.for a total consideration of COP 33,895 million, 65% of which was payable in January 2010 with the remaining 35% to be paid within six months of the initial payment.

In March 2010, Leasing Bancolombia S.A. Compañía de Financiamiento completed a local offering of ordinary notes for an aggregate principal amount of four hundred billion pesos (COP 400,000,000,000). This issuance and offering was the first of multiple planned issuances of ordinary notes, which are limited to an aggregate principal amount of one trillion five hundred billion pesos (COP 1,500,000,000,000).

In March 2010, Leasing Bancolombia S.A. Compañía de Financiamiento Comercial, signed a stockholders purchase agreement with Mitsubishi Corporation to acquire the shares that Mitsubishi has in Renting Colombia S.A. Therefore, Leasing Bancolombia S.A. owns 94.5% of Renting Colombia S.A.

On March 19, 2010 assets, liabilities and contracts of Sufinanciamiento S.A. Compañia de Financiamiento were assigned to its parent company, Bancolombia, as authorized by the Colombian Superintendency of Finance. Pursuant to the transaction, Sufinanciamiento assigned to Bancolombia assets and contracts totaling COP 1,208,019 million and Bancolombia assumed liabilities of Sufinanciamiento totaling COP 1,192,809 million. The difference, amounting to COP 15,210 million, was paid by Bancolombia. Also pursuant to the transaction, Bancolombia kept the trademark to Sufinanciamiento, which will hereafter be used to identify the automobile finance division of Bancolombia. Given that Sufinanciemiento is a fully owned subsidiary, this transaction had no effect on the Bank's consolidated financial statements.

On March 31, 2010, Banca de Inversión Bancolombia S.A. Corporación Financiera ("Banca de Inversion") signed an agreement with Telebucaramanga S.A. E.S.P. ("Telebucaramanga"), a telecommunications company that provides services mainly in the Department of Santander, to sell Banca de Inversion's 28.42% ownership interest in Metrotel Redes S.A. Pursuant to the agreement, Banca de Inversión received an amount of COP 30,000 million.

PUBLIC TAKEOVER OFFERS

During 2009, 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 2007, total capital expenditures of the Bank, on an unconsolidated basis, amounted to approximately COP 192.9 billion. Such investments were made mainly in buildings under construction (COP 111.5 billion), purchases of land and buildings (COP 21.3 billion), technology and data processing equipment (COP 37.5 billion) and furniture and equipment (COP 21.5 billion).

During 2008, total capital expenditures of the Bank 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 to (COP 49 billion), vehicles (COP 200 billion) and investments related to the IT Platform Renewal project (COP 36 billion).

During 2009, total capital expenditures of the Bank 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 totaled 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.

In 2009, Bancolombia funded its capital expenditures with its own resources and plans to continue to fund those currently in progress in the same way. No assurance can be given, however, that all such capital expenditures will be made and, if made, that such expenditures will be in the amounts currently expected.

During 2010, the Bank expects to invest approximately COP 285 billion as follows: COP 124 billion in connection with an IT Platform renewal project, COP 74 billion in connection with the expansion of the Bank's branch and ATM network, COP 32 billion in connection with the purchase of hardware for the expansion, updating and replacement of the current equipment and COP 55 billion in connection with other investments, such as an anti-fraud and fixed assets. These figures represent only an estimate and may change according to the continuing assessment of the Bank's projects portfolio.

The following table summarizes the Bank's capital expenditures and divestitures in interests in other companies for the years ending December 31, 2009, 2008 and 2007:

	As of December 31,			
Capital Expenditures (COP million)	2009	2008	2007	Total
Banagrícola S.A.	469	2,503	1,776,310	1,779,282
Inversiones Financieras Banco Agrícola S.A.	4,512	865	608,365	613,742
Banco Agrícola S.A.	905	3,951	94,384	99,240
Compañía de Financiamiento Comercial Sufinanciamiento S.A.	-	24,997	79,981	104,978

Renting Colombia S.A.	-	7,774	67,043	74,817
Asesuisa, S.A.	-	605	-	605
Asesuisa Vida S.A.	-	-	11,947	11,947
Suleasing International USA Inc.	-	-	6,446	6,446
Sutecnología S.A.	-	-	3,067	3,067
Suramericana de Inversiones S.A.	-	-	1,311	1,311
Leasing Bancolombia S.A.	-	-	1,157	1,157

Capital Expenditures (COP million)	As of December 31, 2009	2008	2007	Total
FCP Colombia Inmobiliaria	25,700	26,595	-	52,295
Fiduciaria Bancolombia S.A.	-	-	31	31
Factoring Bancolombia S.A.	20,001	5,000	10	25,011
Fondo de Inversión en arrendamiento operativo	5,476	21,089	-	26,565
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 (1)	14,001	-	-	14,001
Bancolombia Cayman	10,221	-	-	10,221
Inversiones Inmobiliarias Arauco Alameda S.A.	20,657	-	-	20,657
Others	7,741	5,076	3,860	16,677
Total Expenditures (COP million)	177,687	115,878	2,653,912	2,947,477

(1) In 2009, the divestiture of Promotora La Alborada, carried out in 2008, was reversed given the buyer's failure to comply with the terms and conditions of the corresponding agreement.

Divestitures (COP million)	2009	2008	2007	Total
Acerias Paz del Río (2)	-	56	-	56
Banco de Crédito (2)	-	268	-	268
Almacenar S.A. (2)	-	-	14,262	14,262
Inversiones IVL S.A. (2)	-	-	9,542	9,542
Sociedad Portuaria Regional de Buenaventura S.A. (2)	-	-	4,917	4,917
Terminal Marítimo Muelles El Bosque S.A. (2)	-	-	3,320	3,320
Bolsa de Valores de Colombia S.A. (2)	-	-	2,261	2,261
Suramericana de Inversiones S.A. (2)	-	1,675	-	1,675
Multienlace (2)	-	13,710	-	13,710
Bolsa De Valores de Colombia (2)	-	13,468	-	13,468
Fundicom S.A. (2)	-	11,789	-	11,789
Promotora La Alborada (2)	-	14,001	-	14,001
P.A. Renting Colombia (2)	-	13,296	-	13,296
Interconexión Eléctrica S.A. (2)	-	1,632	-	1,632
Valores Simesa S.A. (2)	948	1,248	-	2,196
Inversiones Valsimesa S.A. (2)	-	1,119	-	1,119
Concesiones Urbanas S.A. (2)	2,859	-	-	2,859
Visa Inc (2)	31,589	-	-	31,589
Others(1) (2)	655	3,129	2,093	5,877
Total Divestitures(COP million)	36,051	75,391	36,395	147,837

(1) Investments charged off.
(2) Investments sold.

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 product and services through its regional network comprising Colombia’s largest non-government owned banking network, El Salvador’s leading financial conglomerate, off-shore banking subsidiaries in Panama, Cayman and Puerto Rico, as well as an agency in Miami and minor operations in Peru, Brazil and Spain. Together, Bancolombia and its subsidiaries offer the following products and services:

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

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, interest rate and cross currency swaps and European options.

Comprehensive Cash Management: Bancolombia provides support to its clients through efficient cash management. Bancolombia offers a portfolio of standard products that allows clients to make their payments and collections.

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

Bancassurance and Insurance: Bancolombia has consolidated a comprehensive portfolio of insurance and pension banking products aimed at new market niches and focusing on building long-term relationships with clients. Through its branch network, Bancolombia offers various insurance products (life insurance, home insurance and personal accident insurance) from Compañía Suramericana de Seguros, one of the major insurance companies in Colombia and recently Bancolombia started offering unemployment insurance issued by Cardif Colombia Seguros Generales 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 allow 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 2009:

Credit Card Unemployment I nsurance: Credit card unemployment insurance covers the monthly payments of the card holder for a specified amount of time in case of job loss, temporary disability or serious disease. The insurance policy is underwritten by Cardif Colombia S.A. and Bancolombia gets a fee for the distribution of this insurance product.

Mortgage Interest RateRelief: This product, designed for the purchase of new homes within specific price brackets, complements the interest rate subsidy offered by the Colombian government during 2009. The government subsidizes part of the interest rate during the first seven years of the loan and Bancolombia extends such subsidy to the remaining life of the loan.

Electronic Payment of Taxes to theDirección de Impuestos y Aduanas Nacionales("DIAN") (Colombia's Tax A uthority): This service allows those taxpayers who are authorized by the DIAN to declare their taxes electronically, to make their payments through Bancolombia's Virtual Branch instead of the physical branches.

Mi Casa con Remesas("My Home with R emittances"): A mortgage loan designed for residents of Colombia who are recipients of remittances from foreign countries. This product was the result of the Bank's participation in a project headed by the Interamerican Development Bank ("IDB"). Bancolombia was co-executor of the project.

MAIN LINES OF BUSINESS

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

Retail and Small Business Banking:The Bank's Retail Banking segment provides a wide range of financial products and services to individuals and SMEs from both the public and private sectors (firms with annual sales of under COP 16,000 million) in Colombia and El Salvador. Bancolombia's Retail and Small Business Banking segments serve a wide range of clients with different needs, goals and lifestyles.

Corporate and G overnmental Banking: This segment provides commercial banking products and services to local and international companies with annual sales of more than COP 16,000 million in both the public and private sectors. The Bank's strategy is to grow with these clients based on value-added, long-term relationships. In order to offer specialized services to clients engaged in a diverse spectrum of industries, the Bank's sales force determines the needs and its challenges of each client and specializes in nine economic sectors: Agribusiness, Commerce, Manufacturing of Supplies and Materials, Media, Financial Services, Non-Financial Services, Construction, Government and Natural Resources.

Treasury: This segment is responsible for the management of the Bank's proprietary trading activities, liquidity and distribution of treasury products and services to its client base in Colombia. In addition, Bancolombia's Economic Research Department is included in this division.

Offshore Commercial Banking:Bancolombia Panamá S.A., Bancolombia Cayman, Bancolombia Puerto Rico Internacional Inc. and Banco Agrícola (Panama) S.A. provide a complete line of offshore banking services to Colombian and Salvadorian customers, including loans to private sector companies, trade financing, lease financing, financing for industrial projects as well as a complete portfolio of cash management products, such as checking accounts, international collections and payments. Through these Subsidiaries, the Bank also offers investment opportunities in U.S. dollars, savings and checking accounts, time deposits, and investment funds to its high net worth clients and private banking customers.

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

All Other Segments: This segment provides the following products and services: (i) Investment Banking services for corporate customers in areas such as mergers and acquisitions, project finance, issuances of debt and equity securities and syndicated loan transactions (ii) Brokerage and Asset Management (iii) Trust, and Insurance (iv) Bancassurance and (v) Pension Fund Management.

B.2. OPERATIONS

Year Ended December 31, 2009

(COP million)

	Retail and Small Business Banking	Corporate and Governmental Banking	Treasury	Offshore Commercial Banking	Leasing	All other Segments	Total
Revenues from external customers	1,065,859	180,124	400	5,873	279,657	389,202	1,921,115
Revenues and expenses from transactions with other operating segments of the Bank	(10,689)	83,076	(16,239)	44,466	55,538	293,685	449,837
Interest income	2,747,688	1,844,529	545,433	293,393	801,989	561,043	6,794,075
Provision for loans losses	901,005	260,122	25,357	9,810	176,790	22,906	1,395,990

Year Ended December 31, 2008

(COP million)

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

Year Ended December 31, 2007

(COP million)

	Retail and	Corporate	Treasury	Offshore	Leasing	All other	Total

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

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

The following table sets forth Bancolombia's geographic revenues and long-term assets distribution as of December 31, 2009, 2008 and 2007:

	As of December 31,					
	2009		2008		2007	
	(COP million)					
Geographic Information	Revenues	Long-Term Assets (1)	Revenues	Long-Term Assets (1)	Revenues	Long-Term Asset (1)
Colombia	7,683,556	1,715,504	7,558,997	1,718,190	5,540,069	1,202,108
Panama and Cayman Islands	274,620	8,964	260,282	10,476	515,749	10,242
Puerto Rico	36,047	180	39,191	238	51,765	164
Perú	21,755	25,441	8,319	22,453	357	6,706
El Salvador	847,198	147,397	759,587	148,422	774,026	143,658
USA	44,459	108	42,770	199	48,010	115
Total	8,907,635	1,897,594	8,669,146	1,899,978	6,929,976	1,362,993
Eliminations of intersegment operations	(449,837)	11	(256,380)	2,674	(492,986)	11
Total, net	8,457,798	1,897,605	8,412,766	1,902,652	6,436,990	1,363,004

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

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

	2009	2008	2007
		(COP million)	
Revenues			
Revenues (1)	9,165,027	9,265,533	7,091,177
Non-operating income (2)	(257,392)	(596,387)	(161,201)
Elimination of intersegment revenues	(449,837)	(256,380)	(492,986)
Total revenues for reportable segments(3)	8,457,798	8,412,766	6,436,990

(1) Total revenues for reportable segments includes Revenues from external customers, revenues and expenses from transactions with other operating segments of the same enterprise and interest income.
(2) Non-operating income represents other income classified as revenue for segment reporting purposes.
(3) Total revenues for reportable segments include interest, fees, other services and other operating income.

B.3. 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, 2009, Bancolombia had a sales force of approximately 11,600 employees and transactions effected through electronic channels represented more than 87% of all transactions in 2009.

The following are the distribution channels offered by Bancolombia as of December 31, 2009:

Branch Network

As of December 31, 2009, Bancolombia's consolidated branch network consisted of 900 offices which included 859 from Bancolombia, 111 from Banagrícola and 65 from other subsidiaries.

Company	Number of branches 2009	Number of branches 2008
Bancolombia (unconsolidated)	713	717
Bancolombia Panamá	1	1
Bancolombia Miami	1	1
Leasing Bancolombia	12	10
Renting Colombia	4	4
Valores Bancolombia	8	7
Suvalor Panama	1	1
Banca de Inversión Bancolombia	2	2
Fiduciaria Bancolombia	6	6
Bancolombia Puerto Rico International Inc.	1	1
Factoring Bancolombia	5	5
Sufinanciamiento	8	8
Renting Peru S.A.C	1	1
RC Rent a Car S.A.S.	10	8
Inversiones CFNS	1	1
Banco Agrícola	101	107
Arrendadora Financiera S.A.	1	1
Credibac	1	-
Bursabac S.A. de C.V	1	1
AFP Crecer S.A.	6	6
Aseguradora Suiza Salvadoreña S.A.	1	1
Asesuisa Vida S.A.	1	1
Multienlace S.A.	-	-
Capital investments	1	-
Tempo Ltda	1	-
Leasing Peru	1	-
Total	889	890

Non-Banking Correspondents (“CNB”)

A CNB is a scheme 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, 2009, there were a total of 540 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, 2009, there were a total of 484 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, 2009, there were a total of 154 kiosks.

Automatic Teller Machines (“ATM”)

Bancolombia has a total of 2,669 ATMs, including 2,271 machines in Colombia and 398 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 EFTPOS (“Electronic Funds Transfer at Point of Sale”)

Through our own network of 8,049 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.4. 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.

As of December 31, 2009, and according to the Superintendency of Finance, the principal participants in the Colombian financial system were the Central Bank, 18 commercial banks (ten domestic banks, seven foreign banks, and one state-owned bank), three finance corporations and 28 financing companies (10 leasing companies and 18 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.

Financial System Evolution in 2009

According to the Superintendency of Finance, the Colombian financial system's loan portfolio increased 1.9% in 2009, down from 18.2% in 2008. This slowdown in the credit market mostly affected commercial loans which grew more slowly, increasing 0.14% in 2009 compared with 21.6% in 2008. Consumer loans for Colombia's financial system grew at a lower rate in 2009, going from 11.5% in 2008 to 1.7% in 2009. The Colombian government's subsidized interest rate program for new housing loans, which was implemented in the second quarter of 2009, led to year-end growth of 11.1%, or 67 basis points higher than the previous year. The financial system's mortgage loan portfolio Microcredit loans were vibrant during the year, growing at annual rate of 24.2%.

The banking system's level of past due loans as a percentage of the total loan portfolio increased slightly throughout the year, going from 4.04% in December 2008 to 4.11% for the same month in 2009. In addition, coverage, measured as the ratio of allowances to past due loans, ended 2009 at 136.5%, compared with 120.5% at the end of 2008.

During 2009, there was a re-composition of the financial system's assets in favor of the investment portfolio. Loans decreased from 64.6% of total assets at the end of 2008 to 60.2% at the end of 2009. The investment portfolio as a percentage of total assets increased from 18.1% at the end of 2008 to 21.8% at the end of 2009.

As of December 2009, the Colombian financial sector recorded COP 232 trillion in total assets, representing an 8.8% increase as compared to the same period in 2008. The Colombian financial system's total composition of assets shows banks with a market share of 87.23%, followed by financing companies with 9.82% and financial corporations with 2.95%.

As of December 31, 2009, the capital adequacy ratio (tier 1 + tier 2) for credit institutions was 14.7% (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 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 loan/ 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 2009, Bancolombia ranked first in Colombia and El Salvador in terms of assets, deposits, stockholders' equity and net income.

The following charts illustrate the market share of Bancolombia 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, 2009, 2008 and 2007:

Total Net Loans
Market Share

Total Net Loans – Market Share %	2009	2008	2007
Bancolombia	20.29	21.99	21.70
Bogotá	14.46	14.69	14.09
Davivienda	13.29	11.93	12.22
BBVA	9.53	11.30	11.11
Occidente	6.37	6.52	6.69
Popular	5.41	4.76	4.92
Citibank	2.95	3.39	4.00

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

Checking Accounts
Market Share

Checking Accounts – Market Share %	2009	2008	2007
Bancolombia	22.19	22.12	22.61
Bogotá	18.33	19.28	19.15
Occidente	14.65	13.78	14.15
BBVA	10.16	8.97	9.91
Davivienda	9.47	9.38	9.84
Popular	4.24	5.28	4.76
Citibank	2.69	2.47	2.56

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

Time Deposits
Market Share

Time Deposits – Market Share %	2009	2008	2007
Bancolombia	17.51	15.54	15.09
Bogotá	15.72	14.22	12.95
Davivienda	13.03	12.56	14.57
BBVA	7.11	13.94	10.73
Citibank	4.96	4.31	5.78
Popular	4.27	4.27	3.33
Occidente	4.12	4.25	3.77

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

Saving Accounts
Market Share

Saving Accounts – Market Share %	2009	2008	2007
Bancolombia	20.47	21.59	19.95
Bogotá	15.05	13.24	12.26
Davivienda	13.26	12.58	13.24
BBVA	10.98	11.40	13.88
Popular	7.84	7.45	6.87
Occidente	6.99	6.95	6.57
Citibank	3.07	2.82	3.07

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

Description of the Salvadorian Financial System

As of December 31, 2009, the Salvadorian financial system was comprised of 13 institutions (nine commercial banks, two state owned banks and two foreign banks).

The total Salvadorian financial system assets amounted to U.S. $13.1 billion in 2009, 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 2009, Banco Agrícola continued to lead the Salvadorian financial system and ranked first in terms of assets and profits. The following table shows the market share for the main institutions of the Salvadorian financial system for the year ended December 31, 2009:

MARKET
SHARE

Assets	Loans	Deposits	Profits

	Stockholders' Equity				
Banco Agrícola	30.5%	31.7%	30.4%	30.7%	100.0%
Citi	20.1%	25.1%	17.9%	19.7%	(39.8)%
HSBC	14.6%	15.5%	14.4%	14.4%	7.0%
Scotiabank	15.6%	15.1%	17.6%	15.5%	10.9%
BAC	8.8%	7.7%	9.4%	8.8%	12.4%
Others	10.3%	9.7%	10.4%	11.0%	9.6%

Source: ABANSA (Asociación Bancaria Salvadoreña).

B.5. SUPERVISION AND REGULATION

Colombian Banking Regulators

Pursuant to the Colombian Constitution of 1991, Colombia's National Congress has the power to prescribe the general framework within which the government may regulate the financial system. The governmental agencies vested with the authority to regulate the financial system are the board of directors of the Central Bank, the Colombian Ministry of Finance and Public Credit ("Ministry of Finance") and the Superintendency of Finance.

Central Bank

The Central Bank exercises the customary functions of a national central bank, including price stabilization, legal currency issuance, regulation of currency circulation, credit and exchange rate monitoring and administration of international reserves. Its board of directors is the regulatory authority for monetary, currency exchange and credit policies and is responsible for the direction and execution of the Central Bank's duties. The Central Bank also acts as a lender of last resort to financial institutions. Pursuant to the Colombian Constitution of 1991, the Central Bank has autonomy from the government in the formulation of monetary policy and for administrative matters.

Ministry of Finance and Public Credit

The Ministry of Finance designs, coordinates, regulates and executes economic policy, in order to insure the proper administration of public finances for the economic and social development of the country. As part of its duties, the Ministry of Finance issues decrees and regulations related to financial, taxation, customs, public credit and budgetary matters that may affect banking operations in Colombia.

Superintendency of Finance

The Superintendency of Finance is a technical branch of the Ministry of Finance that acts as the inspection, supervision and control authority of the financial, insurance and securities exchange sectors and any other activities related to the investment or management of the public's savings. Financial institutions must obtain the authorization of the Superintendency of Finance before initiating operations. As a financial institution, Bancolombia and its Colombian Subsidiaries that are financial entities, finance corporations, commercial finance companies, trust companies and brokerage firms, are each subject to the supervision and regulation of the Superintendency of Finance.

Regulatory Framework for Colombian Banking Institutions

The basic regulatory framework for the operation of the Colombian financial sector is set forth in Decree 663 of 1993, modified among others, by Law 510 of 1999, Law 546 of 1999, Law 795 of 2003 and Law 964 of 2005. Laws 510 and 795 substantially modified the control, regulation and surveillance powers of the Superintendency of Banking (now Superintendency of Finance). Law 510 also streamlined the procedures for the Fondo de Garantías de Instituciones Financieras("Fogafin"), an agency that assists troubled financial institutions and intervenes on behalf of economically troubled companies. Law 546 of 1999 was enacted in order to regulate the system of long-term home loans. Afterwards, Law 795 was enacted with the main purpose of broadening the scope of activities to be performed by financial institutions and to update Colombian regulations with the latest principles of the Basel Committee. Law 795 also increased the minimum capital requirements in order to incorporate a financial institution and authorized the Superintendency of Finance to take precautionary measures, consisting mainly in interventions with respect to financial institutions whose capital falls below certain thresholds. In order to implement and enforce the provisions related to Colombia's financial system, the Superintendency of Finance and the board of directors of the Central Bank issue periodic circulars and resolutions. By means of External Circular 007 of 1996, as amended, the Superintendency of Finance compiled all the rules and regulations applicable to financial institutions. Likewise, by means of External Circular 100 of 1995, as amended ("Basic Accounting Circular"), the Superintendency of Finance compiled all regulations applicable to the accounting and financial treatment of banking financial institutions.

On July 15, 2009, Law 1328 was enacted, which integrated the financial consumer protection rules in one single body. This law established principles that govern relations between consumers and financial institutions, consumers' rights and duties, as well as special obligations and liabilities for financial institutions. It also established rules regarding information that must be given to financial consumers and listed certain conducts that are considered abusive practices that are forbidden to financial institutions. In addition, Law 1328 ordered financial institutions to develop consumer education campaigns and programs. Law 1328, also made important advancements toward a multi-banking framework, and authorized banks to (i) provide loans for mergers and acquisitions activity and (ii) conduct operational and financial leasing operations, directly (Banks participated in the financial leasing business through subsidiaries).

Colombian commercial banks, finance corporations and finance companies are required to report to the Central Bank, on a weekly basis, data regarding the total volume (in pesos) of certificates of deposit issued during the prior week and the average interest rates paid for certificates of deposit with maturities of 90 days. Based on such reports, the Central Bank calculates the Tasa de Captaciones de Corporaciones Financieras("TCC") and the Depósitos a Término Fijo ("DTF") rates, which are published at the beginning of the following week for use in calculating interest rates payable by financial institutions. The Central Bank also calculates the Indicador Bancario de Referencia ("IBR"), which acts as a reference of overnight and one-month interbank loans, based on quotations submitted on every business day by eight participating banks to the Central Bank.

Capital Adequacy Requirements

Capital adequacy requirements for Colombian financial institutions (as set forth in Decree 1720 of 2001, as amended) are based on the Basel Committee standards. The capital adequacy requirements 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 capital adequacy requirements consists of basic capital ("Primary Capital" or Tier 1) and additional capital ("Secondary Capital" or Tier 2) (collectively, "Technical Capital"). Primary Capital consists mainly of: (i) outstanding and paid-in capital stock; (ii) legal and other reserves; (iii) profits retained from prior fiscal years; (iv) the total value of the reappraisal of equity account (revalorización del patrimonio) (if positive) and of the foreign currency translation adjustment account (ajuste por conversi ón de estados financieros); (v) 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; (vi) any shares held as guarantee by Fogafin when the entity is in compliance with a recovery program aimed at bringing the Bank back into compliance with capital adequacy requirements (if the Superintendency of Finance establishes that such recovery program has failed, these shares shall not be taken into account when determining the Primary Capital); (vii) subordinated bonds issued by financial institutions and subscribed by Fogafin when they comply with the capital adequacy requirements; (viii) the part of the surplus capital account from donations that complies with the capital adequacy requirements; (ix) the value of declared dividends to be paid in shares; and (x) the value of the liabilities owed by minority interests.

Items deducted from Primary Capital include: (i) any prior or current period losses; (ii) the total value of the capital revaluation account (if negative); (iii) accumulated inflation adjustment on non-monetary assets (provided that the respective assets have not been transferred); (iv) 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 (v) 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.

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Secondary Capital consists of other reserves and retained earnings, which are added to the Primary Capital in order to establish the total Technical Capital. Secondary Capital includes: (i) 50% of the accumulated inflation adjustment of non-monetary assets (provided that such assets have not been disposed of); (ii) 50% of asset reappraisal (excluding revaluations of foreclosed assets or assets received as payment of credits); (iii) mandatory convertible bonds effectively subscribed and paid, with maturities of up to five 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; (iv) subordinated monetary obligations as long as said obligations do not exceed 50% of Primary Capital and comply with additional requirements stated in the regulations; (v) the part of the surplus capital account from donations in compliance with the requirements set forth in the applicable regulation; and (vi) general allowances made in accordance with the instructions issued by the Superintendency of Finance.The following items are deducted from Secondary Capital: (i) 50% of the direct or indirect capital investments (in entities subject to the supervision of the Superintendency of Finance excluding subsidiaries) and mandatory convertible bonds reappraisal, in compliance with the requirements set forth in the applicable regulation; (ii) 50% of the direct or indirect capital investments (excluding subsidiaries) and mandatory convertible bonds reappraisal, of foreign financial entities with respect to which the Bank's share is or exceeds 20% of the entity's subscribed capital and (iii) 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, 2009:

		As of December 31, 2009		As of December 31, 2008
		(COP million, except percentages)		
Subscribed capital	COP	460,684	COP	460,684
Legal reserve and other reserves		4,697,355		3,975,021
Unappropriated retained earnings		106,380		135,292
Net Income		648,786		594,083
Subordinated bonds subscribed by Fogafin		2,449		4,897
Less:				
Long - term investments		(91,808)		(79,678)
Non - monetary inflation adjustment		(97,527)		(118,544)
Primary capital (Tier I)	COP	5,726,319	COP	4,971,755
Reappraisal of assets	COP	201,329	COP	162,932
Provision loans		35,899		97,034
Non-monetary inflation adjustment		53,457		63,967
Subordinated bonds		1,269,292		949,936
Computed secondary capital (Tier II)	COP	1,559,977	COP	1,273,869
Primary capital (Tier I)	COP	5,726,319	COP	4,971,755
Secondary capital (up to an amount equal to primary capital) (Tier II)		1,559,977		1,273,869
Technical Capital	COP	7,286,296	COP	6,245,624
Capital ratios				
Primary capital to risk-weighted assets (Tier I)		10.40%		8.95%
Secondary capital to risk-weighted assets (Tier II)		2.83%		2.29%

Technical capital to risk-weighted assets		13.23%		11.24%
Risk-weighted assets including market risk	COP	55,084,655	COP	55,542,485

As of December 31, 2009, the Bank’s technical capital ratio was 13.23%, exceeding the requirements of the Colombian government and the Superintendency of Finance by 423 basis points. As of December 31, 2008, the Bank’s technical capital ratio was 11.24%. Higher retained earnings and additional capital generated by operations primarily explain the increase in the capital adequacy ratio during the year.

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 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, the financial institutions must maintain a ratio between its Technical Capital and credit/market risk-weighted assets of more than 9%.

Bancolombia's loan portfolio, net of provisions, is 100% weighted as risk-weighted assets.

Foreign Currency Position Requirements

Colombia's Central Bank regulates the amount of currency exposure permitted to financial institutions as part of the measures that control and limit the economy's aggregate currency mismatch.

Among others, Colombia's central bank regulations provide that the average of a bank's foreign currency long position for the last three business days cannot exceed the equivalent in pesos of 20% of the bank's Technical Capital. In the case of short positions, currency exchange intermediaries such as Bancolombia are permitted to hold a three business days' average short Foreign Currency Position not exceeding the equivalent in pesos of 5% of its Technical Capital. Any breach of such regulations results in penalties that are payable after the first business day. Foreign Currency Position (posición propia en moneda extranjera) is defined as the difference between such institution's foreign currency-denominated assets and liabilities (including any off-balance sheet items), realized or contingent, including those that may be sold in Colombian legal currency. Regarding Foreign Currency Position in cash (posición propia de contado en moneda extranjera), which is defined as the difference between all foreign currency-denominated cash assets and liabilities, there are restrictions that provide that a bank's last three business days' average foreign currency long position in cash cannot exceed 50% of the bank's Technical Capital and that the Foreign Currency Position in cash cannot be negative (short). There are additional restrictions with regard to gross position of leverage, which is defined as the sum of (i) the value of term contracts denominated in foreign currency; (ii) the value of transactions denominated in foreign currency to be settled within two days in cash and (iii) the value of the exchange rate risk exposure associated with exchange rate options and derivatives. The gross position of leverage cannot exceed 550% of the Technical Capital of a bank.

Reserve Requirements

Commercial banks are required by the Central Bank's board of directors to satisfy reserve requirements with respect to deposits. Such reserves are held by the Central Bank in the form of cash deposits and the required amounts vary. According to the Central Bank's board of directors' Resolution 5 of 2008 and Resolution 11 of 2008, the reserve requirements for Colombian banks as of December 31, 2009 are:

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

(1) 4.5 % for deposits with maturities fewer than 540 days and 0% for deposits with maturities above 540 days.

Foreign Currency Loans

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

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

Non-Performing Loan Allowance

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

Lending Activities

Through the issuance of Decrees 2360 and 2653 of 1993, as amended, the Colombian government set the maximum amounts that each financial institution may lend to a single borrower. These maximum amounts may not exceed 10% of a commercial bank's Technical Capital. The limit is raised to 25% when any amounts lent above 5% of Technical Capital are secured by guarantees that comply with the financial institutions' guidelines, in accordance with the requirements set forth in Decrees 2360 and 2653. Also, according to Decree 1886 of 1994, a bank may not make a loan to any stockholder that holds directly more than 10% of its capital stock for one year after such stockholder reaches the 10% threshold. In no event may a loan to a stockholder holding directly or indirectly 20% or more of a bank's capital stock exceed 20% of a bank's Technical Capital. In addition, no loan to a single financial institution may exceed 30% of a bank's Technical Capital, with the exception of loans funded by Colombian development banks which have no limit. As of December 31, 2009, the Bank's lending limit per borrower on an unconsolidated basis was COP 655,111 million for unsecured loans and COP 1,637,777 million for secured loans. If a financial institution exceeds these limits, the Superintendency of Finance may impose a fine up to twice the amount by which any such loan exceeded the limit at such date, the Bank was in compliance with these limitations.

Decree 2360 set a maximum limit for risk concentrated in one single party, equivalent to 30% of a bank's Technical Capital, the calculation of which includes loans, leasing operations and equity and debt investments.

Interest Rate Caps or Limitations

In Colombia no person or institution can charge an interest rate greater than one and a half times the financial system's ordinary interest rate, which is calculated and certified by the Superintendency of Finance every three months. Banks that charge greater interest rates than the ones mentioned above would commit a crime and would be forced to reverse interests charged in excess of the permitted rate. As of March 2010, the interest rate cap was 24.21% for consumer and ordinary loans and 33.93% for microcredit.

Ownership Restrictions

The Bank is organized as a stock company (sociedad anónima), and its corporate existence is subject to the rules applicable to commercial companies, principally the Colombian Commerce Code and Law 222 of 1995. 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 is subject to the prior authorization of the Superintendency of Finance, including in the case of Bancolombia, transactions resulting in holding ADRs representing 10% or more of the outstanding stock of Bancolombia. 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 and foreign investors.

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

Intervention Powers of the Superintendency of Finance – Bankruptcy Considerations

Pursuant to Colombian Banking Law, the Superintendency of Finance has the power to intervene in the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure.

Accordingly, the Superintendency of Finance may (i) intervene in a bank's business prior to the liquidation of the bank, by taking precautionary measures (medidas cautelares) in order to prevent the bank from incurring in a cause for the taking of possession by the Superintendency of Finance or (ii) take possession of the bank (toma de posesión) ("Taking of Possession"), to either administer the bank or order its liquidation, depending on how critical the Superintendency of Finance believes situation to be.

During the Taking of Possession (which period ends when the liquidation process begins), Colombian Banking Laws prevent any creditor of the bank from: (i) initiating any procedure for the collection of any amount owed by the Bank; (ii) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations; (iii) registering a lien or attachment over any of the assets of the bank to secure payment of any of its obligations; or (iv) making any payment, advance or compensation or assume any obligation on behalf of the bank, with the funds or assets that may belong to it and are held by third parties, except for payments that are made by way of set-off between regulated entities of the Colombian financial and insurance systems. In the event that the bank is liquidated, the Superintendency of Finance must, among other measures, provide that all term obligations owed by the bank are due and payable as of the date when the order to liquidate becomes effective.

Troubled Financial Institutions – Deposit Insurance

In response to the crisis faced by the Colombian financial system during the early 1980s, the Colombian government created Fogafin in 1985. Subject to specific limitations, Fogafin is authorized to provide equity (whether or not reducing the par value of the recipient's shares) and/or secured credits to troubled financial institutions, and to insure deposits of commercial banks and certain other financial institutions. In 1998 and 1999, to address the adverse effects of the economic crisis, Law 550 (Ley de Reactivación Económica), Law 546 (Ley de Vivienda), External Circular 039 and External Circular 044 were also adopted. These regulations sought to aid the recovery of the Colombian economy, by helping troubled companies. At the same time, these regulations had some influence on the Bank's credit policies with regard to troubled companies. In order to protect the customers of commercial banks and certain financial institutions, Resolution No. 1 of 1988 of the board of directors of Fogafin, as amended, requires mandatory deposit insurance.

Anti-Money Laundering Provisions

The regulatory framework in Colombia to prevent and control money laundering is based on requirements promulgated by the Financial Task Force on Money Laundering ("FATF"). The former rules emphasise "know your customer" policies as well as complete knowledge by financial institutions of their users and markets. They also establish processes and parameters to identify and monitor the financial institution's customers, unusual operations and to report suspicious operations to the UIAF (Unidad de Informacion y Analisis Financiero).

The Colombian regulations include procedures to protect financial institutions from being used directly by stockholders, executives and depositors in money laundering activities, for channeling funds for terrorist activities, or for the concealment of assets from such activities and set forth detailed requirements for monitoring these risks. These regulations regarding prevention and control of money laundering are applicable to the Bank and its Subsidiaries.

Additionally, Colombian regulations has criminal rules and regulations to prevent, control, detect, eliminate and judge all matters related to financing terrorism and money laundering. These criminal rules and regulations cover the omission of reports on cash transactions, mobilization or storage of cash, and the lack of controls.

Regulatory Framework for Subsidiaries Not participant of 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.

Individuals or corporations that wish to hold an interest greater than 10% or more of the capital stock of any Colombian financial institution requires prior authorization from the Superintendency of Finance.

Pursuant to Colombian banking regulations, any transaction resulting in an individual or a corporation holding 10% or more of the capital stock of any Colombian financial institution requires prior authorization from the Superintendency of Finance, including, in the case of the Bank, transactions in ADRs representing 10% or more of the Bank's outstanding stock. Transactions entered into without the prior approval of the Superintendency of Finance are null and void, and cannot be recorded in the relevant institution's stock ledger. In addition to the above restrictions, pursuant to Colombian securities regulations, any transaction involving the sale of publicly-traded stock of any Colombian company, including any sale of preferred shares (but not a sale of ADRs) or common shares, for the equivalent of 66,000 UVRs or more, must be effected through the Bolsa de Valores de Colombia (the Colombian Stock Exchange).

Banking Regulation of El Salvador

The Salvadorian Superintendency of Finance 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 Superintendency of Finance: (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.

Since January 2010, a new regulation for the credit card system was established by the Legislative Body of El Salvador. This law regulates the relations between all participants in the system, including the state. The Salvadorian Banking Superintendency and the Competitive Superintendency are both responsible to oversee the implementation of the Law.

This law prohibits issuers of credit cards from introducing provisions such as the ability to: (i) unilaterally modify the terms of the credit card agreement; (ii) charge different fees for the same service; (iii) impose fees to the cardholder associated with the issuer's efforts in conducting safety measures in case of loss, theft or card expiration; (iv) force the cardholder to purchase a service that is not related to the use of credit cards; and (v) capitalize overdue interest or fees into the outstanding balance used to calculate interest payments.

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 other made through the financial system, as well as the accounting records, must be expressed in U.S. dollars. The operations or transactions of the financial system made or agreed in colones before the effective date of the Monetary Integration Law are expressed in U.S. dollars at the exchange rate established in such law.

B.6. RAW MATERIALS

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

B.7. PATENTS, LICENSES AND CONTRACTS

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

B.8. 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.

C. ORGANIZATIONAL STRUCTURE

The following are Bancolombia's main subsidiaries:

The following is a list of Bancolombia's subsidiaries as of December 31, 2009:

SUBSIDIARIES

Entity	Jurisdiction of Incorporation	Business	Shareholding directly and indirectly
Leasing Bancolombia S.A. Compañía de Financiamiento	Colombia	Leasing	100%
Leasing Perú S.A	Perú	Leasing	100%
Fiduciaria Bancolombia S.A. Sociedad Fiduciaria.	Colombia	Trust	98.81%
Fiduciaria GBC S.A.	Perú	Trust	98.82%
Bancolombia Panamá S.A.	Panama	Banking	100%
Bancolombia Caymán S.A.	Cayman Islands	Banking	100%
Sistema de Inversiones y Negocios S.A. Sinesa	Panama	Investments	100%
Sinesa Holding Company Ltda.	British Virgin Islands	Investments	100%
Future Net S.A	Panama	E-commerce	100%
Banca de Inversión Bancolombia S.A. Corporación Financiera	Colombia	Investment Banking	100%
Inmobiliaria Bancol S.A.	Colombia	Real estate broker	99.03%
Valores Simesa S.A.	Colombia	Investments	69.66%
Todo 1 Colombia S.A.	Colombia	E-commerce	89.92%
Compañía de Financiamiento Sufinanciamiento S.A.	Colombia	Financial services	99.99%
Renting Colombia S.A.	Colombia	Operating leasing	80.50%
Renting Perú S.A.C.	Perú	Operating leasing	80.60%
RC Rent a Car S.A.S	Colombia	Car Rental	80.50%
Capital Investments SAFI S.A.	Perú	Trust	80.60%
Fondo de Inversión en Arrendamiento Operativo Renting Perú	Perú	Car Rental	80.60%
Transportempo S.A.S.	Colombia	Transportation	80.50%
Suleasing Internacional USA Inc	USA	Leasing	100%
Inversiones CFNS Ltda.	Colombia	Investments	100%
Valores Bancolombia S.A. Comisionista de Bolsa	Colombia	Securities brokerage	100%

Entity	Jurisdiction of Incorporation	Business	Shareholding directly and indirectly
Valores Bancolombia Panamá S.A.	Panama	Securities brokerage	100%
Suvalor Panamá Fondo de Inversión S.A.	Panama	Holding	100%
Bancolombia Puerto Rico Internacional, Inc	Puerto Rico	Banking	100%
Inversiones Valores y Logística S.A. "En Liquidación"	Colombia	Investments	98.25%
Factoring Bancolombia S.A. Compañía de Financiamiento	Colombia	Financial services	100%
Patrimonio Autónomo CV Sufinanciamiento	Colombia	Loan management	100%
Banagrícola S.A.	Panama	Investments	99.16%
Banco Agrícola Panamá S.A.	Panama	Banking	99.16%
Inversiones Financieras Banco Agrícola S.A. IFBA	El Salvador	Investments	98.87%
Banco Agrícola S.A.	El Salvador	Banking	97.28%
Arrendadora Financiera S.A. Arfinsa	El Salvador	Leasing	97.29%
Credibac S.A. de C.V.	El Salvador	Credit card services	97.28%
Bursabac S.A. de C.V.	El Salvador	Securities brokerage	98.87%
AFP Crecer S.A.	El Salvador	Pension fund	98.96%
Asesuisa S.A.	El Salvador	Insurance company	96.07%
Asesuisa Vida S.A.	El Salvador	Insurance company	96.07%

D. PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2009, the Bank owned COP 1,816.94 billion in property, plant and equipment (including assets that are part of our operating leasing business). COP 800.93 billion correspond to land and buildings, of which approximately 98.12% are used for administrative offices and branches in 58 municipalities in Colombia and 25 municipalities in El Salvador. COP 221.13 billion correspond to computer equipment, of which 65.30% relate to the central computer and servers of Bancolombia and the rest are PCs, ATMs, telecommunications equipment and other equipment.

In addition to its own branches, the Bank occupies 482 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, 2009 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 years ended December 31, 2005 and 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 and December 31, 2009 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.

Average balance sheet

The following tables show for the years ended December 31, 2009, 2008 and 2007, respectively: (i) average annual balances calculated using actual month-end balances for all of the Bank's assets and liabilities; (ii) interest income and expense amounts; and (iii) nominal interest rates for the Bank's interest-earning assets and interest-bearing liabilities.

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 and Income from Interest-Earning Assets for the Fiscal Years Ended December 31,								
	2009			2008			2007		
	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 (2)									
Peso-denominated	823,303	59,257	7.2%	428,144	46,198	10.8%			