BANCOLOMBIA SA
Form 20-F
April 22, 2016

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 22, 2016

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, 2015

OR

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

For the transition period from .... to……………..

OR

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

Date of event requiring this shell company report……………….

Commission file number: 001 - 32535

BANCOLOMBIA S.A.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Republic of Colombia

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

Alejandro Mejia Jaramillo, Investor Relations Manager

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

Carrera 48 # 26-85, Medellín, Colombia

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

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

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

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

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

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

Common Shares **509,704,584**
Preferred Shares **452,122,416**

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

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of 15(d) of the Securities Exchange Act of 1934.

Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No¨

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

Yes ¨ No x

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

(Do not check if a smaller reporting company)

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

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

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 ¨

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 x

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CERTAIN DEFINED TERMS

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

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

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

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

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

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

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

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

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

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

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

References to “Colombian banking GAAP” refer to generally accepted accounting principles in Colombia as supplemented by the applicable regulations of the SFC.

References to “Conavi” refer to Conavi Banco Comercial y de Ahorros S.A. as it existed immediately before its merger with and into Bancolombia.

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

References to “Corfinsura” refer to Corporación Financiera Nacional y Suramericana S.A., as it existed immediately before its merger with and into Bancolombia.

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

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

References to “Grupo Agromercantil” refer to Grupo Agromercantil Holding S.A., a company organized under the laws of the Republic of Panama, of which Bancolombia S.A. owns 60% of its voting shares, and is the parent company of Banco Agromercantil of Guatemala, and its subsidiaries.

References to “IRS” refer to U.S. Internal Revenue Service.

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

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

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

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

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

References to “Representative Market Rate” refer to *Tasa Representativa del Mercado*, the U.S. dollar representative market rate, certified by the SFC. The Representative Market Rate is an economic indicator of the daily exchange rate on the Colombian market spot of currencies. It corresponds to the arithmetical weighted average of the rates for the purchase and sale of currencies by certain financial institutions (including Bancolombia) authorized to engage in foreign exchange transactions in Colombia.

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

References to "SMEs" refer to Small and Medium Enterprises

References to "SMMLV" refer to *Salario Mínimo Mensual Legal Vigente,* the effective legal minimum monthly salary in Colombia. In 2015, the effective legal minimum monthly salary in Colombia was COP 644,350.

References to "Subsidiaries" refer to entities in which Bancolombia S.A. holds, directly or indirectly, more than 50% of the outstanding voting shares.

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

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

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

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

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

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

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

Our fiscal year ends on December 31, and references in this annual report to any specific fiscal year are to the 12-month period ended December 31 of such year.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains statements which may constitute forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are not based on historical facts but instead represent only the Bank’s belief regarding future events, many of which, by their nature, are inherently uncertain and outside the Bank’s control. The words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “plan”, “predict”, “target”, “forecast”, “guideline”, “should”, “project” and similar words and expressions are intende identify forward-looking statements. It is possible that the Bank’s actual results may differ, possibly materially, from the anticipated results indicated in or implied by 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”. These factors 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 delinquencies by the Bank’s borrowers; (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 other 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 audited Consolidated Financial Statements (the “Consolidated Financial Statements”) are prepared in accordance with IFRS as issued by the IASB and the related interpretations issued by the International Financial Reporting Interpretations Committee (“IFRS-IC”) and by the Standing Interpretations Committee (SIC) related interpretations. Until December 31, 2014, we prepared our Consolidated Financial Statements following Colombian banking GAAP. All 2015 and 2014 data included in this report has been prepared in accordance with IFRS as issued by IASB.

For 2015, the Consolidated Financial Statements include entities in which the Bank holds control, directly or indirectly. See “Item 4. Information on the Company – C. Organizational Structure” for an organizational chart depicting Bancolombia and its subsidiaries.

Currencies

The Bank maintains accounting records in pesos, which is the functional and presentation currency of the Bank. The Consolidated Financial Statements as of December 31, 2015 and 2014, and January 1, 2014, for the years ended December 31, 2015 and 2014 contained in this Annual Report are expressed in millions of pesos.

This Annual Report translates certain pesos 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 3,149.47 per USD 1.00, which corresponds to the Representative Market Rate calculated on December 31, 2015 the last business day of the year. The SFC also calculates and certifies the average Representative Market Rate for each month for purposes of preparing financial statements and converting amounts in foreign currency to pesos. Such conversion should not be construed as a representation that the peso amounts correspond to, or have been or could be converted into, U.S. dollars at that rate or any other rate. On April 21, 2016, the Representative Market Rate was COP 2,899.92 per USD 1.00.

Rounding Comparability of Data

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

The Bank maintains an internet site at http://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 and Banistmo maintain internet sites at http://www.bancoagricola.com/ and http://www.banistmo.com/, respectively.Information included on or accessible through Bancolombia's internet site or the internet site of any of the Subsidiaries of the Bank is not part of this Annual Report. 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.

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, 2015 and 2014, and for each of the two fiscal years in the period ended December 31, 2015 set forth below has been derived from the Consolidated Financial Statements under IFRS included in this Annual Report.

The selected consolidated financial data should be read in conjunction with the 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,		
	2015	2015	2014
	(in millions of COP and thousands of USD, except per share and per ADS amounts)		
CONSOLIDATED STATEMENT OF INCOME:			
Total interest and valuation income	USD 3,578,267	COP 11,269,644	COP 9,172,163
Interest expenses	(1,282,102)	(4,037,941)	(3,164,611)
Net margin and valuation on financial instruments	2,296,165	7,231,703	6,007,552
Credit impairment charges on loans and financial leases, net.	(529,511)	(1,667,680)	(843,597)
Allowances for credit losses on off balance sheet credit instruments	(2,356)	(7,421)	(25,608)

Net interest and valuation income after provisions for loans, financial leases and off-balance sheet credit instruments	1,764,298	5,556,602	5,138,347
Total other operating income	1,135,848	3,577,320	3,084,942
Total operating expenses	(1,872,787)	(5,898,287)	(5,118,695)
Profit before tax	1,027,359	3,235,635	3,104,594
Income tax	(206,146)	(649,250)	(737,676)
Profit for the year from continuing operations	821,213	2,586,385	2,366,918
Net income from discontinued operations	7,148	22,513	62,867
Net income	828,361	2,608,898	2,429,785
Net income attributable to equity holders of the parent company	USD 799,782	COP 2,518,890	COP 2,387,086
Non-controlling interest	28,579	90,008	42,699
Weighted average of Preferred and Common Shares outstanding [(1)]		961,827,000	941,936,589
Basic and Diluted net income per share [(1)]	851	2,680	2,591
From continued operations	843	2,656	2,524
From discontinued operations	8	24	67
Basic and Diluted net income per ADS	3,404	10,720	10,364
From continuing operations	3,373	10,624	10,096
From discontinued operations	30	96	268
Cash dividends declared per share		888	830
Cash dividends declared per share (stated in US Dollars)		0.28	0.26
Cash dividends declared per ADS		3,552	3,320
Cash dividends declared per ADS (stated in US Dollars)		1.13	1.05

(1) The weighted average of preferred and common shares outstanding for the fiscal year ended December 31, 2015 reflects 452,122,416 preferred shares and 509,704,584 common shares, and for the fiscal year ended December 31, 2014 reflects 432,232,005 preferred shares and 509,704,584 common shares.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31, USD 2015	2015	2014
	(in millions of COP and thousands of USD, except per share and per ADS amounts)		
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Assets:			
Cash and cash equivalents	USD 5,904,998	COP 18,597,614	COP 13,466,783
Financial assets investments	4,533,405	14,277,824	12,784,223
Derivative financial instruments	756,371	2,382,168	1,448,845
Loans and advances to customers	46,236,554	145,620,639	115,173,653
Allowance for loan and lease losses	(1,666,551)	(5,248,755)	(4,789,257)
Assets held for sale and inventories	619,408	1,950,808	97,744
Investment in associates and joint ventures	173,537	546,549	1,349,697
Investment property	477,873	1,505,046	1,114,180
Premises and equipment, net	1,029,240	3,241,562	2,646,321
Goodwill and Intangible assets, net	2,251,888	7,092,255	4,585,849
Deferred tax	54,130	170,482	187,737
Other assets	900,683	2,836,675	1,564,106
Total assets	USD 61,271,536	COP 192,972,867	COP 149,629,881
Liabilities and stockholders' equity:			
Deposit from customers	38,673,817	121,802,028	94,769,319
Borrowings from other financial institutions	6,261,747	19,721,184	13,852,284
Debt securities in issue	6,171,154	19,435,865	14,527,403
Other liabilities	3,685,024	11,605,871	9,114,395
Stockholder' equity	6,479,794	20,407,919	17,366,480
Total liabilities and stockholders' equity	USD 61,271,536	COP 192,972,867	COP 149,629,881
Stockholders' equity per share (1)	6,736	21,214	18,436
Stockholders' equity per ADS (1)	26,943	84,856	73,743

(1) The weighted average (rounded to the nearest million) of preferred and common shares outstanding was 962 million for the fiscal year ended December 31, 2015, and 942 million for the fiscal year ended December 31, 2014. Stockholders’ equity per share is equal to stockholders’ equity under IFRS 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 represents four preferred shares of Bancolombia).

Stockholders' equity per share and stockholders' equity per ADS should not be considered in isolation, or as a substitute for net income, as a measure of operating performance or as a substitute for cash flows from operations or as a measure of liquidity. The non-GAAP financial measures described in this footnote are not a substitute for the GAAP measures of financial performance and should not be considered as an alternate measure of stockholders' equity as determined on a consolidated basis using amounts derived from the consolidated statement of financial position prepared in accordance with IFRS.

See "Item 8. Financial Information – A. Consolidated Statements and Other Financial Information – A.3. Dividend Policy", for information about the dividends declared per share in both pesos and U.S. dollars during the fiscal years ended December 31, 2015 and 2014.

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SELECTED RATIOS

	As of and for the year ended December 31,		
	2015	2014	
	(Percentages, except for operating data)		
SELECTED RATIOS: [(1)]			
Profitability ratios:			
Net interest margin and valuation from continuing operations [(2)]	5.25	5.30	
Return on average total assets from continuing operations [(3)]	1.53	1.72	
Return on average stockholders‘ equity[(4)]	13.62	14.81	
Efficiency ratio:			
Operating expenses to net operating income from continuing operations	54.57	56.30	
Operating expenses to average total assets from continuing operations	3.62	3.80	
Operating expenses to productive assets from continuing operations	4.28	4.51	
Capital ratios:			
Technical capital to risk weighted assets [(5)]	12.46	N/A	(6)
Credit quality data:			
Past due loans to total loans	2.98	2.62	
“C”, “D” and “E” loans as a percentage of total loans	3.95	3.81	
Allowances to past due loans [(7)]	115.16	145.55	
Allowance for loan and lease losses as a percentage of “C”, “D” and “E” loans	87.00	100.09	
Allowance for loan and lease losses as a percentage of total loans	3.43	3.81	
OPERATING DATA:			
Number of branches [(8)]	1,274	1,070	
Number of employees [(9)]	34,390	30,158	

(1) Average balances used to calculate the ratios shown above have been calculated as follows: for the year ended December 31, 2015, for each month, the actual month-end balances were established. The average consolidated balance for such period is the average of such month-end balances. The Bank has calculated the average balances using quarterly book balances for the year ended December 31, 2014 as we believe such balances are representative of our operations and it would be too costly to produce average balances using monthly balances under IFRS.

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

(3) Net income and valuation on financial instruments divided by average total assets.

(4) Net income and valuation on financial instruments divided by average stockholders’ equity.

(5) For an explanation of risk-weighted assets and Technical Capital, see Item 4. “Information on the Company – B. Business Overview – B.8 –Supervision and Regulation” and Item 5 “Operation and Financial Review and Prospects - B. Liquidity and Capital Resources – B.1. Liquidity and Funding - Capital Adequacy".

(6) N/A: not applicable. The Bank's consolidated capital adequacy was computed considering balance accounts under IFRS as of December 31, 2015.

(7) The variation is mainly generated by the inclusion of Grupo Agromercantil's loan portfolio at fair value during 2015.

(8) Number of branches includes branches of the Bank's Subsidiaries. For some subsidiaries, the central office is considered a branch. Representative offices are included.

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

Exchange Rates

On March 31, 2016, the Representative Market Rate was COP 3,000.63 per U.S. dollar 1.00. The Federal Reserve Bank of New York does not report a rate for pesos; the SFC calculates the Representative Market Rate based on the weighted average of the buy/sell foreign exchange rates quoted daily by certain financial institutions, including Bancolombia, for the purchase and sale of U.S. dollars.

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

Recent exchange rates of pesos per U.S. dollars

Month	Low	High	Period-End
March 2016	3,000.63	3,268.86	3,000.63
February 2016	3,306.00	3,434.89	3,319.80
January 2016	3,203.86	3,375.80	3,287.31
December 2015	3,131.95	3,356.00	3,149.47
November 2015	2,819.63	3,142.11	3,142.11
October 2015	2,855.74	3,061.85	2,897.83

Source: SFC.

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

	Peso/USD 1.00 Representative Market Rate	
Period	Period-End	Average
2015	3,149.47	2,773.43
2014	2,392.46	2,019.38
2013	1,926.83	1,881.04
2012	1,768.23	1,798.08
2011	1,942.70	1,852.83

Source: SFC.

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

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

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

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

The Bank's financial condition, results of operations and asset quality are significantly dependent on the macroeconomic and political conditions prevailing in Colombia, El Salvador, Panama, Guatemala 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 currency depreciation, inflation, interest rates, taxation, banking laws and regulations and other political or economic developments in such jurisdictions may affect the overall business environment and may in turn impact the Bank's financial condition and results of operations.

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

The economies of the countries in which the Bank operates are vulnerable to external effects that could be caused by significant economic difficulties experienced by their major regional trading partners or by more general contagion effects, which could have a material adverse effect on economic growth in these countries 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, El Salvador's, Panama's or Guatemala's major trading partners (i.e., the European Union, the United States, China and other Latin American countries for Colombia and the United States and European Union for El Salvador and Panama) could have a material adverse impact on Colombia's, El Salvador's, Guatemala's and Panama's balance of trade and remittances inflows, resulting in lower economic growth.

Deterioration in the economic and political situation of neighboring countries could affect the national stability or economy of Colombia, Panama, El Salvador and Guatemala by disrupting their diplomatic or commercial relationships with neighboring countries. Any future tensions may cause political and economic uncertainty, instability, market volatility, low confidence levels and higher risk aversion by investors and market participants that may negatively affect economic activity in any of those jurisdictions.

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

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

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

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

Colombia has adopted a floating exchange rate system. The Central Bank maintains the power to intervene in the exchange market in order to consolidate or dispose of international reserves, and to control any volatility in the exchange rate. From time to time, including during 2015, there have been significant fluctuations in the exchange rate between the Colombian peso and the U.S. dollar. Unforeseen events in the international markets, fluctuations in interest rates, volatility of the oil price in the international markets, 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 the Bank's 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 that could affect the economy and the Bank.

Colombia has experienced 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 is in the process of negotiating a peace treaty with the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia* or "FARC"). 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

Our financial results may be negatively affected by changes to accounting standards.

We report our results and financial position in accordance with IFRS as issued by the International Accounting Standards Board (IASB). Changes to IFRS or interpretations thereof may cause our future reported results and financial position to differ from current expectations, or historical results to differ from those previously reported due to the adoption of accounting standards on a retrospective basis. Such changes may also affect our regulatory capital and ratios. We monitor potential accounting changes and when these are finalized by the IASB, we determine the potential impact and disclose significant future changes in our financial statements. Currently, there are a number of issued but not yet effective IFRS changes, as well as potential IFRS changes, some of which could be expected to impact our reported results, financial position and regulatory capital in the future. For example, IFRS 9, when fully adopted, will require us to record loans at inception net of expected losses instead of recording credit losses on an incurred loss basis.

Our financial results may be negatively affected by changes to assumptions supporting the value of our goodwill.

The goodwill that we have recognized on the respective balance sheets of our operating segments is tested for impairment at least annually. Our impairment test in respect of the assets recognized as of December 31, 2015 indicated that our respective goodwill balances are not impaired. The impairment test is based on assumptions regarding estimated earnings, discount rates and long-term growth rates impacting the recoverable amount of each segment and on estimates of the carrying amounts of the segments to which the goodwill relates. If the estimated earnings and other assumptions in future periods deviate from the current outlook, the value of the goodwill in any one or more of our businesses may become impaired in the future, giving rise to losses in the income statement.

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

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

Moreover, regulators in the jurisdictions in which Bancolombia operates may alter the current regulatory capital requirements to which Bancolombia is subject and thereby require equity increases that could dilute existing stockholders, lead to required asset sales or adversely impact the return on stockholders' equity and/or the market price of the Bank's common and preferred shares.

Furthermore, banking laws and regulations may create new types of financial entities whose services could compete with the segments or services offered by the Bank, and, therefore, its results in these segments or services may be adversely affected.

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

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

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

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

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

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

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

Furthermore, pursuant to Law 1430 of 2010 the Colombian government has power and authority to establish and define criteria and formulas applicable to the calculation of banking fees and charges and define maximum limits. In 2011, the government used such authority to set forth caps to the bank fees that may be charged on ATM withdrawals outside of each bank's respective networks. Currently, there is a regulatory initiative that eliminates fees that banks may charge on ATM withdrawals.

Additionally, in past years, there have been regulatory initiatives regarding banking fees. Although such initiatives were not approved by Congress in the past, there are new initiatives pursuing similar restrictions on banking fees. If a law regarding banking fees is enacted, the Bank might be prohibited from charging for certain services or types of transactions to its clients, which could have a negative effect on our results of operations and financial condition.

In addition, Law 1555 of 2012 prohibits prepayment penalties for loans worth less than 880 SMMLV, and prepayment of mortgage loans is allowed with no penalties without regard to the amount of the loan.

Also, In December 2015, Congress enacted a law that orders banks to transfer funds in inactive bank accounts to an education financing public entity. In case the accountholder withdraws its funds, banks must pay them with its own funds, and then request reimbursement from the education financing public entity.

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

Decree 1966 of 2014 modified by Decree 2095 of 2014, designates 37 jurisdictions as tax havens for Colombian tax purposes (although neither Panama nor other countries in which the Bank operates, were included on this list). As a result of the tax haven regulation the Bank's clients who are residents in such jurisdictions would be subject to (i) higher withholding tax rates including a higher withholding rate on interest and dividends derived from investments in the Colombian securities market, (ii) the transfer pricing regime and its reporting duties, (iii) enhanced ability on the part of Colombian authorities to qualify a conduct as abusive under tax regulations, (iv) non-deductibility of payments made to such residents or entities located in tax havens, unless the required tax amount has been withheld and (v) additional information disclosure requirements, any of which could have a negative impact on Bancolombia's business and financial results.

In order to avoid Panama's designation as a tax haven, Colombia and Panama signed a memorandum of understanding which establishes that both countries will negotiate a treaty for the avoidance of double taxation. This treaty is expected to include provisions regarding the exchange of information between Colombian and Panamanian tax authorities. The deadline for execution of the treaty was September 30, 2015, which was extended to November 30, 2015, but as of date there is no known consequence for not executing such treaty within the deadline. Failure to execute a treaty, or the designation of Panama as a tax haven, could result in a negative impact on the Bank's customer base and, therefore, a potential negative impact on the Bank's results of operations and financial condition.

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

Bancolombia and most of its subsidiaries are considered foreign financial institutions ("FFIs") under the Foreign Account Tax Compliance Act of 2010 ("FATCA") (see "Item 4. Information on the Company – B. Business Overview – B.8. Supervision and Regulation – International regulations applicable to Bancolombia and its subsidiaries"). Given the size and the scope of the Bank's international operations, we intend to take all necessary steps to comply with FATCA (including entering into agreements with the U.S. tax authorities and transmitting the reports).

However, if the Bank cannot enter into such agreements or satisfy the requirements thereunder, certain payments to Bancolombia or its Subsidiaries may be subject to withholding under FATCA. The possibility of such withholding and the need for accountholders and investors to provide certain information may adversely affect our results of operations and financial condition. In addition, entering into agreements with the IRS, and compliance with the terms of such agreements and with FATCA and any regulations or other guidance promulgated thereunder or any legislation promulgated under an intergovernmental agreement (“IGA”) may increase our compliance costs. We are currently in the process of implementing FATCA compliance on a group-wide level. Legislation and regulations implementing FATCA and the related IGAs in the countries in which the Bank operates remain under development, and the reporting dates vary depending on the jurisdiction. As a result, the future impact of this law and the accuracy of the first reports of the Bank and its Subsidiaries is still uncertain.

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

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

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

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

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

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

Non-traditional sources of credit risk can arise from, among other things: investing in securities, 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 the credit quality or the insolvency of any of the counterparties, could materially and adversely affect the Bank's results of operations and financial position.

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

The Bank is a leader in the mortgage loan markets in which it operates. Colombia's mortgage loan market is highly regulated and has historically been affected by various macroeconomic factors, as have the mortgage loan markets of Panama, Guatemala and El Salvador. Although interest rates have decreased during recent years, periods of sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased defaults in outstanding loans and deterioration in the quality of assets.

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

As of December 31, 2015, the aggregate outstanding principal amount of the Bank's 25 largest credit exposures, on a consolidated basis, represented 14.04% of the Bank's loan portfolio. No single exposure represented more than 3% of the loan book, all of those loans were corporate loans and all of these relationships were classified as "A". However, problems with one or more of the Bank's largest borrowers could materially and adversely affect its results of operations and financial position, see "Item 4. Information on the Company – E. Selected Statistical Information – E.3. Loan Portfolio – Borrowing Relationships".

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

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

The Bank is subject to market risk.

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

The Bank's results of operations are sensitive to fluctuations in interest rates.

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

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

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

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

The Bank's debt securities portfolio is primarily composed of sovereign debt securities, including securities issued or guaranteed by the Colombian Government. Therefore, the Bank's results are exposed to credit, market, and liquidity risk associated with sovereign debt. As of, December 31, 2015 the Bank's total debt securities represented 5.0% of its total assets. 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 in which the Bank operates as compared to other more economically developed countries, and the court systems in such jurisdictions have limited experience in dealing with issues related to derivative transactions. As a result, there are increased operating and structural risks associated with derivatives transactions in these jurisdictions.

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

The Bank is subject to operational risks and losses.

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

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

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

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

The Bank is subject to cyber-security risk.

The bank is subject to cyber-security risk, which includes the unauthorized access to privileged information, technological assaults on the infrastructure of the Bank with the aim of stealing information, committing fraud or interfering with regular service, and the interruption of the Bank's services to some of its clients or users due to the exploitation and materialization of these vulnerabilities. Cyber-security risks for financial institutions have significantly increased because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties.

The Bank's business is highly dependent on the security and efficacy of our infrastructure, computer and data management systems, as well as those of service providers, and others with whom we interact.

The controls that the Bank has implemented in order to anticipate, identify, and offset these threats, have been effective thus far in maintaining cyber-security risk at a low level. These controls include the existence of perimeter defenses, security backups, special 24/7 teams and continuous security tests (including ethical hacking among others), However, we can give no assurance that the low level of risk experienced thus far will continue in the future. Any failure by the Bank to detect or present cyber-security risk in a timely manner could result in a negative impact on the Bank's results of operations and financial position, or in problems with information, including data related to customers to be lost, compromised, or to be delivered to the Bank's clients with delays or errors.

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

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

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

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

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

An element of the Bank's business strategy is to identify and pursue growth-enhancing strategic opportunities. The Bank may base assessments of potential acquisitions and partnerships on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect, and any future acquisitions, investments and alliances may not produce the anticipated synergies or perform in accordance with the Bank's expectations which could adversely affect its operations and profitability.

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

The Bank's principal source of funds is short-term deposits, which on a consolidated basis represented 70.58% of total liabilities at the end of 2015 compared to 71.65% at the end of 2014. Because the Bank relies primarily on short-term deposits for its funding, in the event of a sudden or unexpected shortage of funds in the banking systems and money markets in which the Bank operates, the Bank may not be able to maintain its current level of funding without incurring higher costs or selling assets at prices below their prevailing market value.

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

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

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

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

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

Our credit ratings are an important component of our liquidity profile, and our ability to successfully compete depends on various factors, including our financial stability as reflected by our credit ratings. A downgrade in our credit ratings would increase our cost of raising funds from other banks or in the capital markets. Purchases of our securities by institutional investors could be reduced if we suffer a decline in our credit ratings. Our ability to renew maturing debt could become restricted and the terms for such renewal more expensive if our credit rating were to decline. Our lenders and counterparties in derivative transactions are sensitive to the risk of a credit rating downgrade. A downgrade in our credit rating may adversely affect perception of our financial stability and our ability to raise deposits, which could make us less successful when competing for deposits and loans in the market place.

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

The Central Bank may impose certain mandatory deposit requirements in connection with foreign currency denominated loans obtained by Colombian residents, including the Bank, although no such mandatory deposit requirement is currently in effect. We cannot predict or control future actions by the Central Bank in respect of deposit requirements, which may involve the establishment of a mandatory deposit percentage, and the use of such measures by the Central Bank may raise our cost of raising funds and reduce our financial flexibility.

Risks Relating to the Preferred Shares and the ADSs.

Preemptive rights may not be available to holders of American Depositary Receipts ("ADRs") evidencing ADSs.

The Bank's by-laws and Colombian law require that, whenever the Bank issues new shares of any outstanding class, it must offer the holders of each class of shares (including holders of ADRs) the right to purchase a number of shares of such class sufficient to maintain their existing percentage ownership of the aggregate capital stock of the Bank. These rights are called preemptive rights. United States holders of ADRs may not be able to exercise their preemptive rights through The Bank of New York Mellon, which acts as depositary (the "Depositary") for the Bank's ADR facility, unless a registration statement under the Securities Act is effective with respect to such rights and class of shares or an exemption from the registration requirement thereunder is available. The Bank is obligated to file a registration statement or find a corresponding exemption only if it determines to extend the rights to holders of the ADRs. Although the Bank is not obligated to, it intends to consider at the time of any rights offering the costs and potential liabilities associated with any such registration statement, the benefits to the Bank from enabling the holders of the ADRs to exercise those rights and any other factors deemed appropriate at the timebefore it makes a decision as to whether to file a registration statement. Accordingly, the Bank may in some cases decide not to file a registration statement. For example, in connection with rights offering in January 2012, the Bank did not file such a registration statement.

Under the deposit agreement between the Bank and the Depositary, only the Depositary is entitled to exercise preemptive rights, and the Depositary has no obligation to make available preemptive rights to holders of ADRs. If the Bank offers or causes to be offered to the holders of any deposited securities, including preferred shares of the Bank, any rights to subscribe for additional preferred shares of the Bank or any rights of any other nature, the Depositary has discretion as to the procedure to be followed in making such rights available to any holders of ADRs or in disposing of such rights on behalf of any holders of ADRs and making the net proceeds available to such holders of ADRs. If by the terms of such rights offering or for any other reason, the Depositary may not either make such rights available to any holders of ADRs or dispose of such rights and make the net proceeds available to such holders of ADRs, then the Depositary will allow the rights to lapse. Whenever the rights are sold or lapse, the equity interests of the holders of

ADRs will be proportionately diluted.

The Bank’s preferred shares have limited voting rights.

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

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

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

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

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

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

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

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Due to the fact that Bancolombia and its subsidiaries have adopted IFRS for the first time, the selected financial data have been prepared in accordance with IFRS and presented for the two most recent financial years.

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

Bancolombia is a stock company (*sociedad anónima)* domiciled in Medellín, Colombia and operates under Colombian laws and regulations, mainly the Colombian Commercial Code, Decree 663 of 1993 and Decree 2555 of 2010. Bancolombia was incorporated in Colombia in 1945, under the name Banco Industrial Colombiano S.A. or "BIC", and is incorporated until 2044. In 1998, the Bank merged with Banco de Colombia S.A., and changed its legal name to Bancolombia S.A. On July 30, 2005, Conavi and Corfinsura merged with and into Bancolombia, with Bancolombia as the surviving entity. Through this merger, Bancolombia gained important competitive advantages in retail and corporate banking which materially strengthened Bancolombia's multi-banking franchise.

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

In October 2013, Bancolombia Panama acquired a 40% interest in Grupo Agromercantil, the parent company of Banco Agromercantil de Guatemala, and certain other companies dedicated to securities brokerage, insurance, and other financial businesses. Bancolombia Panama acquired an additional 20% interest on December 30, 2015.

Also in October 2013, Bancolombia acquired a 100% percent interest in the ordinary voting shares, and 1,325,780 preferred shares of Banistmo, a Panamanian banking entity and its subsidiaries involved in the securities brokerage, trust, consumer finance, and leasing businesses.

Since 1995, Bancolombia has maintained a listing on the NYSE, where its ADSs are traded under the symbol “CIB”, and on the Colombian Stock Exchange, where its preferred shares are traded under the symbol “PFBCOLOM”. Since 1981 Bancolombia’s common shares have been traded on the Colombian Stock Exchange under the symbol “BCOLOMBIA”. See “Item 9. The Offer and Listing”.

Bancolombia has grown substantially over the years, both through organic growth and acquisitions.

As of December 31, 2015, Bancolombia had, on a consolidated basis:

COP 192,973 billion in total assets;

COP 140,372 billion in total net loans and advances to customers;

COP 121,802 billion in total deposits from customers; and

COP 19,279 billion in stockholders’ equity attributable to the owners of Bancolombia S.A.

Bancolombia’s consolidated net income attributable to equity holders of Bancolombia S.A. for the year ended December 31, 2015 was COP 2,519 billion, representing a return on average equity of 13.62% and a return on average assets of 1.53%.

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

RECENT DEVELOPMENTS

Implementation of IFRS

According to the adoption schedule of IFRS in Colombia, the Bank began preparing its year-end comparative financial statements and its interim financial information under IFRS from the years ending at December 31, 2015 and 2014 onwards, considering the opening statement of financial position as of January 1, 2014.

Disposal of Seguros Banistmo

On February 23, 2015, Banistmo entered into an agreement with Suramericana S.A., whereby Banistmo agreed to sell, and Suramericana S.A. agreed to buy 100% of the outstanding capital of Seguros Banistmo S.A., an insurance company incorporated under the laws of Panama. The transaction closed on August 31, 2015, after obtaining all the authorizations required by the authorities and the satisfaction of the relevant condition precedents. In consideration for the shares, Suramericana S.A. paid Banistmo a total purchase price of USD 96 million.

Strengthening of the organizational structure

On April 24, 2015 Bancolombia announced the following changes in its organizational structure:

The Corporate Innovation and Digital Transformation Vice-Presidency was created. Its objective is to project innovation and digital banking at its clients' service. Juan Carlos Mora Uribe, who previously acted as Vice President of Corporate Services, assumed this Vice-Presidency and will act in that capacity until he assumes as CEO of Bancolombia.

The Corporate Services Vice-Presidency now consolidates under the same management team the corporate procedures, technology services and human resources. Augusto Restrepo Gómez, who acted as Vice President of Human Resources, assumed this Vice-Presidency. The Human Resources Vice-Presidency has been integrated into the Corporate Service Vice-Presidency.

Disposal of 50% stake in Compañía de Financiamiento Tuya S.A.

On June 30, 2015 Bancolombia, Fondo de Empleados of Grupo Bancolombia - FEBANC and Fundacion Bancolombia acting as sellers; and Almacenes Éxito S.A. and Almacenes Éxito Inversiones S.A.S acting as buyers, entered into a purchase and sale agreement whereby the sellers will transfer to the buyers their 50% interest in Compañía de Financiamiento Tuya S.A., a financial institution located in Colombia through which sellers and buyers have developed a commercial alliance for financing business growth and the strengthening of consumer credit.

The purchase price will be determined at the closing and will equal the sum of: (i) fifty percent (50%) of the sum of the following accounts of Tuya S.A. Compañía de Financiamiento according to the most recent financial statements before the closing (a) equity, (b) capital stock, and (c) additional paid-in capital; and (ii) one thousand five hundred million Colombian pesos (COP 1,500 million).

The sale is subject to certain conditions, including, among others, receipt of the required regulatory approvals by the SFC. Closing is expected to ocurr in the second half of 2016.

Renewal of the term of the program of senior and subordinated notes

On August 10, 2015, Bancolombia renewed the term of the program of senior and subordinated notes of up to an aggregate principal amount of COP 3 billion that may be offered in the Colombian market, which was initially established in 2012. Consequently, the new term of the program will be valid until August 10, 2018.

Acquisition of control of Grupo Agromercantil

On September 11, 2015, Bancolombia Panama entered into an agreement with BAM Financial Corporation for the acquisition of an additional 20% interest of the common stock in Grupo Agromercantil. With this acquisition, Bancolombia Panama owns a controlling stake of 60% in Grupo Agromercantil. The transaction was completed on December 30, 2015, when Bancolombia Panama paid a purchase price of USD 151.5 million to the sellers. Such amount may be adjusted pursuant to the agreement.

Changes to the corporate governance code

On September 22, 2015, the board of directors of Bancolombia approved an update to the corporate governance code. The main adjustments relate to: (i) procedures for the exercise of shareholders' rights at the shareholders' meeting; (ii) principles and policies related to the organizational structure of Bancolombia; (iii) adoption of policies and guidelines for transactions between Bancolombia and affiliates; (iv) new responsibilities for the committees that assist board of directors; (v) heightened eligibility requirements for the members of the board of directors; and (vi) new guidelines related to Bancolombia's control structure.

Disposal of UFF Móvil S.A.S.

On November 30, 2015 Bancolombia announced that, in accordance with the evolution of its mobility strategy, it entered into an agreement for the sale of its equity participation in UFF Móvil S.A.S, a virtual mobile operating company located in Colombia. The transaction closed on the same date. Bancolombia sold its 80.59% stake, which was held through Inversiones CFNS S.A.S. and BIBA Inmobiliaria S.A.S., to MVNO Holdings LLC, a company established under the laws of the State of Florida, United States.

Sale of minority interest in CIFIN S.A.

On February 9, 2016, Bancolombia entered into an agreement with TransUnion Netherlands II B.V., for the sale by Bancolombia of its minority stake in Cifin S.A ("Cifin"), which amounted to 14.2% of the outstanding shares. Cifin is a provider of financial, credit, commercial information and services. Bancolombia sold 106,504 common shares of Cifin for a total amount of COP 629,563.37 per share. The shares in CIFIN sold by Bancolombia, together with the stakes sold by the other shareholders party to the sale agreement, represented in the aggregate a 71% stake in Cifin.

Change in Chief Executive Officer

On March 7, 2016, Carlos Raul Yepes Jimenez resigned as Chief Executive Officer of Bancolombia and the board of directors appointed Juan Carlos Mora Uribe as his replacement.

PUBLIC TAKEOVER OFFERS

In 2015, and as of the date of this Annual Report, there have been no public takeover offers by third parties with respect to the Bank's shares or by the Bank in respect to another company's shares.

CAPITAL EXPENDITURES AND DIVESTITURES

During 2015, total capital expenditures amounted to COP 294 billion. Such investments were mainly focused on an IT-related projects (COP 44 billion), the expansion of the Bank's branch and ATM network (COP 33 billion), the purchase of fixed assets (COP 14 billion), and other miscellaneous projects, including new software modules, upgrade of web contents, automation of reports and construction of data centers (COP 203 billion).

In 2015, Bancolombia funded its capital expenditures with its own resources and plans to continue to fund those currently in progress in the same manner.

During 2016, the Bank expects to invest approximately COP 385 billion as follows: COP 42 billion in connection with the expansion of the Bank's branch and ATM network, COP 50 billion in connection with the purchase of hardware for the expansion, updating and replacement of the current IT equipment, COP 82 billion in connection with other fixed assets and COP 211 billion in connection with strategic projects, including a new datacenter for the Bank's operation in El Salvador. These figures represent only an estimate and may change according to the continuing assessment of the Bank's project portfolio. No assurance can be given, however, that all such capital expenditures will be made and, if made, that such expenditures will be in the amounts currently expected.

The following table summarizes the Bank's capital acquisitions and divestitures in interests in other companies for the years ending December 31, 2015 and 2014:

Capital Acquisitions	For the year ended December 31, 2015		2014		Total
	(in millions of COP)				
Grupo Agromercantil Holding S.A DE C.V.	477,145	(1)	79,339	(2)	556,484
Internacional Ejecutiva de Aviación S.A.S.	8,121		-		8,121
Compañía de Procesamiento de Medios de Pago Guatemala (Bahamas), S.A.	5,562		-		5,562
Grupo Nutresa	2,644		-		2,644
Grupo AVAL	2,618		-		2,618
Banco DAVIVIENDA S.A.	2,180		-		2,180
ECOPETROL S.A.	1,785		-		1,785
Equifax centroamerica S.A. De C.V.	1,695		-		1,695
Transacciones y Transferencias, S.A.	1,315		-		1,315
Interconexión Eléctrica S.A.	1,107		-		1,107
Inversiones ARGOS S.A.	1,076		-		1,076
Reintegra S.A.S.	950		-		950
Cementos ARGOS S.A.	667		-		667
Garantias y Servicios S.G.R.SA.DE C.V.	531		-		531
Imágenes Computarizadas de Guatemala, S.A.	476		-		476
Citigroup Inc.	461		-		461
Inversiones Inmobiliaria Arauco Alameda S.A.	-		15,082		15,082
Titularizadora Colombia S.A.	-		11,902		11,902
Others	1,709		-		1,709
Total Expenditures	510,042		106,323		616,365

(1) The amount of USD 151.5 million has been converted at the rate of COP 3,149.47 per USD 1.00, which is the Representative Market Rate calculated on December 31, 2015, as reported by the SFC.

(2) The amount of USD 40 million has been converted at the rate of COP 1,983.48 per USD 1.00, which is the Representative Market Rate calculated on January 23, 2014, as reported by the SFC.

Capital Divestitures	As of December 31, 2015	2014	Total
	(in millions of COP)		
Inversiones Inmobiliarias Arauco Alameda S.A.S.	216,598	-	216,598
Grupo Odinsa S.A.	1,442	-	1,442
Prosicol S.A.S. (in liquidation)[1]	-	992	992
Others	2,426	-	2,426
Total Divestitures	220,466	992	221,458

(1) Refund of the investment.

B. BUSINESS OVERVIEW

B.1. GENERAL

COMPANY DESCRIPTION, PRODUCTS AND SERVICES

Bancolombia is a full service financial institution that offers a wide range of banking products and services to a diversified individual and corporate customer base of nearly 11 million customers. Bancolombia delivers its products and services through its regional network comprising Colombia's largest non-Government owned banking network, El Salvador's leading financial conglomerate by gross loans, Guatemala's fourth-largest bank by gross loans, Panama's second-largest bank by gross loans and off-shore banking subsidiaries in Panama, Cayman and Puerto Rico, as well as subsidiaries in Peru.

Bancolombia and its subsidiaries offer the following products and services:

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

Ahorro a la Mano: This is a mobile phone based savings account specially designed to serve low-income clients and those with no prior experience with banking products.

Financing: The Bank 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.

Mortgage Banking: The Bank 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 assets turnover through comprehensive solutions to manage their accounts receivable financing.

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

Capital Markets: The Bank assists its clients in mitigating market risk through hedging instruments such as, futures, forwards, options and swaps.

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

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

The Bank offers its clients direct access to local and international capital markets through a full range of brokerage and investment advisory services that cover equities and fixed income securities, proprietary and third-party asset management products, such as mutual funds, private equity funds, and privately managed investment accounts for institutional, corporate and private bank clients.

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

Foreign Currency: The Bank offers its clients specialized solutions to satisfy their investment, financing and payment needs with regard to foreign currency transactions. The Bank also provides trade finance solutions with products such as letters of credit, standby letters of credit and bills collection.

Bancassurance: The Bank distributes diverse insurance products (life, auto, commercial, and homeowner's insurance) written by Compañía Suramericana de Seguros, one of the main insurance companies in Colombia. In addition, Bancolombia offers unemployment insurance written by Sure General Cardif Colombia S.A.

Investment Banking: The Bank, through its subsidiary Banca de Inversión, offers a wide variety of value-added services, including project and acquisition finance, capital markets (DCM & ECM), principal investments (in real estate, industrials, construction), M&A, restructurings and structured corporate lending across all economic sectors.

Trust Services: The Bank, through its subsidiary Fiduciaria Bancolombia offers a broad and diversified portfolio of services for companies and individuals, meeting their needs with tailored services. These services include managing escrow accounts, multiple investment funds, and real estate funds.

MAIN LINES OF BUSINESS

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

For a description and discussion of these segments, please see "Item 5. Operating and Financial Review and Prospects – A. Operating Results – A.2. Results by Segment".

B.2. OPERATIONS

See Note 3 to the Consolidated Financial Statements as of December 31, 2015 included in this Annual Report for a description of the principal markets in which the company competes, including a breakdown of total revenues by category of activity and geographic market for each of the last two fiscal years.

B.3. SEASONALITY OF DEPOSITS

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

B.4. RAW MATERIALS

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

B.5. DISTRIBUTION NETWORK

Bancolombia provides its products and services through a traditional branch network, sales and customer representatives as well as through mobile branches (or "*Puntos de Atención Móviles*"), 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, 2015, Bancolombia had a sales force of approximately 13,147 employees and transactions performed through electronic channels represented more than 83.6% of all transactions in 2015.

The following are the distribution channels offered by Bancolombia as of December 31, 2015.

Branch Network

As of December 31, 2015, Bancolombia's consolidated branch network consisted of 1,274 offices which included 827 from Bancolombia S.A., 97 from Banco Agricola, 47 from Banistmo, 220 from BAM and 83 from other subsidiaries.

Company*	Number of branches 2015	Number of branches 2014	Number of branches 2013	Number of branches 2012	Number of branches 2011
Bancolombia S.A.(unconsolidated)	827	826	844	815	779
Bancolombia Panama	1	1	1	1	1
Bancolombia Miami (Agency) (1)	-	-	-	1	1
Bancolombia S.A. Panama Branch	1	1	1	1	-
Leasing Bancolombia	21	21	21	20	16
Renting Colombia	23	19	17	17	16
Valores Bancolombia	7	11	11	5	8
Valores Bancolombia Panama S.A.	1	1	1	1	1
Banca de Inversión	2	2	2	2	2
Fiduciaria Bancolombia	5	7	7	4	6
Tuya S.A. Compañía de Financiamiento (6)	-	4	6	5	5
Bancolombia Puerto Rico International Inc.	1	1	1	1	1
Factoring Bancolombia S.A.	-	-	1	1	1
SUFI	3	3	6	7	
Arrendamiento Operativo CIB S.A.C. (2)	1	1	1	1	2
Fondo Inversión Arrend.Operativo Renting Perú I	1	1	1	1	1
Inversiones CFNS S.A.S.	2	2	2	2	2
Banco Agrícola	97	98	98	101	101
Arrendadora Financiera S.A.	1	1	1	1	1
Credibac S.A. de C.V	-	-	-	-	1
Valores Banagricola, S.A. de C.V.(3)	1	1	1	1	1
AFP Crecer S.A.(4)	-	-	-	-	-
Aseguradora Suiza Salvadoreña S.A.(5)	-	-	-	-	1
Asesuisa Vida S.A.(5)	-	-	-	-	1
Uff Móvil S.A.S. (7)	-	1	1	1	-
Capital Investments SAFI S.A.	1	1	1	1	1
Transportempo S.A.S	1	1	1	1	1
Leasing Perú S.A.	1	1	1	1	1
FiduPerú S.A. Sociedad Fiduciaria (previously Fiduciaria GBC S.A.)	1	1	1	1	1
Banitsmo	47	50	50	-	-

Financomer	8	7	8	-	-
BAM (Guatemala)	220	-	-	-	-
Seguros Banitsmo	-	4	4	-	-
Total	1,274	1,070	1,090	993	952

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

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

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

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

(4) AFP Crecer S.A. was sold on November 21, 2011.

(5) Aseguradora Suiza Salvadoreña S.A. and Asesuisa Vida S.A. were sold on September 27, 2012.

(6) Bancolombia S.A. entered into an agreement to sell 50% of its stake in Compañía de Financiamiento Tuya S.A. in 2015. Bancolombia S.A. will no longer consolidate such company, although it will still own 50% of the company's common equity.

(7) Bancolombia S.A. sold its 80.59% stake in Uff Movil S.A.S. in 2015.

Banking Correspondents

A banking correspondent is a platform which allows non-financial institutions, such as stores open to the public, to provide financial services and transactions in towns where banks and financial institutions have limited or no presence. As of December 31, 2015, Bancolombia has a total of 6,768 banking correspondents, including 6,595 in Colombia, 73 in Panama and 100 in El Salvador.

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, 2015, there were a total of 564 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, 2015, there were a total of 215 kiosks.

Automatic Teller Machines (“ATMs”)

Bancolombia has a total of 5,080 ATMs, including 4,024 in Colombia, 561 in El Salvador, 323 in Panama, and 172 in Guatemala.

Online/Computer Banking

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

Telephone Banking

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

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

Through our own network of 6,188 PACs our customers may carry out a variety of transactions including transfer of funds, bill payments, and changes to credit and credit card PINs.

Mobile Phone Banking Service

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

B.6. PATENTS, LICENSES AND CONTRACTS

The Bank is not dependent on patents or licenses, nor is it substantially dependent on any industrial, commercial or financial contracts (including contracts with customers or suppliers). However, the contracts with service providers described below have significant relevance to the Bank's business:

The online banking platform of the Bank is provided by Todo1 Services Inc., a company specialized in providing services to financial institutions for their mobile and internet banking platforms.

The Bank's call center and telephone banking services are provided by Allus Global BPO Center, a company specialized in providing business process outsourcing, or BPO solutions.

The Bank's check processing and settlement service is provided by IQ Outsourcing S.A., a Colombian company specialized in processing checks issued by customers of the Colombian financial institutions, through the Central Bank.

If we were required to replace any of Todo1 Services Inc., Allus Global BPO Center or IQ Outsourcing S.A. as service providers of the Bank, or if any of those service providers were not to fulfill their respective contractual obligations, our business could suffer, and we might be required to incur additional costs to find replacement providers.

B.7. COMPETITION

Description of the Colombian Financial System

Overview

During the last decade, the Colombian banking system has been undergoing a period of expansion, given the series of mergers and acquisitions that have taken place within the sector. More specifically, several mergers and acquisitions took place in 2007, mainly due to the global economic situation. Colombian banks made several investments allowing some entities to become big players in the Latin American market; Bancolombia, completed the acquisition of Banagrícola in El Salvador. In 2010, Banco de Bogotá acquired BAC-Credomatic, which operates in several countries in Central America; and, in October 2011, Canadian Scotiabank purchased a stake in Colpatria. In 2012, the most relevant event regarding the presence of foreign banks in Colombia was the acquisition of Banco Santander Colombia S.A. in July 2012 by Corpbanca (Chile). Also, Davivienda acquired the subsidiaries of HSBC in Costa Rica, Honduras and El Salvador.

In 2013, Bancolombia continued its internationalization process with the acquisition of the banking and insurance operations of HSBC in Panama for USD 2,234 million. In addition, Bancolombia Panama, acquired 40% of the common shares of Grupo Agromercant for USD 217 million. In 2013, Grupo Aval acquired 100% of the Guatemalan Reformador Financial Group (the transaction was valued at USD 411 million) and acquired BBVA Panama for USD 490 million. In 2013, some competitors started operations in Colombia: Itau BBA entered the market with an investment bank, just as did BNP Paribas, Credicorp with the acquisition of Correval (a local brokerage firm), Brazilian broker-dealer BTG Pactual acquired Bolsa y Renta, Banco Santander returned to the Colombian market with a bank and the Chilean Larrain Vial started operations with a brokerage firm. During 2014, the entry of new entities continued as the financing company Hipotecaria specialized in mortgage loans that began operations in March 2014; also, in June 2014, Corpbanca completed the acquisition of Helm Bank, keeping the brand of Corpbanca; additionally, in 2014 the bank GNB Sudameris acquired 99.9% of the capital of HSBC Colombia and now operates under the brand GNB Colombia. In October 2014, GNB Sudameris acquired GNB Colombia. In 2015, the Chilean group CorpBanca made a merger agreement with the Brazilian Itau. Bancolombia sold 50% of its shares in Tuya SA to Grupo Exito. Furthermore, in December of 2015, Bancolombia bought an additional 20% interest in Grupo Agromercantil, controlling in total 60% of the company.

As of December 31, 2015, according to the SFC, the main participants in the Colombian financial system were 25 commercial banks (14 domestic private banks, 10 foreign banks, and 1 domestic state-owned bank), 5 financial corporations and 16 financing companies (4 leasing companies and 12 traditional financing companies). Bancolombia has the commercial finance company Leasing Bancolombia, which as of December 31, 2015 had a market share in assets and net income of 64.79% and 64.99% respectively, also has Finance Corporation, Banca de Inversión, with a market share in assets and net income of 4.64% and 12.67% respectively. 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.

Credit Institutions' Evolution in 2015

During 2015, Colombia showed a deceleration in the growth of the Gross Domestic Product (GDP) in relation to 2014. The GDP increased 3.1% in 2015 whereas the growth in 2014 was 4.6%. Inflation in 2015 was out of the target range of the Central Bank, due to the lack of staple foodstuffs and devaluation of the Colombian peso. In 2015, inflation increased 6.77% in comparison to 2014. One of the critical points for the Colombian economy during 2015 was the evolution of raw material and commodities international prices, which decreased in relation to 2014, affecting especially crude oil. The devaluation of the Colombian peso has had a negative impact in the trade balance, which is now more negative. In 2014, the deficit was of 6,293 million of dollars and the deficit of 2015 was 15,907 million. Exports to the United States decreased 31% and to China 61%. As a measure to control inflation and the negative growth of the trade balance, the Central Bank has increased the interest rate up to 125 basis points in 2015, ending the year in 5.75%.

Loans growth at Colombian credit institutions was 14.42 % in 2015 according to SFC, compared to 14.80% and 13.55% for 2014 and 2013, respectively. The growth of commercial loans was 14.79% in 2015, compared to 15.54% in the previous year. The consumer loans increased 11.70% in 2015, less than the 13.30% in 2014. Mortgage and small business loans continued to perform well, with increases of 16.59% and 15.50%, respectively, in 2015.

The credit institutions' level of past-due loans as a percentage of the total loan portfolio decreased from 2.94% in December 2014 to 2.86% in December 2015. In addition, the coverage, measured by the ratio of allowances for loans losses (principal) to PDLs (overdue 30 days), ended 2015 at 156.85%, compared to 151.52% at the end of 2014.

During 2015, loans raised their participation in the total amount of assets. Loans increased from 64.4% of total assets at the end of 2014 to 65.5% at the end of 2015. The investments and derivatives transactions, as a percentage of total assets, increased from 19.2% at the end of 2014 to 19.8% at the end of 2015. Deposits reduced their participation in the total balance of loans from 97.28% in 2014 to 93.6% in 2015.

As of December 31, 2015, the credit institutions recorded COP 549.8 trillion in total assets, representing a 14.88% increase compared to the same period in 2014. The Colombian credit institutions total composition of assets shows banks with a market share of 91.79%, followed by financing companies with 5.18%, financial corporations with 2.57% and financial cooperatives with 0.47%.

The capital adequacy ratio (Tier 1 + Tier 2) for credit institutions was 15.42% in December 2015 (including banks, financial corporations, financing companies and financial cooperatives), which is well above the minimum legal requirement of 9%. With the effectiveness of Decree 1771 of 2012 and the external circular 20 of 2013 of the Financial Superintendence, a new capital regime for credit institutions was established in order to strengthen the quality of equity of financial institutions to ensure they have the capacity to absorb losses in the development of their activities.

During 2015, the Colombian financial institutions began reporting their financial results under IFRS. In the case of credit institutions, the SFC since 2015 has allowed the presentation of non-consolidated financial statements under Colombian banking GAAP, following the Decree 1851 of August 2013, which regulates the Law 1314 of 2009 concerning the technical regulatory framework for the institutions that report their financial results.

Bancolombia and Its Competitors

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

	ROE[(1)]		***ROA***[(2)]		***Past-due loans/ Total loans***		Allowances/ Past-due loans		Capital Adequacy	
	Dic-15	Dic-14	Dic-15	Dic-14	Dic-15	Dic-14	Dic-15	Dic-14	Dic-15	Dic-14
Bancolombia	13.06%	8.14 %	2.13%	1.33 %	2.78 %	2.51 %	177.11%	185.46%	15.76 %	17.89 %
Banco de Bogotá	15.74%	10.77%	2.99%	2.25 %	2.31 %	2.36 %	140.48%	132.71%	20.69 %	19.13 %
Davivienda	15.73%	14.43%	1.92%	1.83 %	2.39 %	2.74 %	176.02%	160.39%	14.20 %	12.96 %
BBVA	15.81%	13.90%	1.20%	1.17 %	2.20 %	2.06 %	153.57%	168.57%	13.51 %	10.57 %
Banco de Occidente	12.49%	29.56%	1.50%	3.94 %	2.72 %	2.79 %	135.43%	143.51%	11.30 %	12.32 %
Banco Popular	12.76%	14.56%	1.59%	2.24 %	1.99 %	2.07 %	178.75%	165.39%	10.97 %	12.21 %
Citibank	15.25%	14.76%	2.24%	2.26 %	2.71 %	2.98 %	166.91%	160.80%	11.82 %	13.50 %

Source: SFC.

(1) ROE is return on average stockholders' equity.
(2) ROA is return on average assets.

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The following tables illustrate Bancolombia and its main competitor's market share on an unconsolidated basis with respect to various key products, based on figures published by the SFC for the years ended December 31, 2015, 2014 and 2013:

Total Net Loans
Market Share

Total Net Loans – Market Share (%)	2015	2014	2013
Bancolombia	22.69%	23.04%	22.65%
Banco de Bogotá	13.78%	13.86%	13.76%
Davivienda	13.82%	13.50%	12.98%
BBVA	10.61%	10.29%	9.95%
Banco de Occidente	7.31%	6.91%	7.45%
Banco Popular	4.20%	4.32%	4.61%
Citibank	1.96%	2.12%	2.20%

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

Checking Accounts
Market Share

Checking Accounts – Market Share (%)	2015	2014	2013
Bancolombia	25.28%	23.72%	25.16%
Banco de Bogotá	19.23%	19.82%	18.79%
Banco de Occidente	11.39%	11.51%	11.49%
BBVA	9.73%	9.89%	10.03%
Davivienda	9.94%	10.23%	9.76%
Banco Popular	2.46%	2.68%	3.31%
Citibank	4.23%	3.91%	3.13%

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

Time Deposits
Market Share

Time Deposits – Market Share (%)	2015	2014	2013
Bancolombia	15.23%	14.59%	17.93%
Banco de Bogotá	14.67%	17.01%	14.61%
Davivienda	13.53%	12.58%	12.35%
BBVA	11.17%	12.11%	10.27%
Citibank	1.05%	1.88%	2.00%
Banco Popular	4.12%	2.16%	1.56%
Banco de Occidente	4.51%	5.94%	5.09%

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

Saving Accounts
Market Share

Saving Accounts – Market Share (%)	2015	2014	2013
Bancolombia	22.70%	23.09%	22.95%
Banco de Bogotá	13.14%	11.67%	14.09%
Davivienda	12.37%	12.54%	11.35%
BBVA	12.44%	11.86%	11.96%
Banco Popular	4.64%	5.29%	6.48%
Banco de Occidente	6.29%	6.67%	6.41%
Citibank	3.12%	2.87%	2.49%

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

Banco Agrícola and its Competitors

In 2015, Banco Agrícola continued to lead the Salvadorian financial system and ranked first in terms of assets, loans, deposits, stockholders equity and profits. The following table illustrates the market share for the main institutions of the Salvadorian financial system for the year end December 31, 2015:

MARKET SHARE

	Assets	Stockholders` Equity	Loans	Deposits	Profits
Banco Agrícola	27.9%	28.0%	28.4%	27.5%	46.6%
Citibank	10.8%	15.6%	9.4%	11.7%	3.1%
Davivienda	15.4%	14.2%	15.3%	13.9%	15.3%
Scotiabank	13.6%	14.3%	15.0%	13.1%	9.5%
BAC	12.4%	10.6%	12.2%	13.1%	12.9%
Others	19.9%	17.3%	19.7%	20.7%	12.6%

Source: ABANSA (*Asociación Bancaria Salvadoreña*).

The following tables illustrate the market share of Banco Agrícola and its main competitors, based on figures published by the Salvadorian Banking Association (ABANSA) for the years ended in December 31, 2015 and 2014:

Total Loans
Market Share

Total Loans - Market Share (%)	2015	2014
Banco Agrícola	28.4%	28.7%
Citibank	9.4%	10.5%
Davivienda	15.3%	15.4%
Scotiabank	15.0%	15.1%
BAC	12.2%	11.9%
Others	19.7%	18.3%

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

Checking Accounts
Market Share

Checking Accounts - Market Share (%)	2015	2014
Banco Agrícola	23.2%	23.1%
Citibank	19.3%	21.7%
Davivienda	11.5%	11.0%
Scotiabank	7.8%	7.4%
BAC	19.7%	18.0%
Others	18.5%	18.8%

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

Time Deposits
Market Share

Time Deposits - Market Share (%)	2015	2014
Banco Agrícola	22.3%	24.0%
Citibank	5.5%	5.8%
Davivienda	15.3%	14.6%
Scotiabank	16.7%	17.1%
BAC	10.8%	11.1%
Others	29.4%	27.4%

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

Saving Accounts
Market Share

Saving Account - Market Share (%)	2015	2014
Banco Agrícola	39.1%	38.5%
Citibank	11.8%	12.8%
Davivienda	14.7%	14.4%
Scotiabank	13.9%	14.1%
BAC	8.9%	9.0%
Others	11.6%	11.1%

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

Banistmo and its Competitors

Banistmo, a leading company in Panama; is the second largest bank in the country with 10.7% market share by loans. The following table illustrates the market share for the main institutions of the Panamanian financial system for the year ended in December 31, 2015:

MARKET SHARE

	Assets	Equity	Loans	Deposits	Profits
Banistmo	9.1%	9.3%	10.7%	12.2%	11.1%
Banco General	13.9%	10.2%	14.3%	19.7%	14.7%
Global Bank	5.9%	4.4%	7.8%	5.7%	5.0%
Banesco	4.1%	3.0%	4.3%	6.9%	4.0%
BAC	6.7%	22.7%	5.2%	5.9%	12.8%
Others	60.4%	50.4%	57.6%	49.5%	52.4%

Source: Banistmo based on data by the Superintendency of Banks of Panama.

The following tables illustrate the market share of Banistmo and its main competitors, based on figures published by the Superintendency of Banks of Panama for the years ended in December 31, 2015 and 2014:

Total Loans

Market Share

Total Loans - Market Share (%)	2015	2014
Banistmo	10.7%	11.1%
Banco General	14.3%	14.2%
Global Bank	7.8%	7.6%
Banesco	4.3%	4.0%
BAC	5.2%	5.6%
Others	57.6%	57.7%

Source: Banistmo based on data by the Superintendency of Banks of Panama.

Saving Accounts

Market Share

Saving Account - Market Share (%)	2015	2014
Banistmo	13.8%	13.5%
Banco General	24.4%	23.4%
Global Bank	5.4%	5.4%
Banesco	14.5%	15.3%
BAC	3.1%	3.2%
Others	38.7%	39.1%

Source: Banistmo based on data by the Superintendency of Banks of Panama.

Checking Accounts

Market Share

Checking Accounts - Market Share (%)	2015	2014
Banistmo	13.0%	13.4%
Banco General	22.8%	22.2%
Global Bank	3.9%	4.1%
Banesco	4.6%	3.9%
BAC	8.9%	8.1%
Others	46.9%	48.3%

Source: Banistmo based on data by the Superintendency of Banks of Panama.

Time Deposits

Market Share

Time Deposits - Market Share (%)	2015	2014
Banistmo	11.1%	10.7%
Banco General	16.5%	16.4%
Global Bank	6.6%	7.0%
Banesco	4.4%	4.0%
BAC	6.1%	6.5%
Others	55.4%	55.3%

Source: Banistmo based on data by the Superintendency of Banks of Panama.

Banco Agromercantil de Guatemala, S.A. and its Competitors

In 2015, Banco Agromercantil maintained its position as the fourth-largest bank in Guatemala in terms of assets, loans, deposits and stockholders' equity. The Guatemalan financial system has a total of 17 banks. The following table illustrates the market share for the main institutions of the financial system for the year ended in December 31, 2015:

MARKET SHARE

	Assets	Stockholders' Equity	Loans	Deposits	Profits
Banco Industrial	28.1%	20.9%	27.1%	25.0%	29.0%
Banrural	20.1%	23.5%	21.4%	22.2%	26.4%
Banco G&T Continental	18.4%	15.4%	16.5%	18.3%	15.0%
Banco Agromercantil	8.6%	9.1%	10.6%	7.9%	7.4%
BAC-Reformador	6.8%	8.4%	8.1%	7.3%	1.4%
Bantrab	6.4%	6.6%	5.4%	6.9%	10.5%
Citibank	2.2%	4.5%	2.7%	2.3%	1.7%
Others*	9.4%	11.6%	8.2%	10.1%	8.6%

Source: SIB *(Superintendencia de Bancos de Guatemala).*

The following tables illustrate the market share of Banco Agromercantil and its main competitors, based on figures published by the Superintendency of Banks of Guatemala for the years ended in December 31, 2015 and 2014:

Total Loans
Market Share

Total Loans - Market Share (%)	2015	2014
Banco Industrial	27.1%	26.7%
Banrural	21.4%	21.1%
Banco G&T Continental	16.5%	16.4%
Banco Agromercantil	10.6%	10.7%
BAC-Reformador	8.1%	7.9%
Bantrab	5.4%	5.8%
Citibank	2.7%	3.0%
Others*	8.2%	8.4%

Source: SIB *(Superintendencia de Bancos de Guatemala).*

Checking Accounts
Market Share

Checking Accounts - Market Share (%)	2015	2014
Banco Industrial	31.2%	30.3%
Banrural	20.2%	22.0%
Banco G&T Continental	17.9%	17.7%
Banco Agromercantil	7.9%	7.9%
BAC-Reformador	10.0%	9.3%
Bantrab	1.3%	1.2%
Citibank	2.8%	3.8%
Others*	8.7%	7.8%

Source: SIB *(Superintendencia de Bancos de Guatemala).*

Time Deposits
Market Share

Time Deposits - Market Share (%)	2015	2014
Banco Industrial	19.9%	20.3%
Banrural	20.7%	18.1%
Banco G&T Continental	17.0%	19.3%
Banco Agromercantil	7.4%	8.3%
BAC-Reformador	6.0%	6.7%
Bantrab	13.2%	12.1%
Citibank	2.1%	1.2%
Others*	13.7%	14.0%

Source: SIB *(Superintendencia de Bancos de Guatemala).*

Saving Accounts
Market Share

Saving Account - Market Share (%)	2015	2014
Banco Industrial	24.6%	23.7%
Banrural	29.2%	29.8%
Banco G&T Continental	21.5%	20.9%

Banco Agromercantil	8.7%	9.2%
BAC-Reformador	5.3%	5.6%
Bantrab	3.8%	3.5%
Citibank	1.7%	2.0%
Others*	5.2%	5.3%

* **Others**. Includes the followings banks: Internacional, Promerica, Crédito Hipotecario Nacional, Ficohsa, Azteca, Inmobiliario, De Antigua, Vivibanco, Citibank, N.A. de Guatemala, De Crédito.

B.8. SUPERVISION AND REGULATION

Colombian Banking Regulators

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

Central Bank

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

Ministry of Finance

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

As part of its duties, the Ministry of Finance issues decrees relating to financial matters that may affect banking operations in Colombia. In particular, the Ministry of Finance is responsible for regulations relating to capital adequacy, risk limitations, authorized operations, disclosure of information and accounting of financial institutions on a high level, which matters are then regulated in detail by the SFC.

Superintendency of Finance

The SFC is the authority responsible for supervising and regulating financial institutions, including commercial banks such as the Bank, finance corporations, financing companies, financial services companies and insurance companies, which require prior authorization of the SFC before commencing operations. Regulations issued by the SFC must comply with decrees issued by the Ministry of Finance. The SFC has broad discretionary powers to supervise financial institutions, including the authority to impose fines on financial institutions and their directors and officers for violations of applicable regulations. The SFC can also conduct on-site inspections of Colombian financial institutions.

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

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

Other Colombian regulators

Self- Regulatory Organization

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

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

Superintendency of Industry and Commerce

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

Regulatory Framework for Colombian Banking Institutions

The basic regulatory framework of the Colombian financial sector is set forth in Decree 663 of 1993, modified among others, by Law 510 of 1999, Law 546 of 1999, Law 795 of 2003 and Law 1328 of 2009.

Decree 663 of 1993 defined the structure of the Colombian financial system and defines several forms of business entities, including: (i) credit institutions (*establecimientos de crédito*) (which are further categorized into banks, such as the Bank, finance corporations (*corporaciones financieras*), financing companies (*compañias de financiamiento*) and finance cooperatives (*cooperativas financieras*)); (ii) financial services entities (*sociedades de servicios financieros*); (iii) capitalization corporations (*sociedades de capitalización*); (iv) insurance companies (*entidades aseguradoras*); and (v) insurance intermediaries (*intermediarios de seguros*). Furthermore, Decree 663 of 1993 provides that no financial, banking or credit institution may operate in Colombia without the prior approval of the SFC.

Law 510 of 1999 improved the solvency standards and stability of Colombia’s financial institutions by providing rules for their incorporation and regulating permitted investments of credit institutions, insurance companies and investment companies.

Law 546 of 1999 was enacted to regulate the system of long-term home loans.

Law 795 of 2003 broadened the scope of permitted activities for financial institutions, to update regulations with some of the then-latest principles of the Basel Committee and to increase the minimum capital requirements in order to incorporate a financial institution (for more information, see “Minimum Capital Requirements” below). Law 795 of 2003 also provided authority to the SFC to take preventive measures, consisting mainly of preventive interventions with respect to financial institutions whose capital falls below certain thresholds.

Law 1328 of 2009 provided a set of rights and responsibilities for customers of the financial system and a set of obligations for financial institutions in order to minimize disputes. This law also gives foreign banks more flexibility to operate in Colombia through “branches”. Following its adoption, credit institutions were allowed to operate leasing businesses and banks were allowed to extend loans to third parties so that borrowers could acquire control of other companies.

The SFC has authority to implement applicable regulations and, accordingly, issues from time to time administrative resolutions and circulars. By means of External Circular 029 of 2014, the SFC compiled the rules and regulations applicable to financial institutions and other entities under its supervision. Likewise, by means of External Circular 100 of 1995 (the “Basic Accounting Circular”), it compiled all regulations applicable to the accounting rules and regulations.

Financial institutions are subject to further rules if they engage in additional activities. Law 964 of 2005 (securities market law) regulates securities intermediation activities, which may be performed by banks, and securities offerings. External Resolution 8 of 2000 (foreign exchange regulations), and Resolution 4 (as hereinafter defined) issued by the board of directors of the Central Bank, defined the different activities that banks, including the Bank, may perform as currency exchange intermediaries, including lending in foreign currencies and investment in foreign securities.

Additionally, Decree 2555 of 2010 compiled regulations that were dispersed in separate decrees, including regulations regarding securities market activities, capital adequacy requirements, principles in the determination, diffusion and publicity of rates and prices of products and financial services, and lending activities.

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

Key interest rates

Colombian commercial banks, finance corporations and consumer financing companies are required to provide the Central Bank, on a weekly basis, with data regarding the total volume (in pesos) of certificates of deposit issued during the prior week and the average interest rates paid for certificates of deposit with maturities of 90 days. Based on such reports, the Central Bank computes *Depósitos a Término Fijo* ("DTF") rate, which is published at the beginning of the following week, for use in calculating interest rates payable by financial institutions. The DTF is the weighted average interest rate paid by finance corporations, commercial banks and consumer financing companies for certificates of deposit with maturities of 90 days. For the week of April 18, 2016, the DTF was 6.49%.

Article 884 of the Colombian Commercial Code provides for a limit on the amount of interest that may be charged in commercial transactions. The limit is 1.5 times the current banking interest rate, or *Interés Bancario Corriente*, calculated as the average of the interest ordinarily charged by banks within a set period of time. The current banking interest rate for small business loans and for all other loans is certified by the SFC. As of December 31, 2015, the banking interest rate for small business loans was 35.42% and for all other loans was 19.33%.

Capital adequacy requirements

Capital adequacy requirements for Colombian financial institutions (as set forth in Decree 2555 of 2010, as amended) are based on applicable Basel Committee standards. Some of the highlights of this regulation are as follows:

- The technical capital is calculated as the sum of Ordinary Basic Capital (common equity Tier I), Additional Basic Capital (additional Tier I), and Additional Capital (Tier II capital).

- Criteria for debt and equity instruments to be considered ordinary basic capital, additional basic capital, and additional capital were established. Additionally, the SFC must review whether a given instrument adequately complies with these criteria in order for an instrument to be considered Tier I or Tier II capital, upon request of the issuer. Debt and equity instruments that have not been classified by the SFC as basic or additional capital are not be considered Tier I or Tier II capital for purposes of capital adequacy requirements.

- The total solvency ratio is set at a minimum of 9% of the financial institution's total risk-weighted assets; however, each entity must comply with a minimum basic solvency ratio of 4.5%, which is defined as the ordinary basic capital after deductions divided by the financial institution's total risk-weighted assets.

In 2014, the Ministry of Finance issued Decree 1648 of 2014 which establishes criteria for hybrid instruments to be considered additional basic capital (Additional Tier I).

As of December 31, 2015, the Bank's technical capital ratio was 12.46%, exceeding the requirements of the Colombian government and the SFC by 346 basis points. As of December 31, 2014, the Bank's technical capital ratio was 13.29%.

For more information, see "Item 5. Operating and Financial Review and Prospects - B1 Liquidity and Funding. Capital Adequacy"

The minimum capital requirement for banks on an unconsolidated basis is established in Article 80 of Decree 633 of 1993. The minimum capital requirement for banks, including Bancolombia S.A., for 2015 is COP 79,835 million. Failure to meet such requirement can result in the taking of possession (*toma de posesión*) of the Bank by the SFC (see "Bankruptcy Considerations").

Capital Investment Limit

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

Mandatory Investments

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

Foreign Currency Position Requirements

According to External Resolution 9 of 2013 issued by the board of directors of the Central Bank as amended or suppplemented ("Resolution 9"), a financial institution's foreign currency position (*posición propia en moneda extranjera*) is the difference between such institution's foreign currency-denominated assets and liabilities (including any off-balance sheet items), actual or contingent, including those that may be converted into Colombian legal currency.

Resolution 9 provides that the average of a bank's foreign currency position for three business days cannot exceed the equivalent in pesos of 20% of the bank's technical capital. Currency exchange intermediaries such as the Bank are permitted to hold a three business days' average negative foreign currency position not exceeding the equivalent in foreign currency of 5% of its technical capital (with penalties being payable after the first business day).

Resolution 9 also defines the foreign currency position in cash (*posición propia de contado en moneda extranjera*) as the difference between all foreign currency-denominated assets and liabilities. A bank's three business days average foreign currency position in cash cannot exceed 50% of the bank's technical capital. In accordance with Resolution 9, the three business days' average must be calculated on a daily basis and the foreign currency position in cash can be negative as long as it does not exceed 20% of the bank's technical capital.

Finally, Resolution 9 requires banks to comply with a gross position of leverage (*posición bruta de apalancamiento*) as it relates to its foreign currency position. Gross position of leverage is defined as (i) the value of term contracts denominated in foreign currency, plus (ii) the value of transactions denominated in foreign currency to be settled within two days in cash, plus (iii) the value of the exchange rate risk exposure associated with exchange rate options and derivatives. According to Resolution 9 the three business days' average of the gross position of leverage cannot exceed 550% of the technical capital.

Reserve Requirements

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

Credit institutions must maintain reserves of 11% over private demand deposits, government demand deposits, other deposits and liabilities and savings deposits; of 4.5% over term deposits with maturities fewer than 540 days and 0% over term deposits with maturities equal to or more than 540 days.

Foreign Currency Loans

According to External Resolution 8 of 2000, residents of Colombia may obtain foreign currency loans from foreign residents, and from Colombian currency exchange intermediaries (such as the Bank) or by placing debt securities abroad. Foreign currency loans must be either disbursed through a foreign exchange intermediary or deposited in special purpose offshore accounts.

Colombian residents who borrow funds in foreign currency are generally required to post with the Central Bank non-interest bearing deposits for a specified term, although the size of the required deposit is currently zero. Such deposits would not be required in certain cases, including foreign currency loans aimed at financing Colombian investments abroad, or for short-term exportation loans, provided that these loans are disbursed against the funds of Banco de Comercio Exterior – Bancoldex.

External Resolution 8 of 2000 sets forth a number of restrictions and limitations as to the use of proceeds in the case of foreign currency loans obtained by Colombian currency exchange intermediaries and in order to avoid deposits. Such foreign currency loans may be used, among others, for lending activities in a foreign currency with a tenor equal to, or shorter than, the tenor of the foreign financing.

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

Non-Performing Loan Allowance

The SFC maintains rules on non-performing loan allowances for financial institutions. These rules apply for Bancolombia’s financial statements on a stand-alone basis for Colombian regulatory purposes. Non-performing loan allowances in the Consolidated Financial Statements are calculated according to IFRS.

Lending Activities

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

Decree 2555 of 2010 also sets a maximum limit of 30% of the Bank's technical capital for single-party risk, the calculation of which includes loans, leasing operations and equity and debt investments.

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

Ownership and Management Restrictions

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

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

Bankruptcy Considerations

Pursuant to Colombian banking law, the SFC has the power to intervene in the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure. Additionally, the SFC also conducts periodic visits to financial institutions and may impose capital or solvency obligations on financial institutions without taking control.

The SFC may intervene in a bank's business: (i) prior to the liquidation of the bank, in order to prevent the bank from entering into a state where the SFC would need to take possession by taking one of the following recovery measures (institutos de salvamento): (a) submitting the bank to a special supervision regime; (b) issuing a mandatory order to recapitalize the bank; (c) placing the bank under the management of another authorized financial institution, acting as trustee; (d) ordering the transfer of all or part of the assets, liabilities and contracts of the bank to another financial institution; (e) ordering the bank to merge with one or more financial institutions that consent to the merger; (f) ordering the adoption of a recovery plan by the bank pursuant to guidelines approved by the government; (g) ordering the exclusion of certain assets and liabilities by requiring the transfer of such assets and liabilities to another institution designated by the SFC; or (h) ordering the progressive unwinding (*desmonte progresivo*) of the operations of the bank; or (ii) at any time, by taking possession of the bank to either administer the bank or order its liquidation, depending on how critical the situation is found to be by the SFC.

The following grounds for a taking of possession are considered to be “automatic” in the sense that, if the SFC discovers their existence, the SFC must step in and take over the financial institution: (i) if the financial institution’s Technical Capital falls below 40% of the legal minimum; or (ii) upon the expiration of the term of any then-current recovery plans or the non-fulfillment of the goals set forth in such plans.

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

Within two months (extendible for two additional months) from the date in which the SFC takes possession of a bank, the SFC must decide which measures to adopt. The decision is to be made with the purpose of permitting depositors, creditors and investors to obtain the full or partial payment of their credits and must be submitted to *Fondo de Garantías de Instituciones Financieras*' (Fogafin) previous opinion.

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

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

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

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

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

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

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

Deposit insurance—Troubled Financial Institutions

Subject to specific limitations, Fogafin is authorized to provide equity (whether or not reducing the par value of the recipient's shares) and/or secured credits to troubled financial institutions, and to insure deposits of commercial banks and certain other financial institutions.

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

Risk Management Systems

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

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

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

With respect to liquidity risk, each financial entity is required to have liquid assets greater than the contractual liquidity accumulative one-month-gap. This contractual gap includes the maturity of assets and liabilities of the current positions and does not include projections of future transactions. The loan portfolio is affected by the historical default indicator and the maturity of deposits is modeled according to the regulation.

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

Anti-Money Laundering Provisions

The regulatory framework to prevent and control money laundering is contained in, among others, Decree 663 of 1993 and External Circular 029 of 2014 issued by the SFC, as well as Law 599 of 2000, and the Colombian Criminal Code, as amended.

Colombian laws adopt the latest guidelines related to anti-money laundering and other terrorist activities established by the Financial Action Task Force on Money Laundering ("FATF"). Colombia, as a member of the GAFI-SUD (a FATF-style regional body), follows all of FATF's 40 recommendations and eight special recommendations. External Circular 029 of 2014 requires the implementation by financial institutions of a system of controls for money laundering and terrorism financing. These rules emphasize "know your customer" policies and knowledge of customers and markets, and other customer identification and monitoring processes.

Financial institutions must cooperate with the appropriate authorities to prevent and control money laundering and terrorism financing. Finally, the Colombian Criminal Code introduced criminal rules and regulations to prevent, control, detect, eliminate and adjudicate all matters related to financing terrorism and money laundering, including the omission of reports on cash transactions, mobilization or storage of cash, and the lack of controls.

Regulatory Framework for Subsidiaries that are Non-Participants in the Financial Sector

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

International regulations applicable to Bancolombia and its subsidiaries

FATCA

FATCA, which is U.S. federal tax legislation enacted in 2010, imposes a 30% withholding tax on 'withholdable payments' made to non-U.S. financial institutions that do not participate in the FATCA program or that fail (or, in some cases, that have affiliates in which they hold an interest of more than 50% and which are also non-U.S. financial institutions that fail) to provide certain information regarding their U.S. accountholders and/or certain U.S. investors (such U.S. accountholders and U.S. investors, "U.S. accountholders") to the IRS. FATCA also requires participating FFIs to withhold on "passthru payments" (which include both "withholdable payments" and certain non-U.S.-source payments) made to account holders who do not provide information to the FFIs to determine their U.S. accountholder's status – "recalcitrant accountholders" – and to FFIs that do not sign an FFI Agreement with the IRS (such FFIs, "nonparticipating FFIs"). "Withholdable payments" generally include, among other items, payments of U.S.-source interest and dividends and the gross proceeds from the sale or other disposition of property that may produce U.S.-source interest and dividends. This withholding will take effect on a "phased" schedule, which started in July 2014 with respect to certain payments; however, withholding on non-U.S. source payments by non-U.S. financial institutions will start no earlier than 2019.

Some countries have entered into, and other countries are expected to enter into, IGAs with the United States to facilitate the type of information reporting required under FATCA. These agreements are expected to reduce such risk for financial institutions and investors in countries that have entered into IGAs. Among the countries where Bancolombia operates, Colombia, the Cayman Islands and Panama have signed an IGA Model 1. Peru has reached an agreement in substance with the IRS, and consented to be treated as having an IGA in effect. In addition, certain subsidiaries of Bancolombia located in other countries have transmitted directly to the IRS the information required pursuant to FATCA, since they have not entered into an IGA.

We continue with the process of implementing FATCA compliance on a group-wide level and adjusting our systems for FATCA reporting.

Financial Regulation in Panama

The banking business in Panama is regulated by the Law Decree 9 of 1998, subsequently amended by Law Decree 2 of 2008. In accordance with the Law Decree, as amended, the Superintendency of Banks of the Republic of Panama, as the banking supervisor, has the power to issue agreements and resolutions to regulate the banking system. These regulations are mainly focused on matters such as licensing of banks, corporate governance, banking supervision (consolidated and individual or sub-consolidated), capital requirements, capital adequacy, liquidity requirements, risk management (credit, market, liquidity, country, asset and liability, operational, information technology, electronic banking), external audit, on-site inspections, reporting, compliance, change of control, mergers and acquisitions, confidentiality, money laundering, voluntary wind up, administrative and operational control, reorganization, bankruptcy, penalties, customers protection and dispute resolution.

In order to implement Basel III capital standards, the Superintendency of Banks of the Republic of Panama issued in January 2015 an agreement on Capital Adequacy. This agreement sets forth the new composition of a banking institution’s capital base, as well as the new capital adequacy ratio, including tier 1 core capital ratio and tier 1 capital ratio, all consistent with Basel III standards. This agreement shall become effective in June 2016, and the new standards will be implemented, progressively, from that date until they are fully applicable in January 2019.

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

In addition, securities market activities in Panama are subject to the supervision, control and oversight of the Superintendency of the Securities Market. These activities are primarily regulated by Law Decree 1 of 1999, as amended by several laws, which established important changes in order to strengthen the regulatory framework of the Panamanian securities market and increase investors' confidence. Among the most important changes introduced by these recent amendments are the following:

1. The establishment of a coordination and cooperation system between the financial supervisors. This system also enables a more comprehensive supervision of financial conglomerates operating in multiple areas of the financial industry.

2. The establishment of the Superintendency of the Securities Market, as the supervising entity replacing the previous National Securities Commission.

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

4. The regulation of foreign currency exchange as a securities activity and the regulation of certain actors of the securities market, such as securities price suppliers, risk rating agencies and Administrative Service Suppliers of the securities market.

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

Financial Regulation in El Salvador

In 2011, Decree 592, entitled "Supervision and Regulation of the Financial System" (*Ley de Supervisión y Regulación del Sistema Financiero*) was enacted in order to fortify the State's organization, adapting all supervision and regulatory institutions to the economic reality of the financial system. Decree 592 states that the Superintendency of the Financial System and the Central Reserve Bank of El Salvador are obligated to supervise all members of the financial system and to approve the necessary regulation for the Law's adequate application of Decree 592.

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

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

Banking Law of El Salvador

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

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

According to the Salvadorian Superintendency of Financial System's regulations, the reserve requirements for Salvadorian banks as of December 31, 2015 are:

	Ordinary Reserve Requirements %	
Checking accounts	25.0	%
Saving accounts	20.0	%
Time deposits	20.0	%
Borrowings from foreign banks	5.0	%
Long-term debt [(1)]	15.0% - 20.0	%

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

Monetary Integration Law of El Salvador

The Monetary Integration Law adopted the U.S. dollar as the legal currency, establishing a fixed exchange rate of 8.75 *Colones* per USD 1.00. The *colón* continues to have unrestricted legal circulation, but the Central Reserve Bank has been replacing it with the U.S. dollar at each time *colón* bills and coins are used in transactions.

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

Financial Transactions Tax

In 2014, the Legislature of El Salvador enacted the financial transactions tax law.

Pursuant to the financial transactions tax law, financial entities act as withholding agents for the tax on financial transactions and the liquidity control tax, each of which are calculated at the time the customer conducts financial transactions. The financial transactions tax is 0.25% on taxable transactions exceeding USD 1,000. The tax for the liquidity control is 0.25% on cash transactions of deposit, withdrawals and payments in excess of a monthly aggregate amount of USD 5,000.

The transactions subject to the financial transactions tax are: (i) payments for goods and services by check or debit card, (ii) payments by wire transfers, (iii) transfers to third parties by any means, and (iv) transactions between financial entities, based on any statement of its customers.

Investment Funds Law

The investment funds law aims to encourage economic activity by providing small investors with access to capital markets, diversification of their investments and channeling savings into productive sectors, in order to generate higher economic growth.

This Law sets forth the regulatory framework for the supervision of investment funds, their share of participation and companies that administer such funds and their operations; as well as other participants to which it refers. Additionally, it regulates the marketing of participation shares in foreign investment funds.

This Law also provides for the creation of investment fund managers who are responsible for performing all acts, contracts and operations necessary for the administration and operation of investment funds.

C. ORGANIZATIONAL STRUCTURE

The following are the subsidiaries of Bancolombia:

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The following is a list of subsidiaries of Bancolombia as of December 31, 2015:

SUBSIDIARIES

Entity	*Jurisdiction of Incorporation*	*Business*	*Shareholding Directly and Indirectly*	
Leasing Bancolombia S.A. Compañía de Financiamiento	Colombia	Leasing businesses	100.00	%
Fiduciaria Bancolombia S.A. Sociedad Fiduciaria	Colombia	Trust businesses	98.81	%
Banca de Inversión Bancolombia S.A. Corporación Financiera	Colombia	Financial services	100.00	%
Valores Bancolombia S.A. Comisionista de Bolsa	Colombia	Securities brokerage	100.00	%
Compañía de Financiamiento Tuya S.A. (Discontinued operations)	Colombia	Financial services	99.99	%
Renting Colombia S.A.	Colombia	Operating leasing	100.00	%
Transportempo S.A.S.	Colombia	Transport services	100.00	%
Valores Simesa S.A.	Colombia	Investments	68.57	%
Inversiones CFNS S.A.S.	Colombia	Investments	99.94	%
BIBA Inmobiliaria S.A.S.	Colombia	Real estate broker	100.00	%
Vivayco S.A.S. (in liquidation)	Colombia	Portfolio purchase	74.95	%
FCP Fondo Colombia Inmobiliario S.A.	Colombia	Real estate broker	50.21	%
PA Cartera LBC	Colombia	Loan management	100.00	%
Prosicol S.A.S. (in liquidation)	Colombia	Pre-operating stage	68.57	%
Fideicomiso "Lote Abelardo Castro".	Colombia	Mercantil trust	68.23	%
Bancolombia Panama	Panama	Commercial bank	100.00	%
Valores Bancolombia Panamá S.A.	Panama	Securities brokerage	100.00	%
Suvalor Panamá Fondo de Inversión S.A.	Panama	Holding	100.00	%
Suvalor Renta Variable Colombia S.A.	Panama	Collective investment fund	100.00	%
Suvalor Renta Fija Internacional Corto Plazo S.A.	Panama	Collective investment fund	100.00	%
Suvalor Renta Fija Internacional Largo Plazo S.A.	Panama	Collective investment fund	100.00	%
Sistemas de Inversiones y Negocios S.A. Sinesa	Panama	Investments	100.00	%
Banagrícola S.A.	Panama	Investments	99.16	%
Banistmo S.A.	Panama	Banking	100.00	%
Banistmo Investment Corporation S.A.	Panama	Trust	100.00	%
Financomer S.A.	Panama	Financial services	100.00	%
Financiera Flash S.A.	Panama	Financial services	100.00	%
Grupo Financomer S.A.	Panama	Financial services	100.00	%
Seguros Banistmo S.A. (disposed in 2015)	Panama	Insurance company	100.00	%
Securities Banistmo S.A.	Panama	Purchase and sale of securities	100.00	%
Banistmo Asset Management Inc.	Panama	Purchase and sale of securities	100.00	%
Banistmo Capital Markets Group Inc.	Panama		100.00	%

		Purchase and sale of securities		
Van Dyke Overseas Corp.	Panama	Real estate broker	100.00	%
Inmobiliaria Bickford S.A.	Panama	Real estate broker	100.00	%
Williamsburg International Corp.	Panama	Real estate broker	100.00	%
Leasing Banistmo S.A.	Panama	Leasing	100.00	%
Banco Agrícola S.A.	El Salvador	Banking	97.36	%
Arrendadora Financiera S.A. Arfinsa	El Salvador	Leasing	97.36	%
Credibac S.A. de C.V.	El Salvador	Credit card services	97.36	%
Valores Banagrícola S.A. de C.V.	El Salvador	Securities brokerage	98.89	%
Inversiones Financieras Banco Agrícola S.A. IFBA	El Salvador	Investments	98.89	%
Arrendamiento Operativo CIB S.A.C.	Peru	Operating leasing	100.00	%
Fondo de Inversión en Arrendamiento Operativo - Renting Perú	Peru	Operating leasing	100.00	%
Capital Investments SAFI S.A.	Peru	Trust businesses	100.00	%
FiduPerú S.A. Sociedad Fiduciaria	Peru	Trust businesses	98.81	%
Leasing Perú S.A.	Peru	Leasing	100.00	%
Banagrícola Guatemala S.A.	Guatemala	Outsourcing	99.16	%
Grupo Financiero Agromercantil Holding S.A.	Guatemala	Holding	60.00	%
Banco Agromercantil de Guatemala S.A.	Guatemala	Banking	60.00	%
Mercomer Bank Ltd.	Guatemala	Banking	60.00	%
Seguros Agromercantil S.A.	Guatemala	Insurance company	59.17	%

Entity	*Jurisdiction of Incorporation*	*Business*	*Shareholding Directly and Indirectly*	
Financiera Agromercantil S.A.	Guatemala	Financial services	60.00	%
Agrovalores S.A.	Guatemala	Securities brokerage	60.00	%
Tarjeta Agromercantil S.A.	Guatemala	Credit card	60.00	%
Arrendadora Agromercantil S.A.	Guatemala	Operating leasing	60.00	%
Agencia de Seguros y Fianzas Agromercantil S.A.	Guatemala	Insurance company	60.00	%
Asistencia y Ajustes S. A.	Guatemala	Services	60.00	%
Serproba S.A.	Guatemala	Refurbishment and remodelling services	60.00	%
Servicios de Formalización S.A.	Guatemala	Loans formalization	60.00	%
Conserjeria, Mantenimiento y Mensajeria S.A.	Guatemala	Maintenance services	60.00	%
Media Plus S.A.	Guatemala	Advertising and marketing	60.00	%
New Alma Enterprises Ltd.	Bahamas	Investments	60.00	%
Bancolombia Puerto Rico Internacional Inc.	Puerto Rico	Banking	100.00	%
Bancolombia Caymán S.A.	Cayman Islands	Commercial bank	100.00	%
Bagrícola Costa Rica S.A.	Costa Rica	Outsourcing	99.16	%

D. PREMISES AND EQUIPMENT

As of December 31, 2015, the Bank owned COP 3,242 billion in premises and equipment (including assets that are part of our operating leasing business). COP 1,534 billion correspond to land and buildings, of which approximately 96% are used for administrative offices and branches in 59 municipalities in Colombia, 25 municipalities in El Salvador, 9 municipalities in Guatemala and 4 municipalities in Panama. Likewise, COP 770 billion correspond to computer equipment, of which approximately 10% relate to the central computer and servers of the Bank and the rest relate to personal computers, ATMs, telecommunications equipment and other equipment.

In addition to its own branches, the Bank occupies 944 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 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 IFRS technical framework as issued by the IASB and the related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRS-IC") and by the Standing Interpretations Committee (SIC) related interpretations. The Bank has applied IFRS in its financial reporting with effect from January 1, 2014, the date of transition, in accordance with the transitional provisions set out in IFRS 1.

The consolidated selected statistical information for the year ended December 31, 2014 includes the selected statistical information of Bancolombia and its Subsidiaries, without reflecting any pro-forma calculation of the effect of the acquisition of the majority ownership of Grupo Agromercantil, while consolidated selected statistical information for the year ended December 31, 2015 corresponds to the Bank and its Subsidiaries, including all additional Subsidiaries acquired as a result of the 2015 acquisition of the additional shares of Grupo Agromercantil.

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

Average balances have been calculated as follows: for the year ended December 31, 2015, for each month, the actual month-end balances were established. The average balance for each period is the arithmetic average of the monthly balances. The Bank has calculated the average balances using quarterly book balances for the year ended December 31, 2014, as we believe such balances are representative of our operations and it would be too costly to produce average balances using monthly balances under IFRS.

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

Average statement of financial position

The following tables show for the years ended December 31, 2015 and 2014, respectively: (i) average balances for all of the Bank's assets and liabilities; (ii) interest earned and interest paid amounts; and (iii) average nominal interest rates/yield for the Bank's interest-earning assets and interest-bearing liabilities.

	Average statement of financial position and Income from Interest-Earning Assets for the Fiscal Year Ended December 31,							
	2015				2014			
	Average Balance	Interest Earned	Average Yield / Rate		Average Balance	Interest Earned	Average Yield / Rate	
	(in millions of COP, except percentages)							
ASSETS								
Interest-earning assets								
Funds sold and securities purchased under agreements to resell								
Domestic activities	1,180,507	74,237	6.3	%	909,396	105,614	11.6	%
Foreign activities	1,594,096	20,752	1.3	%	1,937,558	17,473	0.9	%
Total	2,774,603	94,989	3.4	%	2,846,954	123,087	4.3	%
Investment securities (1)								
Domestic activities	7,929,171	253,161	3.2	%	8,627,917	322,438	3.7	%
Foreign activities	3,684,896	113,608	3.1	%	2,665,992	141,154	5.3	%
Total	11,614,067	366,769	3.2	%	11,293,909	463,592	4.1	%
Loans and Financial Leases (2)								

Domestic activities	79,835,468	8,739,998	10.9	%	68,434,591	7,388,145	10.8	%
Foreign activities	45,190,581	2,521,782	5.6	%	31,028,592	1,704,084	5.5	%
Total	125,026,049	11,261,780	9.0	%	99,463,183	9,092,229	9.1	%
Total interest-earning assets								
Domestic activities	88,945,146	9,067,396	10.2	%	77,971,904	7,816,197	10.0	%
Foreign activities	50,469,573	2,656,142	5.3	%	35,632,142	1,862,711	5.2	%
Total	139,414,719	11,723,538	8.4	%	113,604,046	9,678,908	8.5	%
Total non-interest-earning assets								
Domestic activities	10,050,646				10,149,131			
Foreign activities (3)	15,383,212				11,674,133			
Total Assets	25,433,858				21,823,264			
Total interest and non-interest-earnings assets								
Domestic activities	98,995,792	9,067,396			88,121,035	7,816,196		
Foreign activities (3)	65,852,785	2,656,142			47,306,275	1,862,711		
Total Assets	164,848,577	11,723,538			135,427,310	9,678,907		

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

(2) Includes performing loans only.

(3) The percentage of total average assets attributable to foreign activities was 39.9% and 34.9%, respectively, for the fiscal years ended December 31, 2015 and 2014.

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	Average statement of financial position and Interest Paid on Interest-Bearing Liabilities for the Fiscal Year Ended December 31,					
	2015			2014		
	Average Balance	*Interest Paid*	*Average Yield / Rate* [1]	*Average Balance*	*Interest Paid*	*Average Yield / Rate* [1]
	(in millions of COP, except percentages)					
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest-bearing liabilities:						
Checking deposits						
Domestic activities	11,034,571	17,778	0.2 %	10,877,728	19,929	0.2 %
Foreign activities	7,538,081	16,060	0.2 %	5,587,845	2,800	0.1 %
Total	18,572,652	33,838	0.2 %	16,465,573	22,729	0.1 %
Savings deposits						
Domestic activities	30,937,835	528,806	1.7 %	28,097,124	442,206	1.6 %
Foreign activities	9,837,665	142,111	1.4 %	6,904,204	103,498	1.5 %
Total	40,775,500	670,917	1.6 %	35,001,328	545,704	1.6 %
Time deposits						
Domestic activities	23,284,367	1,322,738	5.7 %	21,273,104	1,061,542	5.0 %
Foreign activities	18,944,955	443,488	2.3 %	13,131,180	305,107	2.3 %
Total	42,229,322	1,766,226	4.2 %	34,404,284	1,366,649	4.0 %
Funds purchased and securities sold under agreements to repurchase						
Domestic activities	2,795,234	128,858	4.6 %	1,332,438	96,847	7.3 %
Foreign activities	450,720	3,327	0.7 %	419,069	5,087	1.2 %
Total	3,245,954	132,185	4.1 %	1,751,507	101,934	5.8 %
Borrowings from development and other domestic banks [2]						
Domestic activities	4,603,982	130,156	2.8 %	4,402,506	241,206	5.5 %
Foreign activities	270,205	7,475	2.8 %	71,804	7,472	10.4 %
Total	4,874,187	137,631	2.8 %	4,474,310	248,678	5.6 %
Interbank borrowings[2] [3]						
Domestic activities	-	-	0.0 %	-	-	0.0 %
Foreign activities	10,502,220	183,555	1.7 %	7,679,133	135,635	1.8 %
Total	10,502,220	183,555	1.7 %	7,679,133	135,635	1.8 %
Long-term debt						
Domestic activities	5,907,501	495,168	8.4 %	4,884,212	353,695	7.2 %
Foreign activities	10,735,079	580,314	5.4 %	7,947,893	442,133	5.6 %
Total	16,642,580	1,075,482	6.5 %	12,832,105	795,828	6.2 %
Total interest-bearing liabilities						
Domestic activities	78,563,490	2,623,504	3.3 %	70,867,112	2,215,425	3.1 %
Foreign activities	58,278,925	1,376,330	2.4 %	41,741,128	1,001,732	2.4 %

Total	136,842,415	3,999,834	2.9	%	112,608,240	3,217,157	2.9	%
Total non-interest bearing liabilities								
Domestic activities	5,744,793				3,760,403			
Foreign activities [4]	3,366,523				3,573,771			
Total	9,111,316				7,334,174			
Stockholders' equity								
Domestic activities	15,512,136				14,756,128			
Foreign activities [4]	3,344,666				252,887			
Total	18,856,802				15,009,015			
Total interest and non-interest bearing liabilities and stockholders' equity								
Domestic activities	99,820,419	2,623,504			89,383,643	2,215,425		
Foreign activities [4]	64,990,114	1,376,330			45,567,786	1,001,732		
Total Liabilities and Stockholders' Equity	164,810,533	3,999,834			134,951,429	3,217,157		

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

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

(3) Includes borrowings from banks located outside Colombia.

(4) The percentage of total average liabilities attributable to foreign activities was 42.2% and 37.8%, respectively, for the fiscal years ended December 31, 2015 and 2014.

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

The following table allocates, for domestic and foreign activities, changes in the Bank's net interest income to changes in average volume, changes in nominal rates and the net variance caused by changes in both average volume and nominal rate for the fiscal year ended December 31, 2015 compared to the fiscal year ended December 31, 2014. Volume and rate variances have been calculated based on movements in average balances over the period and changes in nominal interest rates on average interest-earning assets and average interest-bearing liabilities. Net changes attributable to changes in both volume and interest rate have been allocated to the change due to changes in volume.

	2014-2015 Increase (Decrease) Due To Changes in:		
	Volume	Rate	Net Change
	(in millions of COP)		
Interest-earning assets			
Funds sold and securities purchased under agreements to resell			
Domestic activities	17,049	(48,426)	(31,377)
Foreign activities	(4,471)	7,750	3,279
Total	12,578	(40,676)	(28,098)
Investment securities [1]			
Domestic activities	(22,309)	(46,968)	(69,277)
Foreign activities	31,414	(58,960)	(27,546)
Total	9,105	(105,928)	(96,823)
Loans and financial leases			
Domestic activities	1,248,112	103,741	1,351,853
Foreign activities	790,285	27,413	817,698
Total	2,038,397	131,154	2,169,551
Total interest-earning assets			
Domestic activities	1,242,852	8,347	1,251,199
Foreign activities	817,228	(23,797)	793,431
Total	2,060,080	(15,450)	2,044,630
Interest-bearing liabilities:			
Checking deposits			
Domestic activities	253	(2,404)	(2,151)
Foreign activities	4,155	9,105	13,260
Total	4,408	6,701	11,109
Savings deposits			
Domestic activities	48,555	38,045	86,600
Foreign activities	42,376	(3,763)	38,613
Total	90,931	34,282	125,213
Time deposits			

Domestic activities	114,256	146,940	261,196
Foreign activities	136,096	2,285	138,381
Total	250,352	149,225	399,577
Funds purchased and securities sold under agreements to repurchase			
Domestic activities	67,434	(35,423)	32,011
Foreign activities	234	(1,994)	(1,760)
Total	67,668	(37,417)	30,251
Borrowings from development and other domestic banks			
Domestic activities	5,696	(116,746)	(111,050)
Foreign activities	5,489	(5,486)	3
Total	11,185	(122,232)	(111,047)
Interbank borrowings			
Domestic activities	-	-	-
Foreign activities	49,341	(1,421)	47,920
Total	49,341	(1,421)	47,920
Long-term debt			
Domestic-activities	85,772	55,701	141,473
Foreign-activities	150,669	(12,488)	138,181
Total	236,441	43,213	279,654
Total interest-bearing liabilities			
Domestic-activities	321,966	86,113	408,079
Foreign-activities	388,360	(13,762)	374,598
Total	710,326	72,351	782,677

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

INTEREST-EARNING ASSETS — NET INTEREST MARGIN AND SPREAD

The following table presents the levels of average interest-earning assets and net interest income of the Bank and illustrates the comparative net interest margin and interest spread obtained for the fiscal years ended December 31, 2015 and 2014, respectively.

	Interest-Earning Assets-Yield For the Fiscal Year Ended December 31,			
	2015		2014	
	(COP million, except percentages)			
Total average interest-earning assets				
Domestic activities	88,945,146		77,971,904	
Foreign activities	50,469,573		35,632,142	
Total	139,414,719		113,604,046	
Net interest income [1]				
Domestic activities	6,443,892		5,600,771	
Foreign activities	1,279,812		860,979	
Total	7,723,704		6,461,750	
Average yield on interest-earning assets				
Domestic activities	10.2	%	10.0	%
Foreign activities	5.3	%	5.2	%
Total	8.4	%	8.5	%
Net interest margin [2]				
Domestic activities	7.2	%	7.2	%
Foreign activities	2.5	%	2.4	%
Total	5.5	%	5.7	%
Interest spread [3]				
Domestic activities	6.9	%	6.9	%
Foreign activities	2.9	%	2.8	%
Total	5.5	%	5.7	%

(1) Net interest income is loan interest income less interest accrued and includes interest earned on investments.
(2) Net interest margin is net interest income divided by total average interest-earning assets.
(3) Interest spread is the difference between the average yield on interest-earning assets and the average rate accrued on interest-bearing liabilities.

E.2. INVESTMENT PORTFOLIO

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

The International Financial Reporting Standard 9 (IFRS 9) requires investments to be classified as either amortized cost or fair value. The classification is based on: (a) the entity's business model for managing the financial assets, and (b) the contractual cash flow characteristics of the financial asset. Accordingly, an investment is classified and measured as amortized cost if: (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Indicators that the financial asset is impaired include historical performance data, particular characteristics of the borrower, fair value of collateral, the borrower's debt to other entities, macroeconomic factors and financial information, a significant financial difficulty of the customers, or if they are likely to declare bankruptcy or financial restructuring, or if there is a breach of contract, such as a default or delinquency in interest or principal payments.

For purposes of measurement and recognition of the investments impairment in subsidiaries, affiliates, associates and joint ventures in the Individual Financial Statements, the controlled companies must meet the dispositions of the IAS 39.

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

	As of December 31,	
	2015 [2]	***2014*** [2]
	(in millions of COP)	
Foreing currency-denominated		
Securities issued by foreign Governments [3]	4,443,307	1,789,280
Securities issued or secured by other financial entities	905,171	663,209
Securities issued or secured by Colombian Government	188,618	205,572
Securities issued or secured by the El Salvador Central Bank	43,913	23,638
Securities issued or secured by Government entities	9,997	7,830
Others [4]	531,044	148,017
Subtotal	6,122,050	2,837,546
Peso-denominated		

Securities issued or secured by financial entities	838,769	876,180
Securities issued or secured by the Colombian Government	4,644,051	6,333,255
Securities issued or secured by Government entities	1,475,055	1,423,619
Others	33,218	32,337
Subtotal (5)	6,991,093	8,665,391
Total	13,113,143	11,502,937

(1) For further information, see Note 5 “Financial assets investments and derivatives”.

(2) Includes debt securities only. Net investments in equity securities were COP 1,164,681 million and COP 1,281,286 million for 2015 and 2014, respectively.

(3) Due to the acquisition of Grupo Agromercantil in 2015, the Bank has increased significantly its position in securities issued by the Republic of Guatemala, Costa Rica and Panama, which reached COP 1,694,426 million as of December 31, 2015.

(4) Includes debt securities in corporate bonds.

(5) Tuya S.A. Compañía de Financiamiento as a discontinued operation, had as of December 31, 2015 debt securities amounting to COP 30,271, which were classified in “Securities issued or secured by Government entities” item. For further information see Note 31 “Discontinued Operations”.

As of December 31, 2015 and 2014 Bancolombia held securities issued by foreign governments in the following amounts:

As of December 31,	Issuer	***Investment Amount–Book Value - (in millions of COP)***	***Investment Amount–Book Value (thousands of U.S. dollars)***
2015	Republic of Guatemala	1,670,390	530,372
	Republic of Panama	923,470	293,214
	U.S. Treasury	523,707	166,284
	United Mexican States	479,304	152,186
	Republic of Costa Rica	123,196	39,117
	Republic of El Salvador	688,522	218,615
	Republic of Brazil	34,718	11,023
2014	Republic of Panama	811,489	339,186
	U.S. Treasury	203,223	84,943
	United Mexican States	449,018	187,680
	Republic of Costa Rica	74,968	31,335
	Republic of El Salvador	184,053	76,930
	Republic of Brazil	57,292	23,947
	Republic of Chile	9,237	3,861

As of December 31, 2015, the peso-denominated debt securities portfolio amounted to COP 6,991 billion, reflecting a 19% decrease compared to December 31, 2014. The decrease resulted mainly from a reduction in holdings of Securities issued or secured by the Colombian Government and financial entities. Peso-denominated debt securities issued by the Colombian Government represented 66% of the peso-denominated debt securities portfolio as of December 31, 2015.

On the other hand, as of December 31, 2015, Bancolombia's held securities issued by foreign governments amounted to COP 4,443 billion, increasing in 148% compared to December 31, 2014. This variation is primarily explained by the acquisition of Grupo Agromercantil.

INVESTMENT SECURITIES PORTFOLIO MATURITY

The following table summarizes the maturities and weighted average nominal yields of the Bank's investment securities as of December 31, 2015:

	As of December 31, 2015									
	Maturity less than 1 year		*Maturity between 1 and 5 years*		*Maturity between 5 and 10 Years*		*Maturity more than 10 years*		Total	
	Balance	Yield %(1)	Balance	Yield %(1)	Balance	Yield %(1)	Balance	Yield %(1)	Balance	Yie %(1
	(in millions of COP, except yields)									
Securities issued or secured by:										
Foreign currency.-denominated (2):										
Foreign Governments	1,312,280	3.15%	1,589,018	2.33%	1,214,720	2.20%	327,289	0.17 %	4,443,307	2.3
Other financial entities	260,004	1.70%	344,814	2.60%	37,861	4.68%	262,492	-	905,171	1.6
Colombian Government	5,647	6.69%	148,215	1.76%	24,772	4.52%	9,984	5.91 %	188,618	2.4
El Salvador Central Bank	43,913	2.65%	-	-	-	-	-	-	43,913	2.6
Other Government entities	-	-	9,997	3.37%	-	-	-	-	9,997	3.3
Others	16,365	2.56%	96,688	3.94%	376,707	6.35%	41,284	6.36 %	531,044	5.8
Subtotal	1,638,209	2.91%	2,188,732	2.41%	1,654,060	3.24%	641,049	0.59 %	6,122,050	2.5
Securities issued or secured by Peso-denominated (2)										
Other financial entities	124,787	3.33%	154,029	6.25%	340,977	9.55%	132,852	11.26%	752,645	8.1
Colombian Government.	1,411,213	5.50%	1,540,904	6.69%	99,532	7.37%	384,116	7.55 %	3,435,765	6.3
Other Government entities	1,392,894	1.40%	4,744	7.15%	77,417	7.70%	-	-	1,475,055	1.7
Others	1,988	5.59%	22,251	6.56%	8,979	6.84%	-	-	33,218	6.5
Subtotal	2,930,882	3.46%	1,721,928	6.65%	526,905	8.82%	516,968	8.50 %	5,696,683	5.3

Securities issued or secured by

UVR-denominated (2)										
Other financial entities	-	-	20,046	2.01%	66,078	8.92%	-	-	86,124	7.
Colombian Government	15,065	0.01%	1,075,627	1.66%	117,400	2.79%	194	4.21%	1,208,286	1.
Subtotal	15,065	0.01%	1,095,673	1.67%	183,478	5.00%	194	4.21%	1,294,410	2.
Total (COP)	4,584,156		5,006,333		2,364,443		1,158,211		13,113,143	

(1) Yield was calculated using the internal rate of return (IRR) as of December 31, 2015.

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

As of December 31, 2015 and 2014, the Bank had the following investments in securities of issuers that exceeded 10% of the Bank's stockholder' equity:

	Issuer	As of December 31, 2015 Book Value	Fair value	2014 Book Value	Fair value
	(in millions of COP)				
Securities issued or secured by:					
Colombian Government	Ministry of Finance	4,691,618	4,691,602	6,437,069	6,433,455
Total		4,691,618	**4,691,602**	**6,437,069**	**6,433,455**

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E.3. LOAN PORTFOLIO

Types of loans

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

	As of December 31,	
	2015	2014
	(in millions of COP)	
Domestic		
Corporate		
Trade financing	3,380,106	2,896,799
Loans funded by development banks	1,306,888	703,152
Working capital loans	42,632,934	36,157,009
Credit cards	54,694	47,197
Overdrafts	126,888	67,060
Total corporate	47,501,510	39,871,217
Retail (1)		
Credit cards	3,629,539	4,831,945
Personal loans	7,104,076	6,568,264
Vehicle loans	2,517,925	2,477,992
Overdrafts	203,439	210,283
Loans funded by development banks	884,490	783,610
Trade financing	372,339	424,596
Working capital loans	13,078,764	11,909,314
Total retail	27,790,572	27,206,004
Financial Leases	19,898,665	17,197,752
Mortgage	8,712,892	7,353,372
Total loans and leases	103,903,639	91,628,345
Allowance for loan losses	(4,312,564)	(4,028,866)
Total domestic loans, net	99,591,075	87,599,479
Foreign		
Corporate		
Trade financing	15,192,611	6,248,364
Loans funded by development banks	12,576	6,162
Working capital loans	8,793,603	6,188,503
Credit cards	25,748	9,978
Overdrafts	6,661	7,140
Total corporate	24,031,199	12,460,147

Retail [(1)]		
Credit cards	1,429,351	746,691
Personal loans	6,106,241	4,134,873
Vehicle loans	637,047	373,478
Overdrafts	74,492	53,213
Loans funded by development banks	66,149	41,242
Trade financing	242,403	128,668
Working capital loans	71,316	45,246
Total retail	8,626,999	5,523,411
Financial Leases	652,911	367,477
Mortgage	8,405,891	5,194,273
Total loans and leases	41,717,000	23,545,308
Allowance for loan losses	(936,191)	(760,391)
Total foreign loans, net	40,780,809	22,784,917
Total Foreign and Domestic Loans	140,371,884	110,384,396

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

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

As of December 31, 2015, the Bank's total loan portfolio amounted to COP 145,621 billion, up 26.44% as compared to COP 115,174 billion in 2014. Loan volume performance during 2015 is explained by demand from individuals and corporations, the depreciation of the Colombian Peso and by the acquisition of Grupo Agromercantil Holding S.A. on December 30, 2015. For further discussion of some of these trends please see Item 5. "Operating and Financial Review and Prospects D. Trend information".

As of December 31, 2015, corporate loans amounted to COP 71,533 billion, or 49.12% of loans, and increased 36.69% from COP 52,331 billion at December 31, 2014. In 2015, corporations demanded loans for expanding production facilities and for working capital purposes. This demand caused the stock of loans to increase in the Bank's books.

Retail loans totaled COP 36,418 billion, or 25.01% of total loans, of which COP 13,210 billion were consumer loans (9.07% of total loans). Retail loans increased 11.27% from COP 32,729 at December 31, 2014. In 2015, individuals demanded credit card loans and leases, to finance vehicles and for personal purposes.

Financial leases totaled COP 20,552 billion as of December 31, 2015, up 17.01% from COP 17,565 billion as of December 31, 2014.

Mortgage lending activity was dynamic during 2015, driven mainly by the Colombian Government‘s housing subsidy program implemented in April 2009 as well as by lower long-term interest rates in Colombia. Mortgage loans totaled 17,119 and increased 36.43% over the year.

On December 30, 2015, Bancolombia acquired an additional 20% interest in Grupo Agromercantil, for a total stake of 60%. The loan portfolio acquired in the business combination of Grupo Agromercantil amounted to COP 8,162 billion, corresponding to 5.60% of the Bank's total loans and advances to customers. Additionally, as of December 31, 2015, Tuya S.A. Compañía de Financiamiento is considered a discontinued operation. Therefore, its loan portfolio is classified as assets held for sale in the Consolidated Statement of Financial Position. The net balance of loans of this company amounted to COP 1,480 billion as of December 31, 2015 and corresponds to retail loans.

Borrowing Relationships

As of December 31, 2015, the aggregate outstanding principal amount of the Bank's 25 largest credit exposures, on a consolidated basis, represented approximately 14.04% of the loan portfolio of the Bank and no single exposure represented more than 3% of the loan book. In addition, 100% of those loans were corporate loans and 100% of these relationships were classified as "A".

Maturity and Interest Rate Sensitivity of Loans

The following table shows the maturities of the Bank's loan portfolio as of December 31, 2015:

	Maturity of one year or less	Maturity of one to five years	Maturity of more than five years	Total
	(in millions of COP)			
Domestic loans and financial leases				
Corporate				
Trade financing	3,376,837	3,269	-	3,380,106
Loans funded by development banks	17,883	258,545	1,030,460	1,306,888
Working capital loans	16,042,082	7,473,832	19,117,020	42,632,934
Credit cards	2,961	21,406	30,327	54,694
Overdrafts	126,888	-	-	126,888
Total corporate	19,566,651	7,757,052	20,177,807	47,501,510
Retail				
Credit cards	192,016	2,337,329	1,100,194	3,629,539
Personal loans	337,896	5,592,727	1,173,453	7,104,076
Vehicle loans	68,485	1,818,670	630,770	2,517,925
Overdrafts	203,439	-	-	203,439
Loans funded by development banks	54,236	443,116	387,138	884,490
Trade financing	372,339	-	-	372,339
Working capital loans	3,196,224	7,558,497	2,324,043	13,078,764
Total retail	4,424,635	17,750,339	5,615,598	27,790,572
Financial leases	2.287,297	5,518,087	12,093,281	19,898,665
Mortgage	25,689	305,785	8,381,418	8,712,892
Total domestic loans and financial leases	26,304,272	31,331,263	46,268,104	103,903,639
Foreign loans and financial leases:				
Corporate				
Trade financing	3,878,159	6,683,832	4,630,620	15,192,611
Loans funded by development banks	21	2,198	10,357	12,576
Working capital loans	4,867,617	2,991,747	934,239	8,793,603
Credit cards	8	24,720	1,020	25,748
Overdrafts	6,661	-	-	6,661
Total corporate	8,752,466	9,702,497	5,576,236	24,031,199
Retail				
Credit cards	10,613	1,391,794	26,944	1,429,351
Personal loans	284,324	3,614,203	2,207,714	6,106,241
Vehicle loans	7,425	301,546	328,076	637,047
Overdrafts	73,100	1,392	-	74,492

Loans funded by development banks	120	7,888	58,141	66,149
Trade financing	56,168	70,121	116,114	242,403
Working capital loans	42,812	20,771	7,733	71,316
Total retail	474,562	5,407,715	2,744,722	8,626,999
Financial leases	38,274	493,467	121,170	652,911
Mortgage	18,410	145,915	8,241,566	8,405,891
Total foreign loans and financial leases	9,283,712	15,749,594	16,683,694	41,717,000
Total loans	35,587,984	47,080,857	62,951,798	145,620,639

In general, the term of a loan will depend on the type of guarantee, the credit history of the borrower and the purpose of the loan. Currently 56.77% of the Bank’s loan portfolio has a maturity of five years or less as of December 31, 2015.

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

	As of December 31, 2015
	(in millions of COP)
Loans with term of 1 year or more:	
Variable Rate	
Domestic-denominated	56,646,538
Foreign-denominated	20,014,590
Total	76,661,128
Fixed Rate	
Domestic-denominated	20,952,829
Foreign-denominated	12,418,698
Total	33,371,527
Loans with term of less than 1 year:	
Domestic-denominated	26,304,272
Foreign-denominated	9,283,712
Total	35,587,984
Total loans	145,620,639

Loans by Economic Activity

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

	As of December 31,			
	2015	%	2014	%
	(in millions of COP, except percentages)			
Domestic				
Agricultural	4,330,757	4.2 %	4,030,994	4.4 %
Mining products and oil	1,791,910	1.7 %	2,559,701	2.8 %
Food, beverage and tobacco	5,141,738	5.0 %	4,148,724	4.5 %
Chemical production	2,871,547	2.8 %	3,028,095	3.3 %
Other industrial and manufacturing products	5,657,242	5.4 %	5,492,444	6.0 %
Government	3,131,339	3.0 %	2,030,749	2.2 %
Construction	14,577,061	14.0 %	11,515,240	12.6 %
Trade and tourism	14,934,712	14.4 %	13,380,359	14.6 %
Transportation and communications	8,189,789	7.9 %	5,200,661	5.7 %

Public services	4,881,297	4.7 %	4,832,527	5.3 %
Consumer services	22,439,817	21.6 %	21,109,019	23.0 %
Commercial services	15,956,430	15.3 %	14,299,832	15.6 %
Total domestic loans	103,903,639	100.0%	91,628,345	100.0%
Foreign				
Agricultural	1,942,147	4.7 %	752,267	3.2 %
Mining products and oil	355,825	0.9 %	501,236	2.1 %
Food, beverage and tobacco	330,038	0.8 %	323,446	1.4 %
Chemical production	331,651	0.8 %	109,137	0.5 %
Other industrial and manufacturing products	4,751,983	11.4 %	2,466,135	10.5 %
Government	668,463	1.6 %	309,947	1.3 %
Construction	5,424,291	13.0 %	3,609,264	15.3 %
Trade and tourism.	5,833,248	14.0 %	3,362,533	14.3 %
Transportation and communications	1,588,048	3.8 %	716,974	3.1 %

	As of December 31,			
	2015	%	2014	%
	(in millions of COP, except percentages)			
Public services	4,807,362	11.5 %	2,757,506	11.7 %
Consumer services	12,634,026	30.2 %	8,580,530	36.4 %
Commercial services	3,049,918	7.3 %	56,333	0.2 %
Total foreign loans	41,717,000	100.0%	23,545,308	100.0%
Total Foreign and Domestic Loans	145,620,639	100.0%	115,173,653	100.0%

Credit Categories

For the purpose of credit risk evaluation, loans and financial lease contracts are classified in accordance with the regulations of the SFC as follows:

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

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

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

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

The following table shows the Bank’s loan portfolio by type of loan for the relevant periods:

	Loan Portfolio by Type of Loan	
	As of December 31,	
	2015	2014
	(in millions of COP)	
Commercial Loans	85,892,752	65,473,755
Consumer Loans	21,170,615	18,927,154
Small Business Loans	886,913	659,870
Financial Leases	20,551,576	17,565,229
Mortgage Loans	17,118,783	12,547,645
Total Loans and Financial Leases	145,620,639	115,173,653
Allowance for Loans and Financial Lease Losses	(5,248,755)	(4,789,257)
Total Loans and Financial Leases, Net	140,371,884	110,384,396

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Risk categories

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

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

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

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

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

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

For further details about these risk categories see risk management appendix to the Consolidated Financial Statements.

	As of December 31,			
	2015	%	2014	%
	(in millions of COP, except percentages)			
"A" Normal Risk	131,999,143	90.6%	105,475,511	91.6%
"B" Acceptable Risk	7,682,616	5.3 %	4,978,602	4.3 %
"C" Appreciable Risk	2,438,541	1.7 %	1,865,897	1.6 %
"D" Significant Risk	1,821,582	1.3 %	1,504,125	1.3 %

"E" Unrecoverable Risk	1,678,757	1.1 %	1,349,518	1.2 %
Total loans and financial leases	145,620,639	100 %	115,173,653	100 %
Loans classified as "C", "D" and "E" as a percentage of total loans	4.08 %		4.10 %	

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

	As of December 31,			
	2015	%	2014	%
	(in millions of COP, except percentages)			
Domestic				
Corporate				
Trade financing	24,733	0.7 %	464	0.0 %
Loans funded by development banks	3,567	0.1 %	4,264	0.2 %
Working capital loans	613,922	17.0 %	461,505	16.9 %
Credit cards	1,167	0.0 %	1,795	0.1 %
Overdrafts	1,339	0.0 %	3,509	0.1 %
Total corporate	644,728	17.8 %	471,537	17.3 %
Retail				
Credit cards	231,865	6.4 %	343,521	12.6 %
Personal loans	265,802	7.4 %	239,261	8.7 %
Vehicle loans	133,846	3.7 %	144,213	5.3 %
Overdrafts	24,994	0.7 %	29,418	1.1 %
Loans funded by development banks	30,119	0.8 %	40,132	1.5 %
Trade financing	1,759	0.1 %	1,198	0.0 %
Working capital loans	755,713	21.0 %	702,065	25.6 %
Total retail	1,444,098	40.1 %	1,499,808	54.8 %
Financial Leases	936,382	26.0 %	259,048	9.4 %
Mortgage	582,010	16.1 %	507,588	18.5 %
Total domestic past due loans	3,607,218	100.0 %	2,737,981	100.0 %
Foreign				
Corporate				
Trade financing	301,674	22.7 %	97,646	12.6 %
Loans funded by development banks	291	0.0 %	-	0.0 %
Working capital loans	99,330	7.5 %	75,205	9.7 %
Credit cards	1,316	0.1 %	170	0.0 %
Overdrafts	149	0.0 %	36	0.0 %
Total Corporate	402,760	30.3 %	173,057	22.3 %
Retail				
Credit cards	79,573	6.0 %	37,427	4.9 %
Personal loans	277,596	20.9 %	203,487	26.4 %
Vehicle loans	41,015	3.1 %	22,638	2.9 %
Overdrafts	2,755	0.2 %	1,773	0.2 %
Loans funded by development banks	2,792	0.2 %	1,249	0.2 %
Trade financing	11,639	0.9 %	7,184	0.9 %
Working capital loans	4,912	0.4 %	4,132	0.5 %
Total retail	420,282	31.7 %	277,890	36.0 %

Financial Leases	23,381	1.8 %	9,892	1.4 %
Mortgage	480,469	36.2 %	311,389	40.3 %
Total foreign past due loans	1,326,892	100.0%	772,228	100.0%
Total Foreign and Domestic past due loans	4,934,110	100.0%	3,510,209	100.0%

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Policies for the granting and review of credit

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

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

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

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

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

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

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

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

With respect to monitoring outstanding loans, the Bank has implemented regional committees and a central qualification process to undertake a bi-annual evaluation of the loan portfolio. When monitoring outstanding loans, the Bank examines current financial statements including cash flow and financial indicators, industry analysis and historical payment behavior.

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

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

E.4. SUMMARY OF LOAN LOSS EXPERIENCE

ALLOWANCE FOR LOANS AND LOSSES

The Bank records an allowance for loans and financial lease losses in accordance with IFRS as issued by the IASB. For further details regarding the regulation and methodologies for the calculation of such allowances please see Note 2 to the Consolidated Financial Statements.

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

	Year Ended December 31,	
	2015	***2014***
	(in millions of COP)	
Balance at beginning of period	**4,789,257**	**4,473,562**
Domestic	4,028,866	3,766,387
Foreign	760,391	707,175
Domestic Discontinued Operations (1)	(282,098)	**-**
Provisions for loan losses, net	**1,884,859**	**1,308,825**
Domestic	1,642,914	1,236,594
Foreign	241,945	72,231
Charge-offs	**(1,422,055)**	**(1,178,748)**
Domestic	(1,134,928)	(974,115)
Foreign	(287,127)	(204,633)
Effect of difference in exchange rate	**278,792**	**185,618**
Foreign	278,792	185,618
Balance at end of year	**5,248,755**	**4,789,257**
Domestic	4,254,754	4,028,866
Foreign	994,001	760,391

As of December 31, 2015, Tuya S.A. Compañía de Financiamiento is considered as a discontinued operation (See Note 31).

Recoveries of charged-off loans are recorded in the consolidated statement of income and are not included in provisions for loan losses. (See "Recovery of charged-off loans" in the Consolidated Statement of Income).

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

	As of December 31,	
	2015	2014
	(in millions of COP)	
Commercial loans	2,694,965	2,360,488
Consumer loans	1,321,281	1,479,460
Small business loans	80,586	76,560
Financial leases	579,151	415,766
Mortgage	572,772	456,983
Total allowance for loan losses	5,248,755	4,789,257

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

	As of December 31,			
	2015	%	2014	%
	(in millions of COP, except percentages)			
Domestic				
Corporate				
Trade financing	35,387	0.8 %	14,759	0.4 %
Loans funded by development banks	23,552	0.5 %	5,772	0.1 %
Working capital loans	1,183,378	27.4 %	1,006,493	25.0 %
Credit cards	2,218	0.1 %	1,995	0.1 %
Overdrafts	3,318	0.1 %	5,759	0.1 %
Total corporate	1,247,853	28.9 %	1,034,778	25.7 %
Retail				
Credit cards	343,057	8.0 %	589,702	14.6 %
Personal loans	441,225	10.2 %	422,649	10.5 %
Vehicle loans	180,408	4.2 %	224,481	5.6 %
Overdrafts	27,668	0.6 %	36,345	0.9 %
Loans funded by development banks	38,274	0.9 %	39,235	1.0 %
Trade financing	13,531	0.3 %	12,972	0.3 %
Working capital loans	1,084,698	25.2 %	969,557	24.1 %
Total retail	2,128,861	49.4 %	2,294,941	57.0 %
Financial leases	553,317	12.8 %	388,115	9.6 %
Mortgage	382,533	8.9 %	311,032	7.7 %
Total domestic allowance for loan losses	4,312,564	100.0%	4,028,866	100.0%
Foreign				
Corporate				
Trade financing	82,777	8.8 %	83,306	10.9 %
Loans funded by development banks	568	0.1 %	175	0.0 %
Working capital loans	256,244	27.4 %	227,915	30.0 %
Credit cards	838	0.1 %	361	0.1 %
Overdrafts	656	0.1 %	548	0.1 %
Total corporate	341,083	36.5 %	312,305	41.1 %
Retail				
Credit cards	66,582	7.1 %	42,433	5.6 %
Personal loans	277,094	29.6 %	221,627	29.2 %
Vehicle loans	14,076	1.5 %	12,533	1.7 %
Overdrafts	10,780	1.1 %	8,237	1.1 %
Loans funded by development banks	2,731	0.3 %	1,514	0.2 %
Trade financing	3,450	0.4 %	2,728	0.4 %
Working capital loans	5,305	0.6 %	4,867	0.6 %
Total retail	380,018	40.6 %	293,939	38.8 %
Financial leases	24,848	2.6 %	8,217	1.0 %
Mortgage	190,242	20.3 %	145,930	19.1 %

Total foreign allowance for loan losses	936,191	100.0%	760,391	100.0%
Total Foreign and Domestic allowance for loan losses	5,248,755	100.0%	4,789,257	100.0%

As of December 31, 2015, allowances for loans and financial lease losses amounted to COP 5,249 billion (3.60% of total loans), up 9.61% as compared to COP 4,789 billion (4.16% of total loans) at the end of 2014.

Coverage, measured by the ratio of allowances for loan losses to past-due loans (overdue 30 or more days), was 115% at the end of 2015 and down from 127% at the end of 2014. The decrease in the coverage ratio is explained by the rate of formation of PDLs during the year, which was faster than the pace of increase in allowances in the statement of financial position.

CHARGE-OFFS

The following table shows the allocation of the Bank's charge-offs of domestic and foreign loans by type of loan as of December 31, 2015 and 2014:

	Year ended December 31,	
	2015	2014
	(in millions of COP)	
Domestic		
Trade financing	1,220	12,452
Loans funded by development banks	23,852	10,078
Working capital loans	457,097	279,701
Credit cards	145,350	325,475
Personal loans	209,211	197,973
Vehicle loans	81,140	79,527
Overdrafts	13,947	10,276
Mortgage and other	167,718	13,818
Financial leases	35,393	44,815
Total domestic charge-offs	1,134,928	974,115
Foreign		
Trade financing	-	72
Loans funded by development banks	-	-
Working capital loans	28,317	33,170
Credit cards	37,938	40,640
Personal loans	198,283	113,685
Vehicle loans	9,968	5,211
Overdrafts	726	3,743
Mortgage and other	11,761	8,112
Financial leases	134	-
Total foreign charge-offs	287,127	204,633
Total Foreign and Domestic charge-offs	1,422,055	1,178,748

The ratio of charge-offs to average outstanding loans for the years ended December 31, 2015 and 2014, was as follows:

	Year ended December 31,	
	2015	2014
Ratio of charge-offs to average outstanding loans	1.14 %	1.19 %

The Bank charges off loans that are classified as “unrecoverable” once they become overdue as follows: (i) after 180 days for consumer and small business loans; (ii) after 360 days for commercial loans; and (iii) after 1,620 days for mortgage loans.

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

The recovery of charged-off loans is accounted for as income in the consolidated statement of income on a cash receipts basis.

POTENTIAL PROBLEM LOANS

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

As of December 31, 2015, performing loans included on the watch list amounted to COP 5.9 billion. The increase from COP 3.7 billion at December 31, 2014, was driven by some loans to customers in the hydrocarbons sector and importers impacted by the devaluation of the peso with respect to the dollar, that were catalogued in all levels risk at December 31, 2015.

Watch List 2015				Watch List 2014			
	Amount		**Allowance**		**Amount**		**Allowance**
Level	*(COP million)*	%	(*COP million*)	Level	*(COP million)*	%	(*COP million*)
Level 1 - Low Risk	2,680,111	3%	69,044	Level 1 - Low Risk	2,106,438	4%	74,166
Level 2 - Medium Risk	1,320,431	7%	90,270	Level 2 - Medium Risk	664,811		