

BANCOLOMBIA SA  
Form 424B2  
September 26, 2017

**Filed Pursuant to Rule 424(b)(2)**

**Registration No. 333-211071**

**The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and they are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION**

**PRELIMINARY PROSPECTUS SUPPLEMENT, DATED SEPTEMBER 26, 2017**

PROSPECTUS SUPPLEMENT

(To the Prospectus dated May 2, 2016)

US\$

**Bancolombia S.A.**

**% Subordinated Notes due 2027**

We are offering US\$ of our % subordinated Notes due 2027 (the "Notes"). The Notes will mature on , 2027. The Notes will bear interest at % per year from and including the issuance date of the Notes to, but excluding, the Reset Date. From and after the Reset Date to, but excluding, the date of maturity or earlier redemption date of the Notes, the Notes will bear interest on the outstanding principal amount at a rate per annum equal to the sum of (i) the Benchmark Reset Rate on the Reset Date plus (ii) basis points as calculated by the Calculation Agent. Interest is payable semi-annually, in arrears, on and of each year, beginning , 2018. The Notes will be subject to redemption prior to the maturity date, as further described herein.

**UPON THE OCCURRENCE OF A WRITE-DOWN EVENT, AS DEFINED HEREIN, THE OUTSTANDING PRINCIPAL AMOUNT OF THE NOTES, INTEREST AND ADDITIONAL AMOUNTS, IF ANY, MAY BE PERMANENTLY REDUCED TO THE EXTENT REQUIRED TO RESTORE OUR CAPITAL RATIOS. NO INTEREST WILL ACCRUE ON ANY PRINCIPAL AMOUNT OF THE NOTES THAT IS SO REDUCED. IF**

**A WRITE-DOWN EVENT OCCURS, YOU MAY LOSE ALL OR PART OF YOUR INVESTMENT.**

The Notes will be our unsecured subordinated obligations and will rank junior to all of our existing and future senior obligations and will rank senior only to our capital stock and any other instrument that may qualify as Tier One Capital for purposes of Colombian banking laws, if any, and which is expressly or effectively subordinated to the Notes. The Notes will not be guaranteed by our subsidiaries and will not be entitled to any sinking fund.

We will apply to list the Notes on the New York Stock Exchange (the “NYSE”). Currently, there is no public market for the Notes.

**Investment in the Notes involves risks. See “Risk Factors” beginning on page S-8 of this prospectus supplement to read about certain risk factors you should consider before investing in the Notes.**

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement and accompanying prospectus. Any representation to the contrary is a criminal offense.

**The Notes are not intended to be sold and should not be sold to retail clients in the EEA, as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, as amended or replaced from time to time, other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Prospective investors are referred to the section headed “Restrictions on marketing and sales to retail investors” on page i of this prospectus supplement for further information.**

THE INFORMATION SUBMITTED TO THE *SUPERINTENDENCIA FINANCIERA DE COLOMBIA* (THE COLOMBIAN SUPERINTENDENCY OF FINANCE) AND THE POTENTIAL QUALIFICATION OF THE NOTES AS TIER TWO CAPITAL WILL NOT CONSTITUTE AN OPINION OF THE COLOMBIAN SUPERINTENDENCY OF FINANCE WITH RESPECT TO APPROVAL OF THE QUALITY OF THE NOTES OR OUR SOLVENCY. THE NOTES MAY NOT BE PUBLICLY OFFERED OR SOLD IN THE REPUBLIC OF COLOMBIA.

	<b>Per note Total</b>	
Public offering price <sup>(1)</sup>	%	US\$
Underwriting discount	%	US\$
Proceeds, before expenses, to us	%	US\$

(1) Plus accrued interest, from 2017, if settlement occurs after that date.

We expect that delivery of the Notes will be made to purchasers in book-entry form through The Depository Trust Company (“DTC”) for the benefit of its participants, including Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme*, on or about , 2017.

*Joint Book-Running Managers*

**BofA Merrill Lynch Citigroup**                      **UBS Investment Bank**

*Co-Manager*

**Valores Banistmo**

The date of this prospectus supplement is September , 2017.

### **Restrictions on marketing and sales to retail investors**

The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in June 2015, the U.K. Financial Conduct Authority (the “FCA”) published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the “PI Instrument”).

Under the rules set out in the PI Instrument (as amended or replaced from time to time, the “PI Rules”):

- (i) certain contingent write-down or convertible securities (including any beneficial interests therein), such as the Notes, must not be sold to retail clients in the EEA; and
  
- (ii) there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite such securities (or the beneficial interest in such securities) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the PI Rules.

Certain of the underwriters or their affiliates are required to comply with the PI Rules. By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in such Securities) from the Issuer and/or the underwriters, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the underwriters that:

1. it is not a retail client in the EEA (as defined in the PI Rules);
  
2. whether or not it is subject to the PI Rules, it will not

(A) sell or offer the Notes (or any beneficial interest therein) to retail clients in the EEA or

(B) communicate (including the distribution of this prospectus supplement or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case within the meaning of the PI Rules),

in any such case other than (i) in relation to any sale or offer to sell Notes (or any beneficial interests therein) to a retail client in or resident in the United Kingdom, in circumstances that do not and will not give rise to a contravention of the PI Rules by any person and/or (ii) in relation to any sale or offer to sell Notes (or any beneficial interests therein) to a retail client in any EEA member state other than the United Kingdom, where (a) it has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Notes (or such beneficial interests therein) and is able to bear the potential losses involved in an investment in the Notes (or such beneficial interests therein) and (b) it has at all times acted in relation to such sale or offer in compliance with the Markets in Financial Instruments Directive (2004/39/EC) (“MiFID”) to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and

3. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the underwriters, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

**TABLE OF CONTENTS**

**Prospectus Supplement**

	<u>Page</u>
<u>About This Prospectus Supplement</u>	iii
<u>Available Information</u>	iii
<u>Incorporation of Certain Information by Reference</u>	iv
<u>Exchange Rates</u>	v
<u>Forward-Looking Statements</u>	vi
<u>Enforcement Of Civil Liabilities Against Foreign Persons</u>	vii
<u>Summary</u>	S-1
<u>Risk Factors</u>	S-8
<u>Use of Proceeds</u>	S-19
<u>Selected Consolidated Financial Data</u>	S-20
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the Six Months Ended June 30, 2017 and 2016</u>	S-22
<u>Ratio of Earnings to Fixed Charges</u>	S-28
<u>Capitalization</u>	S-39
<u>Colombian Banking Regulations</u>	S-30
<u>Description of the Notes</u>	S-37
<u>Tax Considerations</u>	S-48
<u>Underwriting</u>	S-52
<u>Expenses</u>	S-57
<u>Validity Of The Notes</u>	S-58
<u>Experts</u>	S-58
<u>Condensed Consolidated Interim Financial Statements</u>	F-1

**Prospectus**

<u>About This Prospectus</u>	<u>3</u>
<u>Available Information</u>	<u>3</u>
<u>Incorporation of Certain Information by Reference</u>	<u>4</u>
<u>Cautionary Note Regarding Forward-Looking Statements</u>	<u>5</u>
<u>Bancolombia</u>	<u>6</u>
<u>Risk Factors</u>	<u>7</u>

<u>Use of Proceeds</u>	<u>8</u>
<u>Consolidated Ratio of Earnings to Fixed Charges</u>	<u>9</u>
<u>The Securities</u>	<u>10</u>
<u>Legal Ownership</u>	<u>11</u>
<u>Description of Debt Securities</u>	<u>14</u>
<u>Description of the Preferred Shares</u>	<u>15</u>
<u>Description of American Depositary Receipts</u>	<u>20</u>
<u>Description of the Rights to Subscribe Preferred Shares</u>	<u>29</u>
<u>Plan of Distribution</u>	<u>30</u>
<u>Validity of the Securities</u>	<u>32</u>
<u>Experts</u>	<u>32</u>
<u>Enforcement of Civil Liabilities Against Foreign Persons</u>	<u>33</u>

## About This Prospectus Supplement

This document is divided in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which describes more general information, some of which may not apply to this offering.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, accompanying prospectus and in any free writing prospectus filed with the U.S. Securities and Exchange Commission (the "SEC"). This prospectus supplement contains the terms of this offering. This prospectus supplement, or the information incorporated by reference in the accompanying prospectus, may add, update or change information in the accompanying prospectus. If information in this prospectus supplement, or the information incorporated by reference in the accompanying prospectus, is inconsistent with the accompanying prospectus, this prospectus supplement, or the information incorporated by reference in the accompanying prospectus, will apply and will supersede that information in the accompanying prospectus.

In this prospectus supplement and the accompanying prospectus, unless the context otherwise requires, references to "Bancolombia," "Bancolombia Group", the "Bank," "we," "us" or "our" mean Bancolombia S.A. and its consolidated subsidiaries taken as a whole. In addition, all references in this prospectus supplement and the accompanying prospectus to "pesos," "Ps" and "COP" are to the currency of Colombia and references to "U.S. dollars" and "US\$" are to the currency of the United States of America. Also, as used herein, the term "billion" means one thousand million, or 1,000,000,000.

No dealer, salesperson or other individual has been authorized to give any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement or the accompanying prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by us, the underwriters, Valores Banistmo or any other person. Neither the delivery of this prospectus supplement and the accompanying prospectus nor any sale made hereunder or thereunder shall under any circumstances create an implication that there has been no change in our affairs since the date hereof or thereof or that the information contained herein or therein is correct as of any time subsequent to its date. Our business, financial condition, results of operation and/or prospects may have changed since those dates.

The distribution of this prospectus supplement and the accompanying prospectus and the offer or sale of the Notes in some jurisdictions may be restricted by law. Persons into whose possession this prospectus supplement and the accompanying prospectus come are required by us, the underwriters and Valores Banistmo to inform themselves about and to observe any applicable restrictions. This prospectus supplement and the accompanying prospectus do not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.



Available Information

This prospectus supplement and the accompanying prospectus are part of a registration statement on Form F-3 filed by us with the SEC under the U.S. Securities Act of 1933, as amended (the “Securities Act”). We are also subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), applicable to a foreign private issuer and, accordingly, file or furnish reports, including annual reports on Form 20-F, reports on Form 6-K and other information with the SEC. Information about us on any website and not incorporated by reference in this prospectus supplement is not part of this prospectus supplement. You may read and copy any documents filed or furnished by us at the SEC’s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC are also available to the public through the SEC’s Internet site at <http://www.sec.gov> and through the NYSE located at 20 Broad Street, New York, New York 10005.

### Incorporation of Certain Information by Reference

The SEC's rules allow us to "incorporate by reference" information into this prospectus supplement. This means that we can disclose important information to you by referring you to another document that has also been filed with the SEC. Any information referred to in this way is considered part of this prospectus supplement from the date we file the document incorporated by reference with the SEC. Any reports filed by us with the SEC after the date of this prospectus supplement and before the date that the offering of the securities by means of this prospectus supplement is completed or terminated will be incorporated by reference into this prospectus supplement and will automatically update and, where applicable, supersede any information contained in this prospectus supplement or incorporated by reference in this prospectus supplement (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules).

We incorporate by reference into this prospectus supplement our Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed with the SEC on May 1, 2017 (the "Annual Report").

The preceding document supersedes and replaces the documents listed in the accompanying prospectus under the heading "Incorporation of Certain Information by Reference."

We will provide without charge to each person, including any beneficial owner, to whom this prospectus supplement is delivered, upon his or her written or oral request, a copy of any or all documents referred to above which have been or may be incorporated by reference into this prospectus supplement.

You may request a copy of these filings by writing or telephoning us at our principal executive offices at the following address:

**Bancolombia S.A.**

Carrera 48 # 26-85, Avenida Los Industriales

Medellín, Colombia

Attention: General Secretary

Telephone Number: (574) 404-1837

## Exchange Rates

This prospectus supplement converts certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. The Federal Reserve Bank of New York does not report a rate for pesos. Unless otherwise indicated, such peso amounts have been converted at the rate of COP 3,050.43 per US\$1.00, which corresponds to the *tasa representativa del mercado* (“representative market rate”) calculated on June 30, 2017. The representative market rate is computed and certified by the Superintendencia Financiera de Colombia, the Colombian Superintendency of Finance (the “SFC”), on a daily basis and represents the weighted average of the buy/sell foreign exchange rates negotiated on the previous day by certain financial institutions authorized to engage in foreign exchange transactions (including us). 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. You should not construe these convenience conversions as a representation that the peso amounts correspond to, or have been or could be converted into, U.S. dollars at the representative market rate or any other rate. On June 30, 2017 and June 30, 2016, the representative market rate was COP 3,050.43 and 2,919.01 per US\$1.00, respectively, as published on July 4, 2017 and July 1, 2016, respectively. On September 22, 2017, the representative market rate was COP 2,900.73 per US\$1.00, as published on September 25, 2017.

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 U.S. Dollars per Peso

Month	Low	High	Period End
August 2017	2,933.96	3,011.14	2,948.09
July 2017	2,995.23	3,092.65	2,997.59
June 2017	2,893.76	3,053.90	3,050.43
May 2017	2,873.22	2,967.44	2,921.00
April 2017	2,837.90	2,947.85	2,947.85
March 2017	2,880.24	3,004.43	2,885.57

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/U.S.\$1.00 representative market rate

Period	Period End	Average
2016	3,000.71	3,039.23
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

*Source: SFC.*

-v-

## Forward-Looking Statements

This prospectus supplement 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 our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control. Words such as “anticipate,” “believe,” “estimate,” “approximate,” “expect,” “may,” “intend,” “plan,” “predict,” “target,” “forecast,” “guideline,” “should,” “project” and similar expressions are intended to identify forward-looking statements. It is possible that our actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements.

Information regarding important factors that could cause our actual results to differ, perhaps materially, from those in our forward-looking statements appear in a number of places in this prospectus supplement and the documents incorporated in this prospectus supplement by reference and include, but are not limited to:

· changes in general economic, business, political, social, fiscal or other conditions in Colombia, El Salvador, Panama, Guatemala or the other countries where we operate;

· changes in capital markets or in markets in general that may affect policies or attitudes towards lending;

· changes in tax laws in Colombia, El Salvador, Panama, Guatemala or the other countries where we operate;

· unanticipated increases in our financing and other costs, or our inability to obtain additional debt or equity financing on attractive terms;

· inflation, changes in foreign exchange rates, and changes in interest rates;

· internal security issues and sovereign risks affecting the countries where we operate, especially Colombia;

· liquidity risks;

· increases in delinquencies by our borrowers;

· lack of acceptance of new products or services by our targeted customers;

competition in the banking, financial services, credit card services, insurance, asset management, remittances, business and other industries in which we operate;

· adverse determination of legal or regulatory disputes or proceedings;

changes in official regulations or the Colombian government's banking policy as well as other changes in laws, regulations or policies in the jurisdictions in which we do business;

· regulatory issues relating to acquisitions;

· changes in business strategy;

· decreases in our capital levels; and

other factors identified or discussed under "Risk Factors" in this prospectus supplement and elsewhere in the Annual Report, which is incorporated in this prospectus supplement by reference.

Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or revise any forward-looking statements after the date on which they are made in light of new information, future events and other factors.

## Enforcement Of Civil Liabilities Against Foreign Persons

We are a Colombian company, a majority of our directors and management and certain of the experts named in this prospectus supplement are residents of Colombia, and a substantial portion of their respective assets are located in Colombia.

We have been advised by Brigard & Urrutia, our Colombian counsel, that the Supreme Court of Justice of Colombia (*Corte Suprema de Justicia de Colombia*), determines whether to enforce a U.S. judgment predicated on the U.S. securities laws through a procedural system known under Colombian law as *exequatur*. The Supreme Court of Justice of Colombia will enforce a foreign judgment, without reconsideration of the merits, only if the judgment satisfies the requirements of articles 605 through 607 of Law 1564 of 2012, (*Código General del Proceso*), which provide that the foreign judgment will be enforced if:

1. A treaty or convention exists between Colombia and the country where the judgment was granted or there is reciprocity in the recognition of foreign judgments between the courts of the relevant jurisdiction and the courts of Colombia;
2. The foreign judgment does not relate to “in rem rights” vested in assets that were located in Colombia at the time the suit was filed;
3. The ruling does not contradict Colombian laws relating to public order other than those governing judicial procedures;
4. The foreign judgment, in accordance with the laws of the country where it was rendered, is final and is not subject to appeal and a duly legalized copy of the judgment has been presented to a competent court in Colombia;
5. The foreign judgment does not refer to any matter upon which Colombian courts have exclusive jurisdiction;
6. No proceeding is pending in Colombia with respect to the same cause of action, and no final judgment has been awarded in any proceeding in Colombia on the same subject matter and between the same parties; and
7. In the proceeding commenced in the foreign court that issued the judgment, the defendant was served in accordance with the law of such jurisdiction and in a manner reasonably designated to give the defendant an opportunity to defend against the action.

In the course of the *exequatur* proceedings, both the plaintiff and the defendant are granted the opportunity to request the production of evidence in connection with the requirements listed above. In addition, before the judgment is rendered, each party may file final allegations in support of such party's position. The United States and Colombia do not have a bilateral treaty providing for automatic reciprocal recognition and enforcement of judgments in civil and commercial matters. However, the Colombian Supreme Court has generally accepted that reciprocity exists when it has been proven that either a U.S. court has enforced a Colombian judgment or that a U.S. court would enforce a foreign judgment, including a judgment issued by a Colombian court. Nevertheless, such enforceability decisions are considered by Colombian courts on a case-by-case basis.

Colombia is party to international treaties such as the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention"), the 1975 Inter-American Convention on International Commercial Arbitration, and the 1965 Washington Convention for the Settlement of Disputes between States and Nationals of Other States.

As of the enactment of Law 1563 of 2012, in force as of October 13, 2012, international arbitration awards issued by arbitral tribunals sitting in Colombia are not subject to *exequatur* or recognition proceedings to be recognized, except when the parties waived their right to request the annulment of the award.

Recognition of international arbitration awards may only be denied pursuant to the grounds described in article 112 of Law 1563 of 2012:

when it is proved by the party against which recognition is sought that:

the party to the arbitration agreement was, under the applicable law, under some incapacity, or said agreement is not valid; or

the party against whom the award is enforced was not given proper notice of the appointment of an arbitrator or of the initiation of the arbitration proceeding or was otherwise unable to present its rights in the case; or

the subject matter of the award is a dispute not included within the terms of the submission to arbitration or it contains decisions on matters beyond the scope of the arbitration agreement (if the decisions on matters submitted to arbitration can be separated from those not submitted, the first may be recognized and enforced); or

the integration of the arbitration tribunal or the arbitral procedure was not in accordance with the agreement of the parties, or in accordance with the law of the country where the arbitration took place; or



the award is not yet binding become binding for the parties or was annulled or suspended by an authority of the country in which the award was issued; or

-vii-

when the competent judicial authority verifies that:

- in accordance with Colombian law, the matter may not be subject to arbitration; or
- the recognition or enforcement of the award would be contrary to Colombian international public policy.

If there is an annulment petition or a motion for suspension filed before a judicial authority of the country where the arbitration is located, then the Colombian judicial authorities may suspend of its ruling on the award's recognition.

The above events are similar to the ones regulated in articles V and VI of the New York Convention.

-viii-

## SUMMARY

*This summary highlights selected information from, or incorporated by reference in, this prospectus supplement or the accompanying prospectus, but does not contain all the information that may be important to you. You should read carefully this entire prospectus supplement, the accompanying prospectus and those documents incorporated by reference into this document, including the “Risk Factors” and the financial statements and the related Notes thereto, before making an investment decision.*

### Company Overview

We are Colombia’s leading financial institution, providing a wide range of financial products and services to a diversified individual and corporate customer base throughout Colombia as well as in other jurisdictions, such as Panama, El Salvador, Puerto Rico, the Cayman Islands, Peru and the United States.

Over the last three years, our assets have increased through organic growth and acquisitions. Since June 2014, our assets have grown at a compound annual growth rate of 16.30%. As of June 30, 2017, we had, on a consolidated basis:

COP 203,181 billion in total assets;

COP 150,747 billion in total net loans and financial leases;

COP 128,477 billion in total deposits; and

COP 21,831 billion in stockholders’ equity.

Our consolidated net income attributable to equity holders of the parent company for the year ended December 31, 2016 and for the six months ended June 30, 2017 was COP 2,865 billion and COP 1,262 billion, respectively, representing an annualized average return on equity attributable to the owners of the parent company of 14.52% and 11.80%, respectively, and an annualized average return on assets of 1.49% and 1.30%, respectively.

We are a stock company (*sociedad anónima*) domiciled in Medellín, Colombia, and we operate under Colombian laws and regulations, principally the Colombian Code of Commerce, Decree 663 of 1993 and Decree 2555 of 2010, as amended. We were incorporated in Colombia in 1945 under the name Banco Industrial Colombiano S.A. or “BIC”. In 1998, we merged with Banco de Colombia S.A., and changed our legal name to Bancolombia S.A. On July 30, 2005, Conavi and Corfinsura merged with and into Bancolombia, with Bancolombia as the surviving entity. Through this merger, Bancolombia gained important competitive advantages, as Conavi and Corfinsura were two of the top financial institutions in the Colombian market at the time. Conavi, a mortgage bank in Colombia and one of the strongest in retail operations, significantly increased the Bank’s participation and know-how in these specific markets. On the other hand, Corfinsura, then the largest financial corporation in Colombia and highly regarded for its expertise in handling large and mid-sized corporate credit loans and financial services, its investment bank and its modern and diversified treasury department, significantly strengthened our full service franchise.

In May 2007, Bancolombia Panamá acquired Banagrícola S.A., which controls several subsidiaries, including Banco Agrícola S.A. (“Banco Agrícola”) in El Salvador, and is dedicated to banking, commercial and consumer activities, insurance and brokerage. Through this first international acquisition, we gained a leadership position in the Salvadorian financial market.

In October 2013, we acquired a 100% percent interest of the outstanding equity of Banistmo, a Panamanian banking entity and its subsidiaries involved in the securities brokerage, trust, consumer finance, and leasing businesses in Panama.

Also in October 2013, our wholly-owned subsidiary 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 in Guatemala. Bancolombia Panama acquired an additional 20% interest and control of Grupo Agromercantil on December 30, 2015.

Since 1995, we have maintained a listing on the NYSE, where our ADSs are traded under the symbol “CIB”, and on the Colombian Stock Exchange, where our preferred shares are traded under the symbol “PFBCOLOM.” Since 1981, our common shares have been traded on Colombian exchange under the symbol “BCOLOMBIA.”

## Strategy

Throughout its history, Bancolombia has executed a strategy that has allowed it to create a platform for growth. This strategy has been evidenced in the creation of a universal banking model, in local and international acquisitions to expand its market, in access to the main capital markets of the world, in the creation of a physical network with ample coverage, and in the consolidation of one of the most valuable and reputable brands in Colombia.

Our strategic aspiration is to be the leading financial group that sets the trend, generating a superior experience for its customers, pride for its employees and value for its shareholders, in a sustainable way.

S-1

*The main objectives of Bancolombia's strategy for the medium term are:*

Continue to foster a culture of innovation across the Bancolombia Group, to reduce costs, operational risks, increase revenue through digital solutions and promote efficient decision-making processes.

Maintain operational excellence by focusing on process optimization, re-balancing our branch network, continuing strict cost control across divisions and countries, and enhancing our offering of digital services to clients.

Complete the integration of our Central American operations.

Focus on growing our fee income, in particular through the distribution of insurance products by our existing salesforce, and the development of our asset management presence and capabilities.

Enhance our funding cost advantage by optimizing our capital raising across platforms and jurisdictions, using digital channels to capture low-cost funds without the need for physical infrastructure, and managing our interest rate risk to protect our net interest margin.

## **Recent Developments**

### **Tender Offer for Outstanding Subordinated Notes**

On September 25, 2017, Citigroup Global Markets Inc., as offeror, commenced a cash tender offer (the "Tender Offer") for Bancolombia S.A.'s 6.125% Subordinated Notes due 2020 and 5.125% Subordinated Notes due 2022 (together, the "Old Notes"), up to an Aggregate Maximum Tender Consideration of U.S.\$750,000,000. As of June 30, 2017, the aggregate principal amount outstanding of the 6.125% Subordinated Notes due 2020 and 5.125% Subordinated Notes due 2022 was U.S.\$ 620,000,000 and U.S.\$1,424,513,000, respectively.

The Tender Offer will expire at 11:59 P.M., New York City time, on October 24, 2017, unless extended or earlier terminated (the "Expiration Date"). Holders of Old Notes who validly tendered and did not validly withdraw their Old Notes at or prior to 5:00 P.M., New York City time, on October 10, 2017, unless extended or earlier terminated (the "Early Tender Date"), will be eligible to receive the total consideration, which includes an early tender payment, plus accrued and unpaid interest up to, but not including the early settlement date for the Tender Offer. Holders of Old Notes who validly tender Old Notes after the Early Tender Date, but at or prior to the Expiration Date will not be eligible to receive the early tender payment. Citigroup Global Markets Inc. will pay the applicable consideration for

Old Notes tendered and validly delivered on or prior to the Early Tender Date and prior to or at the Expiration Date.

The early settlement of the Tender Offer is expected to occur prior to the closing of this offering. It is intended that Old Notes validly tendered at or prior to the Early Tender Date and purchased by Citigroup Global Markets Inc. in the Tender Offer (the “Early Tendered Old Notes”) will be exchanged by Citigroup Global Markets Inc. for a portion of the Notes offered hereby and a relating decrease in an amount equal to the aggregate purchase price for the Early Tendered Old Notes, in the cash consideration to be paid to Bancolombia by the underwriters in this offering (the “Exchange”). The consideration that Citigroup Global Markets Inc. will receive from Bancolombia in exchange for the Early Tendered Old Notes is fixed pursuant to an exchange settlement agreement between Bancolombia and Citigroup Global Markets Inc., dated as of September 25, 2017.

The Tender Offer is conditioned on the satisfaction, or waiver by Citigroup Global Markets Inc. and Bancolombia, of certain conditions, including, but not limited to, the pricing of this offering. This prospectus supplement is not an offer to purchase, or the solicitation of an offer to sell, Old Notes.

The Tender Offer is made only by and pursuant to the terms of the Offer to Purchase, dated September 25, 2017.

***The Offering***

*The following summary is not intended to be complete. For a more detailed description of the Notes, see “Description of the Notes.”*

Issuer Bancolombia S.A.

Securities Offered US\$ in aggregate principal amount of % Subordinated Notes due .

Issue Price % of the principal amount of the Notes, plus accrued interest, if any from , 2017.

Maturity The Notes will mature on , 2027 .

% per year on the outstanding principal amount from and including the closing date of the Notes offering to, but excluding, the Reset Date.

From and after the Reset Date to, but excluding, the date of maturity or earlier redemption date of the Notes, the Notes will bear interest at a rate per annum on the outstanding principal amount equal to the sum of (i) the Benchmark Reset Rate on the Reset Date plus (ii) basis points as calculated by the Calculation Agent.

**Interest**

Interest will be payable semi-annually, in arrears, on and of each year, beginning on , 2018.

In the event that we default on the payment of principal, premium, if any, interest or such other amounts as may be payable in respect of the Notes, we will pay interest on overdue principal and premium, if any, at the rate borne by the Notes plus 1% per year and will pay interest on overdue installments of interest at the same rate to the extent lawful.

Loss Absorption; Reduction of Principal, Interest and Other Amounts The Notes provide that, as determined by applicable Colombian laws and regulations then in effect, if: (i) our Basic Individual Solvency Ratio or our Basic Consolidated Solvency Ratio (as such terms are defined in “Description of the Notes”) is below 4.5%; or (ii) if the SFC, in its discretion, otherwise so determines in writing, the outstanding principal, accrued and unpaid interest, and any other amounts due on the Notes will be permanently reduced, *pro rata* with reductions in the outstanding principal, accrued and unpaid interest and any other amount due on other Tier Two Capital subordinated Indebtedness as to which a Write-Down Event (as defined in “Description of the Notes”) has occurred, if any, (other than subordinated Indebtedness, that, under



its terms, is designated as junior to the Notes) by an amount needed to (x) restore the Basic Individual Solvency Ratio to 6%; (y) restore the Basic Consolidated Solvency Ratio to 6%; or (z) comply with the order of the SFC to restore the Basic Individual Solvency Ratio or Basic Consolidated Solvency Ratio to 6%, as applicable; provided, that the principal amount of the Notes may not be written down below zero. Furthermore, any such reduction will not constitute an Event of Default under the Notes.

As of the date of their initial issuance, the Notes will be the only debt securities we have that include the loss absorption feature described above. **If a Write-Down Event occurs, holders of the Notes may suffer a permanent loss of some or all of their principal, interest or other amounts due on the Notes. No interest will accrue on any amount of principal reduced as a result of a Write-Down Event, and the occurrence of a Write-Down Event will not constitute an Event of Default.**

Form and Denomination	The Notes will be issued in registered form, without coupons, and in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof.
Payment Currency	All amounts due in respect of principal, interest or the additional amounts, if any, will be paid in U.S. dollars.
Ranking	<p>The Notes will be our unsecured subordinated obligations. In the event of our liquidation under Colombian law, the Notes will rank:</p> <ul style="list-style-type: none"><li>· junior in right of payment to the prior payment in full of all our existing and future Senior External Liabilities (as defined in “Description of the Notes”). As of June 30, 2017, we have COP171,910.31 billion of Senior External Liabilities;</li><li>· <i>pari passu</i> with all our other present or future Tier Two Capital subordinated Indebtedness (as defined in “Description of the Notes”) other than subordinated Indebtedness, that, under its terms, is designated as junior to the Notes. As of June 30, 2017, we have COP 7,633.88 billion of outstanding Tier Two Capital subordinated Indebtedness; and</li></ul>

· senior in right of payment only to subordinated instruments constituting Tier One Capital (of which we currently have none outstanding) and our capital stock.

As a result of the operation of the provisions of the Notes described under “Description of the Notes—Loss Absorption”, Holders may recover less ratably than holders of *pari passu* subordinated debt of the Bank that does not include a similar loss absorption feature. As of June 30, 2017, after giving pro forma effect to the offering of Notes and the completion of the Tender Offer (assuming that tenders of Old Notes are accepted on the Early Tender Date for an aggregate purchase amount equal to the Aggregate Maximum Tender Consideration), we would have had approximately COP5,583 billion aggregate principal amount of subordinated indebtedness that does not include a similar loss absorption feature.

Optional  
Redemption

At our option, in whole but not in part, on the Reset Date, at a redemption price equal to 100% of the outstanding aggregate principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of redemption, subject to certain conditions, including prior approval of the SFC if so required at the time of redemption (as further described in “Description of the Notes”).

**The following optional redemption rights are not permitted under current Colombian regulations. We will not be able to exercise these optional redemption rights unless regulations are implemented permitting us to do so.**

Optional  
Redemption  
upon Tax or  
Regulatory  
Event

Notwithstanding the foregoing, and provided that regulations are implemented that permit us to do so, at any time after the Issue Date (as defined in the “Description of the Notes”) and subject to certain conditions, we may redeem the Notes in whole, but not in part, at a price equal to 100% of the outstanding principal amount thereof plus accrued and unpaid interest and any Additional Amounts, to the relevant date of redemption, following the occurrence of a Regulatory Event or a Tax Event. See “Description of the Notes—Optional Redemption upon Tax Event or Regulatory Event.”

Merger and  
Sales of  
Assets

The indenture governing the Notes will contain a covenant that limits our ability to merge or consolidate with another entity or sell, lease or transfer substantially all of our properties or assets to another entity. See “Description of the Notes—Certain Covenants—Mergers, Consolidations, Etc.”

Limitation on  
Acceleration of  
Notes

If we fail to make payment of principal, interest or Additional Amounts, if any, on the Notes (and, in the case of payment of principal, such failure to pay continues for seven days or, in the case of payment of interest or additional amounts, such failure to pay continues for 30 days), each holder of the Notes has the right to demand and collect under the indenture, and we will pay to the holders of the Notes the applicable amount of such due and payable principal, accrued interest and any Additional Amounts on the Notes; provided, however, that to the extent that the SFC has adopted an Intervention Measure (as defined in “Description of the Notes”), under the Colombian bankruptcy laws, the holders of the Notes would not be able to commence independent collection proceedings to

recover amounts owed. There is no right of acceleration in the case of a default in any payment on the Notes or the performance of any of our other obligations under the indenture or the Notes.

Notwithstanding the immediately preceding sentence, the holders of the Notes shall have the right to accelerate the payments due under the Notes upon the Bank's liquidation. Subject to the subordination provisions of the Notes, if any Event of Default occurs and is continuing, the Trustee may pursue any available remedy (excluding acceleration, except as provided in "Description of the Notes") to collect the payment of principal and interest on the Notes or to enforce the performance of any provision under the indenture. See "Colombian Banking Regulations—Bankruptcy Considerations."

**Listing** We will apply to list the Notes on the New York Stock Exchange. Currently, there is no public market for the Notes, and there is no guarantee that a trading market for the Notes will develop.

**Use of Proceeds** We estimate that the net cash proceeds from the offering will be approximately U.S.\$            million, after deducting underwriting discounts and commissions and estimated offering expenses. Pursuant to the Exchange, the Early Tendered Notes purchased by Citigroup Global Markets Inc. in connection with the Tender Offer will be exchanged by Citigroup Global Markets Inc. for a portion of the Notes offered hereby and a resulting decrease in the cash to be paid to us by the underwriters in this offering, and we will not receive any cash proceeds from this offering to the extent of such exchange. Any remaining net proceeds will be used for general corporate purposes and in compliance with applicable regulations. See "Use of Proceeds" and "Underwriting."

Issuance of Additional Securities      Following this offering, we may issue additional Notes having identical terms and conditions as the Notes offered hereby except with respect to (1) issue date, (2) issue price, (3) first interest payment date and (4) any adjustments necessary in order to conform to and ensure compliance with applicable securities laws, which are not adverse in any material respect to any Holder of any outstanding Notes.

Trustee      The Bank of New York Mellon.

State of New York; except for the authorization and execution of the offering documentation by the Bank and the subordination provisions of the Notes, which will be governed by the laws of Colombia.

Governing Law

The qualification of the Notes as Tier Two Capital will be determined pursuant to applicable Colombian banking law and regulations.

Risk Factors

See “Risk Factors” beginning on page S-8 of this prospectus supplement for a discussion of certain factors you should consider carefully before deciding to invest in the Notes.

S-5

## Summary Consolidated Financial Data

The following table presents the Bank's summary consolidated financial information and other data as of and for each of the periods indicated. The financial information and other data as of December 31, 2016 and 2015 and for the three years ended December 31, 2016 have been derived from the Bank's audited consolidated financial statements as of December 31, 2016 and 2015 and for the three years ended December 31, 2016 and the Notes related thereto included in the Annual Report. The financial information and other data as of June 30, 2017 and for the six months ended June 30, 2017 and 2016 have been derived from the Bank's unaudited condensed consolidated financial statements as of June 30, 2017 and for the six months ended June 30, 2017 and 2016 and the Notes related thereto included elsewhere in this prospectus supplement. The unaudited summary consolidated financial information as of June 30, 2017 and for the six months ended June 30, 2017 and 2016 includes all adjustments, consisting of only normal recurring adjustments, which in the opinion of management are necessary for the fair presentation of such information. Interim results are not necessarily indicative of the results to be expected for the entire fiscal year.

(Amounts in Millions of COP and Thousands of US\$) <sup>(1)</sup>	For the Year Ended				For the Six M
	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2016	June 30, 2016
<b>CONSOLIDATED STATEMENT OF INCOME:</b>					
Net interest margin and valuation income on financial instruments before impairment on loans and financial leases and off balance sheet credit instruments	COP 6,007,552	COP 7,231,703	COP 9,695,705	US\$ 3,178,472	COP 4,731
Net interest margin and valuation income on financial instruments after impairment on loans and financial leases and off balance sheet credit instruments	5,138,347	5,556,602	6,964,553	2,283,138	3,563,673
Profit before tax	3,104,594	3,235,635	3,968,282	1,300,893	2,086,188
Net income	2,429,785	2,608,898	2,954,947	968,699	1,187,391
<b>OTHER DATA</b>					
<b>Profitability ratios<sup>(2)</sup>:</b>					
Net interest margin <sup>(3)</sup> from continuing operations	5.30	% 5.25	% 5.96	% 5.96	% 5.86
Return on average total assets <sup>(4)</sup> from continuing operations	1.72	% 1.53	% 1.49	% 1.49	% 1.17
Return on average stockholders' equity <sup>(5)</sup>	14.81	% 13.62	% 14.52	% 14.52	% 11.56
<b>Efficiency ratio<sup>(2)</sup>:</b>					
	56.30	% 54.57	% 51.02	% 51.02	% 51.20

Operating expenses to net operating income					
Capital ratios (at period end):					
Technical capital to risk weighted assets(%)	N/A	12.46	% 13.26	% 13.26	% 13.16
Asset quality (at period end):					
Past due loans to loans principal	2.62	% 2.98	% 3.31	% 3.31	% 3.10
“C,” “D” and “E” loans as a percentage of loans principal <sup>(6)</sup>	3.81	% 3.95	% 5.07	% 5.07	% 4.71
Allowances for loan and lease losses as a percentage of past due loans	145.55	% 115.16	% 125.90	% 125.90	% 121.36
Allowance for loan and lease losses as a percentage of “C,” “D” and “E” loans <sup>(8)</sup>	100.09	% 87.00	% 82.08	% 82.08	% 79.93
Allowance for loan and lease losses as a percentage of total loans and financial leases <sup>(7)</sup>	3.81	% 3.43	% 4.17	% 4.17	% 3.76
Operating Data:					
Number of branches (at period end) <sup>(8)</sup>	1,067	1,274	1,247	1,247	1,173

	As of December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2016	As of June 30, 2016
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>					
Assets:					
Loans and advances to customers and financial institutions <sup>(9)</sup>	COP 115,173,653	COP 145,620,639	COP 151,747,486	US\$ 49,746,261	COP 145,835,980
Financial assets	12,784,223	14,277,824	13,060,653	4,281,578	12,701,160
Investments					
Other assets	21,672,005	33,074,404	31,452,905	10,310,974	29,862,177
Total Assets	149,629,881	192,972,867	196,261,044	64,338,813	188,399,317
Liabilities And Stockholders' Equity:					
Deposits by customers	COP 94,769,319	COP 121,802,028	COP 124,624,011	40,854,572	COP 114,586,083
Borrowings from other financial institutions	13,852,284	19,721,184	18,905,843	6,197,763	19,954,723
Debt securities in issue	14,527,403	19,435,865	18,704,809	6,131,860	18,102,041
Other liabilities	9,114,395	11,605,871	11,549,401	3,786,155	15,310,787
Total liabilities	132,263,401	172,564,948	173,784,064	56,970,350	167,953,634
Equity	17,366,480	20,407,919	22,476,980	7,368,463	20,445,683

Total liabilities and stockholders' equity	149,629,881	192,972,867	196,261,044	64,338,813	188,399,317
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(1) Amounts stated in U.S. dollars have been converted at the rate of COP 3,050.43 per US\$1.00, which is the representative market rate calculated on June 30, 2017, as reported by the SFC. Such conversions should not be construed as representations that the peso amounts represent, or have been or could be converted into, United States dollars at the representative market rate or any other rate.

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

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

(4) Net income divided by monthly average total assets.

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

(6) See Item 4. "Information on the Company—E. Selected Statistical Information—E.3. Loan Portfolio-Risk Categories" in the Annual Report for a description of "C", "D" and "E" Loans.

(7) Allowances are reserves for the principal of loans.

(8) Number of branches does not include branches of the Bank's subsidiaries.

(9) Includes financial leases.

S-7



## Risk Factors

*Investing in the Notes involves risks. Before you invest in the Notes, you should consider carefully the information set forth in this section and all the other information provided to you or incorporated by reference in this prospectus supplement and the accompanying prospectus, as the same may be updated from time to time by our future filings under the Exchange Act. In addition, new risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance or business operations.*

### RISKS RELATING TO COLOMBIA AND OTHER COUNTRIES WHERE THE BANK OPERATES

Changes in economic and political conditions in Colombia, El Salvador, Panama, and 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 including 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 negatively affect 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 negatively affect the Bank's business and financial condition and the market value of its securities.

Although Colombia and Panama currently have investment grade credit ratings from international rating agencies, El Salvador and Guatemala do not. As of the date of this prospectus supplement, El Salvador has a long-term debt rating of Caa1 (stable) from Moody's, and CC (negative watch) by S&P. Guatemala has ratings of Ba1 (stable) and BB+ (negative) from Moody's and S&P, respectively. Further downgrades in the ratings of either country, or the failure of Colombia or Panama to maintain investment grade credit ratings, could increase the Bank's financing costs and adversely affect our results of operation and financial condition.

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 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, 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 in neighboring countries could adversely affect the economy and cause instability in 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.

Events occurring in a market where we do not operate may cause international investors to have an increased risk perception of an entire region or class of investment, which could in turn negatively affect 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 deductions and exemptions, and eliminating incentives and non-taxed income. Notably, the Salvadorian government has significant fiscal deficits that may result in future tax increases. Higher taxes could negatively affect the Bank's 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 and the Bank's results.

Colombia has adopted a floating exchange rate system. The *Banco de la República* (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 2017, 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. Because 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.

S-8

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 has signed a peace treaty with the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia* or “FARC”). Additionally, the Colombian government is currently in the process of negotiating a peace treaty with the National Liberation Army (*Ejercito de Liberación Nacional* or “ELN”). Despite these efforts, the peace treaty with the FARC or the peace negotiations with the ELN may not lead to a lasting decrease in violence or drug-related crime in Colombia or the successful integration of former guerilla members into Colombian society. An escalation of violence or drug-related crime may have a negative impact on the Colombian economy and on the Bank.

***Allegations of corruption against the Colombian government, politicians and private industry could create economic and political uncertainty and could expose us to additional credit risk.***

Allegations of corruption against the Colombian government, politicians and private industry could create economic and political uncertainty should the investigations triggered by these cases reach conclusions or result in further allegations or findings of illicit conduct committed by the accused parties. Furthermore, proven or alleged wrongdoings could have adverse effects on the political stability in Colombia and the Colombian economy. These adverse political and economic effects could result in a material adverse effect on our business, including by depressing business volumes, reducing our ability to recover amounts we have loaned to persons or projects involved in illicit or allegedly illicit conduct and/or harming our reputation.

## 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 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 possible, we determine their potential impact and disclose significant future changes in our financial statements that we expect as a result of those changes. 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. In particular, IFRS 9, when fully adopted, will require us to record credit losses on a loans at inception net of expected loss basis instead of recording credit losses on an

incurred loss basis. For further information about developments in financial accounting and reporting standards, see Note 2 to the Bank's consolidated financial statements as of December 31, 2016, "Significant Accounting Policies" in the Annual Report.

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

We test the goodwill that we have recognized on the respective balance sheets of our operating segments for impairment at least annually. Our impairment test in respect of the assets recognized for the six months ended June 30, 2017 indicated that our respective goodwill balances are not impaired. The impairment test requires that we make assumptions regarding estimated earnings, discount rates and long-term growth rates impacting the recoverable amount of the goodwill associated with each operating segment and on estimates of the carrying amounts of the operating segments to which the goodwill relates. If the actual results in future periods deviate from the earnings and other assumptions on which our impairment testing is based, the value of the goodwill in any one or more of our businesses may become impaired in the future, resulting in charges to income and possible reductions in our capital ratios. As of June 30, 2017, we had COP6,232 billion of total goodwill.

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.

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

Moreover, regulators in certain of the jurisdictions in which Bancolombia operates have been actively considering new banking laws and regulations, and reviewing and revising existing laws and regulations, particularly in relation to capital adequacy and accounting standards. In Colombia, various international developments, such as the adoption of risk-based capital, leverage and liquidity standards by the Basel Committee on Banking Supervision in December 2010, known as "Basel III," will continue to impact us in the coming years. To prepare for the implementation of the Basel III accords in Colombia, the Ministry of Finance, in consultation with the SFC, effected an internal review of regulations applicable to financial institutions. Decree 2555 of 2010 was amended in 2012 and 2015, modifying certain capital adequacy requirements for Colombian credit institutions. Although Decree 2555 of 2010 maintained the requirement for a credit institution's Technical Capital (as defined below) to be at least 9.0% of that institution's total risk-weighted assets (such ratio, the "Capital Adequacy Ratio"), it also introduced a new measure of "core solvency" for Common Equity Tier One Capital (*patrimonio básico ordinario*), which requires higher quality capital and is set at a minimum of 4.5% of risk-weighted assets. These changes affect the current regulatory capital requirements to which Bancolombia is subject and thereby require equity increases or asset sales.



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. Increased competition could lead to lower margins for affected products and services, and could adversely affect the Bank's results of operations. For example, Congress enacted Law No. 1735 of 2014, which creates a new type of financial institution with the sole purpose of offering electronic deposits and payments (*Sociedades Especializadas en Depósitos y Pagos Electrónicos* or "SEDPEs") in order to promote financial inclusion. Regulation of SEDPEs' operations, as well as "know-your-customer requirements", were included by the Colombian Government in Decree 1491 of 2015. SEDPEs' activities may create a new competitive environment that could adversely affect our consolidated results of operations.

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, examinations, inquiries or 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 Banking 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 on which the banks can extend credit. 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 order an Intervention Measure on the Bank's management and operations. 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 business 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.

The Colombian Commercial Code limits the amount of interest we and our Colombian subsidiaries can charge for commercial transactions. These laws impose ceilings on interest charges and possible penalties for violation of those ceilings, including restitution of excess interest, forfeiture of any interest accrued and criminal charges.

The maximum rate of interest that we may charge on commercial loans under Colombian law is limited to 1.5 times the current banking rate (*Interés Bancario Corriente*), or "IBC", which is certified by the SFC and calculated as the average of the interest ordinarily charged by banks within a set period of time. The IBC is calculated and certified separately for consumer loans, commercial loans and microcredit (as defined under Colombian law), using data received from regulated banking institutions in Colombia, who must report on a weekly basis all loans disbursed and their respective prices for each of these three categories of credit.

The SFC announces a new rate for consumer loans every three months and a new rate annually for microcredit. We do not intend to make loans at or in excess of the maximum rates determined by the SFC. However, uncertainties in determining the legality of interest rates under Colombian usury laws could result in inadvertent violations, in which case we could be required to forfeit accrued interest and could incur the penalties mentioned above.

On December 20, 2011, the Colombian government used the authority granted by Law No. 1430 of 2010 and Decree 4809 of 2011 to establish caps on the fees banks can charge customers for withdrawals from ATMs outside of their own networks and respective online services. In addition, Law 1793 of 2016 was enacted, which restricts financial institutions from requiring clients to maintain minimum account balances and from charging fees to deactivate their accounts. Further limits or regulations regarding banking fees, and uncertainty with respect thereto, could negatively affect the Bank's profits generated by the financial inclusion products, such as "Ahorro a la Mano", "Plan Crecer, Crédito de Bajo Monto" and "Nequi", among others.

The Bank may also be subject to further regulations and limitations, including on interest and fees, with respect to existing or proposed products and services in Colombia, or in any of the jurisdictions where it operates. Any such limitations could materially and adversely affect the Bank's business and results of operations.

#### Financial Conglomerates

On September 21, 2017 the Colombian Congress enacted Law 1870 of 2017, which sets out the principles for supervising and regulating financial conglomerates (*Ley de Conglomerados Financieros*). The law establishes supervisory and regulatory standards applicable to financial conglomerates, including the identification of such conglomerates and the holding company. As a result of this law, Bancolombia became part of a financial conglomerate with Grupo de Inversiones Suramericana S.A. as its holding company. The law also subjects financial



conglomerates to a regime of enhanced supervision and regulation in areas such as corporate governance principles, risk management, and capital adequacy requirements, among others, leading to an increased supervision by the SFC of the Bank's activities and potential increases in compliance costs and possible limitations on future activities.

S-10

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

Decree 1966 of 2014, as 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 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. 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 adverse impact on the Bank's results of operations and financial condition. On April 28, 2016, the Colombian Ministry of Finance and Public Credit announced the successful conclusion of the negotiations between Colombia and Panama. The two countries stated their intention to enter into a treaty for the avoidance of double taxation by June 2016, with the treaty expected to take effect in 2018. However, as of the date of this prospectus supplement, the treaty had not been entered into.

## Tax Reform

During 2016, the Colombian Congress enacted Law 1819 containing a structural tax reform. Changes included (i) an increase in the VAT from 16% up to 19%, (ii) a reduction in the Corporate Income Tax rate and an obligation to make advance payment of a portion of the Corporate Income Tax on account of the tax payable in the immediately succeeding period, (iii) a Dividend Tax for residents (at a rate that varies from 0 to 10%) and for non-residents (at a rate of 5%), if the profits were taxed at the corporate level, and of 35% rate for both residents and non-residents when dividends are paid out of untaxed profits, except where treaty relief is available. In addition, the Financial Transactions Tax was also made permanent, among other changes. The tax reform further contemplates a new criminal offense for tax evasion or providing inaccurate information to tax authorities with respect to assets in an amount equal to or above COP 7,250 SMMLV (*Salario Minimo Mensual Legal Vigente*). In addition, pursuant to the new regulation, the IFRS accounting standards are to be used in order to interpret tax matters. Pending regulations by relevant authorities pursuant to this recently enacted Tax Reform could have a negative impact on Bancolombia's business and financial results. For further details related to this tax reform, please see Note 11 to the Bank's consolidated financial statements as of December 31, 2016, "Income Tax".

***Bancolombia and its Subsidiaries may be subject to adverse consequences under the U.S. Foreign Account Tax Compliance Act***

Bancolombia and most of its subsidiaries are considered foreign financial institutions (“FFIs”) under the Foreign Account Tax Compliance Act of 2010 (“FATCA”) and must therefore comply with U.S. information reporting requirements or certification requirements in respect of their United States accountholders and, in certain cases, their direct or indirect shareholders to avoid becoming subject to U.S. withholding tax on certain payments made to Bancolombia and its subsidiaries. The United States has entered into intergovernmental agreements (“Model 1 IGAs”) with a number of countries pursuant to which FFIs in such a country will report information to that country’s government for transmittal to the IRS. FFIs in these countries are generally not subject to U.S. withholding under FATCA. Among the countries where Bancolombia operates, Colombia, the Cayman Islands, and Panama has each signed a Model 1 IGA. Peru has reached an agreement in substance with the IRS, and consented to be treated as having a Model 1 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 these other countries have not entered into a Model 1 IGA. Given the size and the scope of Bancolombia’s international operations, we have taken and intend to continue to take necessary steps to comply with FATCA, including transmitting to the applicable authorities the reports required under FATCA.

However, if certain affiliates of Bancolombia cannot enter into agreements with the IRS 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 discourage some customers or potential customers from banking with us, thereby adversely affecting our results of operations and financial condition. In addition, compliance with the terms of agreements entered into with the IRS and with FATCA and any other regulations may increase our compliance costs.

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, guarantees and lending commitments.

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 about 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 and for the six months ended June 30, 2017, the aggregate outstanding principal amount of the Bank's 25 largest credit exposures, on a consolidated basis, represented 10.66% of the Bank's loan portfolio. No single exposure represented more than 2% of the loan book and all of those loans were corporate loans. 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" of the Annual Report.

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. In addition, the Bank may face difficulties in enforcing its rights as a secured creditor. In particular, timing delays, procedural problems in enforcing against collateral and laws and related judicial interpretations that are protective of debtors may make foreclosures on collateral and enforcement of judgments difficult. 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.

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.

S-12

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 the debt 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 derives a portion of its profits from its proprietary trading activities. Income from this activity is highly volatile and depends on numerous factors beyond the Bank's 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 June 30, 2017, the Bank's total debt securities represented 6.86% of its total assets, and 46.78% of these securities were issued or guaranteed by the Colombian Government. A significant decline in the value of the securities issued or guaranteed by the Colombian Government could adversely affect the Bank's debt securities portfolio and consequently the Bank's results of operations and financial position.

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

The Bank enters into derivative transactions for hedging purposes and on behalf of its customers. The Bank is subject to market and operational risks associated with these transactions, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or default risk (the risk of insolvency or other inability of the counterparty to a particular transaction to perform its obligations thereunder). In addition, the market practice and documentation for derivative transactions is less developed in some of 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. 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. Any such misconduct could result in financial losses, regulatory sanctions and serious reputational.



***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, being lost, compromised, or 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 Bank has implemented several measures to anticipate, identify, and offset these threats, including perimeter defenses, security backups, special 24/7 teams and continuous security tests (including ethical hacking, among others). However, we can give no assurance that these measures will be effective to prevent or mitigate potential future attacks

or threats to our technology infrastructure. 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 being lost, compromised, or 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 the Bank's branch and ATM networks. 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. Although the Bank has implemented disaster recovery systems, in the event of a natural disaster, unanticipated problems with said 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 71.3% of total liabilities as of June 30, 2017 compared to 71.7% as of December 31, 2016. 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.

S-14

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 conduct 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 decrease 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 NOTES

***Qualification of the Notes as Tier Two Capital will depend on the prior approval of the SFC. The requirements established by Colombian regulation for instruments to be considered as Tier Two Capital may change from time to time. Additionally, the Optional Redemptions upon Tax Event and Regulatory Event are not permitted under current Colombian regulations.***

Under Decree 2555 of 2010, the Notes will qualify as Tier Two Capital only upon authorization by the SFC, which will be requested after the issuance of the Notes. We cannot assure you that the SFC will approve the qualification of the Notes as Tier Two Capital. Even if the Notes qualify as Tier Two Capital upon issuance, the Colombian regulations that define the criteria for instruments to qualify as Tier Two Capital may change from time to time and, thus, the Notes may in the future be considered by the SFC as no longer eligible as Tier Two Capital.

In addition, the Optional Redemptions upon Tax Event and Regulatory Event are not permitted under current Colombian regulations. We will not be able to exercise such optional redemption rights unless regulations permitting us to do so are put in place.

***The Notes are subject to redemption in the event of specific changes affecting the treatment of Notes under the Colombian regulation or changes affecting the taxation of the Notes, and if the Notes are redeemed, you may lose the benefit of your investment***

Upon the occurrence and continuation of certain specific changes affecting taxation of the Notes or treatment of the Notes as Tier Two capital, as described under “Description of Notes—Redemption— Optional Redemption upon Tax Event or Regulatory Event” we will have the option, subject to the implementation of regulation permitting us to do so, to redeem the Notes at any time prior to the Maturity Date, in whole but not in part, at 100% of their par value, together with all accrued and unpaid interest. If we are permitted to exercise our redemption right and choose to do so, you

may lose the benefit of your investment and be forced to reinvest the redemption proceeds in lower-yielding investments.

S-15

***If a Write-Down Event occurs, you may not recover the original principal amount, interests and other amounts due on your Notes.***

The Notes provide that if the Bancolombia S.A. Basic Individual Solvency Ratio or our Basic Consolidated Solvency Ratio (as such terms are defined in the “Description of the Notes”) falls below 4.5%, or if the SFC otherwise determines, the outstanding principal amount, interest and any amount due on the Notes may be permanently reduced, *pro rata* with the principal amount, interest and any amount due of any other Tier Two Capital subordinated indebtedness we may have outstanding that also includes similar loss absorption features, to the extent necessary to restore our capital ratios to 6%. Any such reduction may result in the principal amount, interest and any other amounts due on the Notes being permanently reduced to zero, without any possibility of reinstatement. Furthermore, any such a reduction would not constitute an Event of Default under the Notes.

Our other indebtedness, even our subordinated indebtedness that ranks *pari passu* with the Notes but does not have a loss absorption feature, may remain outstanding after a reduction in principal amount of the Notes as a result of a Write-Down Event.

Holders of Notes will not have any rights against us or the Trustee with respect to repayment of the Permanent Reduction Amount, irrespective of whether such amounts have become due and payable prior to the date on which the Write-Down Event shall have occurred.

***The circumstances surrounding or triggering a Write-Down Event are unpredictable and may be caused by factors not fully within our control.***

The occurrence of a Write-Down Event is inherently unpredictable and may depend on a number of factors, any of which may be outside of our control. The determination as to whether a Write-Down Event has occurred will partially depend on the calculation of our capital ratios. Fluctuations in our capital ratios may be caused by changes to applicable regulatory requirements and applicable accounting rules, among other external factors. Additionally, under Colombian regulations, the SFC has the discretionary right to instruct a Write-Down on the Notes, if deemed necessary. No debt securities with the loss absorption feature included in the Notes have been issued previously in Colombia, so the manner in which the SFC will exercise its discretion is unknown.

In addition, even if a Write-Down Event has not occurred, any disclosure that our capital ratios are moving towards the level which would cause the occurrence of a Write-Down Event may have an adverse effect on the market price and liquidity of the Notes.

***Our interests and those of the SFC may not be aligned with those of investors in the Notes.***

The Notes have terms that are affected by the extent to which we are in compliance with Colombian capitalization requirements. Bancolombia S.A.'s Basic Individual Solvency Ratio or our Basic Consolidated Solvency Ratio could be affected by a number of factors, including on our decisions relating to our businesses and operations, as well as the management of our capital position. We have no obligation to consider the interests of holders of the Notes (or any other series of our indebtedness that may be outstanding) in connection with our strategic decisions, including in respect of capital management, regardless of whether they result in the occurrence of a Write-Down Event. We may decide not to raise capital at a time when it is feasible to do so, even if raising such capital would avoid the occurrence of a Write-Down Event. Moreover, in order to avoid the use of public resources, the SFC may decide that we should allow a Write-Down to occur at a time when it is feasible to avoid this. Holders of the Notes will not have any claim against us relating to decisions that affect our capital position, regardless of whether such decisions result in the occurrence of a Write-Down. Such decisions could cause holders of the Notes to lose some or all of their investment in the Notes.

***The Notes are complex financial instruments and may not be a suitable investment for all investors.***

The Notes are complex financial instruments that involve risks not present in other types of indebtedness, such as senior indebtedness or subordinated indebtedness that does not include loss absorption features. You should carefully consider whether the Notes are suitable investment in light of your own circumstances.

In particular, you should (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the merits and risks of investing in them; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate the effect of an investment in the Notes in the context of your particular financial situation and investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes; (iv) understand the terms of the Notes, including the subordination and loss absorption features, (including the uncertainty as to the circumstances under which the SFC may determine to order a Write-Down Event); and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect your investment in the Notes and ability to bear the applicable risks.



***DTC may decide to suspend all clearance and settlement of transfers of the Notes by holders of the Notes after its receipt of notice that Write-Down Event has occurred that causes the principal amount of the Notes to be reduced to zero, and any transfer of the Notes that is scheduled to settle after such suspension is expected to be rejected by DTC and will not be settled within DTC.***

DTC may decide to suspend all clearance and settlement of transfers of the Notes by holders after its receipt of a Write-Down Notice that causes the principal amount of the Notes to be reduced to zero. We have agreed to provide a Write-Down Notice (as defined in the “Description of the Notes”) to holders and to the Trustee via the applicable clearing system on the business day after the occurrence of the Write-Down Event. However, the records of DTC will not be immediately updated to reflect the Write-Down Event, and a period of time, which may exceed several days, may be required before the clearance and settlement of transfers of the Notes through DTC are suspended. Due to such delay, it is possible that transfers that are initiated prior to such suspension and scheduled to settle on a date after DTC commences such suspension fail to settle through DTC even though such transfers were initiated prior to the Write-Down Event that caused the principal amount of the Notes to be reduced to zero. In such circumstances, transferors of such Notes would not receive any consideration through DTC in respect of such intended transfer because DTC will not settle such transfer after commencement of such suspension. Similarly, it is possible that transfers that are initiated prior to such suspension and scheduled to settle on a date before DTC commences such suspension will be settled through DTC even though such transfers were initiated after the Write-Down Event that caused the principal amount of the Notes to be reduced to zero. In such circumstances, transferees of the Notes may be required to pay consideration through DTC even though, upon the occurrence of such Trigger Event, no amounts under the Notes will thereafter become due, and such transferees will have no rights whatsoever under the Indenture or the Notes to take any action or enforce any rights or instruct the Trustee to take any action or enforce any rights whatsoever against us, regardless of whether they have received actual or constructive notice of such fact. The settlement of the Notes following a Write-Down Event will be subject to procedures of DTC that are in place at such time.

***The interest rate on the Securities will reset on each Reset Date.***

The interest rate on the Securities will initially be % per annum. However, the interest rate will be reset on the Reset Date such that from (and including) the Reset Date to the final maturity of the Notes, the applicable per annum interest rate will be equal to the sum of the Benchmark Interest, plus basis points. The interest rate following the Reset Date may be less than the initial interest rate, which would adversely affect the amount of any interest payments under the Notes and could adversely affect the market value of the Notes.

***It may be difficult to enforce your rights if we enter into a bankruptcy, liquidation or similar proceeding in Colombia.***

The insolvency laws of Colombia, particularly as they relate to the priority of creditors (secured or unsecured), the ability to obtain post-petition interest and the duration of insolvency proceedings, may be less favorable to your interests than the bankruptcy laws of the United States. Your ability to recover payments due on the Notes may be more limited than would be the case under U.S. bankruptcy law. The following is a brief description of certain aspects of insolvency laws in Colombia.

Your ability to enforce your rights under the Notes may be limited if we become subject to the proceedings set forth in Decree 663 of 1993 and Decree 2555 of 2010, as amended from time to time, which establish the events under which the SFC may initiate a Taking of Possession (*toma de posesión*) proceeding either to administer the Bank or to liquidate it.

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

Additionally, and subject to the approval of the Ministry of Finance, the SFC may, at its discretion, initiate intervention procedures 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) repeated failure to comply with orders and instructions from the SFC; (v) repeated violations of applicable laws and regulations or of the bank’s by-laws; (vi) unauthorized or fraudulent management of the bank’s business; (vii) reduction of the bank’s net worth below 50% of its subscribed capital; (viii) failure to comply with minimum capital requirements set forth in the Colombian Financial Statute; (ix) failure to comply with the recovery plans that were adopted by the bank; (x) failure to comply with the order of exclusion of certain assets and liabilities to another institution designated by the SFC; and (xi) failure to comply with the order of progressive unwinding (*desmonte progresivo*) of the operations of the bank.

A takeover by the SFC may have one of two different purposes: (i) to manage the financial institution, in which case the financial institution will be allowed to continue its activities subject to the administration of the authorities; or (ii) to liquidate the financial institution. The SFC must decide if it will either manage or liquidate the financial institution within two months following the takeover in the event of a bankruptcy, liquidation or similar proceeding.

In view of the broad discretionary powers of the SFC it is impossible to predict how long payments under the Notes could be delayed and whether or to what extent you would be compensated for any delay if any of the actions described above were to be taken with respect to us.

By virtue of such subordination, payments to a holder of Notes will, in the events described above, only be made after all our obligations resulting from higher ranking claims have been satisfied. A holder of Notes may, therefore, recover significantly less than the holders of our unsubordinated indebtedness. An investor in subordinated securities such as the Notes may lose all or some of its investment if we become subject to insolvency or liquidation proceedings.

The obligations under the Notes will be subordinated to statutory preferences and to our Senior External Indebtedness.

Under Colombian law, the obligations under the Notes are subordinated, among others, to specified statutory priorities, including, for example, salaries, wages, social security, taxes, court fees and expenses and suppliers of raw materials necessary for the production or transformation of goods or for the rendering of services. In addition, the Notes are subordinated to our Senior External Indebtedness. In the event of our liquidation, these obligations will have priority over any other claims, including claims by any holder in respect of the Notes and, as a result, holders of Notes may be unable to recover amounts due under the Notes, in whole or in part.

S-17

Holders of Notes will not have the right to accelerate the Notes, except in case of the Bank's liquidation.

There is no right of acceleration in the case of a default in any payment on the Notes (whether when due or otherwise) or the performance of any of the Bank's other obligations under the Indenture or the Notes. Notwithstanding the immediately preceding sentence, the Holders shall have the right to accelerate the payments due under the Notes upon the Bank's liquidation. Subject to the subordination provisions of the Notes, if any Event of Default occurs and is continuing, the Trustee may pursue any available remedy (excluding acceleration, except as provided herein) to collect the payment of principal and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture.

Because the Bank is located in an emerging market country, any market for the Notes may be adversely affected by economic and market conditions in other emerging market economies.

Colombia is generally considered by investors to be an "emerging market country," and securities of Colombian issuers have been, to varying degrees, influenced by economic and market conditions in other emerging market countries. Although economic conditions are different in each country, investors' reactions to developments in one country may materially affect the prices of securities of issuers in other countries, including Colombia. Events elsewhere that are unrelated to our financial performance, especially in other emerging market countries, could adversely affect any market for the Notes that may develop.

An active trading market may not develop for the Notes.

Prior to this offering, there was no market for the Notes. Although we will apply to list the Notes on the NYSE, there is no guarantee that we will be able to list the Notes. Even if the Notes are listed, there may be a limited secondary market or none at all for the Notes. Even if a secondary market for the Notes develops, it may not provide significant liquidity, and we expect transaction costs would be high.

The underwriters have informed us that they intend to make a market in the Notes after this offering is completed. The underwriters, however, may cease their market-making at any time without notice. The price at which the Notes may trade will depend on many factors, including, but not limited to, prevailing interest rates, general economic conditions, our performance and financial results and markets for similar securities. Historically, the markets for debt such as the Notes have been subject to disruptions that have caused substantial volatility in their prices. The market, if any, for the Notes may be subject to similar disruptions, which may have an adverse effect on the holders of the Notes.

There are no restrictive covenants in the indenture for the Notes limiting our ability to incur future indebtedness or complete other transactions.

The indenture governing the Notes does not contain any financial or operating covenants or restrictions on the payment of dividends, the incurrence of indebtedness, change of control, transactions with affiliates, incurrence of liens or the issuance or repurchase of securities by us or any of our subsidiaries. We therefore may incur additional indebtedness, including senior indebtedness, and engage in other transactions that may not be in the interests of the noteholders.

The ratings of the Notes may be lowered or withdrawn depending on various factors, including the rating agency's assessments of our financial strength and Colombian sovereign risk.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings address the timely payment of principal and interest on each payment date. The ratings of the Notes are not a recommendation to purchase, hold or sell the Notes, and the ratings do not comment on market price or suitability for a particular investor. The ratings of the Notes are subject to change and may be lowered or withdrawn. A downgrade in or withdrawal of the ratings of the Notes will not be an event of default under the indenture. The assigned ratings may be raised or lowered depending, among other things, on the rating agency's assessment of our financial strength, as well as its assessment of Colombian sovereign risk generally.

## Use of Proceeds

We estimate that the net cash proceeds from the offering will be approximately U.S.\$ million, after deducting underwriting discounts and commissions and estimated offering expenses. Pursuant to the Exchange, the Early Tendered Notes purchased by Citigroup Global Markets Inc. in connection with the Tender Offer will be exchanged by Citigroup Global Markets Inc. for a portion of the Notes offered hereby and a resulting decrease in the cash to be paid to us by the underwriters in this offering, and we will not receive any cash proceeds from this offering to the extent of such exchange. Any remaining net proceeds will be used for general corporate purposes and in compliance with applicable regulations. See “Underwriting.”

S-19

## Selected Consolidated Financial Data

The following table presents the Bank's unaudited selected consolidated financial information and other data as of and for the six months ended June 30, 2017 and 2016. This section should be read in conjunction with the Bank's audited consolidated financial statements as of December 31, 2016 and 2015 and for the three years ended December 31, 2016 and the Notes related thereto included in the Annual Report and the Bank's unaudited condensed consolidated financial statements as of June 30, 2017 and for the six months ended June 30, 2017, and 2016 and the Notes related thereto included elsewhere in this prospectus supplement. The unaudited selected consolidated financial information as of June 30, 2017 and for the six months ended June 30, 2017 and 2016 includes all adjustments, consisting of only normal recurring adjustments, which in the opinion of management are necessary for the fair presentation of such information. Interim results are not necessarily indicative of the results to be expected for the entire fiscal year.

## Selected Consolidated Financial Results

## SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

(Amounts in Millions of COP and Thousands of US\$) <sup>(1)</sup>	As of		% Change		% Change		
	June 30, 2016	December 31, 2016	June 2016 - December 2016	June 30, 2017	December 2016 - June 2017		
	(in millions of COP)						
<b>ASSETS</b>							
Loans and advances to customers and financial institutions	145,835,980	151,747,486	4.05	% 158,232,208	4.27	%	
Financial assets Investments	12,701,160	13,060,653	2.83	% 15,273,122	16.94	%	
Other assets	29,862,177	31,452,905	5.33	% 29,675,407	-5.65	%	
Total Assets	188,399,317	196,261,044	4.17	% 203,180,737	3.53	%	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>							
Deposits by customers	114,586,083	124,624,011	8.76	% 128,476,933	3.09	%	
Borrowings from other financial institutions	19,954,723	18,905,843	-5.26	% 17,525,689	-7.30	%	
Debt securities in issue	18,102,041	18,704,809	3.33	% 18,298,359	-2.17	%	
Other liabilities	15,310,787	11,549,401	-24.57	% 15,796,644	36.77	%	
Total liabilities	167,953,634	173,784,064	3.47	% 180,097,625	3.63	%	
Equity	20,445,683	22,476,980	9.94	% 23,083,112	2.70	%	
Total liabilities and stockholders' equity	188,399,317	196,261,044	4.17	% 203,180,737			