

BANCOLOMBIA SA
Form 20-F
April 18, 2012

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON April 17, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 20-F

(Mark One)

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934
For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934
Date of event requiring this shell company report _____

Commission file number: 001-32535

BANCOLOMBIA S.A.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Republic of Colombia

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

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

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

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

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

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

Not applicable

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Not applicable

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the

period covered by the annual report.

Common Shares 509,704,584

Preferred Shares 278,122,419

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to

Section 13 or 15(d) of the Securities Exchange Act of 1934

Yes No

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

Yes No

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

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer

(Do not check if a smaller reporting company)

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

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

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

Item 17 Item 18

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

Yes No

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

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

Yes No

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CERTAIN DEFINED TERMS

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

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

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

References to “Banagrícola” refer to Banagrícola S.A., a company incorporated in Panama and authorized to operate as a bank holding company under the laws of the Republic of El Salvador, including its subsidiaries on a consolidated basis, unless otherwise indicated or the context otherwise requires.

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

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

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

References to “Bancolombia Panamá” refer to Bancolombia Panama S.A., a Subsidiary of Bancolombia organized under the laws of the Republic of Panama that provides a complete line of banking services mainly to Colombian customers.

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

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

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

References to the “Conavi/Corfinsura merger” refer to the merger of Conavi and Corfinsura with and into Bancolombia, with Bancolombia as the surviving entity, which took effect on July 30, 2005 pursuant to a Merger Agreement dated February 28, 2005.

References to “Corfinsura” refer to Corporación Financiera Nacional y Suramericana S.A., as it existed immediately before the Conavi/Corfinsura merger, taking into account the effect of its spin-off of a portion of its investment portfolio effective July 29, 2005.

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

References to “Factoring Bancolombia” refer to Factoring Bancolombia S.A., a Subsidiary of Bancolombia organized under the laws of the Republic of Colombia that specializes in accounts receivable financing.

References to “Fiduciaria Bancolombia” refer to Fiduciaria Bancolombia S.A., a Subsidiary of Bancolombia which is the largest fund manager among its peers, including other fund managers and brokerage firms in Colombia.

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

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

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

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

References to “Representative Market Rate” refer to *Tasa Representativa del Mercado*, the U.S. dollar representative market rate, certified by the Superintendency of Finance. The Representative Market Rate is an economic indicator of the daily exchange rate on the Colombian market spot of currencies. It corresponds to the arithmetical weighted average of the rates of purchase and sale of currencies of interbank transactions of the authorized intermediaries.

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

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

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

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

References to “Subsidiaries” refer to subsidiaries of Bancolombia in which Bancolombia holds, directly or indirectly, 50% or more of the outstanding voting shares.

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

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

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

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

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

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

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

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Accounting Principles

The accounting practices used in the preparation of the Bank's consolidated financial statements follow the special regulations of the Superintendencia Financiera de Colombia (the "Superintendency of Finance") and generally accepted accounting principles in Colombia (collectively, "Colombian GAAP"). Together, these requirements differ in certain significant respects from generally accepted accounting principles in the United States ("U.S. GAAP"). Note 31 to the Bank's audited consolidated financial statements included in this Annual Report provides a description of the principal differences between Colombian GAAP and U.S. GAAP as they relate to the Bank's audited consolidated financial statements and provides a reconciliation of net income and stockholders' equity for the years and dates indicated herein. References to Colombian GAAP in this Annual Report are to Colombian GAAP as supplemented by the applicable regulations of the Superintendency of Finance.

For consolidation purposes under Colombian GAAP, financial statements of the Bank and its Subsidiaries must be prepared under uniform accounting policies. In order to comply with this requirement, financial statements of foreign Subsidiaries were adjusted as required by Colombian regulations.

For 2011, the Bank's consolidated financial statements include companies in which it holds, directly or indirectly, 50% or more of the outstanding voting shares. The Bank consolidates directly Leasing Bancolombia S.A. Compañía de Financiamiento, Fiduciaria Bancolombia S.A. Sociedad Fiduciaria, Banca de Inversión Bancolombia S.A. Corporación Financiera, Compañía de Financiamiento Tuya S.A., Bancolombia Puerto Rico Internacional Inc, Bancolombia Panamá S.A., Valores Bancolombia S.A. Comisionista de Bolsa, Factoring Bancolombia S.A. Compañía de Financiamiento. Some of the Bank's Subsidiaries also consolidate their own subsidiaries. Bancolombia Panamá S.A. consolidates Bancolombia Cayman S.A., Sistema de Inversiones y Negocios S.A. Sinesa, Suleasing International USA Inc. and Banagrícola S.A. (which, in turn, consolidates Inversiones Financieras Banco Agrícola S.A. IFBA, Banco Agrícola S.A., Arrendadora Financiera S.A. Arfinsa, Credibac S.A. de C.V., Bursabac S.A. de C.V., Banagrícola Guatemala S.A., Aseguradora Suiza Salvadoreña S.A. Asesuisa⁽¹⁾ and Asesuisa Vida S.A.⁽¹⁾). Banca de Inversión consolidates with Inmobiliaria Bancol S.A., Valores Simesa S.A., Inversiones CFNS S.A.S., Todo Uno Colombia S.A., CFNS Infraestructura S.A.S. and Vivayco S.A.S. The Bank's Subsidiary Leasing Bancolombia S.A. Compañía de Financiamiento consolidates Leasing Perú S.A., Renting Colombia S.A. (which, in turn, consolidates Arrendamiento Operativo CIB S.A.C., Capital Investments SAFI S.A., Fondo de Inversión en Arrendamiento Operativo Renting Perú, and Transportempo S.A.S.). The Bank's Subsidiary Valores Bancolombia S.A. Comisionista de Bolsa consolidates Valores Bancolombia Panamá S.A. and Suvalor Panamá Fondo de Inversión S.A. and the Bank's Subsidiary Fiduciaria Bancolombia S.A. Sociedad Fiduciaria consolidates FiduPerú S.A. Sociedad Fiduciaria. See "Item 4. Information on the Company – C. Selected Organizational Structure" for an organization chart depicting Bancolombia and its subsidiaries.

Currencies

The Bank maintains accounting records in Colombian pesos. The audited consolidated financial statements of Bancolombia S.A. as of December 31, 2011, and 2010 and for three years ended December 31, 2011 (collectively, including the notes thereto, the “Financial Statements”) contained in this Annual Report are expressed in pesos.

This Annual Report translates certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, such peso amounts have been translated at the rate of COP 1,942.70 per USD 1.00, which corresponds to the Representative Market Rate calculated on December 31, 2011 the last business day of the year. The Representative Market Rate is computed and certified by the Superintendency of Finance, the Colombian banking regulator, on a daily basis and represents the weighted average of the buy/sell foreign exchange rates negotiated on the previous day by certain financial institutions authorized to engage in foreign exchange transactions (including Bancolombia S.A.). The Superintendency of Finance also calculates and certifies the average Representative Market Rate for each month for purposes of preparing financial statements and converting amounts in foreign currency to Colombian pesos. Such conversion should not be construed as a representation that the peso amounts correspond to, or have been or could be converted into, U.S. dollars at that rate or any other rate. On April 13, 2012, the Representative Market Rate was COP 1,778.78 per USD 1.00.

(1)

See Note 1 “Organization and Background”.

Rounding Comparability of Data

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

This Annual Report refers to certain websites as sources for certain information contained herein. Information contained in or otherwise accessible through these websites is not a part of this Annual Report. All references in this Annual Report to these and other internet sites are inactive textual references to these URLs, or “uniform resource locators”, and are for your informational reference only.

The Bank maintains an internet site at www.grupobancolombia.com. In addition, certain of the Bank’s Subsidiaries referred to in this Annual Report maintain separate internet sites. For example, Banco Agrícola maintains an internet site at www.bancoagricola.com. Information included on or accessible through Bancolombia’s internet site or the internet site of any of the Subsidiaries of the Bank is not part of this Annual Report.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The selected consolidated financial data as of December 31, 2011 and 2010, and for each of the three fiscal years in the period ended December 31, 2011 set forth below has been derived from the Bank's audited consolidated financial statements included in this Annual Report. The selected consolidated financial data as of December 31, 2009, 2008 and 2007, and for each of the two fiscal years in the period ended December 31, 2008 set forth below have been derived from the Bank's audited consolidated financial statements for the respective periods, which are not included herein.

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

Differences Between Colombian GAAP and U.S. GAAP Results

The Bank's consolidated financial statements have been prepared in accordance with Colombian GAAP, which are the accounting principles and policies that are summarized in "Note 2. Summary of Significant Accounting Policies" to the Bank's Financial Statements included in this Annual Report. These accounting principles and policies differ in some significant respects from U.S. GAAP.

Consolidated net income attributable to the controlling interest under U.S. GAAP for the year ended December 31, 2011 was COP 1,043,636 million (compared with COP 1,544,761 million for fiscal year 2010 and COP 1,172,524 million for fiscal year 2009). A reconciliation of net income and stockholders' equity under U.S. GAAP is included in "Note 31. Differences between Colombian Accounting Principles for Banks and U.S. GAAP" to the Financial Statements included in this Annual Report.

As of and for the year ended December 31,
 2011⁽¹⁾ 2011 2010 2009 2008 2007
 (in millions of COP and thousands of USD ⁽¹⁾, except per share and per American Depositary Share (“AD
 amounts))

**CONSOLIDATED
 STATEMENT OF
 OPERATIONS:**

**Colombian
 GAAP:**

Interest income	USD3,060,480	COP5,945,594	COP4,960,640	COP6,427,698	COP6,313,743	COP
Interest expense	(1,051,118)	(2,042,006)	(1,571,581)	(2,625,416)	(2,753,341)	
Net interest income	2,009,362	3,903,588	3,389,059	3,802,282	3,560,402	
Provisions for loans and accrued interest losses, net of recoveries ⁽²⁾	(307,004)	(596,417)	(512,585)	(1,103,595)	(1,155,262)	
Provision for foreclosed assets and other assets, net of recoveries ⁽³⁾	(1,178)	(2,288)	(35,130)	(49,779)	22,095	
Net interest income after provisions	1,701,180	3,304,883	2,841,344	2,648,908	2,427,235	
Fees and income from services and other operating income, net ⁽⁴⁾	1,214,713	2,359,821	2,115,970	1,886,949	1,964,084	
Operating expenses	(1,856,357)	(3,606,348)	(3,098,479)	(2,895,145)	(2,639,997)	
Net operating income	1,059,536	2,058,356	1,858,835	1,640,712	1,751,322	
Net non-operating income excluding minority interest	44,993	87,406	99,293	93,232	31,888	
Minority interest (loss)	(5,843)	(11,351)	(13,217)	(15,081)	(18,511)	
Income before income taxes	1,098,686	2,134,411	1,944,911	1,718,863	1,764,699	
Income taxes	(242,197)	(470,517)	(508,417)	(462,013)	(474,056)	
Net income	USD856,489	COP1,663,894	COP1,436,494	COP1,256,850	COP1,290,643	COP
Weighted average of Preferred and Common Shares		787,827,003	787,827,003	787,827,003	787,827,003	

outstanding ⁽⁵⁾						
Basic and Diluted net income per share ⁽⁵⁾	1.09	2,112	1,823	1,595	1,638	
Basic and Diluted net income per ADS ⁽¹⁰⁾	4.35	8,448	7,292	6,380	6,552	
Cash dividends declared per share		708	669	637	624	
Cash dividends declared per share (stated in U.S. Dollars)		0.36	0.35	0.31	0.28	
Cash dividends declared per ADS		2,832	2,675	2,547	2,496	
Cash dividends declared per ADS (stated in U.S. Dollars)		1.46	1.40	1.25	1.11	
U.S. GAAP:						
Net income attributable to the controlling interest	USD 537,209	COP 1,043,636	(6) COP 1,544,761	(6) COP 1,172,524	(6) COP 849,920	COP
Total basic and Diluted net income per common share ⁽⁷⁾	0.68	1,325	1,961	1,488	1,079	
Total basic and Diluted net income per ADS ^{(7) (9)}	2.73	5,300	7,844	5,952	4,316	

Amounts stated in U.S. dollars have been converted at the rate of COP 1,942.70 to USD 1.00 which is the Representative Market Rate calculated on December 31, 2011 (the last business day of 2011), as reported and (1) certified by the Superintendency of Finance. Such translation should not be construed as representations that the Colombian pesos amounts represent, or have been or could be converted into, United States dollars at that or any other rate.

(2) Represents the provision for loan, accrued interest losses and other receivables, net and recovery of charged-off loans. Includes a provision for accrued interest losses amounting to COP 35,543 million, COP 58,721 million, COP 46,840 million, COP 33,540 million and COP 31,852 million for the years ended December 31, 2007, 2008, 2009, 2010 and 2011 respectively.

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

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

The weighted average of preferred and common shares outstanding for fiscal years 2011, 2010, 2009 and 2008, (5) includes 278,122,419 preferred shares and 509,704,584 common shares, for fiscal year 2007, includes 248,609,187 preferred shares and 509,704,584 common shares

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

Under U.S. GAAP, these shares are considered outstanding since the beginning of the earliest period presented.

Net income per share under U.S. GAAP is presented on the basis of net income available to common stockholders divided by the weighted average number of common shares outstanding (509,704,584 for 2011, 2010, 2009, 2008 and 2007). See "Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP".

(7) During the finalization of the 2011 financial statements management became aware that the US GAAP EPS calculation in prior years was incorrect because it did not appropriately use the two class method. Management evaluated this error and concluded that it was not material to previously issued financial statements however management has elected to revise the presentation of earnings per share to common stockholders reported in Selected Financial Data for the years ended December 31, 2008 and 2007 to correct for this error, the amounts previously reported were COP 1,326 and COP 1,683, respectively. The changes relate to the allocation of (a) earnings to preferred shares as required by the two class method and (b) dividends declared in each year. See Note 31, x) - Earnings per share.

(8) The consolidated statement of operations for the year ended December 31, 2011, 2010, 2009, 2008 and 2007, includes Banagrícola's results since the beginning of 2008. For U.S. GAAP purposes, see "Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP - m) Business combinations" to our Financial Statements included in this Annual Report.

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

(10) The consolidated statement of operations for the year ended on December 2007 was modified due to reclassifications made particularly in commissions from banking services and other services, administrative and other expenses and other income, with the purpose of better presenting comparative information regarding the gains on the sale of mortgage loans.

As of and for the year ended December 31, 2011 ⁽¹⁾	2011	2010	2009	2008	2007 ⁽³⁾
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(in millions of COP and thousands of USD ⁽¹⁾, except per share and per American Depositary Share (“ADS”) amounts)

**CONSOLIDATED
BALANCE
SHEETS**

Colombian

GAAP:

Assets:

Cash and due from banks	USD 3,509,707	COP 6,818,307	COP 5,312,398	COP 4,983,569	COP 3,870,927	COP 3,618,619
Overnight funds	468,775	910,690	842,636	2,388,790	1,748,648	1,609,768
Investment securities, net	5,125,954	9,958,191	8,675,762	8,914,913	7,278,276	5,774,251
Loans and financial leases, net	30,151,771	58,575,846	46,091,877	39,610,307	42,508,210	36,245,473
Accrued interest receivable on loans and financial leases, net	226,071	439,189	317,532	338,605	505,658	398,560
Customers’ acceptances and derivatives	381,580	741,296	784,888	205,367	272,458	196,001
Accounts receivable, net	523,491	1,016,985	797,715	806,885	828,817	716,106
Premises and equipment, net	835,081	1,622,311	1,174,625	992,041	1,171,117	855,818
Premises and equipment under operating leases, net	710,381	1,380,057	1,006,108	843,054	726,262	488,333
Foreclosed assets, net	27,381	53,194	70,277	80,668	24,653	32,294
Prepaid expenses and deferred charges, net	404,312	785,456	319,864	185,811	132,881	137,901
Goodwill	349,957	679,861	750,968	855,724	1,008,639	977,095

	As of and for the year ended December 31, 2011 ⁽¹⁾	2011	2010	2009	2008	2007 ⁽³⁾
	<i>(in millions of COP and thousands of USD ⁽¹⁾, except per share and per American Depositary Share ("ADS") amounts)</i>					
Other assets	873,860	1,697,648	1,185,977	922,265	1,093,850	580,642
Reappraisal of assets	403,556	783,989	764,529	736,366	612,683	520,788
Total assets	USD43,991,877	COP85,463,020	COP68,095,156	COP61,864,365	COP61,783,079	COP52,151,649
Liabilities and stockholders' equity:						
Deposits	USD26,990,525	COP52,434,492	COP43,538,967	COP42,149,330	COP40,384,400	COP34,374,150
Borrowings ⁽⁴⁾	3,839,463	7,458,926	5,250,587	4,039,150	5,947,925	4,851,246
Other liabilities	8,532,580	16,576,242	11,358,462	8,643,056	9,333,909	7,726,983
Stockholder' equity	4,629,309	8,993,360	7,947,140	7,032,829	6,116,845	5,199,270
Total liabilities and stockholders' equity	USD43,991,877	COP85,463,020	COP68,095,156	COP61,864,365	COP61,783,079	COP52,151,649
U.S. GAAP:						
Stockholders' equity attributable to the controlling interest	USD4,421,270	COP8,589,202 ⁽²⁾	COP8,069,346 ⁽²⁾	COP7,095,266	COP6,422,815	COP5,937,554
Stockholders' equity per share ⁽⁵⁾	5,612	10,902	10,243	9,006	8,153	7,830
Stockholders' equity per ADS ⁽⁵⁾	22,447	43,608	40,972	36,024	32,612	31,320

Amounts stated in U.S. dollars have been converted at the rate of COP 1,942.70 per USD 1.00, which is the representative market rate calculated on December 31, 2011, the last business day of the year, 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.

(1) Refer to "Note 31, Differences between Colombian Accounting Principles for Banks and U.S. GAAP" to the Financial Statements included in this Annual Report.

The consolidated statement of operations for the year ended December 31, 2011, 2010, 2009 and 2008, includes (3) Banagrícola's results. For U.S. GAAP purposes, see "Note 31. Differences between Colombian Accounting Principles for Banks and U.S. GAAP - m) Business combinations".

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

The weighted average (rounded to the nearest million) of preferred and common shares outstanding was 788 million for the fiscal year ended December 31 2011, 2010, 2009 , 2008 and 758 million for the fiscal year ended December 31, 2007. Stockholders' equity per share is equal to stockholders' equity under U.S. GAAP divided by the weighted average of preferred and common shares outstanding, stockholders' equity per share is equal to stockholders' equity per share multiplied by four preferred shares of Bancolombia (Each ADS is equivalent to four preferred shares of Bancolombia). Stockholders' equity per share and stockholders' equity per ADS should not be (5) considered in isolation, or as a substitute for net income, as a measure of operating performance or as a substitute for cash flows from operations or as a measure of liquidity. The non-GAAP financial measures described in this footnote are not a substitute for the GAAP measures of financial performance. Should not be considered as an alternate measure of stockholders' equity as determined on a consolidated basis using amounts derived from the consolidated balance sheet prepared in accordance with Colombian GAAP. On January 5, 2012, the Superintendency of Finance approved a public offering of preferred shares of the Bank and on February 1, 2012, the Bank priced public offering of ADSs. See Note 30 Subsequent Events.

See "Item 8. Financial Information – A. Consolidated Statements and Other Financial Information – A.3. Dividend Policy", for information about the dividends declared per share in both pesos and U.S. dollars during the fiscal years ended in December 31, 2011, 2010, 2009, 2008 and 2007.

As of and for the year ended December 31,
2011 2010 2009 2008 2007⁽¹⁰⁾⁽¹¹⁾
(Percentages, except for operating data)

SELECTED RATIOS:⁽¹⁾**Colombian GAAP:****Profitability ratios:**

Net interest margin ⁽²⁾	6.17	6.38	7.22	7.64	7.60
Return on average total assets ⁽³⁾	2.20	2.27	2.01	2.34	2.52
Return on average stockholders' equity ⁽⁴⁾	20.22	19.71	19.59	23.68	26.13
Efficiency Ratio:					
Operating expenses as a percentage of interest, fees, services and other operating income	57.58	56.28	50.89	47.79	52.60
Capital ratios:					
Period-end stockholders' equity as a percentage of period-end total assets	10.52	11.67	11.37	9.90	9.97
Period-end regulatory capital as a percentage of period-end risk-weighted assets ⁽⁵⁾	12.46	14.67	13.23	11.24	12.67
Credit quality data:					
Non-performing loans as a percentage of total loans ⁽⁶⁾	1.52	1.91	2.44	2.35	1.77
"C", "D" and "E" loans as a percentage of total ⁽⁹⁾ loans	3.82	4.32	5.11	4.40	3.10
Allowance for loan and accrued interest losses as a percentage of non-performing loans	306.94	274.36	241.08	224.53	223.67
Allowance for loan and accrued interest losses as a percentage of "C", "D" and "E" ⁽⁹⁾ loans	121.69	121.45	115.25	120.21	127.38
Allowance for loan and accrued interest losses as a percentage of total loans	4.65	5.24	5.89	5.29	3.95

OPERATING DATA:

Number of branches ⁽⁷⁾	952	921	889	890	888
Number of employees ⁽⁸⁾	24,126	22,992	21,201	19,728	24,836

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

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

(3) Net income divided by average total assets.

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

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

Non-performing loans are small business loans that are past-due 30 days or more, mortgage and consumer loans that are past-due 60 days or more and commercial loans that are past-due 90 days or more. (Each category includes financial leases.)

(7) Number of branches includes branches of the Bank's Subsidiaries.

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

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

(10)

Selected ratios for the year ended December 31, 2007 include Banagrícola's results. With respect to U.S. GAAP information; see "Note 31. Differences between Colombian Accounting Principles for Banks and U.S. GAAP – m) Business combinations".

(11) The selected ratios for the year 2007 were modified to reflect certain reclassifications made in commissions from banking services and other services, administrative and other expenses and other income that conform to the presentation of 2008 figures, in order to provide a better basis of comparison with respect to 2008 figures regarding the gains on the sale of mortgage loans.

Exchange Rates

On March 30, 2011, the Representative Market Rate was COP 1,792.07 per USD 1.00. The Federal Reserve Bank of New York does not report a rate for pesos; the Superintendency of Finance calculates the Representative Market Rate based on the weighted average of the buy/sell foreign exchange rates quoted daily by certain financial institutions, including Bancolombia, for the purchase and sale of U.S. dollars.

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

Recent exchange rates of pesos per U.S. dollars

Month	Low	High	Period End
March 2012	1,758.03	1,792.07	1,792.07
February 2012	1,766.85	1,805.98	1,766.85
January 2012	1,801.88	1,942.70	1,805.98
December 2011	1,920.16	1,949.56	1,942.70
November 2011	1,871.49	1,967.18	1,948.51
October 2011	1,862.84	1,972.76	1,871.49

Source: Superintendency of Finance.

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

Peso/USD 1.00

Representative Market Rate

Period	Period End	Average
2011	1,942.70	1,852.83
2010	1,913.98	1,901.67
2009	2,044.23	2,179.64
2008	2,243.59	1,993.80
2007	2,014.76	2,069.21

Source: Superintendency of Finance.

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

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

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

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

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

In particular, the governments of Colombia and El Salvador have historically exercised substantial influence on their economies, and their policies are likely to continue to have an important effect on Colombian and Salvadorian entities (including the Bank), market conditions, prices and rates of return on securities of local issuers (including the Bank's securities). Potential changes in laws, public policies and regulations, may cause instability and volatility in Colombia and its markets.

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

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

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

Deterioration in the economic and political situation of neighboring countries could affect national stability or the Colombian economy by disrupting Colombia's diplomatic or commercial relationships with these countries. Political tensions between Colombia and Venezuela in recent years have produced lower trade levels that have adversely impacted economic activity. Although relations with Venezuela have improved significantly since President Juan Manuel Santos Calderón took office in August 2010, the possibility of any further resurgence in tensions between the two countries may cause political and economic uncertainty, instability, market volatility, lower confidence levels and higher risk aversion by investors and market participants that may negatively affect economic activity in Colombia and El Salvador.

A contagion effect, in which an entire region or class of investment is disfavored by international investors, could negatively affect Colombia and El Salvador or other economies where the bank operates (i.e., Panama, Cayman Islands, Peru and Puerto Rico), as well as the market prices and liquidity of securities issued or owned by the Bank.

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

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

Further, the Colombian Government has announced that it is working on a draft bill of law to reform the Colombian tax code, which would be submitted to the Colombian Congress for its approval some time during 2012. As of March 30, 2012, a draft of the tax bill has not been disclosed to the public. Therefore, it is difficult to predict if changes would substantially affect results of operation and financial conditions.

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

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

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

Colombia has experienced several periods of criminal violence over the past four decades, primarily due to the activities of guerilla groups and drug cartels. In response, the Colombian government has implemented various security measures and has strengthened its military and police forces by creating specialized units. Despite these efforts, drug-related crime and guerilla activity continue to exist in Colombia. These activities, their possible escalation and the violence associated with them may have a negative impact on the Colombian economy or on the Bank in the future. The Bank's business or financial condition and the market value of the Bank's securities and any dividends distributed by it, could be adversely affected by rapidly changing economic and social conditions in Colombia and by the Colombian government's response to such conditions.

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

Instability of banking laws and regulations in Colombia and in other jurisdictions where the Bank operates could adversely affect the Bank's consolidated results.

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

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

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

While many of the policies underlying Colombian banking regulations are similar to those underlying regulations applicable to banks in other countries, including those in the United States, Colombian regulations can differ in a number of material respects. For example, capital adequacy requirements for banks under Colombian regulations differ from those under U.S. regulations and may differ from those in effect in other countries. The Bank prepares its annual audited financial statements in accordance with Colombian GAAP, which differs in significant respects from U.S. GAAP and International Financial Reporting Standards (“IFRS”). Thus, Colombian financial statements and reported earnings may differ from those of companies in other countries in these and other respects. Some of the differences affecting earnings and stockholders’ equity include, but are not limited to the accounting treatment for restructuring, loan origination fees and costs, equity tax, securitization, fair value adjustment in debt securities, deferred income taxes and the accounting treatment for business combinations. Moreover, under Colombian GAAP, allowances for non-performing loans are computed by establishing each non-performing loan’s individual inherent risk using criteria established by the Superintendency of Finance that differ from those used under U.S. GAAP. See “Item 4. Information on the Company – E. Selected Statistical Information – E.4. Summary of Loan Loss Experience – Allowance for Loan Losses”.

The Colombian government is currently undertaking a review of present regulations relating to accounting, audit, and information disclosure, with the intention of seeking convergence with international standards. Nevertheless, current regulations continue to differ in certain respects from those in other countries. In addition, there may be less publicly available information about the Bank than is regularly published by or about U.S issuers or issuers in other countries.

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

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

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

Under the Colombian Constitution, individuals may initiate constitutional or class actions to protect their collective or class rights, respectively. Until 2010, Colombian financial institutions, including the Bank, have experienced a substantial increase in the aggregate number of these actions. The great majority of such actions have been related to fees, financial services and interest rates, and their outcome is uncertain. Pursuant to law 1425 of 2010, 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 constitutional or class actions against the Bank.

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

In the future, regulations in the jurisdictions where the Bank operates could impose limitations regarding interest rates or fees charged by the Bank. Any such limitations could materially and adversely affect the Bank's results of operations and financial position. . In the past, there have been disputes in Colombia among merchants, payment services and banks regarding interchange fees.

Although such disputes have been resolved, the Superintendency of Commerce and Industry may initiate new investigations relating to the interchange fees. This possibility may lead to additional decreases, which in turn could impact the Bank's financial results.

Furthermore, pursuant to article 62 of law 1430 of 2010, Congress granted the government power and authority to establish and define criteria and formulas applicable to the calculation of banking fees and charges and the authority to define maximum limits to banking fees and charges. On December 20, 2011 the Government used the authority granted by law 1430 of 2010 and established in Decree 4809 of 2011 caps to fees banks can charge on withdrawals done from ATMs outside their own networks. Further limits or regulations regarding banking fees, and uncertainties with respect thereto could have a negative effect on our results of operations and financial condition.

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, including loans, financial leases, lending commitments and derivatives.

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

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

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

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

Non-traditional sources of credit risk can arise from, among other things: investing in securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to the Bank, and executing securities, futures, currency or commodity trades from the Bank's proprietary trading desk that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Any significant increases in exposure to any of these non-traditional risks, or a significant decline in credit 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.

Bancolombia is a leader in the Colombian mortgage loan market. Colombia's mortgage loan market is highly regulated and has historically been affected by various macroeconomic factors although during the past years interest rates have decreased, 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 default risks in its loan portfolio. Problems with one or more of its largest borrowers may adversely affect its financial condition and results of operations.

As of December 31, 2011, the aggregate outstanding principal amount of the Bank's 25 largest borrowing relationships, on a consolidated basis, represented approximately 14.93% of the loan portfolio, and no single borrowing relationship represented more than 1.76% of the loan book. Also, 100% of those loans were corporate loans and 100% of these relationships were classified as "A". However, problems with one or more of the Bank's largest borrowers could materially and adversely affect its results of operations and financial position. For more information, see "Item 4. Information on the Company – E. Selected Statistical Information – E.3. Loan Portfolio – Borrowing Relationships".

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

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

The Bank is subject to market risk.

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

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

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

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

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

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

The Bank's debt securities portfolio is primarily composed of sovereign debt securities, including securities issued or guaranteed by the Colombian government. Therefore, the Bank's results are exposed to credit, market, and liquidity risk associated with sovereign debt. As of December 31, 2011, the Bank's total debt securities represented 10.75% of its total assets, and 39% of these securities were issued or backed by the Colombian government. A significant decline in the value of the securities issued or guaranteed by the Colombian government could adversely affect the Bank's debt securities portfolio and consequently the Bank's results of operations and financial position.

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

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

The Bank's businesses are dependent on the ability to process a large number of transactions efficiently and accurately. Operational risks and losses can result from fraud, employee errors, and failure to properly document transactions or to obtain proper internal authorization, failure to comply with regulatory requirements, breaches of conduct of business rules, equipment failures, natural disasters or the failure of external systems. The Bank's currently adopted procedures may not be effective in controlling each of the operational risks faced by the Bank.

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

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

The risk methodology used by the Bank allows for the evaluation of residual risk, and has resulted in a low levels of risk of potential cyber attacks. The controls that the Bank has implemented in order to anticipate, identify, and offset these threats, have been effective in maintaining cyber security risk at a low level. Any failure by the Bank to detect cyber security risks in a timely manner could result in a negative impact on the Bank's results of operations and financial condition.

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

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

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

The Bank is exposed to the risk of natural disasters such as earthquakes, volcanic eruptions, tornadoes, tropical storms, floods, wind and hurricanes in the regions where it operates. In the event of a natural disaster, unanticipated problems with the Bank's disaster recovery systems could have a material adverse effect on the Bank's ability to conduct business in the affected region, particularly if those problems affect its computer-based data processing, transmission, storage and retrieval systems and destroy valuable data. In addition, if a significant number of the Bank's local employees and managers were unavailable in the event of a disaster, its ability to effectively conduct business could be severely compromised. In addition, the Bank's clients located in the affected region may be severely impacted and may not be able to continue paying the obligations they have with 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. Future acquisitions, investments and alliances may not produce anticipated synergies or perform in accordance with the Bank's expectations and could adversely affect its operations and profitability.

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

The Bank's principal sources of funds are short-term deposits, which together represented a share of 68.6% of total liabilities at the end of 2011 compared to 72.4% and 76.9% at the end of 2010, and 2009, respectively. Because the Bank relies primarily on short-term deposits for its funding, in the event of a sudden or unexpected shortage of funds in the banking systems and money markets where the Bank operates, the Bank may not be able to maintain its current level of funding without incurring higher costs or selling assets at prices below their prevailing market value.

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

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

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

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

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. A downgrade in our credit ratings would increase our cost of raising funds in the capital markets or of borrowing funds. Certain Colombian institutional investors are only permitted to purchase debt securities that are rated “AAA” by Colombian credit rating agencies, due to regulatory or internal policies. Purchase of our securities by these investors could be prohibited if we suffer a decline in our local credit rating. Our ability to renew maturing debt could be restricted and 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. Our ability to successfully compete depends on various factors, including our financial stability as reflected by our credit ratings.

A new insolvency law in Colombia may limit our monetary collection and right enforcement ability

Law 1380 of 2010, which provided insolvency protection for individuals and merchants, was declared unconstitutional on September 19, 2011 by the Colombian Constitutional Court because of procedural errors in the legislation process. A new law on the same terms as Law 1380 of 2010 was presented on September 20, 2011 to fill the void left after the Constitutional Court’s decision. If the new law is passed, increased debtor protections could make it more difficult for us to enforce debt and other monetary obligations, which could have an adverse impact on our results of operations and financial condition.

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

The *Banco de la República* (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 mandatory deposit requirement is currently in effect, a mandatory deposit requirement was set at 40% in 2008 after the Colombian peso appreciated against foreign currencies. Although we cannot predict or control future actions by the Central Bank in respect of such deposit requirements, which may involve the establishment of a different mandatory deposit percentage. The use of such measures by the Central Bank may be a disincentive for the Bank and our clients to obtain loans denominated in a foreign currency.

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

Preemptive rights may not be available to holders of ADRs.

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

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

The Bank's preferred shares have limited voting rights.

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

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

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

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

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

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

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

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

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

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

Bancolombia was incorporated in Colombia in 1945, under the name Banco Industrial Colombiano S.A. or "BIC" and is incorporated until 2044. In 1998, the Bank merged with Banco de Colombia S.A., and changed its legal name to Bancolombia S.A. On July 30, 2005, Conavi and Corfinsura merged with and into Bancolombia, with Bancolombia as the surviving entity. Through this merger, Bancolombia gained important competitive advantages, as Conavi and Corfinsura were two of the top financial institutions in the Colombian market at the time. Conavi, 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 and financial services, its investment bank and its modern and diversified treasury department, materially strengthened Bancolombia's multi-banking franchise.

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

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

Bancolombia has grown substantially over the years, both through organic growth and acquisitions. As of December 31, 2011, Bancolombia had, on a consolidated basis:

COP 85,463 billion in total assets;

COP 58,576 billion in total net loans and financial leases;

COP 52,434 billion in total deposits; and

COP 8,993 billion in stockholders’ equity.

Bancolombia’s consolidated net income for the year ended December 31, 2011 was COP 1,664 billion, representing an average return on equity of 20.22% and an average return on assets of 2.20%.

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

KEY RECENT DEVELOPMENTS

On March 5, 2012 at the annual general stockholders' meeting, the stockholder's of the Bank approved the financial statements for the year ended December 31, 2011, along with the accompanying notes and management discussion and the proposed distribution of profits presented by the board of directors, pursuant to which a dividend on the profits obtained in 2011, equivalent to COP 708 per share was declared. The dividend will be paid as follows: COP 177 per share and per quarter, on the first business day of each quarter (April 2nd, July 3rd, October 1st of 2012 and January 2nd of 2013). This dividend also applies to the non-voting preferred shares, which public offering process ended recently. The stockholder's also approved an increase of COP 556,152,492,841.29 million in the legal reserve for future dividends.

On March 5, 2012 at the annual general stockholder's meeting, the firm Pricewaterhouse Coopers Ltda was appointed as external auditor of the bank for the period of two years from 2012 to 2014.

On February 6, 2011, Bancolombia closed its public offering of preferred shares. The preferred shares were initially offered to the stockholders of Bancolombia in a preemptive rights offering conducted in Colombia, and subsequently offered exclusively outside of Colombia in the form of ADSs. Of the total 64 million preferred shares that were offered, 43,543,793 preferred shares were subscribed in the local preemptive rights offering, at a price of COP 26,000 per share, for an aggregate amount of approximately COP 1,132,138 million (USD 634.3 million). In the public offering outside of Colombia, 5,114,051 ADSs, representing 20,456,204 preferred shares, were sold, at a price of USD 60 per ADS. The net proceeds received by Bancolombia for the sale of ADSs amounted to approximately USD 299.2 million. As a result of the issuance of a total of 63,999,997 preferred shares, sold for an aggregate amount of approximately COP 1,679,782 million (USD 941.1 million), the subscribed and paid in equity of Bancolombia amounts to approximately COP 425,913.5 million.

On November 29, 2011 Bancolombia group announced its interest in participating as a co-investor in the acquisition by Grupo de Inversiones Suramericana of certain ING assets in Latin America.

On November 18, 2011, Bancolombia S.A. announced the closing of the sale of AFP Crecer, a pension fund administrator in the Republic of El Salvador, to Protección S.A. Sociedad Administradora de Fondos de Pensiones y Cesantias.

On November 2, 2011 Bancolombia S.A. announced a successful offering of ordinary notes in the local market with a total aggregate principal amount of six hundred billion Colombian pesos (COP 600 billion) (approximately USD 313.8 million).

On October 20, 2011 Bancolombia announced the reorganization of its corporate management structure. This reorganization, was the result of collaboration among different parts of the organization, and resulted in the creation of a new model focused on business lines.

On October 13, 2011, Bancolombia signed a new collective bargaining agreement with Uneb and Sintrabancol. The bargaining agreement which runs from November 1, 2011 to October 31, 2014 covers more than 11,000 employees.

On September 15, 2011, Bancolombia commenced the exchange offer of its USD 520 million Senior Notes due 2016 and its USD 1 billion Senior Notes due 2021, each registered with the Securities and Exchange Commission, for substantially identical securities that had previously been issued in transactions exempt from registration. The exchange offer expired closed on October 27, 2011.

On July 27, 2011, Bancolombia issued ordinary notes in the local market in an offering of six hundred billion Colombian pesos (COP 600 billion) (approximately USD 340.2 million) of notes with the possibility of upsizing the offering up to a total aggregate amount of eight hundred billion Colombian pesos (COP 800 billion) (approximately USD 453.6 million). On July 27, 2011 the Bank exercised its option to increase the size of the offering and issued eight hundred thousand Ordinary Notes (800,000) corresponding to an aggregate principal amount of eight hundred billion Colombian Pesos (COP 800 billion).

On May 24, 2011, the Bank priced USD 1 billion in aggregate principal amount of its Senior Notes due 2021. The Senior Notes have a 10-year maturity and a coupon of 5.95%, payable semi-annually on June 3 and December 3 of each year, beginning on December 3, 2011. The transaction closed on June 3, 2011.

PUBLIC TAKEOVER OFFERS

During 2011, and as of the date of this Annual Report, there have been no public takeover offers by third parties in respect of the Bank's shares or by the Bank in respect to another company's shares.

CAPITAL EXPENDITURES AND DIVESTITURES

During the past three years, Bancolombia has made significant capital expenditures aimed at increasing the Bank's productivity, footprint and cost efficiency. These expenditures include the improvements made to the Bank's information technology platform and those related to new ATMs and branches.

During 2011, total capital expenditures amounted to COP 197 billion. Such investments were mainly focused on an IT Platform renewal project (COP 107 billion), the expansion of the Bank's branch and ATM network (COP 41 billion), the purchase of hardware for the expansion, updating and replacing current IT equipment (COP 36 billion), and other investments, such as an anti-fraud system and fixed assets (COP 13 billion).

In September 2010, the Board of Directors authorized Bancolombia to proceed with negotiations with Grupo de Inversiones Suramericana S.A. and Protección S.A. Sociedad Administradora de Fondos de Pensiones y Cesantías regarding the sale of Bancolombia's ownership interests, currently held through foreign subsidiaries, in AFP Crecer, Asesuisa and Asesuisa Vida in El Salvador. The stock purchase agreements were signed in January 2011. The AFP Crecer transaction was authorized by regulators in El Salvador and Colombia and close in the second half of 2011. The Bank recognized a pre-tax gain on sale of investments of equity securities of COP 138 billion in connection with the AFP Crecer transaction. The Asesuisa transaction remains subject to customary closing conditions, including regulatory approvals in Colombia and El Salvador.

Bancolombia received USD 104 million for the sale of AFP Crecer and expects to receive USD 98 million for the sale of Asesuisa and Asesuisa Vida.

In 2011, Bancolombia funded its capital expenditures with its own resources and plans to continue to fund those currently in progress in the same manner.

During 2010, total capital expenditures amounted to COP 297 billion. Such investments were mainly focused on the IT Platform renewal project (COP 124 billion), the expansion of the Bank's branch and ATM network (COP 69 billion), the purchase of hardware for the expansion, updating and replacing of the current IT equipment (COP 32 billion), and other investments, such as an anti-fraud system and fixed assets (COP 77 billion).

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

During 2012, the Bank expects to invest approximately COP 343 billion as follows: COP 220 billion in connection with the IT Platform renewal project, COP 38 billion in connection with the expansion of the Bank's branch and ATM network, COP 22 billion in connection with the purchase of hardware for the expansion, updating and replacement of the current IT equipment and COP 63 billion in connection with other investments, such as an anti-fraud system and fixed assets. These figures represent only an estimate and may change according to the continuing assessment of the Bank's projects portfolio. No assurance can be given, however, that all such capital expenditures will be made and, if made, that such expenditures will be in the amounts currently expected.

The following table summarizes the Bank's capital expenditures and divestitures in interests in other companies for the years ending December 31, 2011, 2010 and 2009:

Capital Expenditures (COP million)	As of December 31,			Total
	2011	2010	2009	
Grupo Odinsa S.A.	190,516	-	-	190,516
Fondos de Pensiones y de Cesantías Protección S.A.	64,891	-	-	64,891
Enka de Colombia S.A.	9,523	-	-	9,523
Inversiones Inmobiliarias Arauco Alameda S.A.	3,479	-	20,657	24,136
Renting Colombia S.A.	-	39,104	-	39,104
Leasing Perú S.A.	-	25,741	-	25,741
Inversiones CFNS S.A.S.	-	11,441	-	11,441
Vivayco S.A.S.	-	1,593	-	1,593
Fiduciaria GBC Peru	-	1,561	-	1,561
Fondo de Inversión en arrendamiento operativo	-	1,076	5,476	6,552
Banagrícola S.A.	-	93	469	562
Inversiones Financieras Banco Agrícola S.A.	-	68	4,512	4,580
Epsa S.A. ESP	-	-	62,343	62,343
FCP Colombia Inmobiliaria	-	-	25,700	25,700
Factoring Bancolombia S.A.	-	-	20,001	20,001
Promotora La Alborada	-	-	14,001	14,001
Bancolombia Cayman	-	-	10,221	10,221
Arrendamiento Operativo CIB S.A.C	-	-	5,466	5,466
Banco Agrícola S.A.	-	-	905	905
Fiduciaria Bancolombia S.A.	-	69	-	69
Transportempo S.A.S.	-	-	195	195
Others	2,034	3,349	7,741	13,124
Total Expenditures (COP million)	270,443	84,095	177,687	532,225

Capital Divestitures (COP million)	2011	2010	2009	Total
AFP Crecer ⁽¹⁾	203,072	-	-	203,072
Promotora La Alborada ⁽¹⁾	1,124	-	-	1,124
Promotora de Hoteles Medellín S.A. ⁽¹⁾	145	-	-	145
Banco Agrícola Panamá ⁽²⁾	-	51,677	-	51,677
Inversiones IVL S.A. ⁽¹⁾	-	33,895	-	33,895
Metrotel Redes S.A. ⁽¹⁾	-	30,000	-	30,000
Bolsa de Valores de Colombia ⁽¹⁾	-	5,886	-	5,886
Valores Simesa S.A. ⁽¹⁾	-	5,184	948	6,132
Visa Inc. ⁽¹⁾	-	-	31,589	31,589
Concesiones Urbanas S.A. ⁽¹⁾	-	-	2,859	2,859
Others ⁽¹⁾	57	4,042	655	4,754
Total Divestitures (COP million)	204,398	130,684	36,051	371,133

(1)	Investments sold
(2)	Capital decrease

B. BUSINESS OVERVIEW

B.1. GENERAL

COMPANY DESCRIPTION, PRODUCTS AND SERVICES

Bancolombia is a full service financial institution that offers a wide range of banking products and services to a diversified individual and corporate customer base of more than 7 million customers. Bancolombia delivers its products and services through its regional network comprising Colombia's largest non-government owned banking network, El Salvador's leading financial conglomerate, off-shore banking subsidiaries in Panama, Cayman and Puerto Rico, as well as an agency in Miami and subsidiaries in Peru.

Bancolombia and its subsidiaries offer the following products and services:

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

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

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

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

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

Treasury: Bancolombia assists its clients in mitigating market risks through hedging instruments such as foreign exchange forwards, interest rate swaps, cross currency swaps and European style options. The Bank also performs inter-bank lending, repurchase agreements (repos), foreign exchange transactions, as well as sovereign and corporate securities sales and trading. Bancolombia is an active player in the “Market-makers” scheme for trading Colombian sovereign debt (TES bonds).

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

Foreign Currency: Bancolombia offers its clients specialized solutions to satisfy their investment, financing and payment needs with regard to foreign currency transactions. The Bank also provides trade finance solutions with products such as Letters of Credit, Standby Letters of Credit and Bills Collection.

Bancassurance and Insurance: Bancolombia distributes diverse insurance products (life, personal accident and homeowner's insurance) offered by Compañía Suramericana de Seguros, one of the principal insurance companies in Colombia. In addition, Bancolombia offers unemployment insurance issued by Sure General Cardif Colombia S.A. In El Salvador, Banco Agrícola offers a comprehensive portfolio of insurance products from Asesuisa (auto insurance, personal accident and health insurance, fire and associated perils insurance, cargo insurance, among others) and Asesuisa Vida (life insurance).

Brokerage Services: Through Valores Bancolombia, Suvalor Panama and Bursabac, Bancolombia offers.

Brokerage and investment advisory services, covering various investment alternatives including equities, futures, foreign currencies, fixed income securities, mutual funds and structured products.

Investment Banking: Bancolombia offers through its subsidiary Banca de Inversión a wide variety of value-added services that allows it to advise and assist companies from all economic sectors, including in areas relating to project finance, capital markets, capital investments, M&A, restructurings and corporate lending.

NEW PRODUCTS OR SERVICES

Bancolombia continues its efforts to diversify and improve its product portfolio. Below is a brief description of the new products and services introduced in 2011:

Domestic Remittances: improved service designed to offer our customers the possibility to transfer money from branch to branch within the Bancolombia network.

Sector Fund: open-end equity fund with compartments, where each compartment invests in a specific sector of the economy such as energy, mining, financial, etc.

Uniacción Fund: open-end equity fund with compartments. Each compartment invests in a single issuer listed on the Colombian Stock Exchange.

Plan Cuenta Pensión: Savings account designed to receive the pension payments made to the customer by a Pension Fund.

Plan Nómina Fija: Savings account designed to receive the payroll payments made by a company. This account gives the customer 4 transactions across our ATM network free of any charge.

RIN - Collection Integrated to Customers: Bancolombia allows online integration with corporate clients' systems to improve treasury management. Web service based communication makes information interchange easier and allows access to available invoices from any branch at any time.

Swift Fileact: Allows secure and reliable transfer of files between corporate clients and Bancolombia, exchanging batches of Swift Structured Financial Messages and Bancolombia Proprietary Standard Formats, required for collection and payments processes. Multipayments PSE: Payment Transactional Portal, available in Bancolombia's web site, allows access to several payment agreements and is linked to ACH, Colombia's online payment service. PSE is a standard payment service used to make secure online payments between bank accounts. When billers offer PSE as a payment method in their online stores, a direct link is established with the systems of the payer's bank. Real Time

Information Files: This service allows the delivery of collections files from the Bank to customers on an intraday basis, guaranteeing opportunity in the reconciliation process.

Assistance Ike: Service offered exclusively by phone and with the support of Ike Asistencia Colombia S.A.. Includes medical assistance, road assistance, home assistance and veterinarian assistance.

Discount of Account Receivables: Financing line for corporate customers know as “Massive holders of account receivables”. The line of credit is based on a contract where Bancolombia groups several receivables in just one obligation, and acts as factor between the seller and the buyer, doing all the operational process.

Credit line for Environmental Sustainability: Designed for customers who support new processes to optimize energy efficiency, use renewable energy and implement clean production in their businesses. This line of credit offers technical assistance, where experts evaluate and identify projects for the customer, and give advice regarding applicable tax benefits.

PADA: Special credit line promoted by the Colombian government to finance productive activities related to the agriculture industry affected by the rainy season.

Local Bank Guarantees in USD: Financial instrument issued to Colombian residents in U.S. dollars, which guarantees foreign exchange transactions or RFPs’ related commitments with other Colombian residents.

Arithmetic Asian Options: This product is a cash-settled option that pays the difference between the average rate of the underlying asset on a specific set of dates over a period at a predetermined strike rate.

MAIN LINES OF BUSINESS

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

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

B.2. OPERATIONS

See Note 31 – section (y) to the Bank’s consolidated financial statements as of December 31, 2011 included in this Annual Report for a description of the principal markets in which the company competes, including a breakdown of total revenues by category of activity and geographic market for each of the last three financial years.

B.3. SEASONALITY OF DEPOSITS

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

B.4. RAW MATERIALS

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

B.5. DISTRIBUTION NETWORK

Bancolombia provides its products and services through a traditional branch network, sales and customer representatives as well as through mobile branches (or Puntos de Atención Móviles), non-banking correspondents, an ATM network, online and computer banking, telephone banking, mobile phone banking services, and PACs, (or Puntos de Atención Cercano), among others. As of December 31, 2011, Bancolombia had a sales force of

approximately 10,574 employees. Transactions effected through electronic channels represented more than 88% of all transactions in 2011.

The following are the distribution channels offered by Bancolombia as of December 31, 2011:

Branch Network

As of December 31, 2011, Bancolombia's consolidated branch network consisted of 952 offices, which included 779 from Bancolombia, 101 from Banagrícola and 72 from other subsidiaries.

Company*	Number of branches 2011	Number of branches 2010	Number of branches 2009
Bancolombia S.A.	779	736	713
Bancolombia Panamá S.A.	1	1	1
Bancolombia Miami	1	1	1
Leasing Bancolombia S.A.	16	17	12
Renting Colombia S.A.	16	16	4
Valores Bancolombia	8	9	8
Valores Bancolombia Panama S.A.	1	1	1
Banca de Inversión Bancolombia S.A	2	2	2
Fiduciaria Bancolombia S.A.	6	6	6
Tuya	5	6	
Bancolombia Puerto Rico International Inc.	1	1	1
Factoring Bancolombia S.A.	1	1	5
Sufinanciamiento S.A. ⁽¹⁾	-	-	8

Company*	Number of branches 2011	Number of branches 2010	Number of branches 2009
Arrendamiento Operativo CIB S.A.C ⁽²⁾	2	5	1
Fondo Inversión Arrend. Operativo Renting Perú I	1	1	
RC Rent a Car S.A.S. ⁽³⁾	-	-	10
Inversiones CFNS	2	1	1
Banco Agrícola S.A.	101	102	101
Arrendadora Financiera S.A.	1	1	1
Credibac S.A. de C.V	1	1	1
Bursabac S.A. de C.V	1	1	1
AFP Crecer S.A. ⁽⁴⁾	-	6	6
Aseguradora Suiza Salvadoreña S.A.	1	1	1
Asesuisa Vida S.A. ⁽⁵⁾	1	1	1
Capital Investments S.A.	1	1	1
Transportempo S.A.S.	1	1	1
Leasing Peru	1	1	1
Fiduciaria GBC S.A. (Peru)	1	1	-
Total	952	921	889

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

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

(2) The offices operated for the Localiza franchise in Perú are included in the total number of branches for Arrendamiento Operativo CIB S.A.C.

(3) The offices of RC Rent a Car S.A.S. were included in the number of offices for Renting Colombia S.A. in 2010.

(4) Crecer was sold on November 21, 2011, and it is no longer part of the Bank.

On February 5, 2011, Banagrícola S.A. and Inversiones Financieras Banco Agrícola S.A., subsidiaries of Bancolombia S.A., and Suramericana S.A., signed an agreement pursuant to which Banagrícola S.A. and

(5) Inversiones Financieras Banco Agrícola S.A. agreed to sell to Suramericana 97.03% of its shares of capital stock of Asesuisa. The sale is pending the authorizations required from the Superintendency of the Financial System of El Salvador.

Non-Banking Correspondents ("CNB")

A CNB is a platform which allows nonfinancial institutions such as stores open to the public, to provide financial services and transactions in towns where banks and financial institutions have limited or no presence. As of December 31, 2011, Bancolombia had a total of 970 nonbanking correspondents.

Puntos de Atención Móviles (“PAM”)

PAMs consist of commercial advisors who visit small towns periodically to offer Bancolombia’s products and services. As of December 31, 2011, there were a total of 697 PAMs.

Kiosks

Kiosks, used in El Salvador, are located inside the Bank’s agencies, malls, and other public places and are used to provide the Bank’s clients the possibility of conducting a variety of self-service transactions. As of December 31, 2011, there were a total of 162 kiosks.

Automatic Teller Machines (“ATM”)

Bancolombia has a total of 3,333 ATMs, including 2,870 machines in Colombia and 463 ATMs in El Salvador.

Online/Computer Banking

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

Telephone Banking

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

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

Through our own network of 8,168 PACs our customers may carry out a variety of transactions including transfer of funds, bill payments, and changes to credit and credit card PINs.

Mobile Phone Banking Service

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

B.6. PATENTS, LICENSES AND CONTRACTS

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

B.7. COMPETITION

Description of the Colombian Financial System

Overview

In recent years, the Colombian banking system has been undergoing a period of consolidation given the series of mergers and acquisitions that have taken place within the sector. More specifically, several mergers and acquisitions took place in 2005, including the Conavi/Corfinsura merger, the acquisition of Banco Aliadas by Banco de Occidente, the merger of Banco Tequendama and Banco Sudameris, as well as the merger of the Colmena and the Caja Social banks. The trend towards mergers and acquisitions continued throughout 2006, with the completion of certain transactions first announced during 2005. These include the acquisition of Banco Superior by Davivienda, of Banco Granahorrar by BBVA Colombia and of Banco Unión by Banco de Occidente. Also during 2006, Banco de Bogota acquired Megabanco and Davivienda announced its acquisition of Bancafé. In 2007, HSBC acquired Banitsmo and Bancolombia also completed the acquisition of Banagrícola in El Salvador. For more information on the acquisition of Banagrícola, see “Item 4. Information on the Company – 4.A. History and Development of the Company.” In 2008 the Royal Bank of Scotland (RBS) purchased the Colombian arm of ABN Amro Bank and General Electric (GE) Money acquired a 49.7% stake in Colpatría, with an option of increasing this stake by another 25% by 2012. However, in May of 2010, Group Colpatría repurchased this 49.7% stake and in October of 2011, Canadian Scotiabank purchased Colpatría’s 51% for US\$ 1,000 million. Also, in 2010, Banco de Bogotá acquired BAC-Credomatic, which has operations in several countries in Central America, for a reported purchase price of COP 3.53 billion. In December of 2011, Chilean Corpbanca paid US\$ 1,225 million an acquisition of Banco Santander’s subsidiary in Colombia.

As of December 31, 2011, and according to the Superintendency of Finance, the principal participants in the Colombian financial system were the Central Bank, twenty-three commercial banks (13 domestic private banks, 9 foreign banks, and 1 domestic state-owned bank), four finance corporations and twenty-one financing companies (6 leasing companies and 15 traditional financing companies). In addition, trust companies, cooperatives, insurance companies, insurance brokerage firms, bonded warehouse, special state-owned institutions, pension and severance pay funds also participate in the Colombian financial system.

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

Financial System Evolution in 2011

During 2011, the Colombian economy experienced continued growth due to contributions from commerce, transportation, financial establishments and a large foreign direct investment; the financial sector was the cornerstone for economic expansion. Based on information issued by the Superintendency of Finance, lending kept its trajectory with an increase of 23.39%, superior to the rate registered on 2010 (17.5%) and contrasting to the stagnation experienced in 2009, when lending grew only 1.9%. Monetary policy was not as expansive as in 2010, which led to higher reference interest rates, with a gradual increase of about 125 base points (bp). The demand for business loans increased by 18.26% for 2011, compared to 20.6% for the previous year. The rising confidence and the dynamics on the economy, drove up consumer loans, which grew by 28.3% in 2011, higher than 16.4% observed in 2010. Mortgage and Small business loans continued to do well, with increases of 43.64% and 38.07% (in usual order) for 2011.

The financial system's level of past-due loans as a percentage of the total loan portfolio fell throughout the year, going from 2.81% in December 2010 to 2.47% for the same month in 2011. In addition, coverage, measured as the ratio of allowances to past-due loans, ended 2011 at 191.53%, compared to 179.3% at the end of 2010.

During 2011, lending gained some weight into the financial system's structure. Loans increased from 61.5% of total assets at the end of 2010 to 62.9% at the end of 2011, while investment portfolio, as a percentage of total assets, decreased from 22.5% at the end of 2010 to 19.7% at the end of 2011.

As of December 31, 2011, the Colombian financial sector recorded COP 324 trillion in total assets, representing a 21.26% increase as compared to the same period in 2010. The Colombian financial system's total composition of assets shows banks with a market share of 91.41%, followed by financing companies with 5.84% and financial corporations with 2.6%.

As of December 31, 2011, the capital adequacy ratio (tier 1 + tier 2) for credit institutions was 14.9% (including banks, finance corporations and financing companies), which is well above the minimum legal requirement of 9%.

Bancolombia and its Competitors

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

	ROE⁽¹⁾		ROA⁽²⁾		Past-due loans/		Allowances/		Capital Adequacy	
					Total loans		Past-due loans			
	Dec-11	Dec-10	Dec-11	Dec-10	Dec-11	Dec-10	Dec-11	Dec-10	Dec-11	Dec-10
Bancolombia (unconsolidated)	13.56%	15.1%	1.9%	2.4%	1.85%	2.48%	236.23%	198.76%	15.5%	18.1%
Banco de Bogota	13.58%	15.2%	2.5%	2.1%	1.64%	2.25%	198.00%	160.64%	15.7%	13.5%
Davienda	12.32%	14.5%	1.7%	1.8%	3.07%	2.80%	165.29%	194.22%	12.9%	13.6%
BBVA	18.87%	18.7%	1.9%	1.9%	1.78%	2.40%	226.67%	181.99%	12.3%	10.5%
Banco de Occidente	14.56%	15.0%	2.1%	2.2%	2.23%	2.64%	193.81%	185.60%	10.6%	10.5%
Banco Popular	19.65%	21.0%	2.6%	2.8%	2.01%	2.34%	190.68%	175.71%	11.4%	11.6%
Citibank	10.08%	11.5%	1.8%	2.0%	3.01%	3.63%	153.77%	151.62%	16.3%	17.4%

Source: Superintendency of Finance.

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

(2) ROA is return on average assets.

In 2011, Bancolombia ranked first in Colombia and El Salvador in terms of amount of assets, deposits, stockholders' equity and net income.

The following tables illustrate the market share of Bancolombia on an unconsolidated basis and its main competitors with respect to various key products, based on figures published by the Superintendency of Finance for the years ended December 31, 2011, 2010 and 2009:

Total Net Loans

Market Share

Total Net Loans – Market Share %	2011	2010	2009
Bancolombia	21.93	21.66	20.29
Banco de Bogotá	13.63	14.10	14.46
Davivienda	12.75	13.09	13.29
BBVA	9.44	9.57	9.53
Banco de Occidente	7.31	7.40	6.37
Banco Popular	5.11	5.50	5.41
Citibank	2.53	2.78	2.95

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

Checking Accounts

Market Share

Checking Accounts – Market Share %	2011	2010	2009
Bancolombia	22.51	22.87	22.19
Banco de Bogotá	19.66	18.06	18.33
Banco de Occidente	12.77	15.09	14.65
BBVA	9.12	9.68	10.16
Davivienda	9.54	9.42	9.47
Banco Popular	4.13	3.86	4.24
Citibank	3.67	2.74	2.69

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

Time Deposits

Market Share

Time Deposits – Market Share %	2011	2010	2009
Bancolombia	13.32	13.92	17.51
Banco de Bogotá	15.86	14.57	15.72
Davivienda	11.19	14.71	13.03
BBVA	7.66	7.30	7.11
Citibank	3.60	4.34	4.96
Banco Popular	3.77	3.59	4.27
Banco de Occidente	3.66	3.65	4.12

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

Saving Accounts

Market Share

Saving Accounts – Market Share %	2011	2010	2009
Bancolombia	22.33	20.78	20.47
Banco de Bogotá	13.00	14.95	15.05
Davivienda	12.89	11.26	13.26
BBVA	11.69	11.56	10.98
Banco Popular	6.05	7.12	7.84
Banco de Occidente	5.94	5.67	6.99
Citibank	2.20	3.65	3.07

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

Description of the Salvadorian Financial System

As of December 31, 2011, the Salvadorian financial system was comprised of 13 institutions (ten commercial banks, two state owned banks and one foreign bank).

The total Salvadorian financial system's assets amounted to USD 12.8 billion in 2011, decreasing 2.0% as compared to the previous year. As of December 31, 2011, loans represented 66.3% of total assets in the Salvadorian financial system, while investments represented 15.0% and cash and due from banks represented 13.7%. As of December 31, 2010, loans represented 63.2% of total assets in the Salvadorian financial system, while investments represented 15.5% and cash and due from banks represented 16.2%.

Banco Agrícola and its Competitors

In 2011, Banco Agrícola continued to lead the Salvadorian financial system and ranked first in terms of assets, loans, deposits, stockholders' equity and profits. The following table illustrates the market share for the main institutions of the Salvadorian financial system for the year ended December 31, 2011:

	MARKET SHARE								
	Assets	Stockholders' Equity	Loans	Deposits	Profits				
Banco Agrícola	29.1 %	35.6 %	29.7 %	28.0 %	57.3 %				
Citibank	16.9 %	18.9 %	14.4 %	17.6 %	8.9 %				
HSBC	14.9 %	15.6 %	14.6 %	14.7 %	6.4 %				
Scotiabank	15.1 %	12.0 %	17.1 %	14.1 %	10.3 %				
BAC	10.0 %	8.3 %	9.9 %	10.5 %	10.2 %				
Others	14.0 %	9.6 %	14.2 %	15.1 %	6.9 %				

Source: ABANSA (*Asociación Bancaria Salvadoreña*).

The following tables illustrate the market share of Banco Agrícola and its main competitors with respect to various key products, based on figures published by the Salvadorian Banking Association (ABANSA) for the years ended December 31, 2011, 2010 and 2009:

Total Loans

Market Share

Total Loans – Market Share %	2011	2010	2009
Banco Agrícola	29.7%	30.4%	30.5%
Citibank	14.4%	15.8%	17.8%
HSBC	14.6%	14.8%	14.4%
Scotiabank	17.1%	17.2%	17.6%
BAC	9.9%	9.5%	9.4%
Others	14.2%	12.3%	10.3%

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

Checking Accounts

Market Share

Checking Accounts – Market Share %	2011	2010	2009
Banco Agrícola	24.2%	27.6%	30.2%
Citibank	23.6%	24.7%	25.7%
HSBC	11.4%	12.0%	10.9%
Scotiabank	10.5%	10.5%	11.6%
BAC	15.6%	14.3%	12.6%
Others	14.7%	10.8%	9.0%

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

Time Deposits

Market Share

Time Deposits – Market Share %	2011	2010	2009
Banco Agrícola	25.4%	26.6%	28.8%
Citibank	11.2%	12.6%	15.5%
HSBC	16.8%	16.5%	14.3%
Scotiabank	16.2%	16.4%	17.4%
BAC	10.4%	10.8%	9.1%
Others	20.0%	17.1%	14.9%

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

Saving Accounts

Market Share

Saving Accounts – Market Share %	2011	2010	2009
Banco Agrícola	34.7%	34.6%	34.3%
Citibank	19.9%	20.8%	21.7%
HSBC	15.2%	15.7%	17.6%
Scotiabank	15.0%	15.0%	15.6%
BAC	5.8%	5.7%	4.8%
Others	9.4%	8.2%	5.9%

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

B.8.

SUPERVISION AND REGULATION

Colombian Banking Regulators

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

Central Bank

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

Ministry of Finance and Public Credit

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

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

Superintendency of Finance

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

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

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

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

Other Colombian regulators

Self Regulatory Organization

The SRO (Autoregulador del Mercado de Valores – AMV) is a private entity responsible for the regulation of entities participating in the Colombian capital markets. The SRO may issue mandatory instructions to its members and supervise its members' compliance and impose sanctions for violations.

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

Superintendency of Industry and Commerce

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

Regulatory Framework for Colombian Banking Institutions

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

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

Law 510 of 1999 and Law 795 of 2003 substantially amended the powers of the Superintendency of Finance to control, regulate and supervise financial institutions. Law 510 of 1999 also streamlined the procedures for the *Fondo de Garantías de Instituciones Financieras* (“Fogafin”), the agency that insures deposits in financial institutions and provides credit and support to troubled financial institutions. The main purpose of Law 510 of 1999 was to improve the solvency standards and stability of Colombia’s financial institutions by providing rules for their incorporation and

regulating permitted investments of credit institutions, insurance companies and investment companies.

Law 546 of 1999 was enacted to regulate the system of long-term home loans. Law 795 of 2003 was enacted to broaden the scope of activities that financial institutions can engage in, to update regulations with some of the then latest principles of the Basel Committee and to increase the minimum capital requirements in order to incorporate a financial institution (for more information, see “Minimum Capital Requirements” below). Law 795 of 2003 also provided authority to the Superintendency of Finance to take preventive measures, consisting mainly of preventive interventions with respect to financial institutions whose capital falls below certain thresholds. For example, in order to avoid a temporary take-over by the Superintendency of Finance, such financial institutions must submit to the Superintendency of Finance a restructuring program to restore their financial condition.

The recently enacted Law 1328 of 2009 provides a new set of rights and responsibilities for customers of the financial system and a set of obligations for financial institutions in order to minimize disputes. This law also gives foreign banks more flexibility to operate in Colombia. Prior to Law 1328 of 2009, foreign banks were able to operate in Colombia by establishing a Colombian subsidiary authorized by the Superintendency of Finance. Following the enactment of Law 1328 of 2009, as of June 15, 2013, foreign banks will be permitted to operate through their “branches” and will not be required to incorporate a Colombian subsidiary. Law 1328 of 2009 also broadened the scope of permitted business activities by regulated entities. Following its adoption, credit institutions were allowed to operate leasing businesses and banks were allowed to extend loans to third parties so that borrowers could acquire control of other companies. On September 6, 2011, the Superintendency of Finance issued External Regulation 039 of 2011 pursuant to which the Superintendency of Finance is empowered to regulate certain banking practices considered as abusive. The Superintendency of Finance issued the External Circular 038 of 2011 on September 6, 2011, with the purpose to set the necessary instructions that should be followed by the entities that are supervised by of the Superintendency of Finance in regards to supplying financial consumers all the information they require in order to allow them to choose the best options in the market, according to their own needs.

On December 20, 2011 the Colombian government issued Decree 4809 by means of which they defined: (i) the laws and principles that must be observed in the determination, diffusion and publicity of rates and prices of products and financial services (ii) the maximum rate charged for the withdrawal of funds from ATM’s of other financial institutions, (iii) that should there be an increase in applicable rates within a standard form contract, the banks must inform the clients of that change within a minimum of 45 days, in which time the client will have the possibility of rejecting the aforementioned increase and terminating the contractual relationship with the bank, (iv) a prohibition of charging for unsuccessful transactions carried out through ATMs, when there is no fault attributable to the client, and (v) established that transactions made via the internet cannot be more expensive than those made via other available channels.

The Superintendency of Finance has authority to implement applicable regulations and, accordingly, issues, from time to time administrative resolutions and circulars. By means of External Circular 007 of 1996 (as amended), the Superintendency of Finance compiled the rules and regulations applicable to financial institutions. Likewise, by means of External Circular 100 of 1995 (the “Basic Accounting Circular”), it compiled all regulations applicable to the accounting rules and regulations.

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

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

Key interest rates

Colombian commercial banks, finance corporations and consumer financing companies are required to provide the Central Bank, on a weekly basis, with data regarding the total volume (in pesos) of certificates of deposit issued during the prior week and the average interest rates paid for certificates of deposit with maturities of 90 days. Based on such reports, the Central Bank computes the *Tasa de Captaciones de Corporaciones Financieras* (“TCC”) and the *Depósitos a Término Fijo* (“DTF”) rates, which are published at the beginning of the following week for use in calculating interest rates payable by financial institutions. The TCC is the weighted average interest rate paid by finance corporations for deposits with maturities of 90 days. The DTF is the weighted average interest rate paid by finance corporations, commercial banks and consumer financing companies for certificates of deposit with maturities of 90 days. For the week of April 9, 2012, the DTF was 5.43% and the TCC was 3.54%.

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

Capital adequacy requirements

Capital adequacy requirements for Colombian financial institutions (as set forth in Decree 2555 of 2010, as amended) are based on applicable Basel Committee standards. The regulations establish four categories of assets, which are each assigned different risk weights, and require that a credit institution's Technical Capital (as defined below) be at least 9% of that institution's total risk-weighted assets.

Technical Capital for the purposes of the regulations consists of the sum of Tier One Capital (basic capital) and Tier Two Capital (additional capital) (Tier One Capital and Tier Two Capital, collectively, "Technical Capital").

Tier One Capital consists of:

- outstanding and paid-in capital stock;
- legal and other reserves;
- profits retained from prior fiscal years;
- the total value of the revaluation of equity account (*revalorización del patrimonio*) (if positive) and of the foreign currency translation adjustment account (*ajuste por conversión de estados financieros*);
- current fiscal year profits in a proportion equal to the percentage of prior fiscal year profits' that were capitalized, or allocated to increase the legal reserve, or all profits that must be used to cover accrued losses;
- any representative shares held as collateral by Fogafin when the entity is in compliance with a recovery program aimed at bringing the Bank back into compliance with capital adequacy requirements (if the Superintendency of Finance establishes that such recovery program has failed, these shares shall not be computed);
- subordinated bonds issued by financial institutions and subscribed by Fogafin when they comply with certain requirements stated in the regulations;
- the part of the surplus capital account from donations that complies with the requirements set forth in the applicable regulation;
- the value of dividends declared to be paid in shares; and
- the value of the liabilities owed by minority interests.

Items deducted from Tier One Capital are:

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

Superintendency of Finance excluding appraisals and investments in Finagro credit establishments and investments undertaken pursuant to Article 63 of Decree 663 of 1993, subject to the conditions set forth in the regulation; and investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by foreign financial institutions where the investor directly or indirectly holds at least 20% of the capital of said institution (excluding subsidiaries). This amount includes foreign currency translation and excludes appraisals.

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

Tier Two Capital consists of:

- 50% of the accumulated inflation adjustment of non-monetary assets (provided that such assets have not been disposed of);
- 50% of asset reappraisal (excluding revaluations of foreclosed assets or assets received as payment of credits);

- mandatorily convertible bonds effectively subscribed and paid, with maturities of up to 5 years, provided that the terms and conditions of their issuance were approved by the Superintendency of Finance and subject to the conditions set forth by the Superintendency of Finance;
- subordinated payment obligations as long as said obligations do not exceed 50% of Tier One Capital and comply with additional requirements stated in the regulations;
- the part of the surplus capital account from donations that complies with the requirements set forth in the applicable regulation; and
- general allowances made in accordance with the instructions issued by the Superintendency of Finance.

The following items are deducted from Tier Two Capital:

- 50% of the direct or indirect capital investments (in entities subject to the supervision of the Superintendency of Finance, excluding subsidiaries) and mandatorily convertible bonds reappraisal that complies with the requirements set forth in the applicable regulation;
- 10% of the direct or indirect capital investments (excluding investments in subsidiaries) and mandatorily convertible bonds reappraisal of foreign financial entities with respect to which the bank's share is or exceeds 20% of the entity's subscribed capital; and
- the value of the devaluation of equity investments with low exchange volume or which are unquoted.

In computing Technical Capital, Tier Two Capital may not exceed (but may be less than) the total amount of Tier One Capital.

The following table sets forth certain information regarding the Bank's consolidated capital adequacy as of December 31, 2011 and 2010:

	As of December 31, 2011		December 31, 2010	
	(COP million, except percentages)			
Subscribed capital	COP	460,684	COP	460,684
Legal reserve and other reserves		6,221,792		5,397,973
Unappropriated retained earnings		73,455		70,611
Net Income		421,964		591,261
Subordinated bonds subscribed by Fogafin		-		-
Less:				
Long - term investments		(145,238)		(102,204)
Non - monetary inflation adjustment		(53,631)		(74,556)
Primary capital (Tier I)	COP	6,979,026	COP	6,343,769
Reappraisal of assets	COP	171,388	COP	188,454

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Provision loans	50,910		35,294	
Non-monetary inflation adjustment	31,509		41,971	
Subordinated bonds	2,442,305		2,407,960	
Computed secondary capital (Tier II)	2,696,112	COP	2,673,679	
Primary capital (Tier I)	COP6,979,026	COP	6,343,769	
Secondary capital (up to an amount equal to primary capital) (Tier II)	2,696,112		2,673,679	
Technical Capital	COP9,675,138	COP	9,017,448	
Capital ratios				
Primary capital to risk-weighted assets (Tier I)	8.99	%	10.32	%
Secondary capital to risk-weighted assets (Tier II)	3.47	%	4.35	%
Technical capital to risk-weighted assets	12.46	%	14.67	%
Risk-weighted assets including market risk	COP77,651,096	COP	61,449,661	

As of December 31, 2011, the Bank's technical capital ratio was 12.46%, exceeding the requirements of the Colombian government and the Superintendency of Finance by 346 basis points. As of December 31, 2010, the Bank's technical capital ratio was 14.67%. The year-over-year decrease in the capital adequacy ratio is explained by the rapid growth in the Bank's loan portfolio during 2011.

Liquidity risks and market risks are currently governed by the Basic Accounting Circular, issued by the Superintendency of Finance. Since January 2002, Colombian banks have been required to calculate a VaR (value at risk) which is considered in the Bank's solvency calculation with a methodology provided by the Superintendency of Finance in accordance with the articles 2.1.1.1.1 through 2.1.1.1.16 of Decree 2555 of 2010, (previously Decree 1720 of 2001). Future changes in VaR requirements could have a material impact on the Bank's operations. According to the Superintendency of Finance, financial institutions must maintain a ratio between its Technical Capital and credit/market risk-weighted assets of more than 9%.

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

Minimum Capital Requirements

The minimum capital requirement for banks on an unconsolidated basis is established in Article 80 of Decree 633 of 1993, as amended. The minimum capital requirement for 2012 is COP 73,750 million. Failure to meet such requirement can result in the Taking of Possession (toma de posesión) of the Bank by the Superintendency of Finance (See "Colombian Banking Regulations — Bankruptcy Considerations").

Capital Investment Limit

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

Mandatory Investments

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

Foreign Currency Position Requirements

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

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

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

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

Reserve Requirements

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

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

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

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

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

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

Foreign Currency Loans

Residents of Colombia may obtain foreign currency loans from foreign residents, and from Colombian currency exchange intermediaries or by placing debt securities abroad. Foreign currency loans must be either disbursed through a foreign exchange intermediary or deposited in offshore compensation accounts.

According to regulations issued by the Central Bank, every Colombian resident and institution borrowing funds in foreign currency is generally required to post with the Central Bank non-interest bearing deposits for a specified term, although the size of the required deposit is currently zero.

Notwithstanding the foregoing, such deposits would not be required in certain cases established in article 26 of Regulation 8 of 2000, including in the case of foreign currency loans aimed at financing Colombian investments abroad or for short-term exportation loans, provided that such loan is disbursed against the funds of Banco de Comercio Exterior — Bancoldex. Moreover, Article 59-1(c) of Regulation 8 of 2000 sets forth a number of restrictions and limitations as to the use of proceeds in the case of foreign currency loans obtained by Colombian currency exchange intermediaries (including the Bank) and also provides that deposits would not be required in the event such restrictions and limitations are observed. Such foreign currency loans may be used, among others, for lending activities in a foreign currency with a tenor equal to, or shorter than, the tenor of the foreign financing.

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

Non-Performing Loan Allowance

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

Lending Activities

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

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

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

Ownership and Management Restrictions

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

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

Colombian financial institutions that are security issuers must comply with special norms regarding the composition of their board of directors. As a consequence thereof, at least 25% of the board members of the board of directors of the Bank must be independent. To be considered independent, the board members must not be (i) employees or directors of the Bank; (ii) stockholders of the Bank that directly or indirectly address or control the majority of the voting rights or that may determine the majority composition of the management boards; or (iii) stockholders or employees of entities that render certain services to the Bank.

Bankruptcy Considerations

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

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

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

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

The purpose of Taking of Possession of a bank is to decide whether the entity should be liquidated, whether it is possible to place it in a position to continue doing business in the ordinary course, or whether other measures may be adopted to secure better conditions so that depositors, creditors and investors may obtain the full or partial payment of their credits.

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

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

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

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

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

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

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

During the liquidation process bank deposits and other types of saving instruments will be excluded from the liquidation process and, claims of creditors rank as follows: (i) the first class of credits includes the court expenses incurred in the interest of all creditors, wages and other obligations related with employment contracts and tax authorities' credits regarding national and local taxes; (ii) the second class of credits comprises the credits secured by a security interest on movable assets; (iii) the third class of credits includes the credits secured by real estate collateral, such as mortgages; (iv) the fourth class of credits contains some other credits of the tax authorities against the debtor that are not included in the first class of credits and credits of suppliers of raw materials and input to the debtor; (v) and the fifth class of credits includes all other credits without any priority or privilege. Each category of creditors will collect in the order indicated above, whereby distributions in one category will be subject to completing full distribution in the prior category.

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

Deposit insurance—Troubled Financial Institutions

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

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

Anti-Money Laundering Provisions

The regulatory framework to prevent and control money laundering is contained in, among others, Decree 663 of 1993 and Circulars 26 of 2008 and 2010 and 019 of 2010 issued by the Superintendency of Finance, as well as Law 599 of 2000, and the Colombian Criminal Code, as amended.

Colombian laws adopt the latest guidelines related to anti-money laundering and other terrorist activities established by the Financial Action Task Force on Money Laundering (“FATF”). Colombia, as a member of the GAFI-SUD (a FATF style regional body), follows all of FATF’s 40 recommendations and eight special recommendations. Circular 26 of 2008 and 019 of 2010 issued by the Superintendency of Finance requires the implementation by financial institutions of a system of controls for money laundering and terrorism financing. These rules emphasize “know your customer” policies and knowledge of customers and markets. They also establish processes and parameters to identify and monitor a financial institution’s customers. According to these regulations, financial institutions must cooperate with the appropriate authorities to prevent and control money laundering and terrorism. Finally, the Colombian criminal code includes rules and regulations to prevent, control, detect, eliminate and adjudicate all matters related to financing terrorism and money laundering. The criminal rules and regulations cover the omission of reports on cash transactions, mobilization or storage of cash, and the lack of controls.

Risk management systems

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

Generally, commercial banks have to weigh their assets based on 0%, 25%, 50% and 100% ratios depending on their risks. Standards to evaluate risk have been established and different ratings are awarded (A, B, C, D and E) to each credit asset depending on the level of risk. The rating assigned to the credit assets determines the different amount of provisions required with respect to the asset, as established by the Superintendency of Finance in Chapter II of the Basic Accounting Circular.

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

computed in terms of a basis points change. Each risk factor is calculated and provided by the Superintendency of Finance.

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

Regulatory Framework for Subsidiaries Not Participants in the Financial Sector

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

Financial Regulation of El Salvador

On January 26, 2011, the Legislature approved Decree 592 “Surveillance and Regulation of the Financial System Law” (*Ley de Supervisión y Regulación del Sistema Financiero*) in order to fortify the State’s organization, adapting all surveillance and regulatory institutions to the economic reality of the financial system. Consequently, the Legislature, integrated all surveillance institutions and formed one institution, making better use of all the technical experience and management that the regulatory institutions have accumulated during the years in every segment of the financial system, in coordination with the macroeconomic and financial experience the Central Reserve Bank of El Salvador (*Banco Central de Reserva de El Salvador*) has, to bring stability and development to the financial system.

The Surveillance and Regulation Financial System is comprised of the Superintendency of the Financial System and Central Reserve Bank of El Salvador, which are obliged to supervise all members of the financial system and to approve the necessary regulation for the adequate application of this law.

The Surveillance and Regulation Financial System’s main objective is to maintain stability in the Salvadorian financial system, to guarantee efficiency, transparency, security and solidity within the system, and to all its members in compliance with this law, and applicable laws and regulations, all in accordance with best international practices.

The Superintendency of the Financial System is responsible for the surveillance of the individual and consolidated activities of all the members in the system, as well as, the persons, operations and entities that the law obliges it to regulate. Article 3 of the Decree establishes all the competences of the Superintendency, some which are detailed below: (i) to fulfill and enforce the laws, regulations and other legal provisions applicable to the entities subject to its surveillance and issue all the necessary instructions for compliance of the laws applicable to the system; (ii) authorize the establishment, function, operation, intervention, suspension, modification, revocation of authorizations and closure of all members of the system, in accordance with laws and regulations. In the event of closure, the Superintendency will coordinate the actions established by the law in coordination with the entities involved (iii) Risk preventive monitoring and management of the members within the system with an eye toward the prudential management of liquidity and solvency; (iv) to propitiate an efficient, transparent and organized financial system; (v) to require that all supervised entities and institutions be managed in accordance with the best international practices of risk management and corporate governance; and (vi) all other legal requirements.

Banking Law of El Salvador

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

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

According to the Salvadorian Superintendency of Finance’s regulations, the reserve requirements for Salvadorian banks as of December 31, 2011 are:

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

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

An extraordinary reserve requirement of 3.0% over the total amount of deposits applicable to banks is in place as of December 31, 2011.

Monetary Integration Law of El Salvador

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

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

C. ORGANIZATIONAL STRUCTURE

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

The following is a list of subsidiaries of Bancolombia S.A. as of December 31, 2011:

SUBSIDIARIES

<i>Entity</i>	<i>Jurisdiction of Incorporation</i>	<i>Business</i>	<i>Shareholding directly and indirectly</i>	
Leasing Bancolombia S.A. Compañía de Financiamiento	Colombia	Leasing	100	%
Fiduciaria Bancolombia S.A. Sociedad Fiduciaria	Colombia	Trust	98.81	%
Banca de Inversión Bancolombia S.A. Corporación Financiera	Colombia	Investment Banking	100	%
Valores Bancolombia S.A. Comisionista de Bolsa	Colombia	Securities brokerage	100	%
Compañía de Financiamiento Tuya S.A.	Colombia	Financial services	99.99	%
Factoring Bancolombia S.A. Compañía de Financiamiento	Colombia	Financial services	100	%
Renting Colombia S.A.	Colombia	Operating leasing	100	%
Transportempo S.A.S.	Colombia	Transportation	100	%
Valores Simesa S.A.	Colombia	Investments	67.54	%
Inversiones CFNS S.A.S.	Colombia	Investments	100	%
CFNS Infraestructura S.A.S.	Colombia	Investments	100	%
Inmobiliaria Bancol S.A.	Colombia	Real estate broker	98.96	%
Todo 1 Colombia S.A.	Colombia	E-commerce	90.08	%
Vivayco S.A.S.	Colombia	Portfolio Purchase	75.00	%
Bancolombia Panamá S.A.	Panama	Banking	100	%
Valores Bancolombia Panamá S.A.	Panama	Securities brokerage	100	%
Suvalor Panamá Fondo de Inversión S.A.	Panama	Holding	100	%
Sistema de Inversiones y Negocios S.A. Sinesa	Panama	Investments	100	%
Banagrícola S.A.	Panama	Investments	99.16	%
Banco Agrícola S.A.	El Salvador	Banking	97.34	%
Aseguradora Suiza Salvadoreña S.A. Asesuisa ⁽¹⁾	El Salvador	Insurance company	96.08	%
Asesuisa Vida S.A. ⁽¹⁾	El Salvador	Insurance company	96.08	%
Arrendadora Financiera S.A. Arfinsa	El Salvador	Leasing	97.35	%
Credibac S.A. de C.V.	El Salvador	Credit card services	97.34	%
Bursabac S.A. de C.V.	El Salvador	Securities brokerage	98.89	%
Inversiones Financieras Banco Agrícola S.A. IFBA	El Salvador	Investments	98.89	%
Arrendamiento Operativo CIB S.A.C.	Peru	Operating leasing	100	%
Capital Investments SAFI S.A.	Peru	Trust	100	%
Fondo de Inversión en Arrendamiento Operativo Renting Perú	Peru	Car Rental	100	%
Leasing Perú S.A.	Peru	Leasing	100	%
FiduPerú S.A. Sociedad Fiduciaria	Peru	Trust	98.81	%
Bancolombia Puerto Rico Internacional, Inc.	Puerto Rico	Banking	100	%
Suleasing Internacional USA Inc.	USA	Leasing	100	%

Bancolombia Cayman S.A.	Cayman Islands	Banking	100	%
Banagrícola Guatemala S.A.	Guatemala	Outsourcing	98.97	%

(1) See Note 1 “Organization and Background”.

D. PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2011, the Bank owned COP 2,983.58 billion in property, plant and equipment (including assets that are part of our operating leasing business). COP 913.80 billion corresponds to land and buildings, of which approximately 95% are used for administrative offices and branches in 63 municipalities in Colombia and 25 municipalities in El Salvador. COP 237.64 billion correspond to computer equipment, of which 16.10% relate to the central computer and servers of Bancolombia and the rest relate to personal computers, ATMs, telecommunications equipment and other equipment. In 2011, the Bank has completed two construction projects and adaptation: “Nodo de Comunicaciones” and “Sede Alterna 1 y 2”.

In addition to its own branches, the Bank occupies 605 rented offices.

The Bank does not have any liens on its property.

E. SELECTED STATISTICAL INFORMATION

The following information is included for analytical purposes and should be read in conjunction with the Bank's consolidated financial statements as well as Item 5. Operating and Financial Review and Prospects. This information has been prepared based on the Bank's financial records, which are prepared in accordance with Colombian GAAP and do not reflect adjustments necessary to state the information in accordance with U.S. GAAP. See Note 31 to the Bank's consolidated financial statements as of December 31, 2011 included in this Annual Report for a summary of the significant differences between Colombian GAAP and U.S. GAAP.

The consolidated selected statistical information for the year ended December 31, 2008, includes the selected statistical information of Bancolombia and its subsidiaries, without reflecting any pro-forma calculation of the effect of Banagrícola's acquisition, while consolidated selected statistical information for the years ended December 31, 2009, December 31, 2010, and December 31, 2011 corresponds to the Bank and its Subsidiaries, including all additional subsidiaries acquired as a result of the Banagrícola acquisition.

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

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

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

Average balance sheet

The following tables show for the years ended December 31, 2011, 2010 and 2009, respectively: (i) average balances for all of the Bank's assets and liabilities; (ii) interest earned and interest paid amounts; and (iii) average nominal interest rates/yield for the Bank's interest-earning assets and interest-bearing liabilities.

Average Balance Sheet and Income from Interest-Earning Assets for the Fiscal Years Ended December 31,

	2011		2010		2009		Average Nominal Interest Rate	Interest Earned	Average Nominal Interest Rate
	Average Balance	Interest Earned	Average Nominal Interest Rate	Average Balance	Interest Earned	Average Balance				Interest Earned
(COP million, except percentages)									
ASSETS									
Interest-earning assets									
Overnight funds									
Peso-denominated U.S.	197,731	9,253	4.7 %	907,453	32,472	3.6 %	823,303	60,561	7.4 %
Dollar-denominated	555,502	9,567	1.7 %	478,224	9,526	2.0 %	1,155,871	15,612	1.4 %
Total	753,233	18,820	2.5 %	1,385,677	41,998	3.0 %	1,979,174	76,173	3.8 %
Investment securities									
Peso-denominated U.S.	7,292,601	638,401	8.8 %	6,381,602	422,866	6.9 %	5,461,175	647,324	11.9 %
Dollar-denominated	2,170,386	(12,842)	(0.6 %)	2,159,867	11,502	0.5 %	2,210,185	81,234	3.7 %
Total	9,462,987	625,559	6.6 %	8,541,469	454,368	5.3 %	7,671,360	728,558	9.5 %
Loans and Financial Leases ⁽¹⁾									
Peso-denominated U.S.	39,020,268	4,495,779	11.5 %	32,808,038	3,763,049	11.5 %	31,577,872	4,713,033	14.9 %
Dollar-denominated	14,053,540	805,436	5.7 %	10,361,466	701,225	6.8 %	11,457,889	909,934	7.9 %
Total	53,073,808	5,301,215	10.0 %	43,169,504	4,464,274	10.3 %	43,035,761	5,622,967	13.1 %
Total interest-earning assets									
Peso-denominated U.S.	46,510,600	5,143,433	11.1 %	40,097,093	4,238,387	10.6 %	37,862,350	5,420,918	14.3 %
Dollar-denominated	16,779,428	802,161	4.8 %	12,999,557	722,253	5.6 %	14,823,945	1,006,780	6.8 %
Total	63,290,028	5,945,594	9.4 %	53,096,650	4,960,640	9.3 %	52,686,295	6,427,698	12.2 %

Average Balance Sheet and Income from Interest-Earning Assets for the Fiscal Years Ended December 31,

	2011			2010			2009		
	Average Balance	Interest Earned	Average Nominal Interest Rate	Average Balance	Interest Earned	Average Nominal Interest Rate	Average Balance	Interest Earned	Average Nominal Interest Rate
(COP million, except percentages)									
Total non-interest-earning assets									
Peso-denominated	10,794,960			6,957,834			7,440,325		
U.S. Dollar-denominated	1,674,836			3,300,597			2,502,976		
Total	12,469,796			10,258,431			9,943,301		
Total interest and non-interest-earning assets									
Peso-denominated	57,305,560	5,143,433		47,054,927	4,238,387		45,302,675	5,420,918	
U.S. Dollar-denominated	18,454,264	802,161		16,300,154	722,253		17,326,921	1,006,780	
Total Assets (COP)	75,759,824	5,945,594		63,355,081	4,960,640		62,629,596	6,427,698	

(1) Includes performing loans only.

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

Ended December 31,

	2011			2010			2009		
	Average Balance	Interest Paid	Yield / Rate ⁽¹⁾	Average Balance	Interest Paid	Yield / Rate ⁽¹⁾	Average Balance	Interest Paid	Yield / Rate ⁽¹⁾
(COP million, except percentages)									
LIABILITIES AND STOCKHOLDERS' EQUITY									
Interest-bearing liabilities:									
Checking deposits									
Peso-denominated	1,133,887	27,648	2.4%	852,041	24,357	2.9%	625,108	19,729	3.2%
U.S. Dollar-denominated	1,761,949	12,278	0.7%	1,679,362	14,501	0.9%	1,729,212	23,482	1.4%
Total	2,895,836	39,926	1.4%	2,531,403	38,858	1.5%	2,354,320	43,211	1.8%

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Savings deposits									
Peso-denominated	17,804,695	465,477	2.6%	14,046,068	307,106	2.2%	11,919,042	431,126	3.6%
U.S.	2,423,260	13,965	0.6%	2,122,407	14,556	0.7%	2,154,381	19,739	0.9%
Dollar-denominated									
Total	20,227,955	479,442	2.4%	16,168,475	321,662	2.0%	14,073,423	450,865	3.2%
Time deposits									
Peso-denominated	11,069,415	547,775	4.9%	11,117,836	537,145	4.8%	13,080,400	1,099,678	8.4%
U.S.	5,720,138	142,682	2.5%	5,835,906	156,601	2.7%	7,402,123	276,889	3.7%
Dollar-denominated									
Total	16,789,553	690,457	4.1%	16,953,742	693,746	4.1%	20,482,523	1,376,567	6.7%
Overnight funds									
Peso-denominated	2,055,858	82,757	4.0%	1,457,443	38,867	2.7%	1,213,463	74,492	6.1%
U.S.	171,464	2,503	1.5%	119,075	1,584	1.3%	493,706	19,607	4.0%
Dollar-denominated									
Total	2,227,322	85,260	3.8%	1,576,518	40,451	2.6%	1,707,169	94,099	5.5%
Borrowings from development and other domestic banks ⁽²⁾									
Peso-denominated	2,746,976	157,471	5.7%	2,521,533	133,673	5.3%	2,889,261	244,644	8.5%
U.S.	61,949	2,438	3.9%	127,093	5,359	4.2%	437,439	8,198	1.9%
Dollar-denominated									
Total	2,808,925	159,909	5.7%	2,648,626	139,032	5.2%	3,326,700	252,842	7.6%
Interbank borrowings ^{(2) (3)}									
Peso-denominated	-	-	-	-	-	-	-	-	-
U.S.	2,949,935	45,840	1.6%	1,449,197	19,537	1.3%	1,270,413	47,650	3.8%
Dollar-denominated									
Total	2,949,935	45,840	1.6%	1,449,197	19,537	1.3%	1,270,413	47,650	3.8%
Long-term debt									
Peso-denominated	3,849,149	298,847	7.8%	2,759,345	209,542	7.6%	2,413,103	256,721	10.6%
U.S.	4,175,142	242,325	5.8%	1,952,604	108,753	5.6%	1,636,497	103,461	6.3%
Dollar-denominated									
Total	8,024,291	541,172	6.7%	4,711,949	318,295	6.8%	4,049,600	360,182	8.9%
Total interest-bearing liabilities									
Peso-denominated	38,659,980	1,579,975	4.1%	32,754,266	1,250,690	3.8%	32,140,377	2,126,390	6.6%
U.S.	17,263,837	462,031	2.7%	13,285,644	320,891	2.4%	15,123,771	499,026	3.3%
Dollar-denominated									
Total	55,923,817	2,042,006	3.7%	46,039,910	1,571,581	3.4%	47,264,148	2,625,416	5.6%
Total interest and non-interest bearing liabilities and stockholders' equity									

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

	2011		2010		2009			
	Average Balance	Interest Paid	Average Balance	Interest Paid	Yield / Rate ⁽¹⁾	Average Balance	Interest Paid	Yield / Rate ⁽¹⁾
	(COP million, except percentages)							
Peso-denominated	57,205,647	1,579,975	47,981,394	1,250,690		45,380,776	2,126,390	
U.S. Dollar-denominated	18,554,177	462,031	15,373,687	320,891		17,248,820	499,026	
Total Liabilities and Stockholders' Equity (COP)	75,759,824	2,042,006	63,355,081	1,571,581		62,629,596	2,625,416	

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

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

(3) Includes borrowings from banks located outside Colombia.

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

The following table allocates, by currency of denomination, changes in the Bank's net interest income to changes in average volume, changes in nominal rates and the net variance caused by changes in both average volume and nominal rate for the fiscal year ended December 31, 2011 compared to the fiscal year ended December 31, 2010; and the fiscal year ended December 31, 2010 compared to the fiscal year ended December 31, 2009. Volume and rate variances have been calculated based on movements in average balances over the period and changes in nominal interest rates on average interest-earning assets and average interest-bearing liabilities. Net changes attributable to changes in both volume and interest rate have been allocated to the change due to changes in volume.

2010-2011			2009-2010		
Increase (Decrease)			Increase (Decrease)		
Due To Changes in:			Due To Changes in:		
Volume	Rate	Net Change	Volume	Rate	Net Change
(COP million)					

Interest-earning assets:

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Overnight funds						
Peso-denominated	(33,212)	9,993	(23,219)	3,011	(31,100)	(28,089)
U.S. Dollar-denominated	1,331	(1,290)	41	(13,498)	7,412	(6,086)
Total	(31,881)	8,703	(23,178)	(10,487)	(23,688)	(34,175)
Investment securities						
Peso-denominated	79,750	115,785	195,535	63,875	(268,333)	(204,458)
U.S. Dollar-denominated	(62)	(24,282)	(24,344)	(268)	(69,464)	(69,732)
Total	79,688	91,503	171,191	63,607	(337,797)	(274,190)
Loans and financial leases						
Peso-denominated	715,751	16,979	732,730	141,099	(1,091,083)	(949,984)
U.S. Dollar-denominated	211,600	(107,389)	104,211	(74,202)	(134,507)	(208,709)
Total	927,351	(90,410)	836,941	66,897	(1,225,590)	(1,158,693)
Total interest-earning assets						
Peso-denominated	762,289	142,757	905,046	207,985	(1,390,516)	(1,182,531)
U.S. Dollar-denominated	212,869	(132,961)	79,908	(87,968)	(196,559)	(284,527)
Total	975,158	9,796	984,954	120,017	(1,587,075)	(1,467,058)
Interest-bearing liabilities:						
Checking deposits						
Peso-denominated	12,406	(4,487)	7,919	6,487	(1,859)	4,628
U.S. Dollar-denominated	228	(11,432)	(11,204)	(430)	(8,551)	(8,981)
Total	12,634	(15,919)	(3,285)	6,057	(10,410)	(4,353)
Savings deposits						
Peso-denominated	153,872	(119,521)	34,351	46,506	(170,526)	(124,020)
U.S. Dollar-denominated	1,550	(7,324)	(5,774)	(219)	(4,964)	(5,183)
Total	155,422	(126,845)	28,577	46,287	(175,490)	(129,203)
Time deposits						
Peso-denominated	(99,515)	(452,388)	(551,903)	(94,819)	(467,714)	(562,533)
U.S. Dollar-denominated	(41,955)	(92,252)	(134,207)	(42,028)	(78,260)	(120,288)
Total	(141,470)	(544,640)	(686,110)	(136,847)	(545,974)	(682,821)

	2010-2011			2009-2010		
	Increase (Decrease)			Increase (Decrease)		
	Due To Changes in:			Due To Changes in:		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(COP million)					
Overnight funds						
Peso-denominated	33,910	(25,645)	8,265	6,506	(42,131)	(35,625)
U.S. Dollar-denominated	(4,704)	(12,400)	(17,104)	(4,984)	(13,039)	(18,023)
Total	29,206	(38,045)	(8,839)	1,522	(55,170)	(53,648)
Borrowings from development and other domestic banks						
Peso-denominated	(8,157)	(79,016)	(87,173)	(19,494)	(91,477)	(110,971)
U.S. Dollar-denominated	(14,777)	9,017	(5,760)	(13,086)	10,247	(2,839)
Total	(22,934)	(69,999)	(92,933)	(32,580)	(81,230)	(113,810)
Interbank borrowings						
Peso-denominated	-	-	-	-	-	-
U.S. Dollar-denominated	26,099	(27,909)	(1,810)	2,410	(30,523)	(28,113)
Total	26,099	(27,909)	(1,810)	2,410	(30,523)	(28,113)
Long-term debt						
Peso-denominated	111,494	(69,368)	42,126	26,293	(73,472)	(47,179)
U.S. Dollar-denominated	147,343	(8,479)	138,864	17,606	(12,314)	5,292
Total	258,837	(77,847)	180,990	43,899	(85,786)	(41,887)
Total interest-bearing liabilities						
Peso-denominated	204,010	(750,425)	(546,415)	(28,521)	(847,179)	(875,700)
U.S. Dollar-denominated	113,784	(150,779)	(36,995)	(40,731)	(137,404)	(178,135)
Total (COP)	317,794	(901,204)	(583,410)	(69,252)	(984,583)	(1,053,835)

INTEREST-EARNING ASSETS — NET INTEREST MARGIN AND SPREAD

The following table presents the levels of average interest-earning assets and net interest income of the Bank and illustrates the comparative net interest margin and interest spread obtained for the fiscal years ended December 31, 2011, 2010 and 2009, respectively.

	Interest-Earning Assets Yield For the Fiscal		
	Year Ended December 31,		
	2011	2010	2009
	(COP million, except percentages)		
Total average interest-earning assets			
Peso-denominated	46,510,600	40,097,093	37,862,350
U.S. Dollar-denominated	16,779,428	12,999,557	14,823,945
Total	63,290,028	53,096,650	52,686,295

Net interest earned ⁽¹⁾					
Peso-denominated	3,563,458		2,987,697		3,294,528
U.S. Dollar-denominated	340,130		401,362		507,754
Total	3,903,588		3,389,059		3,802,282
Average yield on interest-earning assets					
Peso-denominated	11.1	%	10.6	%	14.3
U.S. Dollar-denominated	4.8	%	5.6	%	6.8
Total	9.4	%	9.3	%	12.2
Net interest margin ⁽²⁾					
Peso-denominated	7.7	%	7.5	%	8.7
U.S. Dollar-denominated	2.0	%	3.1	%	3.4
Total	6.2	%	6.4	%	7.2
Interest spread ⁽³⁾					
Peso-denominated	7.0	%	6.8	%	7.7
U.S. Dollar-denominated	2.1	%	3.1	%	3.5
Total	5.7	%	5.9	%	6.6

(1) Net interest earned is interest income less interest accrued and includes interest earned on investments.

(2) Net interest margin is net interest income divided by total average interest-earning assets.

(3) Interest spread is the difference between the average yield on interest-earning assets and the average rate accrued on interest-bearing liabilities.

E.2.

INVESTMENT PORTFOLIO

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

The Superintendency of Finance requires investments to be classified as “trading”, “available for sale” or “held to maturity”. Trading investments are those acquired primarily to obtain profits from fluctuations in short-term prices and are recorded at market value. The difference between current and previous market value is added to or subtracted from the value of the investment and credited or charged to earnings. “Available for sale” investments are those held for at least one year and are recorded at market value with changes to the values of these securities recorded in a separate account in the equity section. “Held to maturity” investments are those acquired to be held until maturity and are valued at amortized cost.

As of December 31, 2011, Bancolombia’s investment portfolio had a value of COP 9,184 billion.

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

Long-Term Classification Maximum Face Value (%)

BB+, BB, BB-	Ninety (90)
B+, B, B-	Seventy (70)
CCC	Fifty (50)
DD, EE	Zero (0)

Short-Term Classification Maximum Face Value (%)

3	Ninety (90)
4	Fifty (50)
5 and 6	Zero (0)

Internal or external debt securities issued or guaranteed by the Republic of Colombia, as well as those issued by the Central Bank and those issued or guaranteed by Fogafin, are not subject to this adjustment.

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

	As of December 31,		
	2011⁽¹⁾⁽²⁾	2010⁽¹⁾⁽²⁾	2009⁽¹⁾⁽²⁾
	(COP million)		
Foreign currency-denominated			
Securities issued or secured by the Colombian government	COP 200,600	COP 111,482	COP 206,806
Securities issued or secured by the El Salvador Central Bank	685,853	751,689	811,012
Securities issued or secured by government entities ⁽³⁾	72,275	91,798	117,818
Securities issued or secured by other financial entities	321,765	262,361	93,371
Securities issued by foreign governments	484,272	522,599	717,640
Others ⁽⁴⁾	212,259	184,800	171,925
Subtotal	1,977,024	1,924,729	2,118,572
Peso-denominated			
Securities issued or secured by the Colombian government	3,405,746	2,157,162	3,183,274
Securities issued or secured by government entities	1,191,753	1,011,385	854,620
Securities issued or secured by financial entities	2,534,782	2,969,900	2,143,165
Others ⁽⁴⁾	75,051	117,909	82,313
Subtotal	7,207,332	6,256,356	6,263,372
Total	COP9,184,356	COP8,181,085	COP8,381,944

(1) Includes debt securities only. Net investments in equity securities were COP 773,835 million, COP 494,678 million and COP 532,969 million for 2011, 2010 and 2009.

(2) These amounts are net of allowances for decline in value which were COP 16,854 million for 2011, COP 45,726 million for 2010 and COP 54,300 million for 2009.

This amount includes investments in fiduciary certificates of participation. These certificates were issued for the Environmental Trust for the conservation of the Coffee Forest (Fideicomiso Ambiental para la Conservación del Bosque Cafetero “FICAFE”). This trust was formed with the transfer of the coffee sector’s loan portfolio by a number (3) of banks in El Salvador, including Banco Agrícola. The purpose of this transaction was to carry out the restructuring of those loans, promoted by the government of El Salvador. The Bank has recognized an allowance related to probable losses inherent in the FICAFE investment in an amount of COP 41,926 and COP 49,320 at December 31, 2011 and 2010, respectively.

(4) Includes debt securities in corporate bonds.

As of December 31, 2011, 2010 and 2009 Bancolombia held securities issued by foreign governments in the following amounts:

As of December 31,	<i>Issuer</i>	<i>Investment Amount–Book Value (in millions of pesos)⁽¹⁾</i>	<i>Investment Amount–Book Value (thousands of U.S. dollars)^{(1) (2)}</i>
2011	Republic of El Salvador	COP 310,088	USD 159,617
	U.S. Treasury	COP 113,335	USD 58,339
	Republic of Brazil	COP 46,063	USD 23,711
	Republic of Panama	COP 11,193	USD 5,761
	Republic of Peru	COP 10,406	USD 5,357
	Republic of Chile	COP 171	USD 88
2010	Republic of El Salvador	COP 335,402	USD 175,238
	U.S. Treasury	COP 99,567	USD 52,021
	Republic of Brazil	COP 68,294	USD 35,682
	Republic of Panama	COP 43,446	USD 22,699
	Republic of Peru	COP 10,720	USD 5,601
	Republic of Chile	COP 153	USD 80
2009	Republic of El Salvador	COP 357,939	USD 175,097
	U.S. Treasury	COP 137,798	USD 67,408
	Republic of Brazil	COP 172,676	USD 84,470
	Republic of Panama	COP 74,818	USD 36,599
	Republic of Peru	COP 6,804	USD 3,329

(1)

These amounts are not net of allowances for decline in value which were COP 6,983 million (USD 3,6 million) for 2011, COP 34,983 million (USD 18 million) for 2010 and COP 32,395 million (USD 15,8 million) for 2009.

These amounts have been translated at the rate of COP 1,942.70 per USD 1.00 at December 2011, COP 1,913.98 (2) per USD 1.00 at December 2010 and COP 2,044.23 per USD 1.00 at December 2009, which corresponds to the Representative Market Rate, calculated on December 31, the last business day of the year.

As of December 31, 2011, the Bank's peso-denominated debt securities portfolio amounted to COP 7,207 billion, reflecting a 15% increase compared to the level at December 31, 2010. The increase resulted mainly from an increase in holdings of securities issued by the Colombian government. Peso-denominated debt securities issued by the Colombian government represented 47% of the Bank's peso-denominated debt securities portfolio in 2011.

On the other hand, as of December 31, 2011, Bancolombia's held securities issued by foreign governments amounted to COP 484 billion (net of allowances for decline in value), decreasing 12% compared to the end of 2010. This variation is primarily explained by a reduction in the Bank's position in Panama and Brazilian sovereign bonds.

INVESTMENT SECURITIES PORTFOLIO MATURITY

The following table summarizes the maturities and weighted average nominal yields of the Bank's investment securities as of December 31, 2011:

	As of December 31, 2011									
	Maturing in less than 1 year		Maturing between 1 and 5 years		Maturing between 5 and 10 years		Maturing in more than 10 years		Total	
	Balance ⁽¹⁾	Yield % ⁽²⁾	Balance ⁽¹⁾	Yield % ⁽²⁾	Balance ⁽¹⁾	Yield % ⁽²⁾	Balance ⁽¹⁾	Yield % ⁽²⁾	Balance ⁽¹⁾	Yield % ⁽²⁾
(COP million, except yields)										
Securities issued or secured by:										
Foreign currency-denominated:										
Colombian government	143,022	1.31 %	44,692	4.17 %	12,190	3.48 %	698	6.11 %	200,602	2.81 %
El Salvador Central Bank	608,124	0.24 %	77,729	2.55 %	-	-	-	-	685,853	0.24 %
Other government entities	-	-	8,144	3.11 %	17,413	3.76 %	46,718	3.99 %	72,275	3.11 %
Other financial entities	69,153	2.57 %	143,389	4.13 %	107,203	5.31 %	2,019	6.99 %	321,764	4.13 %
Foreign governments	332,086	1.95 %	37,582	1.13 %	77,138	4.66 %	37,466	6.51 %	484,272	2.13 %
Others	12,432	1.88 %	101,172	7.19 %	98,654	5.71 %	-	-	212,258	6.19 %
Subtotal	1,164,817	1.02 %	412,708	4.29 %	312,598	5.12 %	86,901	5.16 %	1,977,024	2.81 %
Securities issued or secured by:										
Peso-denominated										
Colombian government	626,148	5.06 %	2,034,837	6.10 %	56,985	7.69 %	86,469	7.63 %	2,804,439	5.06 %
Government entities	1,186,643	1.06 %	5,110	6.45 %	-	-	-	-	1,191,753	1.06 %
Other financial entities	98,390	5.66 %	440,456	6.66 %	699,253	6.10 %	887,491	11.66 %	2,125,590	6.66 %
Others	7,370	5.99 %	40,497	7.90 %	27,184	7.94 %	-	-	75,051	7.90 %
Subtotal	1,918,551	2.62 %	2,520,900	6.23 %	783,422	6.28 %	973,960	11.30 %	6,196,833	5.06 %
Securities issued or secured by:										
UVR-denominated										
Colombian Government	113,428	0.16 %	472,410	0.80 %	3,410	2.94 %	12,059	3.50 %	601,307	0.16 %
Other financial entities	-	-	24,420	4.35 %	291,944	3.96 %	92,828	8.19 %	409,192	4.35 %
Subtotal	113,428	0.16 %	496,830	0.97 %	295,354	3.95 %	104,887	7.65 %	1,010,499	0.97 %
Total (COP)	3,196,796		3,430,438		1,391,374		1,165,748		9,184,356	

- (1) Amounts are net of allowances for decline in value which amounted to COP 16,854 million in 2011.
 (2) Yield was calculated using the internal return rate (IRR) as of December 31, 2011.

As of December 31, 2011, the Bank had the following investments in securities of issuers that exceeded 10% of the Bank's stockholders' equity:

	Issuer	Amortized Cost	Fair value
	<i>(COP million)</i>		
Securities issued or secured by:			
Colombian government	Ministry of Finance	COP3,601,992	COP 3,581,214
Other financial entities	Titularizadora Colombiana	1,950,391	1,933,209
Government entities	FINAGRO	1,183,497	1,165,694
Total		COP6,735,880	COP 6,680,117

E.3.

LOAN PORTFOLIO

Types of loans

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

	As of December 31,				
	2011	2010	2009	2008	2007
	(COP million)				
Domestic					
Corporate					
Trade financing	2,338,728	1,704,673	623,084	640,033	845,810
Loans funded by development banks	252,891	300,459	485,754	970,456	842,957
Working capital loans	22,234,866	18,360,582	15,003,979	15,524,940	13,320,319
Credit cards	30,552	31,297	26,947	33,039	36,613
Overdrafts	66,454	38,563	45,072	55,796	50,536
Total corporate	24,923,491	20,435,574	16,184,836	17,224,264	15,096,235
Retail⁽¹⁾					
Credit cards	3,161,273	2,477,808	2,198,127	2,317,178	1,855,999
Personal loans	4,222,015	2,890,095	2,060,776	2,369,852	2,305,390
Vehicle loans	1,991,909	1,332,175	1,218,299	1,314,685	1,305,685
Overdrafts	168,865	156,244	168,760	208,123	195,063
Loans funded by development banks	676,985	667,299	792,437	887,978	713,007
Trade financing	69,210	27,547	48,955	98,344	93,037
Working capital loans	6,330,371	4,702,240	4,346,213	4,125,358	3,715,945
Total retail	16,620,628	12,253,408	10,833,567	11,321,518	10,184,126
Financial Leases	6,977,454	5,737,473	5,390,937	5,406,712	4,698,702
Mortgage	4,017,855	2,516,376	2,556,810	2,313,864	1,930,742
Total loans and leases	52,539,428	40,942,831	34,966,150	36,266,358	31,909,805
Allowance for loan losses	(2,455,141)	(2,160,119)	(2,115,161)	(1,810,577)	(1,251,561)
Total loans, net (COP)	50,084,287	38,782,712	32,850,989	34,455,781	30,658,244
Foreign					
Corporate					
Trade financing	1,889,668	1,192,349	551,211	1,128,931	313,736
Loans funded by development banks	11,104	18,874	41,969	52,308	39,758
Working capital loans	4,001,695	3,644,287	3,509,893	3,807,352	2,779,180
Credit cards	16,817	6,712	8,462	9,327	6,546
Overdrafts	29,380	5,190	5,530	7,712	8,610

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Total corporate	5,948,664	4,867,412	4,117,065	5,005,630	3,147,830
Retail⁽¹⁾					
Credit cards	168,061	156,895	190,932	201,813	164,612
Personal loans	1,597,624	1,649,853	1,713,992	1,917,663	1,473,168
Vehicle loans	1,905	2,705	3,718	5,724	6,711
Overdrafts	18,248	18,449	19,853	21,089	22,943
Loans funded by development banks	16,718	12,143	9,410	8,304	6,204
Trade financing	17,585	7,516	4,343	25,482	4,941
Working capital loans	63,025	20,705	24,833	13,015	13,399
Total retail	1,883,166	1,868,266	1,967,081	2,193,090	1,691,978
Financial Leases	194,357	96,076	79,064	100,030	125
Mortgage	822,813	826,505	912,614	1,077,462	952,886
Total loans and leases	8,849,000	7,658,259	7,075,824	8,376,212	5,792,819
Allowance for loan losses	(357,441)	(349,094)	(316,506)	(323,783)	(205,590)
Total loans, net (COP)	8,491,559	7,309,165	6,759,318	8,052,429	5,587,229
Total Foreign and Domestic Loans (COP)	58,575,846	46,091,877	39,610,307	42,508,210	36,245,473

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

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

As of December 31, 2011, the Bank's total loan portfolio amounted to COP 61,388 billion, up 26% as compared to COP 48,601 billion in 2010, and 46% higher than the COP 42,042 billion at the end of 2009. Loan volume performance during 2011, is primarily explained by the significantly increased economic activity in Colombia, which led individuals and corporations to demand more credit. For further discussion of some of these trends please see "Item 5. Operating and Financial Review and Prospects – D. Trend information".

As of December 31, 2011, corporate loans amounted to COP 30,872 billion, or 50% of loans, and increased 22% from COP 25,303 at the end of 2010.

Retail and SMEs (Small and Medium Sized Enterprises) loans totaled COP 18,504 billion, or 30% of total loans, of which COP 9,149 billion were consumer loans (15% of total loans). Retail and SMEs loans increased 31% over the year.

Financial leases totaled COP 7,172 billion as of the end of 2011, up 23% from COP 5,834 billion at the end of 2010.

Mortgage lending activity was dynamic during 2011, driven mainly by the Colombian government's housing subsidy program that was implemented in April 2009 as well as by lower long-term interest rates in Colombia. Taking into account securitized loans, mortgage loans increased 18% over the year. At the end of 2011, Bancolombia had COP 2,741 billion in securitized mortgages, compared to COP 3.104 billion at the end of 2010.

Borrowing Relationships

As of December 31, 2011, the aggregate outstanding principal amount of the Bank's 25 largest borrowing relationships, on a consolidated basis, represented approximately 14.93% of the loan portfolio, and no single borrowing relationship represented more than 1.76% of the loan book. Also, 100% of those loans were corporate loans and 100% of these relationships were classified as "A".

Maturity and Interest Rate Sensitivity of Loans

The following table shows the maturities of the Bank's loan portfolio as of December 31, 2011:

	Due in one year or less <i>(COP million)</i>	Due from one to five years	Due after five years	Total
Domestic loans and financial leases:				
Corporate				
Trade financing	2,001,347	209,514	127,867	2,338,728
Loans funded by development banks	49,181	91,585	112,125	252,891
Working capital loans	7,339,229	8,457,031	6,438,606	22,234,866
Credit cards	4,686	24,175	1,691	30,552
Overdrafts	66,454	-	-	66,454
Total corporate	9,460,897	8,782,305	6,680,289	24,923,491
Retail				
Credit cards	820,415	2,242,738	98,120	3,161,273
Personal loans	322,163	3,821,977	77,875	4,222,015
Vehicle loans	85,105	1,219,715	687,089	1,991,909
Overdrafts	168,865	-	-	168,865
Loans funded by development banks	58,441	472,589	145,955	676,985
Trade financing	68,162	1,048	-	69,210
Working capital loans	1,694,842	3,964,160	671,369	6,330,371
Total retail	3,217,993	11,722,227	1,680,408	16,620,628
Financial leases	327,615	3,740,348	2,909,491	6,977,454
Mortgage	62,052	169,884	3,785,919	4,017,855
Total domestic loans and financial leases	13,068,557	24,414,764	15,056,107	52,539,428
Foreign loans and financial leases:				
Corporate				
Trade financing	542,641	245,510	1,101,517	1,889,668
Loans funded by development banks	29	2,083	8,992	11,104
Working capital loans	1,079,273	1,574,443	1,347,979	4,001,695
Credit cards	29	16,788	-	16,817
Overdrafts	28,177	1,203	-	29,380
Total corporate	1,650,149	1,840,027	2,458,488	5,948,664
Retail				
Credit cards	401	167,569	91	168,061
Personal loans	58,048	510,286	1,029,290	1,597,624
Vehicle loans	95	1,611	199	1,905

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Overdrafts	18,248	-	-	18,248
Loans funded by development banks	80	3,004	13,634	16,718
Trade financing	2,464	5,843	9,278	17,585
Working capital loans	14,140	34,537	14,348	63,025
Total retail	93,476	722,850	1,066,840	1,883,166
Financial leases	36,600	124,606	33,151	194,357
Mortgage	1,954	39,456	781,403	822,813
Foreign loans and financial leases	1,782,179	2,726,939	4,339,882	8,849,000
Total loans (COP million)	14,850,736	27,141,703	19,395,989	61,388,428

The following table shows the interest rate sensitivity of the Bank's loan portfolio due after one year and within one year or less as of December 31, 2011:

	As of December 31, 2011 (COP million)
Loans with term of 1 year or more:	
Variable Rate	
Domestic-denominated	COP32,081,926
Foreign-denominated	5,342,843
Total	37,424,769
Fixed Rate	
Domestic-denominated	7,388,945
Foreign-denominated	1,723,978
Total	9,112,923
Loans with terms of less than 1 year:	
Domestic-denominated	13,068,557
Foreign-denominated	1,782,179
Total	14,850,736
Total loans	COP61,388,428

Loans by Economic Activity

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

	As of December 31,											
	2011	%	2010	%	2009	%	2008	%	2007	%		%
	<i>(COP million, except percentages)</i>											
Domestic												
Agricultural	2,102,923	4.0 %	1,810,415	4.4 %	1,625,790	4.6 %	1,691,697	4.7 %	1,453,047	4.6 %		
Mining products and oil	1,583,513	3.0 %	1,863,052	4.6 %	1,193,712	3.4 %	521,249	1.4 %	496,296	1.6 %		
Food, beverage and tobacco	1,710,015	3.3 %	2,922,405	7.1 %	2,243,064	6.4 %	2,264,246	6.2 %	1,799,891	5.6 %		
Chemical production	2,464,222	4.7 %	2,727,045	6.7 %	1,310,495	3.7 %	1,790,731	4.9 %	1,145,943	3.6 %		
Other industrial and manufacturing products	3,993,961	7.6 %	3,124,519	7.6 %	3,396,188	9.7 %	4,132,049	11.4 %	5,032,310	15.3 %		
Government	1,223,563	2.3 %	1,310,226	3.2 %	1,234,824	3.5 %	659,800	1.8 %	772,539	2.4 %		
Construction	6,199,270	11.8 %	4,092,951	10.0 %	3,520,673	10.2 %	3,422,564	9.4 %	2,325,378	7.2 %		
Trade and tourism	8,439,099	16.1 %	5,614,774	13.7 %	5,471,749	15.7 %	6,216,359	17.2 %	3,919,082	12.3 %		
Transportation and communications	3,432,027	6.5 %	2,803,387	6.9 %	2,544,050	7.3 %	2,426,608	6.7 %	2,262,124	7.1 %		
Public services	2,028,122	3.9 %	2,220,108	5.4 %	1,659,742	4.7 %	836,298	2.3 %	1,266,250	4.0 %		
Consumer services	13,613,317	25.9 %	9,353,171	22.8 %	7,916,772	22.7 %	8,709,958	24.1 %	8,070,250	25.3 %		
Commercial services	5,749,396	10.9 %	3,100,778	7.6 %	2,849,091	8.1 %	3,594,799	9.9 %	3,366,695	10.5 %		
Total loans domestic (COP)	52,539,428	100 %	40,942,831	100 %	34,966,150	100 %	36,266,358	100 %	31,909,805	100 %		
Foreign												
Agricultural	272,334	3.0 %	327,430	4.3 %	301,866	4.3 %	248,631	3.0 %	242,404	4.2 %		
Mining products and oil	265,689	3.0 %	133,052	1.7 %	176,042	2.5 %	189,743	2.3 %	215,540	3.7 %		
Food, beverage and												

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Tobacco	150,692	1.7 %	138,252	1.8 %	118,092	1.7 %	232,410	2.8 %	200,439	3.5
Chemical production	24,197	0.3 %	12,850	0.2 %	51,173	0.7 %	95,552	1.1 %	67,425	1.2
Other industrial and Manufacturing products	2,147,936	24.3 %	1,836,483	24.0 %	1,586,708	22.4 %	2,426,601	29.0 %	526,061	9.1
Government	92	0.0 %	4	0.0 %	-	-	-	-	-	-
Construction	1,281,568	14.5 %	1,231,658	16.1 %	1,375,521	19.4 %	442,021	5.2 %	354,903	6.0
Trade and tourism	595,938	6.7 %	594,213	7.8 %	613,928	8.7 %	751,364	9.0 %	794,335	13.1
Transportation and Communications	136,281	1.5 %	149,698	2.0 %	291,613	4.1 %	117,356	1.4 %	78,014	1.4
Public services	402,896	4.6 %	514,250	6.7 %	256,307	3.6 %	275,812	3.3 %	248,345	4.3
Consumer services	1,839,468	20.8 %	1,946,188	25.4 %	1,971,723	27.9 %	3,202,212	38.2 %	2,494,456	43.1
Commercial services	1,731,909	19.6 %	774,181	10.0 %	332,851	4.7 %	394,510	4.7 %	570,897	9.9
Total loans foreign (COP)	8,849,000	100 %	7,658,259	100 %	7,075,824	100 %	8,376,212	100 %	5,792,819	100
Total Foreign and Domestic Loans (COP)	61,388,428	100 %	48,601,090	100 %	42,041,974	100 %	44,642,570	100 %	37,702,624	100

Credit Categories

For the purpose of credit risk evaluation, loans and financial lease contracts are classified as follows:

Mortgage Loans: These are loans, regardless of value, granted to individuals for the purchase of new or used housing or to build a home, all in accordance with Law 546 of 1999. These loans include loans denominated in UVR or local currency that are guaranteed by a senior mortgage on the property and that are financed with a total repayment term of 5 to 30 years.

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

Small Business Loans: These are issued for the purpose of encouraging the activities of small business and are subject to the following requirements: (i) the maximum amount to be lent is equal to twenty-five (25) SMMLV and at any time the balance of any single borrower may not exceed such amount (as stipulated in Article 39 of Law 590 of 2000) and the main source of payment for the corresponding obligation shall be the revenues obtained from activities

of the borrower's micro business. The balance of indebtedness on the part of the borrower may not exceed 120 SMMLV, as applicable, at the moment the credit is approved.

Commercial Loans: Commercial loans are loans and financial leases that are granted to individuals or companies in order to carry out organized economic activities; and not classified as small business loans.

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

	Loan Portfolio by Type of Loan				
	As of December 31,				
	2011	2010	2009	2008	2007
	(COP million)				
Commercial Loans	38,212,997	30,992,403	26,011,915	28,068,731	23,397,058
Consumer Loans	10,846,046	8,177,175	6,888,615	7,532,649	6,593,211
Small Business Loans	316,906	255,082	202,019	143,122	129,900
Financial Leases	7,171,811	5,833,549	5,470,001	5,506,742	4,698,827
Mortgage	4,840,668	3,342,881	3,469,424	3,391,326	2,883,628
Total Loans and Financial Leases	61,388,428	48,601,090	42,041,974	44,642,570	37,702,624
Allowance for Loans and Financial Lease Losses	2,812,582	2,509,213	2,431,667	2,134,360	1,457,151
Total Loans and Financial Leases, Net (COP)	58,575,846	46,091,877	39,610,307	42,508,210	36,245,473

Risk categories

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

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

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

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

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

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

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

	As of December 31,											
	2011	%	2010	%	2009	%	2008	%	2007	%		%
	(COP million, except percentages)											
“A” Normal	57,095,160	93.0 %	44,914,187	92.4 %	38,180,628	90.8 %	40,650,096	91.0 %	35,397,503	93.9 %		
“B” Subnormal	1,946,067	3.2 %	1,588,798	3.3 %	1,711,661	4.1 %	2,216,832	5.0 %	1,135,022	3.0 %		
“C” Deficient	913,893	1.4 %	606,901	1.2 %	703,053	1.7 %	576,557	1.3 %	300,085	0.8 %		
“D” Doubtful Recover	848,682	1.4 %	1,014,289	2.1 %	1,105,442	2.6 %	871,892	2.0 %	604,034	1.6 %		
“E” Unrecoverable	584,626	1.0 %	476,915	1.0 %	341,190	0.8 %	327,193	0.7 %	265,980	0.7 %		

	As of December 31,									
	2011	%	2010	%	2009	%	2008	%	2007	%
	(COP million, except percentages)									
Total loans and financial leases	61,388,428	100%	48,601,090	100%	42,041,974	100%	44,642,570	100%	37,702,624	100%
Loans classified as "C", "D" and "E" as a percentage of total loans	3.8	%	4.3	%	5.1	%	4.0	%	3.1	%

Suspension of Accruals

The Superintendency of Finance established that interest, UVR, lease payments and other items of income cease to be accrued in the statement of operations and begin to be recorded in memorandum accounts until effective payment is collected, after a loan is in arrears for more than a certain time:

Type of loan and financial lease	Arrears in excess of:
Mortgage	2 months
Consumer	2 months
Small Business loans	1 month
Commercial	3 months

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

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

The following table sets forth the breakdown of the non-performing past-due loans by type of loan in accordance with the criteria of the Superintendency of Finance for domestic and for foreign loans at the end of each period:

	As of December 31,									
	2011	%	2010	%	2009	%	2008	%	2007	%
	(COP million, except percentages)									
Performing past-due loans: ⁽¹⁾										
Consumer loans ⁽²⁾	107,790	26.3 %	117,787	25.2 %	141,813	23.7 %	150,762	22.4 %	131,824	23.1 %
Commercial loans ⁽³⁾	152,297	37.1 %	197,895	42.4 %	254,923	42.5 %	323,185	48.0 %	164,163	28.2 %
Mortgage loans ⁽⁴⁾	110,474	26.9 %	107,639	23.0 %	115,611	19.3 %	100,785	15.0 %	81,523	14.1 %
Financial leases ⁽⁵⁾	39,591	9.7 %	43,819	9.4 %	87,202	14.5 %	98,644	14.6 %	61,055	10.6 %
Total perf. PDLs	410,152	100 %	467,140	100 %	599,549	100 %	673,376	100 %	438,565	100 %
Non-performing PDLs:										
Consumer loans ⁽⁶⁾	245,077	26.4 %	180,668	19.5 %	231,790	22.6 %	296,153	31.2 %	234,659	23.1 %
Small business loans ⁽⁷⁾	27,319	2.9 %	22,193	2.4 %	17,250	1.7 %	17,600	1.9 %	14,630	1.5 %
Commercial loans ⁽⁸⁾	365,910	39.3 %	450,161	48.5 %	488,248	47.5 %	387,571	40.7 %	233,883	23.1 %
Mortgage loans ⁽⁹⁾	206,730	22.3 %	195,631	21.1 %	197,323	19.2 %	184,597	19.4 %	124,251	12.6 %
Financial leases ⁽¹⁰⁾	85,504	9.1 %	80,106	8.5 %	93,101	9.0 %	64,708	6.8 %	58,945	6.0 %
Total non-perf. PDLs	930,540	100 %	928,759	100 %	1,027,712	100 %	950,629	100 %	666,368	100 %
Total PDLs (COP)	1,340,692		1,395,899		1,627,261		1,624,005		1,104,933	
Total non-perf. PDLs	930,540		928,759		1,027,712		950,629		666,368	
Foreclosed assets	231,066		257,603		250,976		204,480		234,116	
Other accounts receivable (overdue > 180)	20,645		19,190		33,800		34,486		38,182	

days)					
Total non performing assets (COP)	1,182,251	1,205,552	1,312,488	1,189,595	938,666
Allowance for loan losses	(2,812,582)	(2,509,213)	(2,431,667)	(2,134,360)	(1,457,151)
Allowance for estimated losses on foreclosed assets	(177,872)	(187,326)	(170,308)	(179,827)	(201,822)
Allowance for accounts receivable and accrued interest losses	(105,521)	(111,848)	(124,916)	(114,009)	(69,956)
PDLs/ Total loans	2.2 %	2.9 %	3.9 %	3.6 %	
Allowance for loan losses/ PDLs	209.8%	179.8%	149.4%	131.4%	
Allowance for loan losses/ Loans classified as "C", "D" and "E"	119.8%	119.6%	113.1%	120.2%	
Perf. Loans/Total loans	98.5 %	98.1 %	97.6 %	97.9 %	

(1) Performing past-due loans are loans upon which the Bank continues to recognize income although interest has not been received for the periods indicated.

(2) Past-due from 31 to 60 days.

(3) Past-due from 31 to 90 days.

(4) Past-due from 31 to 60 days.

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

(6) Past-due more than 60 days.

(7) Past-due more than 30 days.

(8) Past-due more than 90 days.

(9) Past-due more than 60 days.

(10) The Consumer financial leases are more than 60 days and the commercial financial leases are more than 90 days.

The following table sets forth the breakdown of the non-performing past-due loans by type of loan in accordance with the criteria of the Superintendency of Finance for domestic and for foreign loans at the end of each period:

Non-performing past-due loans:	As of December 31,				
	2011	2010	2009	2008	2007
Consumer loans⁽¹⁾					
Domestic	COP199,276	COP124,149	COP169,357	COP243,487	COP204,739
Foreign	45,801	56,519	62,433	52,666	29,920
Total Consumer Loans	245,077	180,668	231,790	296,153	234,659
Small Business loans⁽²⁾					
Domestic	22,866	20,602	15,025	15,583	12,888
Foreign	4,453	1,591	2,225	2,017	1,742
Total Small Business Loans	27,319	22,193	17,250	17,600	14,630
Commercial loans⁽³⁾					
Domestic	312,950	378,380	430,695	336,958	192,457
Foreign	52,960	71,781	57,553	50,613	41,426
Total Commercial Loans	365,910	450,161	488,248	387,571	233,883
Mortgage loans⁽⁴⁾					
Domestic	164,808	151,975	159,697	161,284	105,516
Foreign	41,922	43,656	37,626	23,313	18,735
Total Mortgage Loans	206,730	195,631	197,323	184,597	124,251
Financial leases⁽⁵⁾					
Domestic	85,504	80,106	93,100	63,160	58,902
Foreign	-	-	1	1,548	43

	As of December 31,				
Non-performing past-due loans:	2011	2010	2009	2008	2007
Total Financial leases	85,504	80,106	93,101	64,708	58,945
Total non-perf. PDLs (domestic)	785,404	755,212	867,874	820,472	574,502
Total non-perf. PDLs (foreign)	145,136	173,547	159,838	130,157	91,866
Total non-perf. PDLs	COP930,540	COP928,759	COP1,027,712	COP950,629	COP666,368

(1) Past-due more than 60 days.

(2) Past-due more than 30 days.

(3) Past-due more than 90 days.

(4) Past-due more than 60 days.

(5) Past-due financial leases includes consumer financial leases that are more than 60 days past-due and commercial financial leases that are more than 90 days past-due.

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

	As of December 31,									
	2011	%	2010	%	2009	%	2008	%	2007	%
	(COP million, except percentages)									
Domestic Corporate										
Trade financing	1,140	0.1 %	1,685	0.2 %	3,945	0.3 %	2,472	0.2 %	9,073	1.0 %
Loans funded by development banks	20,270	1.8 %	22,497	1.9 %	13,933	1.0 %	22,125	1.6 %	6,710	0.7 %
Working capital loans	110,121	9.6 %	189,833	16.4 %	154,071	11.2 %	150,795	11.1 %	101,613	10.8 %
Credit cards	417	0.0 %	351	0.0 %	376	0.0 %	456	0.0 %	377	0.0 %
Overdrafts	1,125	0.1 %	1,975	0.2 %	2,781	0.2 %	3,032	0.2 %	1,835	0.2 %
Total corporate	133,073	11.6 %	216,341	18.7 %	175,106	12.7 %	178,880	13.1 %	119,608	12.7 %
Retail										
Credit cards	151,078	13.2 %	137,649	11.9 %	163,924	11.9 %	172,409	12.7 %	144,621	15.3 %

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Personal loans	95,678	8.3 %	62,392	5.4 %	86,358	6.3 %	144,336	10.6%	128,954	13.7%
Vehicle loans	72,954	6.4 %	68,194	5.9 %	117,601	8.6 %	142,336	10.5%	74,379	7.9 %
Overdrafts	15,285	1.3 %	15,368	1.3 %	20,106	1.5 %	33,277	2.5 %	27,932	3.0 %
Loans funded by development banks	33,666	2.9 %	31,752	2.7 %	30,733	2.2 %	33,530	2.5 %	21,168	2.2 %
Trade financing	732	0.1 %	947	0.1 %	961	0.1 %	8,169	0.6 %	3,213	0.3 %
Working capital loans	263,968	23.0%	272,522	23.5%	353,744	25.7%	287,587	21.2%	139,307	14.8%
Total retail	633,361	55.2%	588,824	50.8%	773,427	56.3%	821,644	60.6%	539,574	57.2%
Financial Leases	125,094	10.8%	123,925	10.7%	179,632	13.1%	155,678	11.5%	119,956	12.7%
Mortgage	256,624	22.4%	230,018	19.8%	246,277	17.9%	201,186	14.8%	164,901	17.5%
Total past-due loans (COP)	1,148,152	100 %	1,159,108	100 %	1,374,442	100 %	1,357,388	100 %	944,039	100 %
Foreign Corporate										
Trade financing	9,004	4.7 %	9,535	4.0 %	14,978	5.9 %	19,157	7.2 %	5,098	3.2 %
Loans funded by development banks	147	0.1 %	376	0.2 %	2,306	0.9 %	1,552	0.6 %	1,132	0.7 %
Working capital loans	56,627	29.3%	76,559	32.3%	80,031	31.7%	106,532	40.0%	64,522	40.1%
Credit cards	264	0.1 %	434	0.2 %	499	0.1 %	222	0.0 %	130	0.0 %
Overdrafts	349	0.2 %	775	0.3 %	287	0.0 %	341	0.1 %	137	0.1 %
Total corporate	66,391	34.4%	87,679	37.0%	98,101	38.6%	127,804	47.9%	71,019	44.1%
Retail										
Credit cards	5,925	3.1 %	7,615	3.2 %	12,450	4.9 %	10,692	4.0 %	6,901	4.3 %
Personal loans	54,410	28.2%	65,749	27.8%	72,157	28.5%	63,172	23.7%	39,739	24.7%
Vehicle loans	138	0.1 %	203	0.1 %	239	0.1 %	110	0.0 %	116	0.0 %
Overdrafts	96	0.1 %	134	0.1 %	99	0.0 %	103	0.0 %	321	0.2 %
Loans funded by development banks	440	0.2 %	569	0.2 %	260	0.1 %	568	0.2 %	96	0.1 %

	As of December 31,											
	2011	%	2010	%	2009	%	2008	%	2007	%		
	(COP million, except percentages)											
Trade financing	387	0.2 %	199	0.1 %	213	0.1 %	243	0.1 %	191	0.1 %		
Working capital loans	4,173	2.2 %	1,391	0.6 %	1,972	0.8 %	1,764	0.7 %	1,535	1.0 %		
Total retail	65,569	34.1 %	75,860	32.1 %	87,390	34.5 %	76,652	28.7 %	48,899	30.4 %		
Financial Leases	-	-	-	-	671	0.3 %	7,674	2.9 %	43	0.0 %		
Mortgage	60,580	31.5 %	73,252	30.9 %	66,657	26.6 %	54,487	20.5 %	40,933	25.5 %		
Total past-due loans (COP)	192,540	100 %	236,791	100 %	252,819	100 %	266,617	100 %	160,894	100 %		

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

	As of December 31,											
	2011	%	2010	%	2009	%	2008	%	2007	%		
	(COP million, except percentages)											
Secured												
Current	25,932,056	42.2 %	20,970,409	43.2 %	19,061,249	45.3 %	17,779,101	39.8 %	16,923,998	44.0 %		
Past-due												
Commercial loans	277,746	0.5 %	327,323	0.7 %	411,359	1.0 %	324,541	0.7 %	198,901	0.5 %		
Past-due												
Consumer loans	78,924	0.1 %	73,476	0.2 %	88,740	0.2 %	70,934	0.2 %	72,601	0.2 %		
Past-due												
Small business loans	17,423	0.0 %	11,415	0.1 %	7,824	0.1 %	8,175	0.1 %	7,156	0.0 %		
Past-due												
Mortgage loans	317,204	0.5 %	303,270	0.6 %	312,934	0.7 %	285,382	0.6 %	205,774	0.6 %		
Past-due												
Financial leases	125,095	0.2 %	123,925	0.3 %	180,303	0.4 %	163,352	0.4 %	120,000	0.3 %		
Total (COP)	26,748,448	43.5 %	21,809,818	45.1 %	20,062,409	47.7 %	18,631,485	41.8 %	17,528,430	46.0 %		
Unsecured⁽¹⁾												
Current	34,115,680	55.6 %	26,234,778	54.0 %	21,353,464	50.8 %	25,239,464	56.5 %	19,673,693	52.0 %		
Past-due												
Commercial loans	240,461	0.4 %	320,738	0.7 %	331,812	0.8 %	386,215	0.9 %	199,145	0.5 %		
	273,943	0.5 %	224,978	0.5 %	284,863	0.7 %	375,981	0.8 %	293,882	0.8 %		

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Past-due Consumer loans											
Past-due Small business loans	9,896	0.0 %	10,778	0.0 %	9,426	0.0 %	9,425	0.0 %	7,474	0.0 %	
Total (COP)	34,639,980	56.5 %	26,791,272	55.2 %	21,979,565	52.3 %	26,011,085	58.2 %	20,174,194	53.3 %	
Total current loans and financial leases	60,047,736	97.8 %	47,205,191	97.1 %	40,414,713	96.1 %	43,018,565	96.4 %	36,597,691	97.0 %	
Past-due Commercial loans	518,207	0.9 %	648,061	1.4 %	743,171	1.9 %	710,756	1.6 %	398,046	1.0 %	
Past-due Consumer loans	352,867	0.6 %	298,454	0.6 %	373,603	0.9 %	446,915	1.0 %	366,483	1.0 %	
Past-due Small business loans	27,319	0.0 %	22,189	0.1 %	17,250	0.0 %	17,600	0.0 %	14,630	0.0 %	
Past-due Mortgage loans	317,204	0.5 %	303,270	0.6 %	312,934	0.7 %	285,382	0.6 %	205,774	0.6 %	
Past-due Financial leases	125,095	0.2 %	123,925	0.3 %	180,303	0.4 %	163,352	0.4 %	120,000	0.3 %	
Total past-due loans and financial leases (COP)	1,340,692	2.2 %	1,395,899	2.9 %	1,627,261	3.9 %	1,624,005	3.6 %	1,104,933	2.9 %	
Total gross loans and financial leases	61,388,428	100 %	48,601,090	100 %	42,041,974	100 %	44,642,570	100 %	37,702,624	100 %	
Allowance for loan and financial lease losses	(2,812,582)	(4.6)%	(2,509,213)	(5.2)%	(2,431,667)	(5.8)%	(2,134,360)	(4.8)%	(1,457,151)	(3.9)%	
Total loans and financial leases, net (COP)	58,575,846	95.4 %	46,091,877	94.8 %	39,610,307	94.2 %	42,508,210	95.2 %	36,245,473	96.1 %	

(1) Includes loans with personal guarantees.

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

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

As of December 31, 2011, 2010, 2009, 2008 and 2007, Bancolombia did not have any performing loans which were past-due for 90 days or more.

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

	As of December 31, 2011		Interest income included in net income for the period	
	Amount of Loans	Gross Interest Income (COP million)		
Foreign loans	COP 145,136	COP 14,423	COP	2,583
Domestic loans	785,404	332,051		244,619
Non-performing loans	COP 930,540	COP 346,474	COP	247,202

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

Performing Troubled Debt Restructuring Loans

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

	As of December 31,				
	2011	2010	2009	2008	2007 ⁽¹⁾
	(COP million)				
Foreign loans	270,803	266,173	169,459	176,246	111,870
Domestic loans	441,055	1,088,117	994,506	623,722	521,181
Total Performing Troubled Debt Restructuring loans (COP)	711,858	1,354,290	1,163,965	799,968	633,051

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

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

	As of December 31, 2011		Interest income included in net income for the period
	Amount of Loans	Gross Interest Income	
		(COP million)	
Foreign loans	270,803	19,617	19,617
Domestic loans	441,055	51,969	51,969
Total Performing Troubled Debt Restructuring loans	COP711,858	COP71,586	COP71,586

	As of December 31, 2010		Interest income included in net income for the period	
	Amount of Loans	Gross Interest Income		
	<i>(COP million)</i>			
Foreign loans	266,173	16,984	16,984	
Domestic loans	1,088,117	92,130	92,130	
Total Performing Troubled Debt Restructuring loans	COP1,354,290	COP 109,114	COP	109,114

Policies for the granting and review of credit

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

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

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

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

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

In general, the term of a loan will depend on the type of guarantee, the credit history of the borrower and the purpose of the loan. Almost 68% of the Bank's loan portfolio has a maturity of five years or less.

Loan applications, depending on their amount, are presented for approval to branch managers, the zone or regional managers, the Vice Presidents, the President, the Credit Committee and the board of directors of Bancolombia. In general, loan application decisions are made by the Bank's management in the corresponding committee. Approval at each level also requires the agreement of each lower level of the approval hierarchy.

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

The Bank has established policies for the valuation of collateral received as well as for the determination of the maximum loan amount that can be granted against the value of the collateral. Periodically, the Bank undertakes a valuation of collateral held as security for loans, and the valuation frequency varies depending on the type of collateral. In any event, the collateral cannot be used to mitigate risk if its valuation is not updated on a periodic basis. In addition, for retail and mortgage loans that are between 5 and 60 days past-due, an external collection company controls each obligation payment, for commercial lending this procedure is always made by internal employees. When a loan becomes 60 days past-due, the loan will be given to an independent and specialized division where various steps will be taken to recover the loan.

With respect to monitoring outstanding loans, the Bank, in accordance with the requirements of the Superintendency of Finance, has implemented regional committees and a central qualification process to undertake a biannual evaluation of the loan portfolio, during the months of May and November. When monitoring outstanding loans, the Bank examines current financial statements including cash flow and financial indicators, industry analysis and historical payment behavior.

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

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

E.4. SUMMARY OF LOAN LOSS EXPERIENCE

ALLOWANCE FOR LOAN AND FINANCIAL LEASES LOSSES

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

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

	Year Ended December 31,				
	2011	2010	2009	2008	2007
	(COP million)				
Balance at beginning of period	2,509,213	2,431,667	2,134,360	1,457,151	834,183
Balance at beginning of period (Banagrícola's subsidiaries) ⁽¹⁾	-	-	-	-	147,357
Provisions for loan losses ⁽²⁾	1,796,873	1,842,406	2,448,581	1,986,710	1,203,543
Recoveries of provisions	(972,251)	(1,085,211)	(1,186,674)	(807,245)	(516,218)
Charge-offs	(531,682)	(658,151)	(925,592)	(547,860)	(186,273)
Effect of difference in exchange rate	10,429	(21,498)	(39,008)	45,604	(25,441)
Balance at end of year ⁽³⁾ (COP)	2,812,582	2,509,213	2,431,667	2,134,360	1,457,151

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

The provision for past-due accrued interest receivable, which is not included in this item, amounted to COP 31,852 million, COP 33,540 million, COP 46,840 million, COP 58,721 million and COP 35,543 million for the years ended December 31, 2011, 2010, 2009, 2008, and 2007, respectively.

(2) The allowance for past-due accrued interest receivable, which is not included in this item, amounted to COP 43,644 million, COP 38,952 million, COP 45,937 million, COP 54,323 million, and COP 33,303 million for the years ended December 31, 2011, 2010, 2009, 2008, and 2007, respectively. The allowance at the beginning the period for past-due accrued interest receivable, which is not included in this item, amounted to COP 38,952 million, COP 45,937 million, COP 54,323 million, COP 33,303 million, and COP 11,644 million for the years ended December 31, 2011, 2010, 2009, 2008, and 2007, respectively.

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

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

	As of December 31,				
	2011	2010	2009	2008	2007
	(COP million)				
Commercial loans	1,472,657	1,465,318	1,443,943	1,202,047	791,957
Consumer loans	804,321	559,789	523,353	502,496	340,247
Small business loans	24,528	21,719	17,263	12,424	9,050
Financial leases	283,665	269,634	253,764	197,952	133,837
Mortgage	176,501	157,459	157,445	122,407	53,973
General allowance	50,910	35,294	35,899	97,034	128,087
Total allowance for loan losses (COP)⁽¹⁾	2,812,582	2,509,213	2,431,667	2,134,360	1,457,151

For mortgage and microcredit loans, the Bank sets up a general allowance, which corresponds to one percent (1%) of the outstanding principal. By virtue of applying the standardized models supplied by the Superintendency of Finance for commercial and consumer loans, general allowances are no longer assigned to commercial and consumer loans.

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

	As of December 31,									
	2011	%	2010	%	2009	%	2008	%	2007	%
	(COP million, except percentages)									
Domestic Corporate										
Trade financing	42,797	1.7 %	36,857	1.7 %	22,834	1.1 %	13,081	0.7 %	21,184	1.7 %
Loans funded by development banks	36,944	1.5 %	39,189	1.8 %	47,540	2.2 %	61,430	3.4 %	27,612	2.2 %
Working capital loans	728,313	29.7 %	687,038	31.8 %	614,342	29.0 %	522,065	28.8 %	379,169	30.3 %
Credit cards	1,122	0.1 %	898	0.0 %	826	0.0 %	1,134	0.1 %	1,176	0.1 %
Overdrafts	2,091	0.1 %	2,892	0.1 %	3,783	0.2 %	3,983	0.2 %	2,383	0.2 %
Total corporate	811,267	33.1 %	766,874	35.4 %	689,325	32.5 %	601,693	33.2 %	431,524	34.5 %
Retail										

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Credit cards	385,481	15.7 %	285,248	13.2 %	266,094	12.6 %	208,323	11.5 %	128,523	10.3 %
Personal loans	199,464	8.1 %	124,912	5.8 %	122,265	5.8 %	166,880	9.2 %	126,297	10.1 %
Vehicle loans	106,379	4.3 %	95,308	4.4 %	112,626	5.3 %	115,593	6.4 %	68,938	5.5 %
Overdrafts	13,824	0.6 %	13,341	0.6 %	16,650	0.8 %	24,002	1.3 %	16,451	1.3 %
Loans funded by development banks	46,021	1.9 %	45,927	2.1 %	48,354	2.3 %	41,323	2.3 %	30,064	2.4 %
Trade financing	2,026	0.1 %	1,333	0.1 %	2,450	0.1 %	7,616	0.4 %	5,111	0.4 %
Working capital loans	413,364	16.8 %	393,285	18.2 %	442,116	20.9 %	330,437	18.3 %	204,022	16.3 %
Total retail	1,166,559	47.5 %	959,354	44.4 %	1,010,555	47.8 %	894,174	49.4 %	579,406	46.3 %
Financial Leases	287,615	11.7 %	273,556	12.7 %	251,618	11.9 %	187,514	10.4 %	133,757	10.7 %
Mortgage	147,087	6.0 %	133,101	6.2 %	136,674	6.5 %	103,133	5.7 %	37,863	3.0 %
General allowance	42,613	1.7 %	27,234	1.3 %	26,989	1.3 %	24,062	1.3 %	69,011	5.5 %
Total allowance for loan losses (COP)	2,455,141	100 %	2,160,119	100 %	2,115,161	100 %	1,810,576	100 %	1,251,561	100 %

<i>As of December 31,</i>											
	<i>2011</i>	<i>%</i>	<i>2010</i>	<i>%</i>	<i>2009</i>	<i>%</i>	<i>2008</i>	<i>%</i>	<i>2007</i>	<i>%</i>	
	<i>(COP million, except percentages)</i>										
Foreign											
Corporate											
Trade financing	14,078	3.9 %	26,344	7.6 %	13,502	4.3 %	13,633	4.2 %	5,155	2.5 %	
Loans funded by development banks	222	0.1 %	554	0.2 %	1,107	0.3 %	545	0.2 %	432	0.2 %	
Working capital loans	142,416	39.8 %	174,348	49.9 %	172,704	54.6 %	132,294	40.9 %	76,002	37.0 %	
Credit cards	406	0.1 %	344	0.1 %	387	0.0 %	177	0.0 %	97	0.0 %	
Overdrafts	457	0.1 %	513	0.2 %	656	0.2 %	222	0.1 %	323	0.2 %	
Total Corporate	157,579	44.0 %	202,103	58.0 %	188,356	59.4 %	146,871	45.4 %	82,009	39.9 %	
Retail											
Credit cards	13,550	3.8 %	10,991	3.2 %	12,961	4.1 %	9,469	2.9 %	6,258	3.0 %	
Personal loans	137,574	38.5 %	97,239	27.9 %	78,999	25.0 %	62,409	19.3 %	40,388	19.6 %	
Vehicle loans	167	0.1 %	220	0.1 %	242	0.1 %	152	0.0 %	142	0.1 %	
Overdrafts	2,795	0.8 %	2,403	0.7 %	2,032	0.6 %	564	0.2 %	625	0.3 %	
Loans funded by development banks	1,681	0.5 %	708	0.2 %	332	0.1 %	274	0.1 %	108	0.1 %	
Trade financing	414	0.1 %	303	0.1 %	214	0.1 %	525	0.2 %	101	0.1 %	
Working capital loans	2,427	0.7 %	1,025	0.3 %	1,542	0.5 %	838	0.3 %	692	0.3 %	
Total retail	158,608	44.5 %	112,889	32.5 %	96,322	30.5 %	74,231	23.0 %	48,314	23.5 %	
Financial Leases	3,576	1.0 %	1,685	0.5 %	2,147	0.7 %	10,436	3.1 %	81	0.0 %	
Mortgage	29,381	8.2 %	24,357	7.0 %	20,771	6.6 %	19,274	6.0 %	16,110	7.8 %	
General allowance	8,297	2.3 %	8,060	2.0 %	8,910	2.8 %	72,972	22.5 %	59,076	28.8 %	
Total allowances for loan losses (cop)	357,441	100 %	349,094	100 %	316,506	100 %	323,784	100 %	205,590	100 %	

As of December 31, 2011, allowances for loans and financial lease losses amounted to COP 2,813 billion (4.7% of total loans), up 12.2% as compared to COP 2,509 billion (5.2% of loans) at the end of 2010 and up 15.7% as compared to COP 2,432 billion (5.8% of loans) at the end of 2009.

Coverage, measured by the ratio of allowances for loan losses to past-due loans (overdue 30 or more days), reached 210% at the end of 2011, increasing from 180% at the end of 2010 and 149% at the end of 2009. For further information regarding asset quality and provision charges see "Item 5. Operating and Financial Review and Prospects".

CHARGE-OFFS

The following table shows the allocation of the Bank's charge-offs by type of loan as of December 31, 2011, 2010, 2009, 2008 and 2007:

	Year ended December 31,				
	2011	2010	2009	2008	2007
	(COP million)				
Domestic					
Trade financing	706	2,165	263	2,558	151
Loans funded by development banks	11,000	22,368	37,112	8,820	1,320
Working capital loans	172,572	202,241	329,603	45,941	16,068
Credit cards	131,553	172,804	195,676	166,067	28,179
Personal loans	44,561	69,808	96,597	138,007	65,006
Automobile loans	25,227	55,711	57,966	29,088	10,131
Overdrafts	8,345	15,052	27,685	52,822	3,733
Mortgage & other	30,833	679	29,027	509	1,791
Financial leases	21,664	23,799	30,284	27,650	2,029
Total charge-offs (COP)	446,461	564,627	804,213	471,462	128,408
Foreign					
Trade financing	44	3,999	74	1,819	-
Loans funded by development banks	28	6	62	-	-
Working capital loans	37,312	31,207	31,850	21,581	31,240
Credit cards	6,672	10,969	13,460	10,734	5,077
Personal loans	38,305	45,898	62,854	39,073	21,079
Automobile loans	75	167	55	88	59
Overdrafts	1,110	947	1,167	620	407
Mortgage & other	1,675	331	3,472	2,434	-
Financial leases	-	-	8,385	49	-
Total charge-offs (COP)	85,221	93,524	121,379	76,398	57,862

The ratio of charge-offs to average outstanding loans for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 was as follows:

	Year ended December 31,				
	2011	2010	2009	2008	2007
Ratio of charge-offs to average outstanding loans	0.99%	1.49%	2.10%	1.36%	0.60%

The Bank charges off loans that are classified as “unrecoverable” once they become overdue: (i) 180 days for consumer and small business loans, (ii) 360 days for commercial loans and (iii) 54 months for mortgage loans.

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

The recovery of charged-off loans is accounted for as income in the Consolidated Statement of Operations.

POTENTIAL PROBLEM LOANS

In order to carefully monitor the credit risk associated with clients, the Bank has established a committee that meets monthly dedicated to identifying potential problem loans which are then included in what is called the watch list. In general, these loans are related to clients that could face difficulties in the future in the repayment of their obligations with the Bank but who have had a good record of payment behavior. This situation could be related to internal factors such as economic activity, financial weakness or any other external events that could affect the client's business.

As of December 31 2011, 1290 clients with loans amounting to COP 1.7 billion were performing and part of the watch list. The amount of loans and clients in the watch list has increased in order to maintain a strict monitoring of the loan portfolio under the current economic environment.

CROSS-BORDER OUTSTANDING LOANS AND INVESTMENTS

As of December 31, 2011, 2010 and 2009, total cross-border outstanding loans and investments amounted to approximately USD 5,448 million, USD 4,902 million and USD 4,367 million, respectively. As of December 31, 2011, total outstanding loans to borrowers in foreign countries amounted to USD 4,557 million, and total investments were USD 891 million. As of December 31, 2011, total cross-border outstanding loans and investments represented 12.38% of total assets.

The Bank had no cross-border outstanding acceptances, interest-earning deposits with other banks or any other monetary assets denominated in pesos or other non-local currencies, in which the total exceeded 1% of consolidated total assets at December 31, 2011, 2010 and 2009.

The following table presents information with respect to the Bank's cross-border outstanding loans and investments for the years ended on December 31, 2011, 2010 and 2009:

	2011	2010	2009
	(thousands of U.S. dollars)		
El Salvador	USD2,924,567	USD3,006,200	USD3,057,261
Guatemala	822,868	581,671	438,622
Panama	361,765	407,418	82,273
Costa Rica	266,921	225,344	200,721
Peru	257,255	130,774	18,203

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England	163,777	435	30,432
United States	140,511	90,828	124,813
Brazil	128,009	128,228	141,142
Mexico	100,613	69,957	74,661
Chile	85,469	107,215	71,809
Canada	57,429	23	-
Honduras	51,406	76,635	44,876
Venezuela	32,731	30,453	3,186
Spain	18,552	885	7
Dominican Republic	7,755	5,080	-
Bahamas	7,490	9,316	-
Nicaragua	6,652	6,916	14,322
Cayman Islands	6,511	7,800	23,336
Guyana	4,900	5,000	1,000
Ecuador	1,837	6,017	6,658
Puerto Rico	306	318	305
British Virgin Island	-	4,700	32,191
Curazao	-	1,000	1,000
Others	827	217	70
Total Cross-Border Outstanding Loans and Investment	USD5,448,151	USD4,902,430	USD4,366,888

DEPOSITS

The following table shows the composition of the Bank's deposits for 2011, 2010 and 2009:

	As of December 31,		
	2011	2010	2009
	(COP million)		
Non-interest bearing deposits:			
Checking accounts	COP7,909,743	COP6,980,322	COP5,858,667
Other deposits	904,430	651,894	449,113
Total	8,814,173	7,632,216	6,307,780
Interest bearing deposits:			
Checking accounts	2,384,151	2,575,611	2,366,281
Time deposits	17,973,117	15,270,271	18,331,488
Savings deposits	23,263,051	18,060,869	15,143,781
Total	43,620,319	35,906,751	35,841,550
Total deposits	COP52,434,492	COP43,538,967	COP42,149,330

The following table shows the time deposits held by the Bank as of December 31, 2011, by amount and maturity for deposits:

	At December 31, 2011		
	Peso-Denominated	U.S. dollar - Denominated	Total
	(COP million)		
Time deposits higher than USD 100,000 ⁽¹⁾			
Up to 3 months	COP2,851,607	COP 1,887,448	COP4,739,055
From 3 to 6 months	1,581,059	939,896	2,520,955
From 6 to 12 months	1,542,396	854,068	2,396,464
More than 12 months	3,176,867	689,282	3,866,149
Time deposits less than USD 100,000 ⁽¹⁾	3,155,083	1,295,411	4,450,494
Total	COP12,307,012	COP 5,666,105	COP17,973,117
At December 31, 2010			
	Peso-Denominated	U.S. dollar - Denominated	Total
	(COP million)		
Time deposits higher than USD 100,000 ⁽²⁾			
Up to 3 months	COP697,744	COP 961,693	COP1,659,437
From 3 to 6 months	1,222,044	354,210	1,576,254
From 6 to 12 months	1,300,821	1,178,161	2,478,982
More than 12 months	3,122,978	2,075,816	5,198,794

Time deposits less than USD 100,000 ⁽²⁾	2,861,354		1,495,450	4,356,804
Total	COP9,204,941	COP	6,065,330	COP15,270,271

- (1) Approximately COP 194 million at the Representative Market Rate as of December 31, 2011.
- (2) Approximately COP 191 million at the Representative Market Rate as of December 31, 2010.

For a description of the average amount and the average rate paid for deposits, see “Item 4. Information on the Company – E. Selected Statistical Information – E.1. Distribution of Assets, Liabilities and Stockholders’ Equity; Interest Rates and Interest Differential”.

RETURN ON EQUITY AND ASSETS

The following table presents certain selected financial ratios of the Bank for the periods indicated:

	Year ended December 31, 2011 2010 2009 (in percentages)		
	Net income as a percentage of:		
Average total assets	2.20	2.27	2.01
Average stockholders' equity	20.22	19.71	19.59
Dividends declared per share as a percentage of consolidated net income per share ⁽¹⁾	33.52	36.68	39.92
Average stockholders' equity as a percentage of average total assets	10.86	11.50	10.24
Return on interest-earning assets ⁽²⁾	9.39	9.34	12.20

⁽¹⁾ Dividends are paid based on unconsolidated earnings. Net income per share is calculated using the average number of common and preferred shares outstanding during the year.

⁽²⁾ Defined as total interest earned divided by average interest-earning assets.

INTERBANK BORROWINGS

The following table sets forth certain information regarding the foreign interbank borrowings by the Bank for the periods indicated:

	As of December 31, 2011		2010		2009	
	Amount	Rate ⁽³⁾	Amount	Rate ⁽³⁾	Amount	Rate ⁽³⁾
	(COP million, except percentages)					
End of period	4,130,915	1.11 %	2,698,941	0.72 %	1,152,918	4.1 %
Weighted average during period	2,949,935	1.55 %	1,449,197	1.30 %	1,270,413	3.8 %
Maximum amount of borrowing at any month-end	4,130,915 ⁽¹⁾		2,698,941 ⁽¹⁾		2,102,719 ⁽²⁾	
Interest paid during the year	45,840		19,537		47,650	

- (1) December
- (2) January
- (3) Corresponds to the ratio of interest paid to foreign interbank borrowings.

ITEM 4 A. UNRESOLVED STAFF COMMENTS

As of the date of the filing of this Annual Report, the Bank has no unresolved written comments from the Securities and Exchange Commission (the "SEC") staff regarding the Bank's periodic reports required to be filed under the Exchange Act of 1934.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. OPERATING RESULTS

The following discussion should be read in conjunction with Bancolombia's audited consolidated financial statements for the three year period ended December 31, 2011.

Bancolombia's audited consolidated financial statements for the periods ended December 31, 2011, 2010 and 2009 are prepared following the accounting practices and the special regulations of the Superintendency of Finance, or, in the absence of such regulations, Colombian GAAP. Together, these requirements differ in certain significant respects from U.S. GAAP. Note 31 to the Bank's audited consolidated financial statements included in this Annual Report provides a description of the significant differences between Colombian GAAP and U.S. GAAP as they relate to the Bank's audited consolidated financial statements and provides a reconciliation of net income and stockholders' equity for the years and dates indicated herein.

IMPACT OF ECONOMIC AND MONETARY POLICIES ON BANCOLOMBIA'S RESULTS

Bancolombia's operations are affected by external factors such as economic activity in Colombia, interest rates, inflation and exchange rates. The following discussion summarizes the trends of such variables.

Economic activity

Colombia's GDP growth was 5.9% in 2011, significantly higher than the 4.0% growth obtained in 2010. This figure is indeed favorable as it indicates that better household consumption and also investment vitality are driving a stronger economic expansion.

Key GDP components performed as follows in 2011 compared to 2010: consumption increased 5.8%; investment grew 17.2% and exports increased 17.2%.

In 2011, gross capital formation represented 27.1% of GDP; household consumption represented 66%, government consumption 16%, exports 16.9% and imports 26.2%.

The activities that led growth during the year were mining (14.3% growth), transportation (6.9% growth), trade and tourism (5.9% growth) and construction (5.7% growth).

Interest Rates

In 2011, the Central Bank increased its benchmark rate 225 basis points to 5.25% motivated by rising inflation and increased consumer lending activity, as well as the estimated GDP growth for 2011, a projected inflation rate approaching the midpoint of the long-term targeted range and inflation expectations for over one year surpassing the long-term target.

It is important to note that the Central Bank does not consider that the increase in the cost of money will negatively affect the country's GDP growth and employment. On the contrary, higher interest rates are expected to maintain inflation rates over time within the long-term targeted range (between 2% and 4%) while permitting the economy to grow close to the GDP potential.

Inflation

Year-end inflation rate for 2011 was 3.73%, higher than the 3.17% recorded for 2010.

The components that led inflation in 2011 were food (5.3% increase), education (4.6% increase) and housing (3.8% increase).

The 12-month core inflation rate for 2011 came to 3.13%, thereby remaining within the Central Bank's targeted inflation range of 2% to 4%. The price increase in regulated goods and services, such as utilities, urban transportation and gasoline was 5.81% and the price excluding regulated goods and services

Also, upon excluding food, the yearly rise in inflation came to 3.13%.

Exchange rate

The Colombian Peso depreciated 1.5% versus the U.S. dollar during 2011, but it has appreciated 13% since 2000.

Foreign Direct Investment flows into Colombia have been one of the main drivers of the appreciation of the Colombian peso against the U.S. dollar during the last eleven years. In 2011, FDI totaled USD 14,400 million, of which 40% was related to oil, gas and mining. Abundance of U.S. dollars in the U.S. economy was also a factor that contributed to the appreciation as international investors were seeking investments in currencies that were not likely to lose value versus the U.S. dollar and that could offer better returns than dollar denominated securities.

The strengthening of the Colombia Peso mainly affected Colombian companies that focus on exporting and that lost competitiveness given that a large portion of their expenses was denominated in Colombian Pesos.

Outlook

Future prospects for the Colombian financial sector in general, and for Bancolombia in particular, are expected to depend on the factors listed below:

<p>Favorable factors for the Colombian economy – mid-term Benefits derived from past monetary policies aimed at achieving sustainable growth.</p> <p>Positive inflationary outlook.</p> <p>Investment grade rating given to Colombia by Standard and Poor’s in 2011, should continue to strengthen investor confidence.</p> <p>The approval by the Colombian Congress of the Fiscal Rule, which will further contribute to the country’s fiscal sustainability.</p> <p>Stronger local capital markets, with little exposure to “toxic assets” and with low currency mismatches.</p> <p>A well-capitalized banking system.</p> <p>Well-developed supervision and regulation of the financial system.</p> <p>Adequate international reserves to short term debt.</p>	<p>Unfavorable factors for the Colombian economy – mid-term Underdeveloped infrastructure that translates into a constraint for growth.</p> <p>Commodity dependent export activity.</p> <p>Despite successful efforts to diversify export markets, there is still concentration in specific export destinations, particularly the United States.</p> <p>Exchange rate uncertainties that could expose the economy to highly volatile markets or build inflation pressures.</p> <p>Risk of new fiscal measures, currently under study by the Congress, not being approved.</p> <p>Possible escalation in activities of guerilla and drug cartels that may hurt investor confidence.</p>
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Limited exposure of corporations to speculation through derivatives.

GENERAL DISCUSSION OF THE CHANGES IN RESULTS FOR 2011 VERSUS 2010

Summary

During 2011, Bancolombia strengthened its competitive position and full-service financial model, and benefited from the diversity of its leading franchises. For the year 2011, net income totaled COP 1,664 billion (COP 2,112 per share – USD 4.35 per ADR), which represents an increase of 16% as compared to COP 1,436 billion of net income for the fiscal year 2010, and an increase of 32% as compared to COP 1,257 billion of net income for the fiscal year 2009.

Bancolombia's return on average stockholders' equity for 2011 was 20.2%, up from 19.7% in 2010 and 19.6% in 2009.

Margin compression during 2011: net interest margin decreased throughout 2011 and reached 6.17% for the whole year, down from 6.38% in 2010 and 7.42% in 2009.

Provision charges, net of recoveries, totaled COP 599 billion for 2011, up 9% from COP 548 billion in 2010 and down 48% from COP 1,153 billion in 2009.

Loans and financial leases grew 27% during the year. This performance was driven primarily by significant increase in economic activity in Colombia, which led to an increase in credit demand from individuals and corporations.

Reserves for loan losses represented 4.7% of total loans and 210% of past-due loans at the end of 2011, while capital adequacy at December 31, 2011 was 12.5% (Tier 1 ratio of 9.0%); lower than the 14.7% (Tier 1 ratio of 10.3%) reported at the end of 2010.

Deposits increased 20% during 2011, while the ratio of net loans to deposits (including borrowings from development banks) was 105% at the end of the year, up from 100% at December 31, 2010.

REVENUE PERFORMANCE

Net Interest Income

For the year 2011, net interest income totaled COP 3,904 billion, up 16% as compared to COP 3,377 billion in 2010 and up 3% as compared to COP 3,802 billion in 2009. This performance is explained by the combined effect of a slight decline in interest margins, which was offset by steady growth in the loan portfolio during the year. During 2011, the Central Bank increased its reference rate from 3% to 4.75% which reduced money supply in the economy. Net interest margin was 6.17% for the year, down from 6.38% in 2010. Net interest income represented 62% of revenues in 2011, compared to 61% for 2010 and 67% for 2009.

Interest income, which is the sum of interest on loans, financial leases, overnight funds and income from investment securities, totaled COP 5,946 billion in 2011, up 20% as compared to COP 4,949 billion in 2010 and down 7.5% as compared to COP 6,428 billion in 2009.

Interest on loans and financial leases reflected an increase in interest rates during 2011. The weighted average nominal interest rate on loans and financial leases decreased to 10% in 2011 from 10.3% in 2010 and 13.1% in 2009. As a result, interest on loans and financial leases totaled COP 5,301 billion (89% of interest income) and increased 19% as compared to COP 4,464 billion (90% of interest income) in 2010 and decreased 6% as compared to COP 5,623 (87% of interest income) in 2009.

Interest on investment securities, which includes, among other items, the interest paid or accrued on debt securities and mark-to-market valuation adjustments, totaled COP 626 billion in 2011, up 41% as compared to 2010 and down 14% as compared to 2009.

Regarding interest expenses, interest incurred on liabilities totaled COP 2,042 billion in 2011, up COP 30% as compared to COP 1,572 billion in 2010, and down 22% as compared to COP 2,625 billion in 2009. Such an increase in interest expenses is explained by higher interest rates incurred on deposits. Overall, the average interest rate paid on interest-bearing liabilities increased to 3.7% in 2011 from 3.4% in 2010, but was lower than the 5.6% in 2009.

Net Fees and Income from Financial Services

For the year 2011, net fees and income from services totaled COP 1,669 billion, up 6% as compared to COP 1,579 in 2010 and up 11% as compared to COP 1,506 in 2009. This increase was driven primarily by the performance of credit and debit card annual fees, banking services and collection and payments fees.

Bancolombia distribution channels performed an increasing number of transactions in 2011. In particular, our banking operation in Colombia performed about 1.17 billion transactions during 2011, which represents an increase of 6% as compared to the levels experienced in 2010. The higher transactional levels, together with fee increases and the elimination of fee exemptions in certain payment instruments (such as debit cards and credit cards) for some segments explained the performance of fees.

The following table lists the main revenue-producing fees for the years 2011, 2010 and 2009 along with their growth figures between 2011 and 2010:

	Year			Growth	
	2011	2010	2009	2011/2010	
	(COP million)				
Main fees and commissions					
Commissions from banking services	383,984	307,890	251,734	25.11	%
Electronic services and ATM fees	67,267	57,019	58,944	17.97	%
Branch network services	125,835	118,647	110,837	6.06	%
Collections and payments fees	224,878	226,537	187,348	(0.73))%
Credit card merchant fees	16,725	18,355	28,200	(8.88))%
Credit and debit card annual fees	617,526	564,457	548,820	9.40	%
Checking fees	74,514	69,425	69,544	7.33	%
Fiduciary activities	188,340	165,075	171,927	14.09	%
Pension plan administration	-	90,131	96,678	(100))%
Brokerage fees	65,943	36,779	45,966	79.30	%
Check remittance	19,626	17,693	25,812	10.93	%
International operations	71,293	58,559	53,614	21.75	%
Fees and other service expenses	(187,347)	(149,653)	(143,151)	25.19	%
Total fees and income from services, net	1,668,584	1,580,914	1,506,273	5.61	%

Other Operating Income

For 2011, total other operating income was COP 691 billion, 26% higher than the COP 548 billion reported in 2010, and 82% higher than the COP 381 billion obtained in 2009.

Revenue from rent of real estate properties and operating leases had a significant impact in the other operating income line of COP 178 billion, 26% higher than the COP 178 billion reported in 2010, and 44% higher than the COP 156 billion obtained in 2009.

In addition, the sale of Bancolombia's stake in AFP Crecer positively affected other operating income in the year. As part of this transaction, the Bank recorded non-recurring gains on sales of equities of COP 138 billion for 2011.

Insurance income totaled COP 46 billion in 2011, 1,527% higher than COP 2.8 billion reported in 2010. With the completion of the sale of AFP Crecer in El Salvador, the revenues from the insurance business began reflecting revenue that was offset in the consolidation process prior to the sale. As a result, insurance income presented a significant increase in 2011.

Foreign exchange net gains increased significantly by 80% from COP 62 billion in 2010 to COP 112 billion in 2011. Gains on forward contracts in foreign currency fell by 79% from COP 51 billion in 2010 to COP 11 billion in 2011.

Operating expenses

For 2011, operating expenses totaled COP 3,606 billion, up 16% as compared to COP 3,098 billion in 2010 and 25% up as compared to 2009.

Personnel expenses (the sum of salaries and employee benefits, bonus plan payments and severance) totaled COP 1,442 billion in 2011, up 11% as compared to 2010. This performance was primarily driven by the combined effect of increased headcount and wage increments during 2011. Salaries in 2011 were raised in line with the 2010 inflation rate of 3.73%.

Administrative and other expenses totaled COP 1,780 billion in 2011, up 22% as compared to 2010 and up 26% as compared to 2009, driven by increased taxes other than income taxes and expenses paid in connection with software development and IT upgrades.

Depreciation expenses totaled COP 223 billion in 2011, increasing 6% as compared to COP 196 billion in 2010. This increase was driven by the growth in the operating lease business of Bancolombia.

The following table summarizes the principal components of Bancolombia's operating expenses for the last three fiscal years:

	Year ended December 31,		
	2011	2010	2009
	(COP million)		
Operating expenses			
Salaries and employee benefits	1,275,351	1,139,947	1,034,942
Bonus plan payments	137,160	126,839	90,341
Compensation	29,347	27,551	19,725
Administrative and other expenses	1,780,459	1,455,025	1,418,145
Deposit security, net	90,769	84,399	74,228
Donation expenses	19,020	13,008	3,506
Depreciation	223,003	195,744	185,027
Goodwill amortization	51,239	55,966	69,231
Total operating expenses	3,606,348	3,098,479	2,895,145

Provision Charges and Credit Quality

For the year 2011, provision charges (net of recoveries) totaled COP 599 billion (or 1% of average loans), which represents an increase of 9% as compared to COP 548 billion in 2010 (or 1.2% of average loans) and a decrease of 48% as compared to 1,153 billion in 2009 (or 2.6% of average loans). The lower level of provisions was driven by lower net charge-offs in our loan portfolio and lower reserve additions across all credit segments, reflecting the better economic activity and stronger labor markets and consequently improved credit profile of our loan portfolio.

Net loan charge-offs totaled COP 529 billion in 2011, down 21% from COP 666 billion in 2010 and down 43% from COP 926 billion in 2009. Past-due loans amounted to COP 1,341 billion in 2011, down 4% as compared to COP 1,396 billion in 2010, and 18% lower than COP 1,627 billion in 2009.

The delinquencies ratio (loans overdue more than 30 days divided by total loans) reached 2.18% as of the end of 2011, down from 2.87% at the end of 2010 and down from 3.87% at the end of 2009.

Allowance for credit losses

Under Colombian GAAP and according to the rules established by the Colombian Superintendency of Finance, banking institutions in Colombia must follow minimum standards for establishing allowances for loan losses such minimum standards require banks to analyze on an ongoing basis the credit risk to which their loan portfolio is exposed, taking into account the terms of the corresponding obligations as well as the level of risk associated with the borrowers. The risk evaluation is based on information relating to historical performance data, particular characteristics of the borrower, collateral, the borrower's debt to other entities, macroeconomic factors and financial information, among other data. The standards for provisioning vary for each credit category.

Commercial and consumer loans are provisioned following standard models developed by the Superintendency of Finance. According to the models the allowance for loan losses is stated through the calculation of the Expected Loss:

Expected Loss = [Probability of default] x [Exposure at default] x [Loss given default]

The probability of default is calculated and provided by the Superintendency of Finance based on historical data. Exposure at default is defined as the current balance of the principal, interest, interest receivable accounts and other receivables regarding consumer and commercial loan obligations at the moment of default. The Loss Given Default (“LGD”) is defined as the expected loss occurred after default and is calculated and provided by the Superintendency of Finance. The LGD varies according to the type of collateral and would increase gradually depending on the number of days the loan has been in default. It is important to note that Bancolombia applies stricter parameters than those required by the Colombian regulator in the estimation of the LGD of its loan portfolio by reducing the number of the past-due days that are used in such calculation and adjusting some percentages. Therefore, allowances produce higher provision charges that reflected on higher coverage ratio for loan losses. In addition to the allowances calculated by the reference models, the Bank also sets up marginal allowances for certain clients who are considered to bear an increased inherent risk due to determined risk factors such as macroeconomic or industry deterioration trends or any other factors that could indicate early impairment.

In addition, there are no standard models required or provided by the regulator for mortgage and small business loans. In order to calculate provisions for these segments, the Bank must maintain at all times individual allowances equal to or greater than the minimum percentages provided by the Colombian Superintendency of Finance. The minimum percentages vary depending on the risk category assigned to every loan within the mortgage and small business loans categories (the higher the risk, the higher the allowance percentage). In addition, the minimum percentages might differ if the loan has any collateral.

The Bank also has adopted, for its Colombian operation, more rigorous policies in the calculation of allowances for mortgage and small business loans as compared to that required by the Superintendency of Finance. Such policy has established higher allowance percentages for loans classified in the C, D and E risk categories.

For mortgage and small business loans, the Bank sets up a general allowance which corresponds to one percent (1%) of the outstanding principal. By virtue of applying the standardized models supplied by the Superintendency of Finance for commercial and consumer loans, no general allowances are any longer assigned to commercial and consumer loans.

All in all, allowances for loan and financial lease losses amounted to COP 2,813 billion or 4.65% of total loans at the end of 2011, an increase from COP 2,509 billion, or 5.24% of total loans as of December 31, 2010. Notwithstanding, coverage for loan losses, measured by the ratio of allowances to past-due loans (“PDLs”) (overdue 30 days), reached 210% at the end of 2011, up from 180% at the end of 2010. The increase in coverage reflects the Bank’s prudent approach toward risk management and incorporates, as mentioned above, stricter parameters than those required by the Superintendency of Finance. Additionally a low deterioration of the loan portfolio during 2011, contributed to a higher coverage ratio. As of December 31, 2011, allowances in the amount of COP 438 billion were recorded in excess of the minimum allowances required by the Superintendency of Finance as compared with COP 559 billion as of December 31, 2010.

The Bank's management considers that the Bank's allowances for loan and financial leases losses adequately reflect the credit risk associated with its loan portfolio given the current economic environment and the available information upon which the credit assessments are made. Nonetheless, the methodology used in the allowance and provision charges determination is based on the existence and magnitude of determined factors that are not necessarily an indication of future losses and accordingly no assurance can be given that current allowances and provision charges will exactly reflect actual losses.

For further details regarding the regulation and methodologies for the calculation of allowances following the accounting practices and the special regulations of the Superintendency of Finance, please see "Note 2.i. Loans and Financial Lease" of Notes to Financial Statements included in this Annual Report.

For a description of the loan portfolio, the summary of loan experience, potential problem loans and charge-offs see "Item 4. Information on the Company – E. Selected Statistical Information – E.3. Loan Portfolio" and "Item 4. Information on the Company – E. Selected Statistical Information – E.4. Summary of loan loss experience".

Loan loss allowances calculated following practices and special regulations of the Superintendency of Finance differ in certain significant respects from those determined in accordance with U.S. GAAP. Note 31- e) “Allowance for loan losses, financial leases, foreclosed assets and other receivables” to the Bank’s audited consolidated financial statements included in this Annual Report provides a description of the significant differences between Colombian GAAP and U.S. GAAP in this respect and a reconciliation of allowances following U.S. GAAP.

Merger Expenses and Goodwill Amortization

For the year ended December 31, 2011, goodwill amortization amounted to COP 51 billion, down 8% from COP 56 billion in 2010 and down 26% from COP 69 billion in 2009.

As of December 31, 2011, outstanding goodwill totaled COP 680 billion, which represents a 9% decrease from COP 719 billion at the end of 2010. Outstanding goodwill represented 0.8% of the Bank’s total assets and primarily comprises the goodwill related to the acquisition of Banagrícola, which is being amortized over 20 years beginning in May 2007.

Non-Operating Income (Expenses)

Net non-operating income, which includes gains/losses from the sale of foreclosed assets, property, plant and equipment and other assets and income from minority interests, totaled COP 76 billion in 2011, 12% lower than COP 86 billion in 2009. This performance is explained by higher non-operating income in 2010, which increased 10% compared to 2009, driven by gains on the sale of properties.

The following table summarizes the components of the Bank’s non-operating income and expenses for the last three fiscal years:

	Year ended December 31,		
	2011	2010	2009
	(COP million)		
Non-operating income (expenses), net:			
Other income ⁽¹⁾	200,098	267,472	198,761
Minority interest	(11,351)	(13,217)	(15,081)
Other expenses ⁽²⁾	(112,692)	(168,179)	(105,529)
Total non-operating income (expenses), net	76,055	86,076	78,151

- (1) Includes gains on sale of foreclosed assets, property, plant and equipment, reimbursement of the provisions, deferred tax recovery.
- (2) Includes operational losses and losses from the sale of foreclosed assets, property, plant and equipment and payment of administrative processes.

Income Tax Expenses

Income tax expense for the fiscal year 2011 totaled COP 471 billion, down 7% as compared to COP 508 billion in 2010 and 2% above the COP 462 billion in 2009.

Tax expense is determined for every subsidiary following the tax law of the country where it is domiciled. It is important to note that Bancolombia (unconsolidated), Leasing Bancolombia, Banca de Inversion Bancolombia and Fiduciaria Bancolombia signed an agreement with the Government of Colombia in order to be subject to the tax stability regime for ten years beginning on January 2001. Pursuant to the tax stability regime, those firms agreed to be taxed two percentage points above the applicable income tax rate in Colombia in exchange for an exemption with regard to any new national taxes or rates required after the date of the agreement. For this reason, in 2010, 2009 and 2008, Bancolombia (unconsolidated), Leasing Bancolombia, Banca de Inversion Bancolombia and Fiduciaria Bancolombia did not pay the financial transaction tax, equity tax or income surtax. Consequently, Bancolombia (unconsolidated), Leasing Bancolombia, Banca de Inversion Bancolombia and Fiduciaria Bancolombia were taxed at a total income tax rate of 35% for the fiscal years 2010, 2009 and 2008, two percentage points above the required tax rate for the companies that were not subject to the tax stability regime in Colombia. This agreement terminated in December 31, 2010 (in the case of Fiduciaria Bancolombia, the agreement was terminated in December 31, 2009). As a result of the expiration of the tax stability regime agreement, Bancolombia is subject to any new taxes or increases in tax rates that are implemented on or after January 1, 2011.

In the case of Bancolombia Panama and Subsidiaries, Banagrícola and Banco Agrícola Panama, which are domiciled in Panama and permitted to operate through an international banking license, income tax is governed by the Panamanian tax law. Pursuant to Panamanian tax law Bancolombia Panama and Subsidiaries, Banagrícola and Banco Agrícola Panama profits are not subject to income tax in Panama. Subsidiaries incorporated in El Salvador pay income tax of 25% on profits obtained within the country. For further details about the income tax expense calculation see “Note 21. Accrued Expenses – Income Tax Expense” of Notes to the Consolidated Financial Statements.

GENERAL DISCUSSION OF THE CHANGES IN RESULTS FOR 2010 VERSUS 2009

Summary

During 2010, Bancolombia strengthened its competitive position and full-service financial model, and benefited from the diversity of its leading franchises. For the year 2010, net income totaled COP 1,436 billion (COP 1,823 per share – USD 3.81 per ADR), which represents an increase of 14% as compared to COP 1,257 billion net income for the fiscal year 2009 and an increase of 11% as compared to COP 1,291 billion net income for the fiscal year 2008.

Bancolombia’s return on average stockholders’ equity for 2010 was 19.7%, up from 19.6% in 2009 and 23.7% in 2008.

Margin compression during 2010: net interest margin decreased throughout 2010 and reached 6.13% for the whole year, down from 6.98% in 2009 and 7.42% in 2008.

Credit cost decreased: provision charges, net of recoveries, totaled COP 548 billion for 2010, down from COP 1,153 billion in 2009 and COP 1,133 billion in 2008.

Loans and financial leases grew 16% during the year. This performance was driven primarily by significantly increased economic activity in Colombia, which led individuals and corporations to demand more credit, especially in the second half of the year.

Strong balance sheet: reserves for loan losses represented 5.2% of total loans and 180% of past-due loans at the end of 2010, while capital adequacy finished 2010 at 14.7% (Tier 1 ratio of 10.3%), higher than the 13.2% (Tier 1 ratio of 10.4%) reported at the end of 2009.

Solid liquidity position: deposits increased 3% during 2010, while the ratio of net loans to deposits (including borrowings from development banks) was 100% at the end of the year.

REVENUE PERFORMANCE

Net Interest Income

For the year 2010, net interest income totaled COP 3,377 billion, down 11% as compared to COP 3,802 billion in 2009 and down 5% as compared to COP 3,560 billion in 2008. This performance is explained by the combined effect of lower net interest margins and slow growth in the loan portfolio during the first half of the year. During 2010, Colombian central bank reduced its reference rate from 3.5% to 3%, which increased money supply in the economy and caused asset side rates to decrease at a faster pace than the liability side rates, and as a result margins were compressed. Net interest income represented 61% of revenues in 2010, compared to 67% for 2009 and 64% for 2008.

Interest income, which is the sum of interest on loans, financial leases, overnight funds and income from investment securities, totaled COP 4,949 billion in 2010, down 23% as compared to COP 6,428 billion in 2008 and down 22% as compared to COP 6,314 billion in 2008. The 2010 performance was driven by lower income from securities and lower interest income on loans and financial leases.

Interest on loans and financial leases also reflected the impact of lower interest rates during 2011. The weighted average nominal interest rate on loans and financial leases decreased to 10.3% in 2010 from 13.1% in 2009 and 14.7% in 2008. As a result, interest on loans and financial leases totaled COP 4,464 billion (90% of interest income) and decreased 21% as compared to COP 5,623 billion in 2009 and 23% as compared to COP 5,776 in 2008.

Interest on investment securities, which includes, among other items, the interest paid or accrued on debt securities and mark-to-market valuation adjustments, totaled COP 442 billion in 2010, down 39% as compared to 2009 and up 3% as compared to 2008. This performance was driven by lower market interest rates which remained stable as compared to 2009.

Regarding interest expenses, interest paid on liabilities totaled COP 1,572 billion in 2010, down 40% as compared to COP 2,625 billion in 2009, and down 43% as compared to COP 2,753 billion in 2008. Such a decrease in interest expenses is explained by lower interest rates paid on deposits and a more favorable funding mix (one with a greater proportion of demand deposits). Overall, the average interest rate paid on interest-bearing liabilities decreased to 3.4% in 2011 from 5.6% in 2010 and 6.6% in 2009.

Net Fees and Income from Financial Services

For the year 2010, net fees and income from services totaled COP 1,579 billion, up 5% as compared to COP 1,506 in 2009 and up 20% as compared to COP 1,314 in 2008. This increase was driven primarily by the solid performance of credit and debit card annual fees, banking services and collection and payments fees.

Commissions from banking services increased by 22% due to higher fees from advisory and project finance arrangements. The 35% reduction of credit card merchant fees was due to lower charges per transaction to merchants. Check remittances decreased 31% due to fewer transactions and lower charges per transaction to customers.

Bancolombia distribution channels performed an increasing number of transactions in 2010. In particular, our Colombia Banking operation performed about 1.1 billion transactions during 2010, which represents an increase of 7% as compared to the levels experienced in 2009. The higher transactional levels, together with fee increases and the elimination of fee exemptions in certain payment instruments (like debit cards and credit cards) for some segments explained the solid performance of fees.

Other Operating Income

For 2010, total other operating income was COP 548 billion, 44% higher than the COP 381 billion reported in 2009, but 16% lower than the COP 650 billion obtained in 2008.

Revenue from rent of real estate properties and operating leases had a significant impact in the other operating income line of COP 178 billion, 14% higher than the COP 156 billion reported in 2009, and 68% higher than the COP 105 billion obtained in 2008.

In addition, the sale of Bancolombia's stakes in IVL S.A. and Metrotel Redes S.A. positively affected other operating income in the year. As part of this transaction, the Bank recorded non-recurring gains on sales of equities of COP 34 billion for 2010.

Foreign exchange net gains decreased significantly by 129% from COP 216 billion in 2009 to COP 62 billion in 2010, due to the 6% appreciation of the COP versus the USD, which caused USD-denominated obligations to be lower when converted to COP. On the other hand, forward contracts in foreign currency fell by 81% from COP 266 billion in 2009 to COP 51 billion in 2010, due also to the appreciation of the COP versus the dollar which caused a negative carry and a smaller gain in forward contracts.

Operating expenses

For 2010, operating expenses totaled COP 3,098 billion, up 7% as compared to COP 2,826 billion in 2009 and 17% as compared to 2008.

Personnel expenses (the sum of salaries and employee benefits, bonus plan payments and compensation) totaled COP 1,294 billion in 2010, up 13% as compared to 2009. This performance was primarily driven by the combined effect of larger headcount and wage increments during 2010. Salaries were raised in line with the 2010 inflation rate of 3.17%.

Administrative and other expenses totaled COP 1,455 billion in 2010, up 3% as compared to 2009 and up 15% as compared to 2008, driven by increased fees paid in connection with software development and IT upgrades.

Depreciation expense totaled COP 195 billion in 2010, increasing 6% as compared to COP 185 billion in 2009. This increase was driven by the growth in the operating lease business of Bancolombia. In particular, COP 85 billion or 44% of 2010's depreciation expense is associated with operating lease assets, compared to COP 70 billion or 38% of depreciation expense in 2009.

Provision Charges and Credit Quality

For the year 2010, provision charges (net of recoveries) totaled COP 548 billion (or 1.2% of average loans), which represents a decrease of 53% as compared to COP 1,153 billion in 2009 (or 2.6% of average loans) and a decrease of 52% as compared to COP 1,133 billion in 2008 (or 2.8% of average loans). The lower level of credit cost was driven by lower net charge-offs in our loan portfolio and lower reserve additions across all credit segments, reflecting the better economic activity and stronger labor markets.

Net loan charge-offs totaled COP 666 billion in 2010, down 28% from COP 926 billion in 2009 and up 22% from COP 548 billion in 2008. Past-due loans amounted to COP 1,396 billion in 2010, down 14% as compared to COP 1,627 billion in 2009, and 14% lower than COP 1,624 billion in 2008.

The delinquencies ratio (loans overdue more than 30 days divided by total loans) reached 2.87% as of the end of 2010, down from 3.87% at the end of 2009 and down from 3.64% at the end of 2008.

Allowance for credit losses

Allowances for loan and financial lease losses amounted to COP 2,509 billion or 5.2% of total loans at the end of 2010 and increased from COP 2,432 billion, or 5.8% of total loans as of December 31, 2009. Likewise, coverage for loan losses, measured by the ratio of allowances to past-due loans (PDLs) (overdue 30 days), reached 180% at the end

of 2010, up from 149% at the end of 2009. The coverage increase reflects the Bank's prudent approach toward risk and incorporates as mentioned above stricter parameters than those required by the Superintendency of Finance. In addition a low deterioration of the loan portfolio during 2010, contributed to a higher coverage ratio. As of December 31, 2010, allowances in the amount of COP 559 billion were recorded in excess of the minimum allowances required by Colombia's Superintendency of Finance.

Allowances for loan losses calculated following practices and special regulations of the Superintendency of Finance differ in certain significant respects from U.S. GAAP. Note 31- e) Allowance for loan losses, financial leases, foreclosed assets and other receivables to the Bank's audited consolidated financial statements included in this Annual Report provides a description of the significant differences between Colombian GAAP and U.S. GAAP in this respect and a reconciliation of allowances following U.S. GAAP.

Merger Expenses and Goodwill Amortization

For the year ended December 31, 2010, goodwill amortization amounted to COP 56 billion, 19% down from COP 69 billion in 2009 and 23% down from COP 73 billion in 2008.

As of December 31, 2010, outstanding goodwill totaled COP 751 billion, which represents a 12% decrease from COP 856 billion at the end of 2009. Outstanding goodwill represented 1.1% of the Bank's total assets and primarily comprises the goodwill related to the acquisition of Banagrícola, which is being amortized over 20 years beginning in May 2007. The 6% appreciation of the COP against the U.S. dollar during 2010 had the effect of increasing the Bank's dollar-denominated goodwill, principally relating to the Banagricola acquisition.

Non-Operating Income (Expenses)

Net non-operating income, which includes gains/losses from the sale of foreclosed assets, property, plant and equipment and other assets and income from minority interests, totaled COP 86 billion in 2010, 10% higher than COP 78 billion in 2009. This performance is explained by higher non-operating income in 2010, which increased 35% compared to 2009, driven by gains on the sale of properties.

Net non-operating income totaled COP 78 billion in 2009, significantly higher than COP 13 billion in 2008. This performance is explained by lower non-operating expenses in 2009, which decreased 25% compared to 2008, driven by lower expenses related to legal proceedings.

Income Tax Expenses

Income tax expense for the fiscal year 2010 totaled COP 508 billion, up 10% as compared to COP 462 billion in 2009 and 7% above the COP 474 billion in 2008.

Tax expense is determined for every subsidiary following the tax law of the country where it is domiciled. It is important to note that Bancolombia (unconsolidated), Leasing Bancolombia, Banca de Inversion Bancolombia and Fiduciaria Bancolombia signed an agreement with the Government of Colombia in order to be subject to the tax stability regime for ten years beginning on January 2001. Pursuant to the tax stability regime, those firms agreed to be taxed two percentage points above the applicable income tax rate in Colombia in exchange for an exemption with regard to any new national taxes or rates required after the date of the agreement. For this reason, in 2010, 2009 and 2008, Bancolombia (unconsolidated), Leasing Bancolombia, Banca de Inversion Bancolombia and Fiduciaria Bancolombia did not pay the financial transaction tax, equity tax or income surtax. Consequently, Bancolombia (unconsolidated), Leasing Bancolombia, Banca de Inversion Bancolombia and Fiduciaria Bancolombia were taxed at a total income tax rate of 35% for the fiscal years 2010, 2009 and 2008, two percentage points above the required tax rate for the companies that were not subject to the tax stability regime in Colombia. This agreement terminated in December 31, 2010 (in the case of Fiduciaria Bancolombia, the agreement was terminated in December 31, 2009). As result of the expiration of the tax stability regime agreement, Bancolombia will be subject to any new taxes or increases in tax rates that are implemented on or after January 1, 2011.

In the case of Bancolombia Panama and Subsidiaries, Banagrícola and Banco Agrícola Panama, which are domiciled in Panama and permitted to operate through an international banking license, income tax is governed by the Panamanian tax law. Pursuant to Panamanian tax law Bancolombia Panama and Subsidiaries, Banagrícola and Banco Agrícola Panama profits are not subject to income tax in Panama. Subsidiaries incorporated in El Salvador pay income tax of 25% on profits obtained within the country. For further details about the income tax expense calculation

see “Note 21. Accrued Expenses – Income Tax Expense” of Notes to the Consolidated Financial Statements.

RESULTS BY SEGMENT

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

Banking Colombia: This segment provides retail and corporate banking products and services to individuals, companies and national and local governments in Colombia. The Bank’s strategy in Colombia is to grow with these clients based on value-added, long-term relationships. In order to offer specialized services to individuals and small and medium-size enterprises (SMEs), the Bank’s retail sales force targets the clients classified as: Personal, Private, Entrepreneurs, Foreign Residents and SMEs. The Bank’s corporate and government sales force targets and specializes in companies with more than COP 16,000 million in revenue in nine economic sectors: Agribusiness, Commerce, Manufacturing of Supplies and Materials, Media, Financial Services, Non-Financial Services, Construction, Government and Natural Resources.

This segment is also responsible for the management of the Bank's proprietary trading activities, liquidity and distribution of treasury products and services to its client base in Colombia.

	Year ended December 31,			Change 2011-2010		Change 2010-2009	
	2011	2010	2009				
	(COP in million)						
Net Interest income	3,000,900	2,617,840	2,954,586	14.63	%	(11.40))%
Net provisions	(481,251)	(378,778)	(866,097)	27.05	%	(56.27))%
Net commissions	1,335,101	1,197,419	1,116,632	11.50	%	7.23	%
Other net revenues	452,331	444,676	276,437	1.72	%	60.86	%
Total Operating Income	4,307,081	3,881,157	3,481,558	10.97	%	11.48	%
Operating expenses	2,837,985	2,442,504	2,209,990	16.19	%	10.52	%
Non-operating income (expense)	53,989	71,628	61,378	(24.63)	)%	16.70	%
Income before income taxes	1,523,085	1,510,281	1,332,946	0.85	%	13.30	%
Income tax expense	(319,572)	(334,712)	(316,170)	(4.52)	)%	5.86	%
Segment profit	1,203,513	1,175,569	1,016,776	2.38	%	15.62	%
Segment assets	63,626,713	49,499,711	42,952,531	28.54	%	15.24	%

Analysis of 2011 versus 2010.

In 2011, profit for Banking Colombia increased 2% to COP 1,204 billion.

Net interest income increased 15% to COP 3,001 billion, due to stable net interest margins and growth in the loan portfolio. Consumer loans and mortgages led the growth, commercial loans followed as large corporations and small and medium enterprises demanded more credit.

Net provision charges increased 27% to COP 481 billion. This increase was in line with the growth of the loan portfolio, specially the consumer segment. Operating expenses increased 16% to COP 2,838, due to increased administrative expenses and labor costs. A big driver for these expenses was the IT renovation project that Grupo Bancolombia is currently undertaking, which demands labor and operational expenses. Financial transaction taxes and equity taxes are also included in this line.

Assets attributable to Banking Colombia grew 29% during the year, mainly driven by the growth in loans.

Analysis of 2010 versus 2009.

In 2010, profit for Banking Colombia increased 16% versus 2009 to COP 1,176 billion.

Net interest income decreased 11.4% to COP 2,617 billion, due to a compression in net interest margins resulting from a reduction of the Colombian Central Bank's interest rate and slow credit demand during the first half of the year. In the second half of the year, credit demand picked up and permitted the loan portfolio to expand. Consumer loans and mortgages (including COP 1,627 billion in securitized mortgages) led the growth, and commercial loans followed as utilization of installed capacity of companies increased as well.

Net provision charges decreased 56% to COP 379 billion, due to improved credit quality and low deterioration of the loan portfolio. Despite this reduction in provision charges, coverage of past-due loans increased from 157.62% in 2009 to 173.59% in 2010. Operating expenses increased 10.5% to COP 2,443, due to increased administrative expenses and labor costs. A big driver for these expenses was the IT renovation project that Grupo Bancolombia is currently undertaking, which demands labor and operational expenses. For 2011, operating expenses are expected to grow at a similar rate as they did in 2010.

Assets attributable to Banking Colombia grew 15.2% during the year, mainly driven by the growth in loans.

Banking El Salvador: This segment provides retail and commercial banking products and services to individuals, companies and national and local governments in El Salvador. Banking El Salvador also includes operations of the following subsidiaries: Arrendadora Financiera S.A., Credibac S.A. de CV and Bursabac S.A. de CV.

This segment is also responsible for the management of the Bank's proprietary trading activities, liquidity and distribution of treasury products and services to its client base in El Salvador.

	Year ended December 31,			Change 2011-2010		Change 2010-2009	
	2011	2010	2009				
	<i>(COP in million)</i>						
Net Interest income	355,778	362,155	393,873	(1.76	)%	(8.05)%
Net provisions	(38,787)	(102,681)	(179,418)	(62.23	)%	(42.77)%
Net commissions	107,442	115,206	136,137	(6.74	)%	(15.37)%
Other net revenues	34,076	18,476	16,759	84.43	%	10.25	%
Total Operating Income	458,509	393,156	367,351	16.62	%	7.02	%
Operating expenses	205,304	189,922	238,432	8.10	%	(20.35)%
Non-operating income (expense)	6,731	600	(8,748)	1021.83	%	(106.86)%
Income before income taxes	259,936	203,834	120,171	27.52	%	69.62	%
Income tax expense	(60,575)	(54,547)	(23,446)	11.05	%	132.65	%
Segment profit	199,361	149,287	96,725	33.54	%	54.34	%
Segment assets	6,931,582	7,093,621	7,756,293	(2.28	)%	(8.54)%

Analysis of 2011 versus 2010.

In 2011, profit for Banking El Salvador increased 34% to COP 199 billion.

Net interest income decreased 2% to COP 355 billion, due to the contraction of the loan portfolio. This small growth in the loan portfolio was caused by a little demand due to weak economy in El Salvador. Deposits contracted and their cost remained stable. In 2011, net interest margin ended at 5.7%.

Net provision charges decreased 62% to COP 39 billion, in line with an improvement in the credit quality of the loan portfolio. In banking operations in El Salvador, we maintained strict discipline in credit standards in order to prevent any significant deterioration of the loan book due to weak economic performance. Allowances for bad loan losses as a percentage of past-due loans at the end of 2011 was 115% and past-due loans as a percentage of gross loans was 3.69% for Banking El Salvador.

Operating expenses grew 8% to COP 205 billion, due to increases in administrative and personnel expenses.

Non-operating income also presented a positive change, as it generated a profit of COP 6.7 billion compared with only of COP 0.6 billion in 2010. This variation is mostly explained by the impact of the depreciation of the Colombian peso against the US dollar in 2011 and the the resulting beneficial impact in Banking El Salvador, with .Assets attributable to Banking El Salvador decreased 2% during the year, mainly driven by the contraction of 9% in the investment portfolio of Banco Agrícola.

Analysis of 2010 versus 2009.

In 2010, profit for Banking El Salvador increased 54% to COP 149 billion.

Net interest income decreased 8.1% to COP 362 billion, due the contraction of the loan portfolio. During 2010, margins expanded from 5.3% to 5.8% but that expansion was not enough to offset the contraction of the loan portfolio. This contraction was caused by a weak economy in El Salvador. Nevertheless, deposits did not contract and their cost remained stable. The decision of maintaining the amount of deposits instead of reducing them was a measure designed to enhance the Bank's ability to grow the loan book when credit demand picks up again.

Net provision charges decreased 43% to COP 103 billion, in line with an improvement in the credit quality of the loan portfolio. In banking operations in El Salvador, we maintained strict discipline in credit standards in order to prevent any significant deterioration of the loan book due to weak economic performance. Allowances for bad loan losses as a percentage of past-due loans at the end of 2010 was 100% and past-due loans as a percentage of gross loans was 4.84% for Banking El Salvador.

Operating expenses decreased 20% to COP 190 billion, due to a reduction in administrative and personnel expenses aimed at achieving improvements in efficiency, which deteriorated in 2009.

Non-operating income also presented a positive change, as it generated a profit of COP 0.6 billion compared with loss of COP 8.748 billion in 2009. This variation is explained by the impact of the conversion of USD to COP which appreciated during 2009.

Assets attributable to Banking El Salvador decreased 8.5% during the year, mainly driven by the contraction of 3.4% in the loan book of Banco Agrícola.

Leasing: This segment provides financial and operational leases, including cross-border and international leasing services to clients in Colombia, Central America, Mexico, Peru and Brazil. Bancolombia offers these services mainly through the following Subsidiaries: Leasing Bancolombia S.A., Renting Colombia S.A., Arrendamiento Operativo CIB S.A.C., Leasing Peru S.A., Transportempo S.A.S., Fondo de Inversión en Arrendamiento Operativo Renting Peru and Capital Investment Safi S.A.

	Year ended December 31,			Change 2011-2010		Change 2010-2009	
	2011	2010	2009				
	(COP in million)						
Net Interest income	473,867	443,574	432,472	6.83	%	2.57	%
Net provisions	(49,211)	(48,262)	(96,419)	1.97	%	(49.95)	%
Net commissions	11,703	4,895	597	139.08	%	719.93	%
Other net revenues	68,930	53,799	46,197	28.13	%	16.46	%
Total Operating Income	505,289	454,006	382,847	11.30	%	18.59	%
Operating expenses	280,478	213,433	183,597	31.41	%	16.25	%
Non-operating income (expense)	(488)	(7,032)	(5,345)	(93.06)	)%	31.56	%
Income before income taxes	224,323	233,541	193,905	(3.95)	)%	20.44	%
Income tax expense	(2,720)	(47,208)	(43,348)	(94.24)	)%	8.90	%
Segment profit	221,603	186,333	150,557	18.93	%	23.76	%
Segment assets	11,488,298	8,345,821	7,341,863	37.65	%	13.67	%

Analysis of 2011 versus 2010.

In 2011, profit for Leasing increased 19% to COP 222 billion.

Net interest income increased 7% to COP 474 billion, explained mainly by the growth in the balance of financial leases.

Net provision charges increased 2% to COP 49 billion, due to better credit quality and high provision charges that the company made in previous years. Allowances for bad loan losses, as a percentage of gross loans, was 210%; and past-due loans as a percentage of gross loans was 1.82% at end of 2011, up from 220% and 2.04% respectively at the end of 2010.

Operating expenses increased 31% to COP 280 billion, due to increased labor costs and administrative expenses, derived from the integration of Leasing Bancolombia S.A. and Renting Colombia S.A.

Assets attributable to Leasing grew 38% to COP 11,488 billion, mainly driven by the increase in financial leases demanded by corporations and small and medium enterprises.

Analysis of 2010 versus 2009.

In 2010, profit for Leasing increased 24% to COP 186 billion.

Net interest income increased 2.6% to COP 444 billion. Demand for leasing products was weak during the year and grew less than demand for credit products.

Net provision charges decreased 50% to COP 48 billion, due to better credit quality and high provision charges that the company made in previous years. Allowances for bad loan losses, as a percentage of gross loans, was 220% at end of 2010, up from 144% at the end of 2009 and past-due loans as a percentage of gross loans was 2.04% at end of 2010 down from 3.14% at the end of 2009.

Operating expenses increased 16.3% to COP 213 billion, due to increased labor costs and administrative expenses, derived from the integration of Leasing Bancolombia S.A. and Renting Colombia S.A. and the commencement of operations in Perú.

Assets attributable to Leasing grew 13.7% to COP 8,346 billion, mainly driven by the reduction of provisions and recoveries that almost completely offset provisions.

Trust: This segment provides trust services and asset management to clients in Colombia and Peru through Fiduciaria Bancolombia S.A. and Fiduciaria GBC S.A. The main products offered by this segment include money market accounts, mutual and pension funds, private equity funds, payment trust, custody services, and corporate trust.

	Year ended December 31,			Change 2011-2010		Change 2010-2009	
	2011	2010	2009				
	(COP in million)						
Net Interest income	14,906	16,933	17,225	(11.97	)%	(1.70)%
Net provisions	158	(394)	(2,364)	(140.10	)%	(83.33)%
Net commissions	166,736	144,786	153,731	15.16	%	(5.82)%
Other net revenues	(557)	874	3,391	(163.73	)%	(74.23)%
Total Operating Income	181,243	162,199	171,983	11.74	%	(5.69)%
Operating expenses	69,510	53,805	44,808	29.19	%	20.08	%
Non-operating income (expense)	4,540	(742)	1,088	(711.86	)%	(168.20)%
Income before income taxes	116,273	107,652	128,263	8.01	%	(16.07)%
Income tax expense	(37,637)	(34,660)	(44,333)	8.59	%	(21.82)%
Segment profit	78,636	72,992	83,930	7.73	%	(13.03)%
Segment assets	303,579	272,797	256,195	11.28	%	6.48	%

Analysis of 2011 versus 2010.

In 2011, profit for the Trust segment increased 8% to COP 79 billion.

Net interest income decreased 12% to COP 15 billion, due to the contraction of the net interest margin. Commissions grew 15% due to an increase in the value of assets under management. Operating expenses grew 29% to COP 70 billion due to increases in labor and administrative expenses related to consulting fees associated with the implementation of new products and services. Assets under management of the trust segment totaled COP 44.5 trillion at the end of 2011.

Assets attributable to the Trust segment grew 11% during the year to COP 304 billion, mainly driven by the growth in the investment securities portfolio of Fiduciaria Bancolombia S.A.

Analysis of 2010 versus 2009.

In 2010, profit for the Trust segment decreased 13% to COP 73 billion.

Net interest income decreased 1.7% to COP 17 billion, due to the contraction of the net interest margin. Commissions fell 5.8% due to a slowdown in corporate and government trust-related fees in the first half of the year. Operating expenses grew 20% to COP 54 billion due to increases in labor and administrative expenses related to consulting fees associated with the implementation of new products and services.

Assets attributable to the Trust segment grew 6% during the year to COP 273 billion, mainly driven by the growth in the investment securities portfolio of Fiduciaria Bancolombia S.A.

Investment Banking: This segment provides corporate and project finance advisory, underwriting, capital markets services and private equity management through Banca de Inversion Bancolombia S.A. Its customers include private and publicly-held corporations as well as government institutions.

	Year ended December 31,			Change 2011-2010		Change 2010-2009	
	2011	2010	2009				
	(COP in million)						
Net Interest income	7,043	10,303	17,438	(31.64	)%	(40.92)%
Net provisions	(242)	1,168	(1,236)	(120.72	)%	(194.50)%
Net commissions	33,972	31,913	14,934	6.45	%	113.69	%
Other net revenues	41,947	94,743	31,618	(55.73	)%	199.65	%
Total Operating Income	82,720	138,127	62,754	(40.11	)%	120.11	%
Operating expenses	21,573	16,673	15,926	29.39	%	4.69	%
Non-operating income (expense)	1,062	133	2,258	698.50	%	(94.11)%
Income before income taxes	62,209	121,587	49,086	(48.84	)%	147.70	%
Income tax expense	(9,186)	(18,632)	(5,460)	(50.70	)%	241.25	%
Segment profit	53,023	102,955	43,626	(48.50	)%	135.99	%
Segment assets	462,155	427,967	398,267	7.99	%	7.46	%

Analysis of 2011 versus 2010.

In 2011, profit for the Investment Banking segment decreased 48% to COP 53 billion.

Net interest income decreased 32% to COP 7 billion, due to the contraction of the loan portfolio and margins. Net commissions, which are the main revenue line, grew 6% to COP 34 billion, led by fees generated by corporate finance advisory services and capital markets related fees. Corporate bond issuance was robust in Colombia in 2011 and Banca de Inversion Bancolombia participated in deals worth COP 5 trillion, an increase of 100% as compared with deals worth COP 2.5 trillion in 2010.

Other revenues declined 56% to COP 42 billion as gains in stakes in companies that occurred in 2010 did not occur in 2011.

Operating expenses grew 29% to COP 22 billion, due to increased labor costs.

Assets attributable to Investment Banking grew 8% during the year to COP 462 billion, mainly driven by the growth in the investment portfolio.

Analysis of 2010 versus 2009.

In 2010, profit for the Investment Banking segment increased 136% to COP 103 billion.

Net interest income decreased 40.9% to COP 10 billion, due to the contraction of the loan portfolio and margins; offset partially by a recovery of provisions that mitigated the impact of lower interest income. Net commissions grew 113.7% to COP 32 billion, led by fees generated by corporate finance advisory services and capital markets related fees. Corporate bond issuance was robust in Colombia in 2010 and Banca de Inversion Bancolombia participated in deals worth COP 2.5 trillion.

Other revenues almost doubled to COP 95 billion due to gains of COP 34 billion from the sale of stakes in companies, especially in the first half of the year.

Operating expenses grew 4.7% to COP 17 billion, due to increased labor costs, which grew in line with inflation.

Assets attributable to Investment Banking grew 7.5% during the year to COP 428 billion, mainly driven by the growth in the investment portfolio.

Brokerage: This segment provides brokerage, investment advisory and private banking services to individuals and institutions through Valores Bancolombia S.A., Valores Bancolombia Panama S.A. and Suvalor Panamá Fondos de Inversión. It sells and distributes equities, futures, foreign currencies, fixed income securities, mutual funds and structured products.

	Year ended December 31,						
	2011	2010	2009	Change 2011-2010		Change 2010-2009	
	(COP in million)						
Net Interest income	22,149	28,102	58,129	(21.18	)%	(51.66)%
Net provisions	(86)	(208)	(152)	(58.65	)%	36.91	%
Net commissions	81,094	52,711	48,927	53.85	%	7.73	%
Other net revenues	27,225	4,581	2,177	494.30	%	110.43	%
Total Operating Income	130,382	85,186	109,081	53.06	%	(21.91)%
Operating expenses	98,947	86,699	81,679	14.13	%	6.15	%
Non-operating income (expense)	6,226	15,206	(1,582)	(59.06	)%	(1061.10)%
Income before income taxes	37,661	13,693	25,820	175.04	%	(46.97)%
Income tax expense	(3,942)	(1,245)	(8,371)	216.63	%	(85.13)%
Segment profit	33,719	12,448	17,449	170.88	%	(28.66)%
Segment assets	364,962	851,844	1,129,222	(57.16	)%	(24.56)%

Analysis of 2011 versus 2010.

In 2011, profit for the Brokerage segment increased 171% to COP 34 billion.

Net interest income decreased 21% to COP 22 billion, due a reduction in gains on securities.

Net commissions, which are the most important component of revenues, increased 54% to COP 81 billion, as increased trading activity in 2011 generated more fees and revenues from third-party portfolios. Assets under management of the private banking arm of Valores Bancolombia totaled COP 10 trillion at the end of 2011.

Other revenues increased 494% to 27 billion due mainly to mark to market gain stemming from the reclassification of BVC (*Bolsa de Valores de Colombia*) equity securities from “available for sale” investments to “trading” investments.

Operating expenses increased 14% to COP 99 billion, due to labor cost increases and higher IT expenditures.

Assets attributable to the Brokerage segment decreased 57% during the year, mainly driven by a decrease in active positions in market activities. There was also a decrease in positions in market making activities in the liability side of the balance sheet.

Analysis of 2010 versus 2009.

In 2010, profit for the Brokerage segment decreased 28.7% to COP 12 billion.

Net interest income decreased 51.7% to COP 28 billion, due a reduction in gains on securities.

Net commissions increased 7.7% to COP 53 billion, as increased trading activity in 2010 generated more fees and revenues from third-party portfolios, as Assets under management, grew 93% to COP 1,500 billion.

Operating expenses increased 6.1% to COP 87 billion, due to labor cost increases and higher IT expenditures.

Assets attributable to the Brokerage segment decreased 24.6% during the year, mainly driven by a decrease in active positions in market activities. There was also a decrease in positions in market making activities in the liability side of the balance sheet.

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

The performance of Bancolombia Panamá, which has a significant weight in this segment, refers only to the results reported by Bancolombia Panamá's offshore commercial banking activities and does not consolidate the results of Banco Agrícola, which are reflected in the results for the segment Banking El Salvador.

	Year ended December 31,						
	2011	2010	2009	Change 2011-2010		Change 2010-2009	
	(COP in million)						
Net Interest income	107,043	108,114	96,131	(0.99	)%	12.47	%
Net provisions	2,557	(19,754)	(8,358)	(112.94	)%	136.35	%
Net commissions	19,686	12,432	10,595	58.35	%	17.34	%
Other net revenues	183,272	87,081	35,486	110.46	%	145.40	%
Total Operating Income	312,558	187,873	133,854	66.37	%	40.36	%
Operating expenses	60,802	66,811	84,208	(8.99	)%	(20.66)%
Non-operating income (expense)	(392)	(3,279)	(1,286)	(88.05	)%	154.98	%
Income before income taxes	251,364	117,783	48,360	113.41	%	143.55	%
Income tax expense	-	-	-	-		-	
Segment profit/(loss)	251,364	117,783	48,360	113.41	%	143.55	%
Segment assets	8,751,997	6,068,344	6,362,171	44.22	%	(4.62)%

Analysis of 2011 versus 2010.

In 2011, profit for the Off Shore segment increased 113% to COP 251 billion.

Net interest income decreased 1% to COP 107 billion. Other net revenues grew 110% to COP 183 billion, mostly due to an increase in dividends received from Banagrícola (part of the Banking El Salvador segment). These dividends

were increased because the capital in Banagrícola was higher than required due to slow demand in credit in El Salvador. These dividends are eliminated in the consolidation process that generates the consolidated financial statements.

Operating expenses decreased 9% to COP 61 billion, due to lower amortization charges of the goodwill created with the purchase of Banagrícola, which was reflected in Bancolombia Panamá.

Assets attributable to the Off Shore segment increased 44% during the year, mainly driven by the depreciation of the Colombian peso versus the US dollar in 2011.

The jurisdictions where operations of the Off Shore segment are conducted have no corporate income taxes.

Analysis of 2010 versus 2009.

In 2010, profit for the Off Shore segment increased 144% to COP 118 billion

Net interest income increased 12.5% to COP 108 billion, despite the asset contraction of 4,6% during the year; this was possible due to a smaller increase in cost of deposits as compared to the increase of interest revenues.

Net provision charges increased 136.3% to COP 20 billion, due to greater deterioration in the loan portfolio.

Other net revenues grew 145% to COP 87 billion, mostly due to an increase in dividends received from Banagrícola (part of the Banking El Salvador segment). These dividends were increased because the capital in Banagrícola was higher than required due to slow demand in credit in El Salvador. These dividends are eliminated in the consolidation process that generates the consolidated financial statements.

Operating expenses decreased 20.7% to COP 67 billion, due to lower amortization charges of the goodwill created with the purchase of Banagrícola, which was reflected in Bancolombia Panamá. The 6% appreciation of the COP against the U.S. dollar during 2010 had the effect of decreasing the pace of amortization of goodwill when measured in COP.

Assets attributable to the Off Shore segment decreased 4.6% during the year, mainly driven by the contraction of the loan and investment securities portfolio.

The jurisdictions where operations of the Off Shore segment are conducted have no corporate income taxes.

Pension and Insurance: This segment provides pension plan administration and insurance services to individuals and companies in El Salvador through Crecer S.A., Aseguradora Suiza Salvadoreña S.A. and Asesuisa Vida S.A.

	Year ended December 31,			Change 2011-2010		Change 2010-2009	
	2011	2010	2009				
	(COP in million)						
Net Interest income	2,454	4,046	7,109	(39.35	)%	(43.09)%
Net provisions	1,033	593	3,258	74.20	%	(81.80)%
Net commissions	(65)	89,969	96,676	(100.07	)%	(6.94)%
Other net revenues	28,898	(14,887)	(17,391)	(294.12	)%	(14.40)%
Total Operating Income	32,320	79,721	89,652	(59.46	)%	(11.08)%
Operating expenses	9,552	31,115	38,278	(69.30	)%	(18.71)%
Non-operating income (expense)	524	1,752	(236)	(70.09	)%	(842.37)%
Income before income taxes	23,292	50,358	51,138	(53.75	)%	(1.53)%
Income tax expense	(5,253)	(11,557)	(13,395)	(54.55	)%	(13.72)%
Segment profit	18,039	38,801	37,743	(53.51	)%	2.80	%
Segment assets	172,999	229,156	242,226	(24.51	)%	(5.40)%

Analysis of 2011 versus 2010.

In 2011, profit for the Pension and Insurance segment increased 54% to COP 18 billion.

Net commissions, which are the main revenue generators, decreased 100% to zero, due the sale of AFP Crecer. The sale of AFP Crecer was authorized by regulators in Colombia and El Salvador in 2011 and the transaction generated a gain of COP 138 billion. As a result of this transaction, neither revenues nor expenses related to pension plan administration were recognized in 2011.

Operating expenses decreased 69% to COP 31 billion due to lower administrative and labor expenses.

Assets attributable to Pension and Insurance decreased 25% during the year, mainly driven by the sale of AFP Crecer.

Analysis of 2010 versus 2009.

In 2010, profit for the Pension and Insurance segment increased 2.8% to COP 39 billion.

Net commissions, which are the main revenue generators, decreased 6.9% to COP 90 billion, due the contraction of assets under management as employment in El Salvador suffered with the slowdown in economic activity, individuals contributed less to pension plans and purchased fewer insurance policies. As a result, operating income also decreased 11.1% during the year.

Operating expenses decreased 18.7% to COP 31 billion due to lower administrative and labor expenses.

Assets attributable to Pension and Insurance decreased 5.4% during the year, mainly driven by the contraction of the investment portfolio.

All Other: This includes results from particular investment vehicles of Bancolombia: Valores Simesa, Inmobiliaria Bancol, Todo 1 Colombia S.A., Inversiones CFNS, CFNS Infraestructura S.A.S, Sinesa, Sinesa Holding, Future Net, Vivayco S.A.S., Banagrícola, Inversiones Financieras Banco Agrícola, Banco Agrícola Panamá and others.

	Year ended December 31,			Change 2011-2010		Change 2010-2009	
	2011	2010	2009				
	(COP in million)						
Net Interest income	1,806	680	(1,694)	165.59	%	(140.14)%
Net provisions	(37,211)	(181)	1,437	20458.56	%	(112.60)%
Net commissions	(40)	840	1,920	(104.76	)%	(56.25)%
Other net revenues	373,091	100,036	148,526	272.96	%	(32.65)%
Total Operating Income	337,646	101,375	150,189	233.07	%	(32.50)%
Operating expenses	20,641	25,343	28,493	(18.55	)%	(11.06)%
Non-operating income (expense)	(7,404)	19,814	13,960	(137.37	)%	41.93	%
Income before income taxes	309,601	95,846	135,656	223.02	%	(29.35)%
Income tax expense	(31,631)	(5,856)	(7,490)	440.15	%	(21.82)%
Segment profit	277,970	89,990	128,166	208.89	%	(29.79)%
Segment assets	1,852,144	1,529,612	1,502,366	21.09	%	1.81	%

Analysis of 2011 versus 2010.

In 2011, profit for All Other increased 209% to COP 278 billion.

Other revenue, which is the most significant revenue line, increased 273% to COP 373 billion. The increase is explained by higher dividends received by the companies that compose the segment.

Net provision charges increased 20,459% to COP 37 billion, due mainly to provisions related to investments by Inversiones CFNS in BVC (*Bolsa de Valores de Colombia*), Grupo Odinsa and Enka.

Operating expenses decreased 19% to COP 21 billion, due to lower amortization charges.

Assets attributable to All Other grew 21% during the year.

Analysis of 2010 versus 2009.

In 2010, profit for All Other decreased 29.8% to COP 89 billion.

Other revenue, which is the most significant revenue line decreased 32.6% to COP 100 billion. The reduction is explained by lower dividends received by the companies that compose the segment.

Operating expenses decreased 11.1% to COP 25 billion, due to lower amortization charges.

Assets attributable to All Other grew only 1.8% during the year, since no significant changes happened in the group of companies.

B. LIQUIDITY AND CAPITAL RESOURCES

B.1. LIQUIDITY AND FUNDING

Market Scenario