

BANCOLOMBIA SA
Form 20-F/A
July 24, 2009

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 24, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 20-F/A
AMENDMENT NO. 1**

(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, 2008
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report _____
Commission file number: 001-32535
BANCOLOMBIA S.A.
(Exact name of Registrant as specified in its charter)
N/A
(Translation of Registrant's name into English)
Republic of Colombia
(Jurisdiction of incorporation or organization)
Carrera 48 # 26-85, Avenida Los Industriales
Medellín, Colombia
(Address of principal executive offices)
Juan Esteban Toro Valencia, Investor Relations Manager
Carrera 48 # 26-85, Medellín, Colombia
Tel. +5744041837, Fax. + 574 4045146, e-mail: juatoro@bancolombia.com
(Name, Telephone, E-Mail and/or Facsimile number and Address of Company Contact Person)
Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each Class
American Depositary Shares
Preferred Shares

Name of each exchange on which registered
New York Stock Exchange
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 4 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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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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

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 (§232.405 of this chapter) during the precedent 12 months (or for such shorter period that the registrant was required to submit and post such files).

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

EXPLANATORY NOTE

This Amendment No. 1 on Form 20-F/A (this Amendment No. 1) amends the Bank's annual report on Form 20-F for the year ended December 31, 2008, filed with the Securities and Exchange Commission (the SEC) on June 30, 2009 (the original filing). The Bank is filing this Amendment No. 1 to include under Item 18 the report relating to the financial statements of Banagrícola S.A. and its subsidiaries as of December 31, 2007 audited by PriceWaterhouseCoopers, S.A. The report by PriceWaterhouseCoopers, S.A. was included in the annual report on Form 20-F for the year ended December 31, 2007 but was inadvertently omitted from the original filing.

Additionally, the Bank amends Item 19 of the original filing by including as exhibits 15.1, 15.2 and 15.3 consents by independent registered public accounting firms to the incorporation by reference of their reports to the registration statement in Form F-3 No. 333-142898, and by adding updated CEO and CFO certifications as exhibits 12.1, 12.2, 13.1 and 13.2.

The revisions mentioned above appear on the following pages or exhibits:

ITEM 18. FINANCIAL STATEMENTS

Page F-5 (Report of independent registered public accounting firm)

ITEM 19. EXHIBITS

- | | |
|------|---|
| 12.1 | CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated July 24, 2009. |
| 12.2 | CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated July 24, 2009. |
| 13.1 | CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated July 24, 2009. |
| 13.2 | CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated July 24, 2009. |
| 15.1 | Consent of PriceWaterhouseCoopers Ltda. |
| 15.2 | Consent of Deloitte & Touche Ltda. |
| 15.3 | Consent of PriceWaterhouseCoopers, S.A. |

Except for the certifications, this Amendment No. 1 speaks as of the filing date of the original filing. Other than set forth above, this Amendment No. 1 does not, and does not purport to, amend, update or restate any other information or disclosure included in the original filing or reflect any events that have occurred after the filing date of the original filing. This amendment should be read in conjunction with the Bank's filings made with the SEC subsequent to the original filing, as information in such reports and documents may update or supersede certain information contained in this amendment. This amendment retains the page numbering of the original filing for ease of reference.

PART III

FINANCIAL STATEMENTS

ITEM 18. FINANCIAL STATEMENTS

Reference is made to pages F- 1 through F 120.

ITEM 19. EXHIBITS

The following exhibits are filed as part of this Annual Report.

- 1 ⁽²⁾ English Translation of Corporate by-laws (estatutos sociales) of the registrant, as amended on March 01, 2007.
- 2 ⁽¹⁾ The Deposit Agreement entered into between Bancolombia and The Bank of New York, as amended on January 14, 2008.
- 4.1.⁽⁴⁾ English Summary of the Stock Purchase Agreement entered into between Bancolombia S.A., the other shareholders named therein and Stratton Spain S.L. on June 6, 2008.
- 7.⁽⁴⁾ Selected Ratios Calculation
- 8.1⁽⁴⁾ List of Subsidiaries
- 11.⁽³⁾ English translation of the Ethics Code of the registrant, as amended on June 23, 2008.
- 12.1 CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated July 24, 2009.
- 12.2 CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated July 24, 2009.
- 13.1 CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated July 24, 2009.
- 13.2 CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated July 24, 2009.
- 15.(a)⁽³⁾ English Translation of Corporate Governance Code (Código de Buen Gobierno) of the registrant, as amended on June 23, 2008.
- 15.1 Consent of PriceWaterhouseCoopers Ltda.
- 15.2 Consent of Deloitte & Touche Ltda.
- 15.3 Consent of PriceWaterhouseCoopers, S.A.

⁽¹⁾ Incorporated by reference to the Registration Statement in Form F-6, filed by Bancolombia on January 14, 2008.

⁽²⁾ Incorporated by reference to the Bank's Annual Report on Form 20-F for the year ended December 31, 2006 filed on May 10, 2007.

⁽³⁾ Incorporated by reference to the Bank's Annual Report on Form 20-F for the year ended December 31, 2007 filed on July 8, 2008.

⁽⁴⁾ Incorporated by reference to the Bank's Annual Report on Form 20-F for the year ended December 31, 2008 filed on June 30, 2009.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Dated: July 24, 2009

BANCOLOMBIA S.A.

By: /s/ JAIME ALBERTO VELÁSQUEZ BOTERO

Name: Jaime Alberto Velásquez Botero

Title: Chief Financial Officer

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Shareholders of Bancolombia S. A.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Bancolombia S. A. and its subsidiaries (the Bank) at December 31, 2008, and the consolidated results of operations and cash flows for the year then ended in conformity with accounting principles generally accepted in Colombia and the special regulations of the Superintendency of Finance, collectively Colombian GAAP. Also in our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Bank's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on these financial statements and on the Bank's internal control over financial reporting based on our integrated audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States) and auditing standards generally accepted in Colombia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2 (d) to the consolidated financial statements, the Bank changed the manner in which it presents increases and decreases in deposits within its consolidated statement of cash flows prepared under Colombian GAAP, effective January 1, 2008.

Accounting principles generally accepted in Colombia and the special regulations of the Superintendency of Finance, collectively Colombian GAAP, vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 31 to the consolidated financial statements.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LTDA
Medellin, Colombia
June 30, 2009

Deloitte & Touche Ltda.
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A.A 404
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of BANCOLOMBIA S.A.:

We have audited the accompanying consolidated balance sheets of Bancolombia SA and subsidiaries (the Bank) as of December 31, 2007, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2007. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We did not audit the consolidated financial statements of Banagrícola, S.A. (a consolidated subsidiary acquired by the Bank on May 16, 2007) and its subsidiaries, which statements reflect total assets and income before taxes constituting 16.30% and 15.30%, respectively, of the related consolidated totals for the year ended December 31, 2007. Those statements, prepared in accordance with the accounting standards prescribed by the Superintendence of Financial System of El Salvador, were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Banagrícola, S.A. and its subsidiaries on such basis of accounting, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements (including the Bank's conversion of the amounts in the financial statements of Banagrícola S.A. and its subsidiaries, prepared in conformity with accounting standards prescribed by the Superintendence of Financial System of El Salvador, to amounts in conformity with accounting principles generally accepted in Colombia and the regulations of the Colombian Superintendency of Finance (collectively Colombian GAAP) and accounting principles generally accepted in the United States of America (U.S. GAAP). An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of Bancolombia S.A. and subsidiaries as of December 31, 2007, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2007, in conformity with Colombian GAAP.

Colombian GAAP vary in certain significant respects from U.S. GAAP. Information relating to the nature and effect of such differences is presented in Note 31 to the consolidated financial statements.

As discussed in Notes 2(d), 2(ab), 31(q) and 31(x) to the consolidated financial statements, the accompanying 2007 and 2006 financial statements have been retrospectively adjusted for the changes in accounting practices relating to presentation of increases and decreases in deposits within its consolidated statements of cash flows and to certain transactions in its statements of operations, operations discontinued in 2008 and disclosures in the composition of reportable segments, respectively.

/s/ Deloitte & Touche Ltda.

Medellin, Colombia

July 7, 2008 (June 25, 2009 for the effects of certain restatements for the correction of errors discussed on Note 31(y) and June 26, 2009 as to the effects of the retrospective adjustments discussed in Notes 2(d), 2(ab), 31(q) and 31(x) to

the consolidated financial statements)

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PRICEWATERHOUSECOOPERS

Ave Samuel Lewis y

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Apartado 0819-05710

El Dorado Panamá R. P.

Teléfono (507) 206-9200

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Banagrícola, S.A.

We have audited the accompanying consolidated balance sheets of Banagrícola, S.A. and its subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banagrícola, S.A. and its subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with accounting standards prescribed by the Superintendencia of Financial System of El Salvador as described in Note 2.

As described in Note 2, the accompanying consolidated financial statements have been prepared in conformity with accounting standards for controlling entities issued by the Superintendencia of Financial Systems of El Salvador, which is a comprehensive basis of accounting other than International Financial Reporting Standards.

/s/ PriceWaterhouseCoopers

June 28, 2008

Panama, Republic of Panama

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2007 and 2008

(Stated in millions of Colombian pesos and thousands of U.S. Dollars)

	Notes	2007	2008	2008 ⁽¹⁾ (Unaudited) U.S. Dollar
Assets				
Cash and cash equivalents:				
Cash and due from banks	4	Ps 3,618,619	Ps 3,870,927	US\$ 1,725,328
Overnight funds		1,609,768	1,748,648	779,397
Total cash and cash equivalents		5,228,387	5,619,575	2,504,725
Investment securities:	5			
Debt securities:		5,596,051	6,840,596	3,048,951
Trading		1,916,012	2,385,564	1,063,279
Available for sale		1,954,593	2,000,588	891,691
Held to maturity		1,725,446	2,454,444	1,093,981
Equity securities:		253,747	503,861	224,578
Trading		93,125	331,398	147,709
Available for sale		160,622	172,463	76,869
Allowance		(75,547)	(66,181)	(29,498)
Total investment securities, net		5,774,251	7,278,276	3,244,031
Loans and financial leases:	6			
Commercial loans		23,397,058	28,068,731	12,510,633
Consumer loans		6,593,211	7,532,649	3,357,409
Small business loans		129,900	143,122	63,792
Mortgage loans		2,883,628	3,391,326	1,511,562
Financial leases		4,698,827	5,506,742	2,454,433
Allowance for loans and financial leases losses	7	(1,457,151)	(2,134,360)	(951,315)
Total loans and financial leases, net		36,245,473	42,508,210	18,946,514
Accrued interest receivable on loans and financial leases:				
Accrued interest receivable on loans and financial leases		431,863	559,981	249,592
Allowance for accrued interest losses	7	(33,303)	(54,323)	(24,213)
Total interest accrued, net		398,560	505,658	225,379

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Customers' acceptances and derivatives	8	196,001	272,458	121,438
Accounts receivable, net	9	716,106	828,817	369,416
Property, plant and equipment, net	10	855,818	1,171,117	521,984
Operating leases, net	11	488,333	726,262	323,705
Foreclosed assets, net	15	32,294	24,653	10,988
Prepaid expenses and deferred charges	12	137,901	132,881	59,227
Goodwill	14	977,095	1,008,639	449,565
Other assets, net	13	580,642	1,093,850	487,544
Reappraisal of assets	16	520,788	612,683	273,082
Total assets		Ps 52,151,649	Ps 61,783,079	US\$ 27,537,598
Memorandum accounts	25	Ps 182,209,139	Ps 219,171,533	US\$ 97,687,872

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BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2007 and 2008

(Stated in millions of Colombian pesos and thousands of U.S. Dollars)

	<i>Notes</i>	<i>2007</i>	<i>2008</i>	<i>2008⁽¹⁾</i> <i>(Unaudited)</i> <i>U.S. Dollar</i>
<i>Liabilities and Stockholders Equity</i>				
Deposits				
Non-interest bearing:				
Checking accounts		Ps 5,804,724	Ps 5,723,460	US\$ 2,551,028
Other		5,300,864	5,289,918	2,357,792
Interest bearing:				
Checking accounts		503,860	433,542	193,236
Time deposits		28,569,426	34,660,940	15,448,874
Savings deposits		1,567,411	2,011,132	896,390
		14,304,727	18,652,738	8,313,791
		12,697,288	13,997,070	6,238,693
Total deposits		34,374,150	40,384,400	17,999,902
Overnight funds		2,005,490	2,564,208	1,142,904
Bank acceptances outstanding		55,208	56,935	25,377
Interbank borrowings	17	1,506,611	2,077,291	925,878
Borrowings from development and other domestic banks	18	3,344,635	3,870,634	1,725,197
Accounts payable		1,714,418	1,688,402	752,545
Accrued interest payable		286,627	400,902	178,688
Other liabilities	19	503,433	589,501	262,749
Long-term debt	20	2,850,730	3,643,486	1,623,953
Accrued expenses	21	218,860	255,183	113,739
Minority interest		92,217	135,292	60,301
Total liabilities		46,952,379	55,666,234	24,811,233
Stockholders equity	22, 24			
Subscribed and paid in capital:				
Nonvoting preferred shares		460,684	460,684	205,334
Common shares		151,422	151,422	67,492
Retained earnings:				
Appropriated	23	309,262	309,262	137,842
Unappropriated		4,446,527	5,265,664	2,346,981
Reappraisal of assets	16	3,359,604	3,975,021	1,771,723
Gross unrealized net loss on investments		1,086,923	1,290,643	575,258
		319,646	448,511	199,908
		(27,587)	(58,014)	(25,858)
Total stockholders equity		5,199,270	6,116,845	2,726,365

Total liabilities and stockholders equity		Ps 52,151,649	Ps 61,783,079	US\$ 27,537,598
Memorandum accounts	25	Ps 182,209,139	Ps 219,171,533	US\$ 97,687,872

The accompanying notes, numbered 1 to 31, form an integral part of these Consolidated Financial Statements.

(1) See note 2 (c).

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BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2006, 2007 and 2008

(Stated in millions of Colombian pesos and thousands of U.S. Dollars, except per share data)

	Note	2006	2007 ⁽²⁾	2008	2008 ⁽¹⁾ (Unaudited) U.S. Dollar
Interest income:					
Loans		Ps 2,312,525	Ps 3,707,751	Ps 4,999,520	US\$ 2,228,358
Investment securities		273,197	416,644	431,589	192,365
Overnight funds		43,863	115,324	106,208	47,338
Financial leases		384,147	570,689	776,426	346,064
Total interest income		3,013,732	4,810,408	6,313,743	2,814,125
Interest expense:					
Checking accounts		32,676	39,076	39,257	17,497
Time deposits		459,513	816,688	1,256,742	560,148
Saving deposits		264,381	461,437	589,718	262,846
Total interest expense on deposits		756,570	1,317,201	1,885,717	840,491
Interbank borrowings		94,872	109,843	74,792	33,335
Borrowings from development and other domestic banks		180,507	274,484	344,900	153,727
Overnight funds		100,876	131,127	166,129	74,046
Long-term debt		113,404	169,435	281,803	125,604
Total interest expense		1,246,229	2,002,090	2,753,341	1,227,203
Net interest income		1,767,503	2,808,318	3,560,402	1,586,922
Provision for loan, accrued interest losses and other receivables, net					
	7	(266,107)	(707,865)	(1,263,405)	(563,118)
Recovery of charged-off loans		70,746	89,997	108,143	48,201
Provision for foreclosed assets and other assets		(44,353)	(60,531)	(46,297)	(20,635)
Recovery of provisions for foreclosed assets and other assets		89,532	81,364	68,392	30,483

Total net provisions	(150,182)	(597,035)	(1,133,167)	(505,069)
Net interest income after provisions for loans and accrued interest losses	1,617,321	2,211,283	2,427,235	1,081,853
Fees and other services income:				
Commissions from banking services	162,273	279,528	238,918	106,489
Electronic services and ATMs fees	85,049	80,711	86,070	38,363
Branch network services	62,403	104,601	104,010	46,359
Collections and payments fees	74,708	130,421	157,281	70,102
Credit card merchant fees	8,150	39,191	32,215	14,359
Credit and debit card annual fees	238,898	293,583	446,647	199,077
Checking fees	60,083	67,438	67,963	30,292
Warehouse services	72,494			
Fiduciary activities	62,114	69,200	98,799	44,036
Pension Plan Administration		82,453	87,826	39,145
Brokerage fees	67,034	62,493	54,742	24,399
Check remittance	11,040	22,762	26,148	11,655
International operations	34,281	43,643	47,962	21,377

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2006, 2007 and 2008

(Stated in millions of Colombian pesos and thousands of U.S. Dollars, except per share data)

	Note	2006	2007 ⁽²⁾	2008	2008 ⁽¹⁾ (Unaudited) U.S. Dollar
Total fees and other service income		Ps 938,527	Ps 1,276,024	Ps 1,448,581	US\$ 645,653
Fees and other service expenses		(70,866)	(116,453)	(134,939)	(60,144)
Total fees and income from services, net		867,661	1,159,571	1,313,642	585,509
Other operating income:					
Foreign exchange gains, net		58,008	27,584	113,584	50,626
Forward contracts in foreign currency		45,073	141,930	142,431	63,484
Gains (losses) on sales of investments on equity securities		75,697	(15,034)	92,125	41,061
Gains on sale of mortgage loans		14,371	50,377	41,080	18,310
Dividend income		21,199	18,968	39,586	17,644
Revenues from commercial subsidiaries		40,323	101,148	101,730	45,343
Insurance income			8,013	13,948	6,217
Communication, postage, rent and others		16,762	17,572	105,958	47,226
Total other operating income		271,433	350,558	650,442	289,911
Total operating income		2,756,415	3,721,412	4,391,319	1,957,273
Operating expenses:					
Salaries and employee benefits		690,117	835,150	928,997	414,067
Bonus plan payments		35,771	84,226	125,393	55,889
Compensation		6,375	23,463	23,539	10,492
Administrative and other expenses	27	882,182	1,070,845	1,268,982	565,603
Deposit security, net		67,813	49,113	52,151	23,244

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Donation expenses		22,596	15,375	26,653		11,880
Depreciation	10	104,553	122,835	141,133		62,905
Merger expenses		35,779				
Goodwill amortization		25,814	70,411	73,149		32,604
Total operating expenses		1,871,000	2,271,418	2,639,997		1,176,684
Net operating income		885,415	1,449,994	1,751,322		780,589
Non-operating income:						
Other income		194,589	93,294	172,550		76,909
Minority interest		(6,352)	(13,246)	(18,511)		(8,251)
Other expense		(149,243)	(81,236)	(140,662)		(62,695)
Total non-operating (expense) income	28	38,994	(1,188)	13,377		5,963
Income before income taxes		924,409	1,448,806	1,764,699		786,552
Income tax expense	21	(174,880)	(361,883)	(474,056)		(211,294)
Net income		Ps 749,529	Ps 1,086,923	Ps 1,290,643	US\$	575,258
Earnings per share		Ps 1,030	Ps 1,433	Ps 1,638	US\$	0.73

The accompanying notes, numbered 1 to 31, form an integral part of these Consolidated Financial Statements.

(1) See Note 2 (c).

(2) The consolidated statement of operations for the year 2007 was modified to reflect certain reclassifications made in commissions from banking services and other services, administrative and other expenses and other income that conform to the presentation

of 2008 figures, in order to provide a better basis of comparison with respect to 2008 figures regarding the gains on the sale of mortgage loans. No such changes were made for 2006, as the reclassifications would not have a material impact on the figures for that period, and accordingly, would not be material for comparative purposes.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

Years ended December 31, 2006, 2007 and 2008

(Stated in millions of Colombian pesos and thousands of U.S. Dollars, except share data)

<i>Non Voting Preferred Shares</i>		<i>Voting Common Shares</i>		<i>Retained Earnings</i>		<i>Surplus</i>		
<i>Number</i>	<i>Par Value</i>	<i>Number</i>	<i>Par Value</i>	<i>Appro- priated</i>	<i>Unappro- priated</i>	<i>Reappraisal of assets</i>	<i>Gross unrealized gain or loss on investments available for sale</i>	<i>Stock</i>
218,122,421	Ps 121,422	509,704,584	Ps 309,262	Ps 1,765,998	Ps 946,881	Ps 110,479	Ps 123,248	Ps
					749,529			
				946,881	(946,881)			
						30,214	(111,149)	
				(369,736)				
				(29,536)				
218,122,421	121,422	509,704,584	309,262	2,313,607	749,529	140,693	12,099	
					1,086,923			
				749,529	(749,529)			
59,999,998	30,000			897,612				
						178,953	(39,686)	
				(403,164)				
				(197,980)				
278,122,419	151,422	509,704,584	309,262	3,359,604	1,086,923	319,646	(27,587)	

						1,290,643			
							1,086,923	(1,086,923)	
									128,865 (30,427)
						(447,486)			
						(24,020)			
31,	278,122,419	Ps 151,422	509,704,584	Ps 309,262	Ps 3,975,021	Ps 1,290,643	Ps 448,511	Ps (58,014)	Ps
31,									
d)	US\$ 67,492		US\$ 137,842	US\$ 1,771,723	US\$ 575,258	US\$ 199,908	US\$ (25,858)	US\$	

The accompanying notes, numbered 1 to 31, form an integral part of these Consolidated Financial Statements.

(1) See note 2 (c).

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2006, 2007 and 2008

(Stated in millions of Colombian pesos and thousands of U.S. Dollars)

	2006	2007	2008	2008 ⁽¹⁾
Cash flows from operating activities:				
Net income	Ps 749,529	Ps 1,086,923	Ps 1,290,643	US\$ 575,258
Adjustments to reconcile net income to net cash used by operating activities:				
Depreciation	104,553	122,835	193,151	86,090
Amortization	42,905	110,076	120,581	53,745
Minority interest	(251)	43,328	43,075	19,199
Provision for loan, accrued interest and accounts receivable losses	600,273	1,268,241	2,113,431	941,986
Provision for foreclosed assets	22,044	35,783	19,461	8,674
Provision for losses on investment securities and equity investments	12,200	7,313	7,379	3,289
Provision for Property, Plant and Equipment	914	2,925	2,853	1,272
Provision for other assets	1,600	7,914	7,250	3,231
Reversal of provision for investments	(27,593)	(20,722)	(14,125)	(6,296)
Reversal of provision for loans and accounts receivable	(334,082)	(560,241)	(849,166)	(378,485)
Reversal of provision for foreclosed assets	(54,298)	(52,995)	(46,352)	(20,660)
Reversal of provision for other assets	(880)	(244)	(2,308)	(1,029)
Reversal of provision for Property, Plant and Equipment	(6,845)	(7,537)	(6,468)	(2,883)
Realized and unrealized (gain) loss on derivative financial instruments	15,449	(117,653)	(129,689)	(57,804)
Unrealized gain on investment securities	(159,249)	(355,190)	(624,860)	(278,509)
Foreclosed assets donation	20,888	10,708	7,321	3,263
(Increase) decrease in customers acceptances	(47,520)	79,225	54,958	24,496
(Increase) in accounts receivable	(38,311)	(344,052)	(302,521)	(134,838)
(Increase) in other assets	(187,584)	(1,336,181)	(669,543)	(298,425)
(Decrease) Increase in accounts payable	(253,531)	822,201	88,259	39,338
(Decrease) Increase in other liabilities	(72,270)	115,735	86,069	38,362
(Increase) in loans and financial leases	(6,182,386)	(13,087,618)	(7,443,105)	(3,317,498)
Increase in deposits ⁽²⁾	4,831,484	11,157,682	6,010,250	2,678,854
(Decrease) Increase in estimated liabilities and allowances	(10,875)	98,876	36,323	16,190
Net cash used by operating activities	(973,836)	(912,668)	(7,133)	(3,180)

Cash flows from investing activities:

Proceeds from sales of Property, Plant and Equipment	53,218	15,280	28,827	12,849
Proceeds from sales of foreclosed assets	61,791	71,811	37,326	16,637
(Purchases) of Property, Plant and Equipment	(230,992)	(590,568)	(765,652)	(341,262)
Sales (Purchases) of investment securities	2,815,501	232,424	(902,846)	(402,411)
Net cash provided by (used) investing activities	2,699,518	(271,053)	(1,602,345)	(714,187)

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2006, 2007 and 2008

(Stated in millions of Colombian pesos and thousands of U.S. Dollars)

	2006	2007	2008	2008 ⁽¹⁾
Cash flows from financing activities:				
Dividends declared	(369,736)	(403,163)	(447,486)	(199,451)
Payment of long-term debt	(628,964)	(477,893)	(256,906)	(114,507)
Placement of long-term debt	283,354	2,025,921	1,049,662	467,850
Increase (decrease) in overnight funds	(322,868)	998,445	558,718	249,029
Increase (decrease) in interbank borrowings and borrowings from domestic development banks	(411,124)	1,334,820	1,096,678	488,805
Issuance of preference and common shares		30,000		
Retained earnings		897,612		
Net cash (Used) provided by financing activities	(1,449,338)	4,405,742	2,000,666	891,726
Increase in cash and cash equivalents	276,344	3,222,021	391,188	174,359
Cash and cash equivalents at beginning of year	1,730,022	2,006,366	5,228,387	2,330,366
Cash and cash equivalents at end of year	Ps 2,006,366	Ps 5,228,387	Ps 5,619,575	US\$ 2,504,725
Supplemental disclosure of cash flows information:				
Cash paid during the year for:				
Interest	Ps 1,238,419	Ps 1,905,585	Ps 2,639,069	US\$ 1,176,271
Income taxes	Ps 161,967	Ps 122,477	Ps 214,679	US\$ 95,686

See accompanying notes to consolidated financial statements.

(1) See note 2 (c).

(2) The consolidated cash flow for the years ended 2006 and 2007 was modified

due to reclassifications made particularly in deposits of the financial activities for operating activities, with the purpose of improving the presentation of comparative information.

Amounts previously presented for operating activities were (5,757,800) and (12,149,575); for investing activities were 2,651,998 and (191,828); for financing activities were 3,382,146, and 15,563,424; for the years ended in 2006 and 2007, respectively.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

(1) Organization and Background

Bancolombia S.A., is a private commercial bank incorporated under Colombian law on January 24, 1945. On April 3, 1998, Banco Industrial Colombiano S.A. merged with Banco de Colombia S.A. and the surviving entity was renamed Bancolombia S.A. The registered office and business address of Bancolombia S.A. is in Medellín, Colombia. Bancolombia S.A. and its subsidiaries are defined as the Bank.

On July 30, 2005, Conavi Banco Comercial y de Ahorros S.A. (Conavi) and Corporación Financiera Nacional y Suramericana S.A. (post-spin off) (Corfinsura) were merged into Bancolombia S.A. (the Conavi/Corfinsura merger). The Conavi/Corfinsura merger was approved at Bancolombia S.A.'s ordinary shareholders' meeting held on March 28, 2005 and was also duly approved at the annual shareholder meetings of Conavi and Corfinsura, respectively. The Superintendency of Finance approved the transaction on July 19, 2005. The Conavi/Corfinsura merger was formalized and registered in the Commercial Registry of the Medellín Chamber of Commerce on August 1, 2005. As a result of the Conavi/Corfinsura merger, Bancolombia S.A. acquired the entire property, rights and obligations of Conavi and Corfinsura, entities which were dissolved without being liquidated.

Bancolombia S.A.'s business purpose is to carry out all operations, transactions, acts and services inherent to the banking business, through banking establishments that carry its name and according to all applicable legislation.

Bancolombia S.A. also has an agency in Miami, Florida, United States of America and a representation office in Madrid, Spain.

In May 2007, Bancolombia S.A. through its subsidiary Bancolombia Panamá S.A. acquired 89.15% of Banagrícola S.A. (Banagrícola). Banagrícola's shareholders agreed to sell 16,817,633 of the total 18,865,000 outstanding shares. The purchase price was US\$ 47.044792 per share for a total of US\$ 791,182. Simultaneously with the acquisition, the Bank had signed an agreement with Bienes y Servicios S.A (BYSSA), former major Banagrícola's shareholder, which included a call and written put option. The options were exercised in December 2007 and as a consequence the Bank acquired the shares representing 9.59% of interest in Banagrícola. Bancolombia Panamá S.A. has continued purchasing shares from Banagrícola's minority shareholders and at December 31, 2008 held an interest of 99.12% of Banagrícola's total shareholder's equity.

Banagrícola is a holding company with several subsidiaries dedicated to banking, commercial and consumer activities, insurance, pension funds and brokerage, among which are Banco Agrícola S.A. in El Salvador and Banco Agrícola (Panamá) S.A. in Panama. The acquisition of Banagrícola intends to place the Bank as one of several key players in Central America boosting its income generation and also diversifying its loan portfolio mix, reducing risk and exposure concentration.

The consolidated financial statements includes the assets, liabilities, earnings, contingent accounts and memorandum accounts of the Bank in which they hold, directly or indirectly, 50% or more of the outstanding voting shares (the Subsidiaries). Bancolombia S.A. has the following subsidiaries making up the Bancolombia Group, which is currently registered as a corporate group:

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

<i>Entity</i>	<i>Location</i>	<i>Business</i>	<i>Participation percentage Dec-2007</i>	<i>Participation percentage Dec-2008</i>
Leasing Bancolombia S.A.	Colombia	Leasing	100	100
Fiduciaria Bancolombia S.A.	Colombia	Trust	98.81	98.81
Fiduciaria GBC S.A. ⁽¹⁾	Peru	Trust		98.82
Bancolombia Panamá S.A.	Panama	Banking	100	100
Bancolombia Caymán	Cayman Islands	Banking	100	100
Sistema de Inversiones y Negocios S.A.	Panama	Investments	100	100
	British Virgin			
Sinesa Holding Company Ltd.	Islands	Investments	100	100
Future Net Inc.	Panama	E-commerce	100	100
Banca de Inversión Bancolombia S.A.		Investment		
Corporación Financiera	Colombia	banking	100	100
Inversiones Valsimesa S.A. ⁽²⁾	Colombia	Investments	71.75	
		Real estate		
Inmobiliaria Bancol S.A.	Colombia	broker	99.09	99.06
		Metals		
Fundicom S.A. ⁽³⁾	Colombia	engineering	79.90	
Valores Simesa S.A.	Colombia	Investments	71.75	70.75
Todo UNO Colombia S.A.	Colombia	E-commerce	89.92	89.92
Compañía de Financiamiento Comercial		Financial		
S.A. Sufinanciamiento	Colombia	services	99.99	99.99
		Operating		
Renting Colombia S.A.	Colombia	leasing	90.30	80.50
		Operating		
Renting Perú S.A.C.	Peru	leasing	90.39	80.63
RC Rent a Car S.A.	Colombia	Car rental	90.80	81.51
Catital Investments SAFI S.A. (CI) ⁽⁴⁾	Peru	Trust		80.63
Fondo de Inversión en Arrendamiento				
Operativo Renting Perú ⁽⁴⁾	Peru	Car Rental		80.63
Transportes Empresariales de Occidente				
Ltda. ⁽⁴⁾	Colombia	Transportation		80.30
Patrimonio Autónomo Renting Colombia ⁽³⁾	Colombia	Investments	100	
Suleasing International USA, Inc.	USA	Leasing	100	100
Suleasing Internacional do Brasil Locacao				
de Bens S.A. ⁽²⁾	Brazil	Leasing	100	
Inversiones CFNS Ltda.	Colombia	Investments	100	100
		Securities		
Valores Bancolombia S.A.	Colombia	brokerage	100	100
		Securities		
Suvalor Panamá S.A.	Panama	brokerage	100	100
Bancolombia Puerto Rico Internacional, Inc	Puerto Rico	Banking	100	100
Multienlace S.A. ⁽³⁾	Colombia	Contact center	98.20	
Inversiones IVL S.A.	Colombia	Investments	98.25	98.25

Factoring Bancolombia S.A	Colombia	Financial services	99.99	99.99
Patrimonio Autónomo CV Sufinanciamiento Banagrícola S.A.	Colombia	Loan management	100	100
Banco Agrícola Panamá S.A.	Panama	Investments	98.90	99.12
Inversiones Financieras Banco Agrícola S.A.	Panama	Banking	98.90	99.12
Banco Agrícola S.A.	El Salvador	Investments	98.08	98.38
Arrendadora Financiera S.A.	El Salvador	Banking	96.00	96.72
Credibac S.A. de CV	El Salvador	Leasing	96.02	96.73
Bursabac S.A. de CV	El Salvador	Credit card services	96.01	96.72
AFP Crecer S.A.	El Salvador	Securities brokerage	98.08	98.38
Aseguradora Suiza Salvadoreña S.A.	El Salvador	Pension fund	98.32	98.60
Asesuisa Vida S.A.	El Salvador	Insurance company	94.70	95.81
FCP Colombia Inmobiliaria ⁽⁴⁾	Colombia	Insurance company	94.70	95.80
		Real estate broker		64.12

(1) Company created in 2008.

(2) Company liquidated in 2008.

(3) Company sold in 2008.

(4) Company acquired in 2008.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

(2) Summary of significant accounting Policies

(a) Basis of Presentation

For the preparation and disclosures of financial statements, the Bank follows generally accepted accounting principles in Colombia and the special regulations of the Superintendency of Finance, collectively Colombian GAAP .

For consolidated purposes, accounting policies relating to the application of adjustments for inflation were aligned with those established by the Superintendency of Finance for the Bank. By means of External Circular 014 issued April 17, 2001 by the Superintendency of Finance, the application of inflation adjustments was discontinued for accounting purposes as of January 1, 2001.

The financial statements of foreign subsidiaries were adjusted in order to adopt uniform accounting practices as required by Colombian GAAP.

Intercompany operations and balances are eliminated upon consolidation.

The Bank holds the majority voting rights in the companies: Prosciol E.U, Forum S.A, Industrias Kapitol S.A, Urbanización Sierras del Chicó Ltda, Chicó Oriental No.2. Ltda. which were not included in the Consolidated Financial Statements due to the fact that these are either being wound up, subject to litigation proceedings or are currently at a non-productive stage.

(b) Translation of Foreign Currency Transactions and Balances

Translation of financial statements in foreign currency

The balance sheet accounts are translated to pesos using the exchange rate applicable at the end of the year, (except equity accounts which are translated at the historical exchange rate), This at December 31, 2008, December 31, 2007 and December 31, 2006 came to Ps 2,243.59, Ps 2,014.76 and Ps 2,357.98 per US\$ 1, respectively and for the income accounts the average exchange rate was used. Exchange differences originated in the balance sheet accounts are recorded as Cumulative Translation Adjustments in the Stockholders equity and are eliminated in the consolidation process.

Transactions in foreign currency on the part of the Bank and its local Subsidiaries

Transactions and balances in foreign currency are translated by the Bank and its Subsidiaries to pesos using the market exchange rates applicable on the corresponding dates, as established by the Superintendency of Finance. The exchange rates at December 31, 2008, December 31, 2007 and December 31, 2006 was that stated above.

Exchange rate differences arising from adjustments remeasurement of assets and liabilities denominated in foreign currency are recorded on the Consolidated Statements of Operations.

BANCOLOMBIA S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

(c) Convenience Translation to U.S. Dollars

The Bank maintains its accounting records and prepares its financial statements in Colombian pesos. The U.S. Dollar amounts presented in the financial statements and accompanying notes have been converted from peso figures solely for the convenience of the reader at the exchange rate of Ps 2,243.59 per US\$ 1, which is the exchange rate, calculated on December 31, 2008, the last business day of the year, by the Superintendency of Finance. This translation may not be construed to represent that the Colombian peso represents or has been, or could be converted into, U.S. Dollars at that or any other rate.

(d) Cash and Cash Equivalents

The statement of cash flows was prepared using the indirect method. These cash flows were calculated by taking the net differences in the balances shown on the consolidated balance sheet on December 31, 2008 and 2007. Cash and cash equivalents consist of cash and due from banks and all highly liquid investments with an original maturity of three months or less at the date of acquisition.

On January 1, 2008, the Bank modified the manner in which presents increases and decreases in deposits within its consolidated statements of cash flows. Previously classified as cash flows from financing activities, the Bank now presents such increases and decreases in deposits as cash flows from operating activities. This change is permitted under Colombian GAAP and enhances the comparability of the Bank with financial institutions reporting under International Financial Reporting Standards. The Bank elected to retroactively reflect this presentation change and adjust its historical consolidated statements of cash flows for the years ended December 31, 2006 and 2007, for comparative purposes. Amounts previously reported within cash flows from operating activities were (5,757,800) and (12,149,575); and within cash flows from financing activities were 3,382,146 and 15,563,424, for the years ended December 31, 2006 and 2007, respectively.

(e) Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with Colombian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual losses could differ from those estimated.

(f) Real Value Unit Rate (UVR)

The operations that the Bank carries out with regard to mortgage loans linked to the *Unidad de Valor Real* (the Real Value Unit or UVR) are adjusted on a daily basis according to the daily value of the UVR, as published by the Central Bank. The values assigned by the Central Bank to the UVR, in Colombian pesos, on December 31, 2007 and 2008, were Ps 168.4997 and Ps 181.6907, respectively. The UVR rate corresponds to the monthly variance of the IPC (Colombian Consumer Index Price) during the calendar month immediately prior to the month for which the UVR rate is being calculated. In light of the above, the annualized UVR rate increased at December 31, 2007 and 2008 was 2.95% and 3.83%, respectively.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

(g) Money Market Operations

Money market operations include: Interbank funds, securities and under repurchase agreement and securities purchased under agreement to resell.

Repos

Long Position: These are securities that are acquired by the Bank and its Subsidiaries in exchange for a sum of money (with or without a discount) assuming, at the moment the arrangement is made, the obligation of returning to the counterpart title to securities of the same type and characteristics, the same day or at a later date without at any time exceeding the term of one (1) year and at a pre-determined price or amount.

Short Position: These are securities that are transferred in exchange for a sum of money, assuming, at the moment the arrangement is made, the obligation of purchasing from the counterpart title to securities of the same type and characteristics, the same day or at a later date without at any time exceeding the term of one (1) year and at a pre-determined price or amount.

Simultaneous Operations

Long Position: These are securities that are acquired in exchange for a sum of money assuming at the moment the arrangement is made, the obligation of returning to the counterpart title to securities of the same type and characteristics, the same day or at a later date without at any time exceeding the term of one (1) year and at a pre-determined price or amount.

Short Position: The short position with regard to a simultaneous operation is when a person transfers the title to securities in exchange for a sum of money, assuming, at the moment the arrangement is made, the obligation of purchasing from the counterpart title to securities of the same type and characteristics, the same day or at a later date without at any time exceeding the term of one (1) year and at a pre-determined price or amount.

(h) Investment Securities

1. Classification

The investments are classified as trading , available for sale and held to maturity .

Trading Securities

Trading investments are those acquired mainly for obtaining profits from fluctuations in short-term prices and are accounted for at fair value.

Held to Maturity

Investments held to maturity are debt securities acquired with the stated purpose an legal, contractual, financial and operational capacity to hold them until maturity, and are measured at amortized cost. They may not be used for liquidity operations unless they are mandatory investments entered into on the primary market and provided that the counterparty for the operation is the Colombian Central Bank, the General Treasury Direction of Colombia, institutions overseen by the Superintendency of Finance or, in exceptional cases, as determined by the Superintendency of Finance.

Available for Sale

These are the investments which do not fall into either of the other two classifications, for which the investor has the stated intention and legal, contractual, financial, and operational capacity to hold them for at least one year from the date of classification.

This classification covers equity investments with low exchange turnover or which are unquoted and those held as parent or controlling stockholder of the issuer. There is no one-year minimum holding period required for sale.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

2. Recognition

Investments are recorded initially at their acquisition cost. Subsequent measurement depends on the classification:

2.1. Debt Securities

Debt securities are valued daily and the result is recorded daily. The Bank determines the market value of trading debt securities and available for sale debt securities by using the prices, reference rates and margins that the Infoval (entity created as provider market prices by Bolsa de Valores de Colombia, Stock Exchange) calculates and publishes daily. Investments in debt securities held to maturity are accounted for at amortized cost through measure based on internal rate of return calculated on the purchase date.

2.2 Equity Securities

Equity investments are recorded based on the level of exchange volume at the time of valuation, as follows:

High-volume: they are recorded based on the daily weighted average trading price published by Infoval.

Medium-volume: they are recorded based on the average price published by the stock exchange, being the weighted average trading price on the last five days on which securities are traded.

Low volume and unquoted: They are recorded under the intrinsic value method, through investor's equity share value increases or decreases calculated based on the most recent audited financial statements that are not older than three months from the valuation date, or more recent statements, if available.

2.3 Securities Denominated in Foreign Currency or in UVR

Foreign exchange gains or losses resulting from investment securities conversion are recorded as net foreign exchange in the consolidated statements of operations.

3. Recording

Investments are measured depending on the classification and must be recorded initially at their purchase cost. The subsequent measurement is recorded as follow:

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3.1 Trading Investments

The difference between current and previous fair value is adjusted to the value of the investment and is recorded in the consolidated statement of operations.

3.2 Investments Held to Maturity

Investments held to maturity are accounted for at historical cost plus accrued interest using the effective interest rate method. The effective interest rate is the internal rate of return calculated at the time of purchase of investment.

Interest accruals are recorded as interest income on investment securities.

3.3 Investments Available for Sale

3.3.1 Debt Securities

Changes in fair value are accounted for as decrease or increase of investment and are excluded from earnings and reported in other comprehensive income until realized. Changes in present value based on internal return rate are accounted for as earnings.

3.3.2 Equity Investments

Changes to equity investments are recorded in accordance with the investment trading volume, as follows:

3.3.2.1 Investments in Securities with Low Volume or Unquoted Securities

If the value of the investment that is updated with the investor's stake exceeds the recorded value of the investment, the difference primarily affects the provision or the devaluation up until it has been used up and any excess will be recorded as a valuation surplus by making a contra entry to the asset appreciation account.

If the value of the investment that is updated with the investor's stake is less than the recorded value of the investment, the difference primarily affects the investment's valuation surplus until it has been used up and any excess will be recorded as a devaluation of the respective investment in equity and as a balancing entry to the asset devaluation account.

When dividends or earnings are distributed in kind, including those resulting from the capitalization of the equity revaluation account, the portion that was accounted for as valuation surplus should be recorded as income with a charge against the investment, and said valuation surplus should be reversed. When dividends or earnings are distributed in cash, the amount recorded in valuation surplus should be accounted for as income, that valuation surplus should be reversed, and the dividend excess amount should be recorded as a lesser value of the investment.

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3.3.2.2 Investment in Securities with High or Medium Volume

The update of the market value of these securities is recorded as unrealized gains or losses on investments, within the equity accounts, crediting or debiting the investment securities.

Dividends or profits distributed in kind or in cash, including those from capitalizing the equity revaluation account, must be recorded as dividend income up to the amount corresponding to the investor over profits or equity revaluation that the issuer has recorded since the investment acquisition date, charged to accounts receivable.

4. Impairment test

The prices of trading and available for sale debt securities that do not have fair value, those classified as held to maturity and the price for equity securities with low or minimum volume or that are unquoted must be adjusted on each valuation date, based on their credit risk classification.

Debt securities issued or guaranteed by the Republic of Colombia or the Colombian Guarantee Fund for Financial Institutions (Fogafin) or issued by the Central Bank are not subject to impairment analysis.

4.1 Securities Issued Abroad or with External Ranking

Securities that are rated by a rating firm acknowledged by the Superintendency of Finance or securities issued by entities that are rated by those rating firms cannot be recorded for an amount that exceeds the following percentages of their nominal value, net of amortization as of the valuation date:

Long Term Ranking	Max. Amount %	Short Term Ranking	Max. Amount %
BB+, BB, BB-	Ninety (90)	3	Ninety (90)
B+, B, B-	Seventy (70)	4	Fifty (50)
CCC	Fifty (50)	5 and 6	Zero (0)
DD, EE	Zero (0)		

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Impairment of investments classified as held to maturity, with a determinable fair value, are recorded for the difference between the carrying value and such fair value.

4.2 Securities from Issuances or Issuers without any External credit and Equity Securities

These securities are rated and classified according to the methodology defined by the Bank. The securities are categorized as A except when there is a risk associated to them, in which are rated from category B to E. The maximum value, as defined by the Superintendency of Finance, at which these investments are recorded, according to their category is:

<i>Category</i>	<i>Max. Registered Amount %⁽¹⁾</i>	<i>Investment Characteristics</i>
B Acceptable risk, greater than normal	Eighty (80)	Present factors of uncertainty that could affect the capacity to continue adequately fulfilling debt service and weaknesses that could affect their financial situation.
C Appreciable risk	Sixty (60)	Present medium-high probabilities of non-fulfillment of timely payments of capital and interest in their financial situation that may compromise the recovery of the investment.
D Significant risk	Forty (40)	Present non-fulfillment of agreed terms of the security and material deficiencies in their financial situation, the probability of recovering the investment is highly doubtful.
E Unrecoverable	Zero (0)	Recovery highly improbable.

(1) Based on the net nominal amount as of the valuation date for debt securities or the acquisition cost, net of allowances for equity securities.

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(i) Loans and Financial Lease

Loans and financial lease are recorded at their outstanding principal, net of any unearned income. The group grants mortgage, commercial, consumer and small business loans to customers. A substantial portion of the loan portfolio is represented by commercial loans throughout Colombia.

The Bank has securitized performing housing loans indexed to UVR s and at a fixed rate. The difference between the book value of the securitized portfolio and the value received is recorded in the results for the year at the moment the operation is carried out.

Suspension of Accruals

The Superintendency of Finance established that interest, income for 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 2 months for mortgage and consumer loans and 3 months for commercial loans. However, the Bank adopted a policy, in which all loans of any type, with the exception of mortgage loans that are more than 30 days past due, cease to accumulate interest on the statement of operations and instead are recorded in the memorandum accounts until such time the client proceeds with their payment. For those interests the Bank has recorded allowance for 100%, since the suspension of accruals.

Evaluation by credit risk categories

The Bank analyzes on an ongoing basis the credit risk to which its loan portfolio is exposed considering the terms of the corresponding obligations as well as the level of risk associated with the borrower. This risk evaluation is based on information relating to the historical performance data, the particular characteristics of the borrower, collaterals, debt service with other entities, macroeconomic factors, financial information, etc. For consumer, mortgage and small business loans analysis are performed in basis of the past due days of the loan.

For commercial loans, following minimum credit risk classifications are assigned, according to the financial situation of the debtor and/or the past due days of the obligation; additionally all significant counterparty relationships as well as loans under special supervision are reviewed in detail every six months:

Category

A *Normal Risk*

Qualitative factors

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.

B *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.

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Category

Qualitative factors

C *Appreciable Risk*

Loans and financial leases in this category represent insufficiencies in the debtors' paying capacity or in the project's cash flow, which may compromise the normal collection of the obligations.

D *Significant Risk*

Loans and financial leases in this category are deemed uncollectible. They are considered default loans.

E *Unrecoverability*

Allowance for loan losses

Allowance for loan losses are established based on the parameters issued by the Superintendency of Finance.

The Bank adopted the Reference Models Commercial and Consumer, MRC and MRCO, respectively, issued by the Superintendency of Finance for its commercial and consumer loans, respectively, whose application became mandatory as of July 2007, for commercial loans and as of July 2008, for consumer loans. Those models were not applied for Banagrícola subsidiary, duly approved by Superintendence of Finance, which adopted the guidance effective to December 31, 2006.

According to the reference models the allowance for loan losses is stated through the calculation of the Expected Loss:

Expected Loss= [Probability of default] x [Exposition to default] x [Loss given default]

Probability of Default (PD)

This corresponds to the probability of the debtors within a specific portfolio of commercial loans or segment and classification for consumer loans, defaulting on their obligations in a period of twelve (12) months. The probability of default is defined by Superintendency of Finance.

Exposition to default

With regard to the MRC and MRCO Reference Models, the exposure value of an asset is understood to mean the current balance of the principal, interest, interest receivable accounts and other receivables regarding consumer and retail loan obligations.

The Loss Given Default (LGD)

This is defined as the economic deterioration sustained by a company should any of the events of default. The LGD for debtors classified in the default category depends on the type of collateral and would suffer a gradual increase in the provision according to the amount of days lapsing after being classified in said category. For this purpose 100% of the collateral value is considered to cover the principal amount.

In 2007 the Bank applied the minimal criteria for LGD defined by Superintendency of Finance, for type of collateral, past due days after default and rates. In 2008 the LGD rates used were the same defined by Superintendence of Finance, but the minimal past due days after default became more exigent in order to have a better coverage of the default portfolio.

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The impact caused in June 2008 upon applying the Reference Model on the Bank's Consumer Loan portfolio was to increase individual provisions by Ps 33,030 with respect to the methodology used during the previous year, which required provisions to be maintained based on minimum percentages applied with regard to different portfolio ratings; this increase was partially covered with the general provision which was reversed in the amount of Ps 37,000.

The Bank also sets up other provisions for specific commercial clients besides the minimum provisions required by the Superintendency of Finance bearing in mind specific risk factors affecting clients, including: macroeconomic or industry and any other factors that could indicate early impairment. At December 31, 2008, additional provisions were recorded totaling Ps 186,866 (2007 Ps 79,420).

For mortgage and small business loans in compliance with instructions issued by the Superintendency of Finance, the Bank must maintain at all times individual provisions corresponding to minimum percentages which might differ if the loan has any collateral (up to seventy per cent 70% of the collateral value is considered, to cover the principal). There is no reference models issued for this type of loans.

Similar to the commercial and consumer portfolio, for mortgage and small business, the Bank has adopted a special policy of maintaining an additional provision, for loans pertaining to the credit risk categories C, D and E, regardless of the value of the collateral.

Valuation of mortgage collateral for allowance purposes

The value of the collateral posted by the Bank is established based on parameters issued by the Superintendency of Finance:

In the case of mortgage collateral consisting of property to be used for housing purposes, the market value shall be the initial appraisal value of the collateral duly adjusted according to the housing price index published by the National Planning Department. The value shall be updated at least on a quarterly basis, using the aforementioned index.

In the case of mortgage collateral consisting of property different than housing, the market value shall be the appraisal value of the property given over in guarantee when the loan was issued or the new appraisal value as subsequently calculated on a periodic basis.

General Allowance

The Bank sets up a general provision corresponding to one per cent (1%) of the total value of mortgage and small business loans.

By virtue of applying the MRCO and MRC Reference Models during the years 2008 and 2007, current rules and regulations allowed for the general provision pertaining to retail and commercial loans issued up to the moment said models were applied, to be assigned as part of the individual provisions that were initially required.

The general provision, however, may be increased if approved by the general shareholders meeting, and is updated on a monthly basis according to the increases or decreases in the loan portfolio.

In the case of companies belonging to Banagricola and its subsidiaries, the instructions prior to External Circular 039 of 2007 were applied, that is to say, a general provision was set up corresponding to a minimum of one per cent (1%) on the total amount of the gross loan portfolio.

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Charge-Offs

Biannually in June and December, the Bank writes off debtors classified as unrecoverable, based on the following criteria: Provision of 100% of all amounts past due (capital, interest and other items); 180 days past due for consumer and small business loans, 360 days past due for commercial loans, if they are not restructured, and 1620 days past due for mortgage loans.

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

Restructured Loans

Loans are restructured when the Bank, because of economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider.

For the loans restructured as indicated above or using other restructuring methods which include the capitalization of interest recorded in memorandum accounts or balances written off, including capital, interest and other items, the amounts capitalized are recorded as deferred income in other liabilities and they are amortized in proportion to the amounts actually collected and the income recorded on cash basis.

(j) Derivatives

Derivatives

The Bank records the amount of agreements between two or more parties to purchase or sell assets at a future date, whose compliance or settlement is agreed upon more than two business days following the operation initiation date, in order to provide or obtain hedging, in the terms defined by competent authorities. Therefore, these agreements create reciprocal and unconditional rights and obligations. Derivatives are recorded as assets and liabilities by at fair value on net basis including derivatives which fair value is a liability. Operations are formalized by contract or letter of intent. The Bank has contracts for forwards, for options, swaps and futures.

Currency derivatives are designed to cover exchange exposure risks on structural or traded open positions by setting up a reciprocal operation or synthetic coverage for up to the maximum exposures allowed by the regulation and control agencies.

Changes in the fair value of such contracts are recognized in the consolidated statement of operations.

The difference between rights and obligations is recorded daily as income or expense from forward contracts in foreign currency, as the case may be.

Forward Contracts

Up to December 31, 2007, the fair values of forward contracts were determined based on interest rate differentials obtained from the market between the currencies therein involved.

As of December 31, 2008, the fair value is determined based on forward point quotes (PIPS, stated in Colombian pesos per US dollar) as recorded each day at the close of the forward market, and as published by active market brokers and which represent quoted starting prices.

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Swap Contracts

The fair value of swap contracts is determined using the discounted cash flow method at the interest rates applicable for each flow. Interest rate curves are drawn up for each operation based on information sourced from Bloomberg and Infoval.

Option Contracts

Options are appraised as stipulated by the Superintendency of Finance using the Black-Scholes/Merton method which is the model commonly used on an international level.

Spot Transactions

These are operations that are recorded with a term for their respective clearance equal to the date on which the operation is recorded or up to three (3) business days beginning on the day after the operation was conducted.

(k) Foreclosed Assets

The Bank records the assets received in guarantee of credits unpaid using the following criteria:

The initial carrying value recorded is the value specified in the court award or the one agreed upon by the debtors.

When foreclosed assets are not in conditions to be immediately disposed of, their cost increases with all those expenses required in order to get such assets ready for sale.

If the proceeds of the sale are more than the settlement value agreed upon with the debtor, that difference is recorded as accounts payable to the debtor. If the proceeds of sale are expected to be insufficient to cover the outstanding debt, the difference must be immediately recorded on the statement of operations as a non-operating expense.

Moveable assets received in payment corresponding to investment securities are valued by applying the criteria indicated in this note under letter (g) Investments, but taking into account provision requirements for the periods referred to below.

The profits obtained from a credit sale are deferred over the life of the credit, and are realized as the obligation is paid off.

When the commercial value of the property is lower than its book value, a provision is recorded for the difference.

Reappraisals of foreclosed assets are recorded as memorandum accounts.

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Legal term for the sale of Foreclosed Assets

Institutions must sell the foreclosed assets, in a period no later than two years after the foreclosing date, except when upon the board of directors' request, the Superintendency of Finance extends the term. However, in any event the extension may not exceed an additional period of two years.

Provisions for Foreclosed Assets

The Superintendency of Finance requires a provision equal to 30% for real estate, 35% per other foreclosed assets of the carrying value of the asset at the time of receipt which must be made in proportional monthly installments within the first year following its receipt. This provision will increase an additional 30% and 35%, respectively in proportional monthly installments within the second year following receipt of the asset. Once the legal term for sale has expired without authorization to extend, the provision must be 80% and 100%, respectively of the value upon receipt. In case the term extension is granted, the remaining 20% and 0%, respectively of the provision may be constituted within said term.

Also, it is the Bank's policy, in the case of foreclosed assets that remain for more than 5 years in the Bank's possession to increase the provision up to 100% of its value in books. Foreclosed assets under sale agreement are excluded from this practice.

(l) Loan Fees

Loan origination and commitment fees, as well as direct loan origination and commitment costs, are recorded in the consolidated statement of operations as incurred.

(m) Property, Plant and Equipment

This account records tangible assets acquired or leased assets, constructed or in the process of importation or construction and permanently used in the course of the Bank's business which have a useful life exceeding one year. Property and equipment is recorded at the cost of acquisition, including direct and indirect costs and expenses incurred up to the time that the asset is in a usable condition and the inflation adjustment recorded until 2001.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The annual depreciation rates for each asset item are:

Buildings	5%
Equipment, furniture and fittings	10%
Computer equipment	20%
Vehicles	20%
Monitors, laptops and CPU's	33%

The individual net book value of buildings (cost less accumulated depreciation) is compared against fair values taken from independent professional appraisals. If the fair value is higher, the difference is recorded as a Reappraisal of Assets with credit on the Surplus for Reappraisal of Assets in the Stockholders' Equity; otherwise, the difference is charged to expenses as provision for other assets of the period. Appraisals must be made at least every three years.

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(n) Prepaid Expenses, Deferred Charges

Amortization of prepaid expenses and deferred charges is calculated from the date which they contribute to the generation of income, based on the following factors:

Prepaid Expenses

Prepaid expenses include mainly the following monetary items: interest, amortized monthly during the period prepaid; insurance, over the life of the policy; rent, over the period prepaid; equipment maintenance, over the life of the contract; and other prepaid expenses over the period in which services are received or costs and expenses are incurred.

Deferred Charges

Software is amortized over a maximum of three years.

Stationery is expensed when consumed.

The discount on the issuing of long-term debt is amortized over the term of the redemption. of these same and on straight-line basis.

Contributions and affiliations are amortized over the period prepaid.

The Bank does not record deferred charges corresponding to studies and projects, institutional advertising and publicity. Disbursements made in connection with these items are recorded directly on the statement of operations as administrative and other expenses.

(o) Intangible Assets

Goodwill

The value of the goodwill acquired shall be determined once the Bank effectively obtains control over the acquired entity by the difference between the price paid and the book value of the net assets acquired. Goodwill must be allocated to each of the business segments, which must be fully identified in the records.

Up to December 31, 2007 goodwill was amortized using the exponential method. Under this method the charge for amortization is increased exponentially every year.

Since January, 2008, the straight-line method has been used to amortized goodwill, since the Bank considers this method provides a better association between the revenues and expenses corresponding to this investment.

The effect on amortization at December 31, 2008 as a result of using this new method is broken down as follows:

Amortization using the Straight-Line Method	\$ 43,823
Amortization using the Exponential Method	22,269
Greater amortized balance	\$ 21,554

Goodwill allocated to different business segments is tested for impairment annually, comparing fair value with book value of the business segments.

In the case of goodwill acquired by the Bank and its subsidiaries before the date when the new regulation came into full force, the amortization term was maintained in five years and ten years and three years for goodwill recorded in the subsidiaries Banagrícola S.A. and Inversiones Financieras Banagrícola S.A., respectively.

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(p) Operating Leases

In the normal course of the operations the subsidiaries Leasing Bancolombia S.A. and Renting Colombia S.A. lease different assets under operating leasing arrangements. These assets are recorded at cost.

Depreciation for these assets is applied over either the asset's useful life or the term of the leasing agreement, whichever period is the shortest.

General provision of 1% of the book value of these assets shall be recorded.

Leased assets by the subsidiary Renting Colombia S.A. are mainly vehicles which depreciation is calculated on a straight-line basis in a five years term, less their residual values.

Since 2008, the net book value of these assets established by homogeneous groups is compared against their relative fair values based on the present value of future rental payments and their residual values discounted by the internal rate return established in the contract. If the fair value is higher, the difference is recorded as a Reappraisal of Assets in the balance sheet with the corresponding credit recorded in Surplus for Reappraisal of Assets in the Stockholders Equity; otherwise, the difference is charged to expenses as provision for other assets.

This treatment is different from that applied during the previous year when the methodology of technical appraisals was used. The change in the accounting estimate reflected a more reasonable value given the conditions of the business. Such change increased the Stockholders Equity by Ps 87,927.

(q) Reappraisals

This account records reappraisals of property and equipment, real state, available for sale investments with low exchange volume or which are unquoted.

Valuations are subject to the accounting policy for each type of asset.

(r) Deferred Income

This account records deferred income and income received in advance in the course of business. Amounts recorded in this account are amortized over the period to which they relate or in which the services are rendered or the money is collected in the case of profits obtained from the sale of goods sold on credit.

The capitalization of yields on restructured loans that have been recorded in memorandum accounts or as charge off loan balances are included in this category as indicated in Note 2 (h) Loans and Financial Lease.

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(s) Deferred Tax

Deferred income taxes are generally recognized for timing differences for commercial and manufacturing subsidiaries. For financial companies, the Superintendency of Finance has restricted inclusion of timing differences related to the amortization of fiscal losses and the excess of presumed income over ordinary income as a deferred tax asset.

(t) Retirement Pensions

The Bank applies the provisions in Decree 1517 of 1998, which requires a distribution of charges to amortize the actuarial calculation by 2010. As of December 31, 2008, the Bank has amortized the total actuarial liability.

(u) Estimated labor liabilities

Estimated labor liabilities are recorded based on applicable legislation and current labor agreements. Since 2008, the Bank recorded a provision for seniority and service bonuses for a total of Ps 35,350.

(v) Other Accrued Expenses

The Bank records provisions to cover estimated liabilities, such as fines, sanctions, litigations and lawsuits, provided that:

The Bank has acquired a right, and therefore has an obligation; and

The provision is probable, justifiable, quantifiable and verifiable.

This account also records estimates for taxes and labor expenses.

(w) Recognizing financial income, costs and expenses

Financial income and expenses are recognized on an accrual basis.

The loans origination costs are recorded on the income accounts when these are incurred and the corresponding revenues when these are collected. The Bank does not implement a policy of collecting commissions on the origination of the loans, and those that it collects from credit cards are recorded on the income accounts using the accrual method.

All profits obtained from credit sales of foreclosed assets are recorded as revenues when the value of the credit is collected.

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(x) Memorandum Accounts

Contingent accounts record operations in which the Bank acquires rights or assumes obligations conditioned by possible or remote future events. Also include financial income accrued since the moment in the balance sheet cease to accrue on the income accounts with regard to the loan portfolio and financial leasing operations.

Contingencies including fines, sanctions, litigation and lawsuits are evaluated by the Legal Department and its legal counsel. Estimating loss contingencies necessarily implies exercising judgment and is therefore subject to opinion. In estimating loss contingencies regarding pending legal proceedings against the Bank, legal counsel evaluates, among other aspects, the merits of the case, the case law of the courts in question and the current status of the individual proceedings.

If this evaluation reveals the probability that a material loss has occurred and the amount of the liability can be estimated, then this is duly recorded in the financial statements. If the evaluation reveals that a potential loss is not probable however the outcome either is uncertain or probable but the amount of the loss cannot be estimated, then the nature of the corresponding contingency is disclosed in a note to the financial statements along with the probable estimated range of the loss. Loss contingencies that are estimated as being remote are, generally speaking, not disclosed.

Memorandum accounts record third party operations whose nature does not affect the financial situation of the Bank. Contingent and memorandum accounts are included in the caption memorandum accounts of the balance sheet. This also includes tax memorandum accounts that record figures for drawing up tax returns, all those internal control or management information accounts and reciprocal transactions carried out between the Parent Company and its Subsidiaries.

(y) Net Income per Share

Under Colombian GAAP to determine net income per share, the Bank uses the weighted average of Preferred and Common Shares outstanding during the accounting period. During years ended on December 31, 2008, 2007 and 2006 the Bank's weighted average of Preferred and Common Shares outstanding was 787,827,003, 758,313,771 and 727,827,005, respectively.

(z) Insurance reserves

Mathematical reserves

Mathematical reserves on long-term individual life insurance are calculated based on mortality tables, technical interest and actuarial formulas for each type of insurance. In calculating these reserves the mean reserve and deferred premiums are deducted.

The technical rate of interest is an interest rate agreed upon with the insured party as part of the policy, the purpose of which is to recognize a minimum rate of return on the reserves held, which are funds in favor of the insured party. This rate is used for establishing tariffs so that the price to be paid for the insurance covers said rate of return.

This rate does not directly relate to prevailing market conditions with regard to bank borrowing rates, even though these are considered when establishing these rates, thereby ensuring that our life insurance products can compete with other savings plans. This is called a technical rate of interest because it forms part of a technical note and not a market rate.

Deferred premiums

In the case of short-duration contracts, the deferred premiums are calculated based on a percentage of the net retained premium for each type insurance contract. .

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Reserves for incurred but not reported claims

The reserve for incurred but not reported claims (IBNR) is calculated as the average value of their payments made over the last three (3) years on claims not reported for prior years.

Underwriter costs

Underwriter costs on premiums are recorded when are incurred.

Salvage and recovery

This item records all those revenues received from salvaging goods subject to claims for which the insurance company has paid its clients the corresponding indemnities.

(aa) Business Combination

Upon a business combination, the Colombian purchase method of accounting requires that (i) the purchase price be allocated to the acquired assets and liabilities on the basis of their book value, (ii) the statement of income of the acquiring company for the period in which a business combination occurs include the income of the acquired company as if the acquisition had occurred on the first day of the reporting period and (iii) the costs directly related to the purchase business combination not be considered as a cost of the acquisition, but deferred and amortized over a reasonable period as determined by management.

The pooling of interest method of accounting requires the aggregate of the shareholder s equity of the entities included in the business.

The Conavi and Corfinsura acquisition was accounted for using the pooling of interests method in accordance with the methodology suggested by the Superintendency of Finance. The Sufinanciamiento, Comercia (now Factoring Bancolombia), Sutecnología and Banagrícola acquisition was accounted for using the purchase method under Colombian GAAP.

(ab) Reclassifications

The Bank has changed certain accounting policies during the year 2008 in order to provide more relevant information. The changes resulted in reclassification in the statement of operations for the year 2007 for comparative purposes. No such changes were made for 2006 because they were not material for comparative purposes. The changes in accounting policies are as follows:

Certain service fees were reclassified from commissions from banking services to credit and debit card annual fees and gains on sale of mortgage loans.

Certain securitization fees classified in administrative and other expenses and certain expenses on sale of mortgage loan classified in other expenses (Non-operating income) were reclassified to gains on sale of mortgage loans.

The results relating to the residual interest on securitizations were reclassified from other income (Non-operating income) to gains on sale of mortgage loans.

(3) Transactions in Foreign Currency

The Colombian Superintendency of Finance defines limits on the amount of foreign-currency assets and liabilities. As of December 31, 2007 and 2008, the Bank was in compliance with these limits.

Substantially all foreign currency holdings are in U.S. Dollars. The consolidated foreign currency assets and liabilities, converted to US\$, of the Bank at December 31, 2007 and 2008 were as follows:

	<i>2007</i>	<i>2008</i>
Assets:		
Cash and due from banks	US\$ 709,099	US\$ 644,166
Overnight funds	746,919	216,416

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Investment securities	802,648	778,977
Loans, net	5,116,185	5,458,269
Customers' acceptances and derivatives	(659,910)	(291,705)
Accounts receivable	91,158	94,319
Property, Plant and equipment	68,392	73,337
Other assets	667,486	763,870
Total foreign currency assets	US\$ 7,541,977	US\$ 7,737,649

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BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

	2007	2008
Liabilities:		
Deposits	4,823,721	4,908,454
Bank acceptances outstanding	20,971	25,377
Borrowings from development and other domestic banks	279,768	294,107
Interbank borrowings	747,787	925,878
Other liabilities	1,321,228	1,337,292
Total foreign currency liabilities	7,193,475	7,491,108
Net foreign currency asset position	US\$ 348,502	US\$ 246,541

At December 31, 2007 and 2008, the Bank (unconsolidated) net foreign currency asset position amounted to US\$ 668,030 and US\$ 165,873, respectively; which meet the legal requirements.

At December 31, 2007 and 2008, foreign currency of foreign subsidiaries represents 82.63% and 83.19%, respectively, of the consolidated assets in foreign currency and 80.45% and 78.65%, respectively, of the consolidated liabilities in foreign currency.

(4) Cash and Due From Banks

The balances of cash and due from banks consisted of the following:

	2007	2008
Colombian peso denominated:		
Cash	Ps 1,554,035	Ps 1,933,033
Due from the Colombian Central Bank	521,113	415,617
Due from domestic banks	96,016	63,843
Remittances of domestic negotiated checks in transit	19,019	13,305
Allowance for cash and due from banks	(229)	(116)
Total local currency	2,189,954	2,425,682
Foreign currency:		
Cash	215,124	268,442
Due from the Colombian and El Salvador Central Bank	564,779	658,022
Due from foreign banks	546,012	449,868
Remittances of foreign negotiated checks in transit	102,750	68,978
Allowance for cash and due from banks		(65)
Total foreign currency	1,428,665	1,445,245
Total cash and due from banks	Ps 3,618,619	Ps 3,870,927

The Bank had restricted amounts in cash and time deposits with the Colombian Central Bank amounted to Ps 2,634,108 and Ps 3,628,511 at December 31, 2007 and 2008, respectively. The restriction, which is prescribed by the Colombian Central Bank, is based on a percentage of deposits maintained at the Bank by its customers.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

(5) Investment Securities

Investment in trading securities consisted of the following:

	2007	2008
Trading Securities		
<i>Colombian peso denominated:</i>		
Colombian government	Ps 938,768	Ps 1,654,423
Colombian Central Bank	19	1
Government entities	368,419	165,944
Financial institutions	338,693	489,731
Corporate bonds	67,814	50,651
Equity securities ⁽¹⁾	69,718	305,606
Total local currency denominated	1,783,431	2,666,356
<i>Foreign currency denominated:</i>		
Colombian government	125,868	3,901
Foreign government	6,087	494
Government entities	12,876	
Financial institutions	49,442	19,815
Corporate bonds	8,026	604
Equity securities ⁽¹⁾	23,407	25,792
Total foreign currency denominated	225,706	50,606
Total trading securities	2,009,137	2,716,962
Allowance for trading securities	(8,023)	(8,885)
Total trading securities, net	Ps 2,001,114	Ps 2,708,077

(1) Equity securities include participation in collective portfolios and funds.

The foreign currency denominated securities issued or secured by the Colombian government are bonds denominated in U.S. Dollars, purchased at par value, with annual average interest rates of 5.73% and 5.41% for 2007 and 2008, respectively.

As of December 31, 2007 and 2008, the Bank had pledged investments securities amounting to Ps 1,277,453 and Ps 1,150,798, respectively as collateral to secure lines of credit at international banks, domestic development banks and other financial institutions.

The Bank sold Ps 218,683,534 and Ps 312,587,379 of investment securities during the years ended December 31, 2007 and 2008, respectively.

Investment available for sale securities consisted of the following:

Available for sale - Debt Securities	2007	2008
<i>Colombian peso denominated:</i>		
Colombian government	Ps 549,007	Ps 484,037
Government entities	29,729	20,759
Financial institutions	660,622	661,618
Other	26,185	15,531
Total local currency denominated	1,265,543	1,181,945

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

Available for sale - Debt Securities	2007	2008
<i>Foreign currency denominated:</i>		
Colombian government	82,408	55,041
El Salvador Central Bank	39,658	26,537
Government entities	156,364	142,936
Foreign government	379,467	594,129
Financial institutions	31,153	
Total foreign currency denominated	689,050	818,643
Total Available for sale Debt securities	1,954,593	2,000,588
Allowance for available for sale securities		(224)
Total available for sale securities, net	Ps 1,954,593	Ps 2,000,364

Available for sale equity securities	Participation percentage at December 31, 2007		2007	Participation percentage at December 31, 2008		2008
Todo Uno Services	47.04%	Ps	47,998	47.04%	Ps	53,449
Bolsa de Valores de Colombia	5.87%		8,578	10.00%		19,784
Sociedad Administradora de Fondos de Pensiones y de Cesantías Protección S.A. Titularizadora Colombiana S.A.	23.44%		19,481	23.44%		19,481
Promotora La Alborada ⁽¹⁾	21.25%		17,308	21.25%		17,308
Metrotel Redes	25.81%		14,001	0.00%		
Concesiones Urbanas S.A.	28.42%		10,568	28.42%		10,568
Urbanización Chicó Oriental No. 2 Ltda.	33.33%		8,449	33.33%		8,450
Depósito Centralizado de Valores de Colombia Deceval S.A.	86.45%		7,848	86.45%		7,848
Cadenalco S.A. Titularización	13.58%		4,209	15.78%		4,738
Redeban Red Multicolor	3.33%		4,378	3.33%		4,555
VISA Inc ⁽²⁾	20.36%		4,396	20.36%		4,396
Concesiones CCFC S.A.	0.00%			0.01%		4,377
Banco Latinoamericano de exportaciones	25.50%		4,358	25.50%		4,358
BLADEX S.A.	0.27%		2,618	0.27%		2,813
Other			6,432			10,338
Total equity securities			160,622			172,463

Allowance for equity securities	(53,717)	(45,254)
Total equity securities, net	Ps 106,905	Ps 127,209

(1) These securities were sold during 2008.

(2) During 2007, Visa International Service Association, Visa U.S.A. Inc., Visa Europe Limited and Visa Canada Association, developed a restructuring program, in consequence, Visa International recognized economic rights to Bancolombia for Ps 4,377.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

Dividends received from equity investments amounted to Ps 21,199, Ps 18,968 and Ps 39,586 for the years ended December 31, 2006, 2007 and 2008, respectively.

The equity investments were classified as Category A, except for the following:

	2007		2008	
	Category	Valuation allowance	Category	Valuation allowance
Todo Uno Services	D	Ps 34,849	D	Ps 36,469
Urbanización Chicó Oriental No. 2 Ltda.	E	7,848	E	7,848
Urbanización Sierras del Chicó Ltda.	E	203	E	203
Industria Colombo Andina Inca S.A.	E	300	E	300
Sociedad Promotora Siderúrgica Colombiana E.U.	D	427	D	427
Promotora La Alborada	E	9,897		
Oikos Títulos de Inversión en Circulación	E	186		
Others		7		7
		Ps 53,717		Ps 45,254

Investment in held to maturity securities consisted of the following:

Held to Maturity Securities	2007	2008
<i>Colombian peso denominated:</i>		
Colombian government	Ps 525,368	Ps 495,346
Colombian Central Bank	145	
Government entities	47,765	422,427
Financial institutions	423,056	706,356
Corporate bonds	41,710	27,494
Total Colombian-Peso denominated	1,038,044	1,651,623
<i>Foreign currency denominated:</i>		
El Salvador Central Bank	546,552	643,730
Government entities	853	1,581
Foreign government	64,929	93,157
Financial institutions	72,374	49,310
Other	2,694	15,043
Total foreign currency denominated	687,402	802,821
	1,725,446	2,454,444
Allowance for Maturity securities	(13,807)	(11,818)

Total Held to Maturity securities, net

Ps 1,711,639

Ps 2,442,626

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BANCOLOMBIA S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

The maturity and yield of securities issued by Colombian Government Peso-denominated, as of December 31, 2008, were as follow:

<i>Maturity</i>	<i>Balance</i>	<i>Yield⁽¹⁾</i>
One year or less	Ps 711,301	9.47%
After one year through five years	1,475,623	6.39%
After five years through ten years	377,114	2.63%
After ten years	69,768	7.42%
Total	Ps 2,633,806	6.71%

(1) Calculated using internal return rate (IRR) as of December 31, 2008.

(6) Loans and Financial Leases

Loan portfolio and financial lease contracts were classified, in accordance with the provisions of the Superintendency of Finance, as follow:

December 31, 2007

<i>Classification</i>	<i>Mortgage</i>	<i>Commercial</i>	<i>Consumer</i>	<i>Small loan</i>	<i>Financial leases</i>	<i>Total</i>
A Normal Risk	Ps 2,729,470	Ps 22,060,695	Ps 6,056,276	Ps 114,274	Ps 4,436,788	Ps 35,397,503
B Acceptable Risk	78,228	677,279	225,934	4,065	149,516	1,135,022
C Appreciable Risk	35,067	157,559	81,695	2,047	23,717	300,085
D Significant Risk	13,793	380,711	123,025	1,328	85,177	604,034
E Unrecoverable	27,070	120,814	106,281	8,186	3,629	265,980
Total loans and financial leases	Ps 2,883,628	Ps 23,397,058	Ps 6,593,211	Ps 129,900	Ps 4,698,827	Ps 37,702,624

December 31, 2008

<i>Classification</i>	<i>Mortgage</i>	<i>Commercial</i>	<i>Consumer</i>	<i>Small loan</i>	<i>Financial leases</i>	<i>Total</i>
A Normal Risk	Ps 3,146,863	Ps 25,590,760	Ps 6,799,419	Ps 123,648	Ps 4,989,406	Ps 40,650,096
B Acceptable Risk	123,284	1,464,256	287,316	6,160	335,816	2,216,832
C Appreciable Risk	63,246	304,088	137,291	2,899	69,033	576,557
D Significant Risk	20,269	552,306	193,538	2,396	103,383	871,892
E Unrecoverable	37,664	157,321	115,085	8,019	9,104	327,193

**Total loans and
financial leases**

Ps 3,391,326 Ps 28,068,731 Ps 7,532,649 Ps 143,122 Ps 5,506,742 Ps 44,642,570

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BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

Promissory notes documenting loans amounting to Ps 1,601,926 and Ps 1,919,046 at December 31, 2007 and 2008, respectively, have been duly endorsed to development banks, as required by applicable laws.

The following table represents a summary of restructured loans:

	2007	2008
Ordinary restructurings	Ps 849,522	Ps 736,391
Extraordinary restructurings	1,265	
Under law 550	72,519	79,980
Under law 617	151,883	133,007
Creditor agreement proceedings	4,092	1,959
Performance Agreement	1,165	918
Interest and other receivables items	16,164	16,224
Restructured loans	1,096,610	968,479
Allowances for loan losses	(211,779)	(370,049)
Restructured loans, net	Ps 884,831	Ps 598,430

(7) Allowance for Loans, Financial Leases and Accrued Interest Losses

The following table sets forth an analysis of the activity in the allowance for loans and financial leases losses:

	2006	2007	2008
Balance at beginning of year	Ps 705,882	Ps 834,183	Ps 1,457,151
Balance at beginning of period (Factoring Bancolombia)	5,625		
Balance at beginning of period (Banagrícola s subsidiaries) ⁽¹⁾		147,357	
Provision for loan losses	568,679	1,203,543	1,986,710
Charge-offs	(136,789)	(186,273)	(547,860)
Effect of difference in exchange rate	(1,210)	(25,441)	45,604
Reversals of provisions	(308,004)	(516,218)	(807,245)
Balance at end of year	Ps 834,183	Ps 1,457,151	Ps 2,134,360
Ratio of charge-offs to average outstanding loans	0.63%	0.60%	1.36%

(1) Includes allowance for loan losses of Banco Agrícola, Banco Agrícola (Panamá), Arrendadora

Financiera,
Credibac,
Aseguradora
Suiza
Salvadoreña and
Asesuisa Vida.

Recoveries of charged-offs loans are recorded separately in the consolidated statement of operations. The following table sets forth the activity in the allowance for accrued interest losses:

	<i>2006</i>		<i>2007</i>		<i>2008</i>	
Balance at beginning of year	Ps	8,655	Ps	11,644	Ps	33,303
Balance at beginning of period (Factoring Bancolombia)		481				
Balance at beginning of period (Conavi, Corfinsura and subsidiaries)						
Provision		14,825		35,543		58,721
Charge-offs		(4,126)		(3,167)		(12,782)
Recoveries		(8,159)		(10,507)		(25,581)
Effect of changes in exchange rate		(32)		(210)		662
Balance at end of year	Ps	11,644	Ps	33,303	Ps	54,323

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

(8) Customers Acceptances and Derivatives

The Bank's rights and commitments from derivatives operations were as follows:

	2007	2008
Customer Acceptances		
Current	Ps 53,890	Ps 55,925
Overdue	1,319	1,010
Total	55,209	56,935
Derivatives		
(Fair value of derivatives instruments)		
Spot Transactions, net		
Foreign exchange rights contracts bought	15,527	971
Foreign exchange rights contracts sold	10,575	6,880
Investment securities rights bought (local currency)	78,381	
Investment securities rights sold (local currency)	67,322	
Total rights	171,805	7,851
Foreign exchange commitments contracts bought	(15,433)	(974)
Foreign exchange commitments contracts sold	(10,656)	(6,795)
Investment securities commitments bought (local currency)	(77,898)	
Investment securities commitments sold (local currency)	(67,495)	
Total obligations	(171,482)	(7,769)
Total Spot Transactions, net	323	82
Forward Contracts		
Foreign exchange rights contracts bought	3,211,826	3,590,438
Foreign exchange rights contracts sold	4,462,834	4,465,948
Investment securities rights bought (local currency)	643,016	
Investment securities rights sold (local currency)	275,637	10,820
Other rights	300	8,927
Total rights	8,593,613	8,076,133
Foreign exchange commitments contracts bought	(3,243,867)	(3,462,854)
Foreign exchange commitments contracts sold	(4,399,430)	(4,522,433)

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Investment securities commitments bought (local currency)	(643,308)	
Investment securities commitments sold (local currency)	(274,938)	(13,045)
Total obligations	(8,561,543)	(7,998,332)
Total ⁽¹⁾	32,070	77,801
 <i>Futures Contracts</i>		
Foreign exchange rights contracts bought	30,117	42,824
Foreign exchange rights contracts sold	10,036	12,729
Investment securities rights bought (local currency)	863	2,276

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BANCOLOMBIA S.A. AND SUBSIDIARIES
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(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

	<i>2007</i>	<i>2008</i>
Investment securities rights sold (local currency)	5,611	5,654
Other rights	599	7,682
Total rights	47,226	71,165
Foreign exchange commitments contracts bought	(30,117)	(42,824)
Foreign exchange commitments contracts sold	(10,036)	(12,729)
Investment securities commitments bought (local currency)	(863)	(2,067)
Investment securities commitments sold (local currency)	(5,611)	(5,859)
Other commitments	(603)	(7,859)
Total obligations	(47,230)	(71,338)
Total Future Contracts	(4)	(173)
 <i>Swaps</i>		
Foreign exchange right contracts	3,129,471	4,465,747
Interest rate rights contracts	155,589	422,005
Foreign exchange commitments contracts	(3,024,895)	(4,338,883)
Interest rate commitments contracts	(153,625)	(399,395)
Total Swaps	106,540	149,474
 <i>Options</i>		
Foreign exchange call options	(1,062)	7,070
Foreign exchange put options	(141)	(8,210)
Caps	3,066	(10,521)
Total Options	1,863	(11,661)
 Total customer acceptances and derivatives	 Ps 196,001	 Ps 272,458

(1) Includes forward contracts known in Colombia as operaciones

carrusel .

The Bank currently has an investment portfolio in local and foreign currencies that allows it to offer foreign exchange and interest rate coverage to its clients. By using derivatives, the Bank hedges exchange risk protects its foreign-currency investment portfolio. These derivatives help protect the Bank against exchange-rate fluctuation and increases the predictability of the Bank's yield on foreign-currency investments.

The Bank's derivatives policy is to maintain active and passive positions with clients with the intent to reduce interest rate and exchange rate risk as much as possible. Within the amount of credit granted to the Bank's clients there is a portion for the management of derivatives. For this reason, the Bank never carries out any operation of this type unless the client has the capacity to obtain a credit from the Bank.

Under the rules of the Superintendency of Banking, Bancolombia's derivatives portfolio is market to market daily. Unrealized gains and losses are expressed in the statement of operations.

For forwards contracts, the average cost of rights and commitments relating to the purchase of financial instruments is 5.73% with a maturity of 3 days and the average yield from rights and commitments relating to the sale of investment securities is 5.68% with a maturity of 4 days.

The average yield from rights and commitments relating to the sale of foreign currency is 4.19% annually with a maturity of 50 days. The average yield from rights and commitments relating to the purchase of foreign currency is (7.49%) annually with an average maturity of 33 days.

The rates and maturities indicated for forward contracts are the same as the futures contracts.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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(9) Accounts Receivable

Accounts receivable consisted of the following:

	2007⁽²⁾		2008⁽²⁾	
Credit card compensation	Ps	275,765	Ps	258,945
Overnight funds sold		2,394		194
Commissions		46,527		51,064
Sierras del Chicó y Chicó Oriental		4,467		4,584
Sale of Bank's equity investments ⁽¹⁾		49,744		
Renting		63		641
Advances to contractors and fees		149,438		241,068
Commitment seller		19,289		33,282
Dividends		2,008		9,084
Treasury operations pending of paid by the customers		2,500		21,878
Services and properties sells		24,017		23,482
Employee advances		5,835		6,803
Deposit security receivable (Fogafin)		23,342		32,323
Insurance premium receivables		32,525		55,538
Taxes		10,447		19,638
Other credit card receivable		11,219		7,264
International operations		10,234		26,801
Accounts receivables in branches		25,846		4,730
Other receivables		54,850		87,816
Total accounts receivable		750,510		885,135
Allowance for accounts receivable losses		(34,404)		(56,318)
Accounts receivable	Ps	716,106	Ps	828,817

The changes in allowance for accounts receivable are as follows:

	2006		2007		2008	
Balance at beginning of year	Ps	30,984	Ps	22,215	Ps	34,404
Balance at beginning of period (Banagrícola's subsidiaries ⁽³⁾)				2,787		
Provision for uncollectible amounts		17,621		28,536		68,997
Charge-offs		(5,573)		(7,052)		(16,481)
Effect of exchange rate		557		(459)		1,247
Reversal of provision and recoveries		(21,374)		(11,623)		(31,849)
Balance at end of year	Ps	22,215	Ps	34,404	Ps	56,318

(1)

Includes sales of
Lab Investment
& Logistic and
Abocol and
affiliate.

- (2) Includes all
accounts
receivable
except those
originated for
interest loans.

- (3) Includes
allowance for
accounts
receivable
losses of Banco
Agrícola,
Aseguradora
Suiza
Salvadoreña and
Asesuisa Vida.

BANCOLOMBIA S.A. AND SUBSIDIARIES
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(10) Property, Plant and Equipment

Property, Plant and equipment consisted of the following:

	2007	2008
<i>Property, Plant and Equipment</i>		
Land	Ps 136,369	Ps 152,688
Buildings	421,666	816,547
Furniture, equipment and fixtures	261,029	274,692
Computer equipment	543,041	503,426
Vehicles	13,034	9,773
Construction in progress	122,606	6,604
Machinery and equipment	17,293	
Equipment in transit ⁽¹⁾	157,341	180,435
Total	1,672,379	1,944,165
Less accumulated depreciation	(806,567)	(768,592)
Allowance	(9,994)	(4,456)
Property, Plant and equipment, net	Ps 855,818	Ps 1,171,117

(1) Includes goods being imported to be allocated to leasing.

Property, Plant and equipment depreciation expense for the years ended December 31, 2006, December 31, 2007 and December 31, 2008, amounted to Ps 95,921, Ps 104,442 and Ps 98,301, respectively.

(11) Operating Leases

Operating leases where the Bank or any of its subsidiaries act as lessors consisted of the following:

	2007⁽¹⁾	2008
<i>Operating Leases</i>		
Machinery and equipment	Ps 5,650	Ps 32,721
Vehicles	482,440	571,669
Furniture, equipment and fixtures	15,271	17,947
Computer equipment	97,259	150,800
Real estate	1,711	126,007
Total	602,331	899,144
Rents	15,690	22,746
Less accumulated depreciation	(126,080)	(189,161)
Allowance	(3,608)	(6,467)

Operating Leases, net

Ps 488,333

Ps 726,262

- (1) As of
December 31,
2007, includes
Sutecnología
operating leases
since the
beginning of the
year.
Sutecnología
merged with
Leasing
Bancolombia, on
December 2007.

Operating lease depreciation expense for the years ended December 31, 2006, 2007 and 2008, amounted to Ps 8,632, Ps 18,393 and Ps 42,832, respectively.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

(12) Prepaid Expenses and Deferred Charges

At December 31, 2007 and 2008 prepaid expenses and deferred charges consisted of the following:

	2007	2008
Prepaid expenses:		
Insurance premiums	Ps 11,636	Ps 11,565
Software licenses	10,499	8,887
Other	1,597	1,554
Total prepaid expenses	23,732	22,007
Deferred charges:		
Studies and projects	10,058	7,391
Computer programs	25,329	38,761
Leasehold improvements	8,898	5,427
Stationery and supplies	1,618	1,852
Discounts on securities sale	12,918	11,544
IT implementation fees and licences		9,102
Banagrícola acquisition costs	38,033	20,751
Facilities	8,082	6,880
Commissions	2,700	5,663
Other	6,533	3,503
Total deferred charges	Ps 114,169	Ps 110,874
Total prepaid expenses and deferred charges	Ps 137,901	Ps 132,881

(13) Other Assets

At December 31, 2007 and 2008 other assets consisted of the following:

	2007	2008
Other assets:		
Value added tax deductible and withholding taxes	Ps 14,486	Ps 46,294
Investment in Trust	10,978	6,090
Deposits	23,842	162,174
Assets to place in lease contracts	502,260	831,633
Inventory	7,906	1,841
Joint venture	8,329	10,659
Other	12,841	35,159
Total other assets	Ps 580,642	Ps 1,093,850

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(14) Goodwill

The movements in goodwill are as follows:

	2006	2007	2008
Balance at beginning of year	Ps 50,959	Ps 40,164	Ps 977,095
Additions derived from the acquisition of Factoring Bancolombia by Bancolombia	15,019		
Additions derived from the acquisition of Banagrícola by Bancolombia Panamá		881,434	1,786
Reclassifications			(1,325)
Other Additions ⁽¹⁾		132,154	3,329
Amortization	(25,814)	(70,411)	(73,009)
Effect of change in exchange rate		(6,246)	100,763
Balance at end of year	Ps 40,164	Ps 977,095	Ps 1,008,639

(1) Other Additions as of December 31, 2007, corresponds to: a) The balance at beginning of year of the goodwill derived from the acquisition of Inversiones Financieras Banco Agricola (IFBA) and Banco Agricola by Banagricola and the goodwill derived from the acquisition of Banco Agricola by Inversiones Financieras Banco Agricola in the total amount of Ps 74,521; b) the additions to the goodwill derived from the acquisition of IFBA and Banco

Agricola by Banagricola in the amount of Ps 30,052 and the additions to the goodwill derived from the acquisition of Banco Agricola by IFBA in the amount of Ps 24,436 during the year 2007 and c) the goodwill derived from the acquisition of Sutecnologia by Leasing Bancolombia in the amount of Ps 3,145.

Other Additions as of December 31, 2008, corresponds to: a) the additions to the goodwill derived from the acquisition of IFBA, Banco Agricola and Aseguradora Suiza Salvadoreña by Banagricola in the amount of Ps 704; the additions to the goodwill derived from the acquisition of Banco Agricola by IFBA in the amount of Ps 2,401 and the additions to the goodwill derived from the acquisition of Capital Investment SAFI by Renting Peru in the amount of Ps 224 during the year 2008.

Goodwill derived from acquisition of Banagricola S.A. by segments was as follows:

<i>Segments</i>	<i>Goodwill</i>	<i>Goodwill pending to amortize</i>
-----------------	-----------------	-------------------------------------

Corporate	Ps	216,947	Ps	206,304
Retail		629,340		598,466
Mortgage		130,950		124,526
Insurance		30,172		28,692
Pensions		35,527		33,784
	Ps	1,042,936	Ps	991,772

At December 31, 2008, Goodwill derived from acquisition of Banagricola S.A. was tested for imparment comparing the book value of Ps 1,264,093 with the fair value of Ps 2,385,312 using discounted cash flow and multiples methodology. As a result, the Bank concluded that there was no impairment of goodwill.

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(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

(15) Foreclosed Assets

Foreclosed assets consisted of the following:

	2007	2008
Equity securities	Ps 58,906	Ps 54,573
Real estate	166,992	143,181
Other assets	8,218	6,726
Total	234,116	204,480
Allowance	(201,822)	(179,827)
Total foreclosed assets, net	Ps 32,294	Ps 24,653

The following is a summary of equity securities classified as foreclosed assets:

	2007	2008
Chicó Oriental Número 2 Ltda.	Ps 14,202	Ps 14,202
Urbanización Sierras del Chicó Ltda.	11,703	11,703
Procampo trust	7,044	7,044
Enka de Colombia	6,965	3,366
Lote2C Chisa trust	4,480	4,624
Pizano S.A.	3,663	3,663
Convertible Securities Pizano S.A.	3,221	3,221
Fibra Tolima trust	1,572	1,572
Calima Resort trust	1,485	1,485
Fiduciario ADM-Ceylán trust	1,209	
BIMA trust	675	675
Clinica Shaio trust		456
Líneas Agromar trust	209	209
Other	2,478	2,353
Total	Ps 58,906	Ps 54,573

The changes in allowance for foreclosed assets are as follows:

	2006	2007	2008
Balance at beginning of year	Ps 205,176	Ps 174,393	Ps 201,822
Balance at beginning of year 2007 (Aseguradora Suiza, Banco Agrícola)		70,612	
Balance at beginning of the year (Factoring Bancolombia, Conavi, Corfinsura and subsidiaries)	2,370		
Provision	22,037	35,298	19,725
Charge-offs	(978)	(23,866)	(128)

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Recovery of provisions	(54,298)	(52,995)	(48,717)
Reclassifications	91	5,244	133
Effect of changes in exchange rates	(5)	(6,864)	6,992
Balance at the end of year	Ps 174,393	Ps 201,822	Ps 179,827

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(16) Reappraisal of Assets

The following table describes reappraisals of assets:

	2007	2008
Asset revaluations, net	Ps 520,788	Ps 612,683
Less: proportional equity revaluations	(167,069)	(116,194)
Less: minority interests	(34,073)	(47,978)
Total equity revaluations	Ps 319,646	Ps 448,511

The proportional equity revaluations refer to the acquisition of investment in Banca Inversión Bancolombia S.A., Leasing Bancolombia S.A., Fiduciaria Bancolombia S.A., Sufinanciamiento S.A., Valores Bancolombia S.A., Factoring Bancolombia S.A., Inversiones Financieras Banco Agrícola S.A. and some of the affiliates of the entities mentioned above, calculated on acquisition date. Consolidation rules require this value to be unchanged while the investment is held or no new acquisitions are made.

(17) Interbank Borrowings

Interbank borrowings, primarily denominated in U.S. Dollars, at December 31, are summarized as follows:

	2007	2008
Foreign banks		
Short-term	Ps 454,878	Ps 489,897
Long-term	1,051,733	1,587,394
Total	Ps 1,506,611	Ps 2,077,291

For the purposes of this classification, short-term interbank borrowings, obtained from other banks for liquidity purposes, are unsecured and generally have maturities ranging from 90 to 180 days.

As of December 31, 2007 and 2008, interest rates on U.S. dollar denominated short-term borrowings from foreign banks averaged 5.28% and 4.71%, respectively.

For long-term interbank borrowings, the average interest rate was 5.86% and 4.43% in 2007 and 2008, respectively.

Maturities of interbank borrowings for the end of the year 2008 were as follows:

	2008
2009	Ps 1,491,094
2010	155,070
2011	112,977
2012	2,297
2013 and thereafter	315,853
	Ps 2,077,291

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(18) Borrowings from Development and other domestic banks

The Colombian government has established programs to promote the development of specific sectors of the economy. These sectors include foreign trade, agriculture, tourism and many other industries. These programs are under the administration of the Colombian Central Bank and various government entities.

These loans generally bear interest from 3% to 6% above the average rates paid by domestic banks on short-term Time Deposits. Loan maturities vary depending on the program (ranging from one to ten years). The bank funds approximately 0% to 15% of the total loan balance, with the remainder being provided by the respective government agencies. Loans to customers are in the same currency and maturity as the borrowings from the agencies.

As of December 31, 2007 and 2008, borrowings from domestic development banks received from certain Colombian Government Agencies consisted of the following:

	<i>2007</i>	<i>2008</i>
Banco de Comercio Exterior de Colombia (Bancoldex)	Ps 1,190,028	Ps 1,424,287
Fondo para el Financiamiento del Sector Agropecuario (Finagro)	631,940	821,490
Findeter	1,035,910	1,112,559
Other	486,757	512,298
Total	Ps 3,344,635	Ps 3,870,634

Interest rates on borrowings from development and other domestic banks averaged 9.8% and 11.0% in 2007 and 2008, respectively, in local currency 4.5% and 2.0% in 2007 and 2008, respectively, in foreign currency. Maturities at December 31, 2008 were as follows:

2009	Ps 970,428
2010	626,984
2011	541,455
2012	538,074
2013 and thereafter	1,193,693
Total	Ps 3,870,634

(19) Other Liabilities

Other liabilities consisted of the following:

	<i>2007</i>	<i>2008</i>
Unearned income	Ps 33,779	Ps 40,086
Accrued severance Law 50, net of advances	21,028	22,044
Accrued severance pre-Law 50, net of advances to employees of Ps 10,160 and Ps 11,775 and in 2007 and 2008, respectively	13,669	14,980
Accrued payroll and other severance benefits	48,308	90,517
Accrued pension obligations net of deferred cost	110,669	111,759
Negative goodwill	4,604	758
Deferred interest on restructured loans	45,956	37,026
Deferred tax liability	64,183	120,327

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Advances	52,200	47,232
Insurance reserves	67,229	82,903
Deferred profit on sales of assets	12,787	5,869
Deferred paid standby letters	3,965	310
Other	25,056	15,690
Total	Ps 503,433	Ps 589,501

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Unearned income fundamentally consists of prepayments of interest by customers.

In accordance with the Colombian Labor Code, employers must pay retirement pensions to employees who fulfill certain requirements as to age and time of service. However, the Social Security Institute and other private funds have assumed the pension obligation for the majority of the Bank's employees.

Pension obligation

The following is an analysis of the Bank's pension obligations:

	<i>Projected pension liability</i>	<i>Deferred cost</i>	<i>Net</i>
<i>Balance at December 31, 2006</i>	Ps 99,085		Ps 99,085
Adjustment per actuarial valuation	25,736	(25,736)	
Benefits paid	(12,652)		(12,652)
Settlement due to sale of Almacenar	(1,500)		(1,500)
Pension Expense		25,736	25,736
<i>Balance at December 31, 2007</i>	110,669		110,669
Adjustment per actuarial valuation	12,261	(12,261)	
Benefits paid	(11,171)		(11,171)
Pension Expense		12,261	12,261
<i>Balance at December 31, 2008</i>	Ps 111,759		Ps 111,759

In compliance with Colombian law, the present value of the obligation for pensions was determined on the basis of actuarial calculations. The significant assumptions used in the actuarial calculations were the following:

	<i>2006</i>	<i>2007</i>	<i>2008</i>
Discount rate	16.53%	14.05%	12.43%
Future pension increases	10.55%	8.83%	7.63%

(20) Long-Term Debt

Companies are authorized by the Superintendency of Finance to issue or place ordinary bonds or general collateral bonds.

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The scheduled maturities of long term-debt at December 31, 2008 are as follows:

2009	Ps	726,179
2010		659,545
2011		392,489
2012		168,152
2013		470,886
2014 and thereafter		1,226,235
Total	Ps	3,643,486

Long-term debt consists of bonds issued by Bancolombia (unconsolidated), Banco Agrícola S.A., Leasing Bancolombia, Sufinanciamiento S.A. and by Renting Colombia S.A.

On September 26, 2007, Bancolombia commenced a local public offering of the first issuance of Bancolombia's Ordinary Notes (Bonos Ordinarios Bancolombia). Bancolombia successfully completed the issuance for an aggregate principal amount of Ps 400,000.

During 2008, Bancolombia S.A. successfully completed the issuance and offering of Bancolombia Ordinary Notes for an aggregate principal amount of Ps 600,000. This issuance and offering is the second of multiple and successive issuances of global Bancolombia Ordinary Notes which are limited to an aggregate principal amount of Ps 1,500,000.

(21) Accrued Expenses

Accrued expenses consisted of the following:

	<i>2007</i>	<i>2008</i>
Income tax payable	Ps 39,548	Ps 45,367
Fines and sanctions ⁽¹⁾	92,395	53,641
Labor obligations	24,303	71,933
FICAFE contingency ⁽²⁾	48,772	58,973
Accrued expenses Almacenes Éxito	1,203	4,871
Other	12,639	20,398
Total	Ps 218,860	Ps 255,183

(1) See Note 26(d).

(2) As a result of Banagrícola's acquisition, the Bank for the year ended December 31, 2008, has established an allowance

available to absorb probable losses inherent in the FICAFE investment, booked through its subsidiary, Banco Agrícola S.A. FICAFE investment consists of fiduciary certifications, issued by the Fund of Environmental Preservation of Coffee-producing lands established by the Salvadorian government.

Income tax

- a.** The basis for determining income tax may not be lower than 3% of the taxpayer's net worth or equity on the last day of the immediately preceding fiscal year.
- b.** Sporadic earnings are separated from ordinary income and these are taxed at the previously mentioned rates. Sporadic earnings include those obtained from divesting fixed assets held for two years or more as well as liquidating companies also held for more than two years.

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c. Income in Colombia is taxed at the following rates:

Company	Income tax rate - 2006	Income tax rate - 2007	Income tax rate - 2008 onwards
Companies governed by tax stability agreements:			
Bancolombia, Leasing Bancolombia, Banca de Inversión, Fiduciaria Bancolombia	37%	36%	35%
Subsidiaries not governed by tax stability agreements	35%	34%	33%

The tax effect for all those companies governed by tax stability agreements consists of being entitled until the year 2010, inclusive, to an exemption with regard to any new national taxes or rates that should apply to these, pursuant to Article 240-1 of the Colombian Tax Statute (which was repealed by Article 134 of Law 633 passed December 20, 2000). For this reason, in 2008 and 2007, the Parent Company as well as all of its subsidiaries who had entered into tax stability agreements did not pay any financial transaction tax, wealth tax or income surtax.

d. In the case of companies domiciled in Panama and belonging to the Bancolombia Group (Bancolombia Panama and Subsidiaries, Banagrícola and Banco Agrícola Panama) income tax is governed by the Panamanian Tax Code. Profits obtained by the aforementioned companies are not subject to income tax in Panama.

e. Subsidiaries that were incorporated in El Salvador pay income tax on revenues obtained within the country, according to the Income Tax Law of El Salvador, contained in Legislative Decree No. N°134 issued December 18, 1991, which came into full force and effect as of January 1, 1992. The income tax rate in El Salvador is 25%.

f. The subsidiary Bancolombia Puerto Rico, according to the law governing the International Banking Center is 100% exempt from income, property and municipal taxes, providing its income is obtained from international banking activities, pursuant to said law.

g. A special deduction equal to 40% of all investments made in fixed assets does not represent any taxable income for shareholders or partners. According to applicable legislation, fixed assets subject to this deduction must be depreciated for tax purposes using the straight-line method and are not entitled to any audit benefit even upon complying with all that contained in the tax code. Should these assets cease to be used to produce income or are divested before the end of their useful lives, fiscal revenue should be recorded on recovering the proportion of the deduction corresponding to the asset's remaining useful life when sold or otherwise transferred. Senior Management considers that the assets for which said deduction was obtained shall be used as part of the Bank's normal course of business and therefore shall not be sold off before the end of their useful life. For this reason no provision has been set up for any possible reimbursed deductions.

h. The Parent Company has no plans in the short term to bring into Colombia all those accumulated profits, nor reserves obtained through its foreign subsidiaries, Bancolombia Panamá and Bancolombia Puerto Rico, and which were duly recorded in its consolidated financial statements. At December 2008, said profits totaled Ps 641,628 and should these be brought into Colombia, these would be subject to income tax calculated at the rate applicable for this same year.

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The following is a reconciliation of taxable income before income taxes:

	2006	2007	2008
Income before income taxes	Ps 924,409	Ps 1,448,806	Ps 1,764,699
Adjustments for consolidation purposes, net	159,103	653,554	412,456
Difference between net operating loss carry-forwards and presumed income	20,879	91,947	9,874
Non-deductible provisions, costs and expenses	177,966	236,274	195,190
Non-taxable or exempt income	(636,915)	(1,064,598)	(744,589)
Difference between monetary correction for tax purposes and for financial reporting purposes	(62,776)		
Excess of accrued income over valuation income	6,652	(23,142)	(78,648)
Amortization of excess of presumed income over ordinary income and amortization of net operating loss carry forwards	(102,352)	(65,391)	(15,433)
Difference between profit on sale of assets for tax purposes and for financial reporting purposes		154	(29,847)
Valuation derivatives effect	(33,075)	(35,380)	(86,314)
Special tax deduction for Investment in Real Productive Assets	(21,254)	(177,036)	(203,272)
Other	(66,281)	(57,513)	(10,866)
Taxable income	Ps 366,356	Ps 1,007,674	Ps 1,213,250
Statutory tax rate	37.21%	33.58%	34.32%
Estimated current income tax	Ps 136,307	Ps 338,364	Ps 416,381
Deferred income tax expense (benefit)	38,573	23,519	57,675
Total	Ps 174,880	Ps 361,883	Ps 474,056

Income taxes for the years ended December 31, 2007 and 2008 are subject to review by the tax authorities. The Bank management and its legal advisors believe that no significant liabilities in addition to those recorded will arise from such a review.

The following tables present the estimated amortizations of losses that can be recorded and the excess of presumed income over ordinary income and the fiscal years they expired:

	<i>Fiscal Losses to amortize</i>							<i>Todo</i>	<i>Total</i>
	<i>Capital</i>	<i>Fiduciaria</i>	<i>de</i>	<i>Renting</i>	<i>Inmobiliaria</i>	<i>Inversiones</i>	<i>Rent</i>		
	<i>Investment</i>	<i>GBC</i>	<i>Inversión</i>	<i>Perú</i>	<i>Banacol</i>	<i>NL</i>	<i>A Car</i>	<i>Colombia</i>	<i>Colombia</i>
2010						Ps 15			Ps 15
2011								28	28
2012					49			126	175

2013
With no
maximum
expiry date

76	505	506	3,088			1,887	100,066		106,128
Ps 76	Ps 505	Ps 506	Ps 3,088	Ps 49	Ps 15	Ps 1,887	Ps 100,066	Ps 154	Ps 106,346

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	<i>Excess of presumed income over ordinary income</i>								
	<i>Inversiones CFNS</i>	<i>Renting Colombia</i>	<i>Factoring</i>	<i>RC Rent a Car</i>	<i>Banca de Inversión</i>	<i>Bancolombia</i>	<i>Total</i>		
2009	Ps	Ps	1,851	Ps	Ps	Ps	Ps	42,569	Ps 44,420
2010			2,350						2,350
2011			3,012						3,012
2012			1,686	595		282			2,562
2013	104		4,333	72	43	3,570			8,122
	Ps 104	Ps	13,232	Ps 666	Ps 43	Ps 3,852	Ps	42,569	Ps 60,466

(22) Subscribed and Paid-in Capital

Subscribed and paid-in capital consisted of the following:

	<i>2006</i>	<i>2007</i>	<i>2008</i>
<i>Authorized shares</i>	1,000,000,000	1,000,000,000	1,000,000,000

Issued and outstanding:

Common shares with a nominal value of Ps 500 (in pesos)	509,704,584	509,704,584	509,704,584
Preference shares with a nominal value of Ps 500 (in pesos)	218,122,421	278,122,419	278,122,419

Pursuant to Colombian law, capital adequacy for banks is required to be not less than 9% of their total credit risk weighted assets and credit contingencies. Under Decree 1720 of 2001, the calculation of capital adequacy must incorporate market risk in addition to the credit risk. This risk for capital adequacy requirement was covered 100% in 2007 and 2008. Calculations are made each month on an unconsolidated basis and in June and December on consolidated accounts which include the Bank's financial Subsidiaries in Colombia and abroad.

As of December 31, 2007 and 2008 the Bank's capital adequacy ratio consolidated was 12.67% and 11.24%, respectively.

The consolidated financial statements are prepared for the presentation to the stockholders, but are not taken as a basis for the distribution of dividends or appropriation of profits. Dividends are distributed based on the Bank's non-consolidated financial statements.

(23) Appropriated Retained Earnings

Pursuant to Colombian law, 10% of the net income of the Bank and its Colombian subsidiaries in each year must be appropriated through a credit to a legal reserve fund until its balance is equivalent to at least 50% of the subscribed capital. This legal reserve may not be reduced to less than the indicated percentage, except to cover losses in excess of undistributed earnings.

Appropriated retained earnings consist of the following:

	<i>2006</i>	<i>2007</i>	<i>2008</i>
Legal reserve ⁽¹⁾	Ps 1,405,733	Ps 1,172,799	Ps 2,172,068
Additional paid in capital	268,005	1,165,617	1,165,617
Other reserves	639,869	1,021,188	637,336

Total

Ps 2,313,607

Ps 3,359,604

Ps 3,975,021

(1) Includes legal
reserve and net
income from
previous years.

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Reserve for Country Risk

Banco Agrícola S.A., Aseguradora Suiza Salvadoreña S.A. and Asesuisa Vida S.A record, in their financial statements, reserves for country risk.

Reserves for country risk are set up to cover the placement of funds abroad. This risk is attributed to the place of domicile of the debtor or the party who is obliged to pay, from whom a return on the invested funds is to be obtained, except when the controlling company is jointly responsible and/or when the guarantor is domiciled in a country with an investment rating.

Institutions that place or commit funds in other countries use the sovereign risk ratings for the country in question in order to determine the country risk. Said ratings are issued by well-known international risk rating agencies for long-term obligations.

Any increase in these reserves gives rise to a debit to the appropriated retained earnings account - profits from prior years - and a credit in the restricted equity account - profits from prior years. Drops in the reserves cause a reverse effect in the books.

(24) Dividends Declared

The dividends are declared and paid to shareholders based on the adjusted unconsolidated net income from previous year. The dividends were paid as indicated below:

	2007⁽²⁾	2008	2009
Preceding year's unconsolidated earnings	Ps 582,365	Ps 804,261	Ps 1,043,669
Dividends in cash (in Colombian pesos)	Ps 532 per share payable in four quarterly installments of Ps 133 per share from April 2007 on 509,704,584 and 218,122,421 common and preferred shares, respectively	Ps 568 per share payable in four quarterly installments of Ps 142 per share from April 2008 on 509,704,584 and 278,122,419 common and preferred shares, respectively	Ps 624 per share payable in four quarterly installments of Ps 156 per share from April 2009 on 509,704,584 and 278,122,419 common and preferred shares, respectively
	Additionally Ps 266 per share payable on 59,999,998 preferred shares issued in June and July 2007		
Total dividends declared	Ps 403,164	Ps 447,486	Ps 491,604
Dividends payable at December 31 ⁽¹⁾	Ps 111,842	Ps 119,701	

- (1) The amount of the dividends payable at December 31, is recorded as accounts payable in the Consolidated Balance Sheets.

- (2) The amount disclosed as Total Dividends Declared in the table for 2007 differs from those disclosed in the annual report of 2006, because Bancolombia S.A. paid dividends on 59,999,998 preferred shares issued during 2007.

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(25) Memorandum Accounts

Memorandum accounts were composed of the following:

	2007	2008
Trust:		
Investment trusts	Ps 39,609,384	Ps 42,676,646
Commitments:		
Unused credit card limits	Ps 4,703,942	Ps 5,724,199
Civil demands against the Bank	874,107	782,444
Issued and confirmed letters of credit	1,354,921	1,890,574
Uncommitted lines of credit	865,706	628,066
Bank guarantees	1,258,448	1,634,057
Approved credits not disbursed	1,467,745	1,382,560
Nation account payable (546 law)	30,371	28,914
Other	124,195	942,686
Total	Ps 50,288,819	Ps 55,690,146

Other memorandum accounts:

	2007	2008
Memorandum accounts receivable:		
Tax value of assets	Ps 30,481,070	Ps 41,397,910
Assets and securities given in custody	3,411,382	4,940,276
Assets and securities given as a collateral	3,300,348	2,602,771
Trading investments in debt securities	1,692,960	2,002,743
Written-off assets	1,439,114	1,999,111
Quotas of leasing to receive	5,977,221	7,423,863
Investments held to maturity	1,058,280	1,638,282
Adjustments for inflation of assets	162,724	127,934
Accounts to receive yields trading investments in debt titles	103,286	241,556
Investments available for the sale in debt titles	1,379,980	1,256,763
Remittances sent for collection	26,103	50,919
Amortized debt securities investment	788,610	1,009,394
Other memorandum account receivable	4,304,690	6,897,263
Total	Ps 54,125,768	Ps 71,588,785

Memorandum accounts payable:

Assets and securities received as collateral	25,815,805	29,553,409
Qualification commercial loans	23,711,631	28,494,632
Assets and securities received in custody	4,816,267	5,395,677

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Tax value of shareholders' equity	4,673,067	6,308,371
Qualification consumer loans	6,573,200	7,513,317
Adjustment for inflation of equity	892,909	891,452
Qualification small business loans	131,913	145,518
Merchandise in owned warehouses	65	
Qualification financial leasing	4,749,309	5,583,028
Qualification operating leasing	491,941	732,768
Qualification mortgage loans	2,803,165	3,324,627
Other memorandum account payable	3,135,280	3,949,803
Total	Ps 77,794,552	Ps 91,892,602
Total memorandum accounts	Ps 182,209,139	Ps 219,171,533

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(26) Commitments and Contingencies⁽¹⁾

For the years ended December 31, 2007 and 2008, the Bank registered allowances for probable contingencies of Ps 92,395 and Ps 53,641, respectively. The detail of the contingencies was as follows:

The Bank

a) Contingencies Covered by FOGAFIN:

During the privatization process of Banco de Colombia (which merged with and into the Bank in 1998), completed on January 31, 1994, Fogafin made a commitment to assume the cost of contingent liabilities resulting from events that occurred before the date when the stock was sold, which should be claimed within the five (5) subsequent years. Fogafin's guarantee covers eighty percent (80%) of the first Ps 10,000, not considering allowances, and thereafter, one hundred percent (100%), all annually adjusted according to the consumer price index.

At December 31, 2007 and 2008, the civil contingencies covered by the guarantee amounted to approximately Ps 997 and Ps 266, respectively, with allowances at the same dates amounting to Ps 166 and Ps 166. Labor contingencies remain the same as 2008: contingencies amounted to Ps 70 and allowances amounted to Ps 35.

b) Legal Processes

At December 31, 2007 and 2008, other than the litigation discussed under (a) above, there were labor-related claims against the Bank amounting to approximately Ps 16,590 and Ps 17,168, respectively (the final result of such litigations is not predictable due to the nature of the obligations). The allowances for contingencies on those dates amounted to Ps 8,946 and Ps 8,932, respectively.

At December 31, 2007 and 2008, there were ordinary civil lawsuits, group actions, and civil actions within criminal and executive proceedings against the Bank with total claims for approximately Ps 644,953 and Ps 611,003, respectively and with allowances on the same dates of Ps 30,456 and Ps 31,917, respectively.

Allowances are recorded based on the likelihood of the losses and when proceedings are ruled in the first instance against the Bank or based on the opinion of management the proceedings are not likely to result in an unfavorable ruling.

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Contingencies against the Bank greater to Ps 5,000, as of December 31, 2008, are:

<i>Process</i>	<i>Initial Exposure</i>	<i>Actual Exposure at December 31, 2008</i>	<i>Allowance</i>	<i>Likelihood</i>
Civil Lawsuit from Jaime Gilinski and Others	Ps 357,000	Ps 357,000		Remote
Inversiones C.B. S.A.	12,468	40,806		Remote
Editorial Oveja Negra Ltda. and Jose Vicente Katerain	10,240	9,635		Remote
Costrucc.Rojas Jiménez & CÍA. S. EN C.	6,277	6,277		Remote
Ordinary process Gloria Amparo Zuluaga Arcila	1,400	5,784		Remote
Arbitration process CAJANAL vs Bancolombia	34,026	34,026		Remote
Almacenar S.A.	92,048	30,902	20,000	Probable
Carlos Julio Aguilar and Other	25,232	30,210		Remote
Invico Ltda, Dalia Bibliowicz Kaplan, Bella Bibliowicz Kaplan y Anniel Admiran Bibliowicz Processes	5,000	6,601	3,500	Probable
Class action Maria Elena Urina against Barranquilla City Municipio de Barranquilla and Bancolombia	6,467	6,467		Remote
Ordinary process Ramón Orlando Pardo Osorio and Oceano Films OP Ltda. US 3000000	5,402	6,820		Remote

Inversiones C.B. S.A.

In 1997, Conavi granted a loan of Ps 6,000 to Inversiones C.B S.A. for the purpose of building a real estate project. This loan was scheduled to be paid out to the borrower in periodic installments based on the progress of said project, this amongst other terms and conditions.

Given the fact that construction work grounded to a halt and the builder fell into arrears, Conavi suspended the payment of the loan, which in the opinion of the plaintiffs gave rise to consequential damages. The claim filed by the plaintiffs states that the Bank must pay Inversiones C.B S.A. certain sums of money including loss of profits and corresponding interest, the opportunity cost of capital, the value of the project's liabilities as well as monetary correction.

This contingency is considered to be quite remote, since the Parent Company paid out the loan according to the terms and conditions agreed upon, and the plaintiffs were at fault in assigning the funds together with other external causes such as the project's lack of feasibility and the crisis prevailing within the construction sector, all of which contributed to the failure of the project in question.

Cajanal S.A. EPS (in the process of being wound up)

On April 26, 2000 Cajanal S.A. EPS and Bancolombia S.A. signed Agreement No 2 for Providing Contribution Collection Services, by virtue of which the Parent Company became responsible for collecting contributions to the Comprehensive Social Healthcare System. According to the claim lodged by the plaintiff, Bancolombia S.A. failed to comply with certain clauses contained in this Agreement and must therefore pay compensation for the consequential damages incurred.

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Both parties have disputed whether Bancolombia acted according to that stipulated both in the agreement as well as according to applicable law, upon complying with certain garnishments ordered by judges of the Republic of Colombia and making available to different administrative offices of the courts the amounts that had been deposited in the checking and savings accounts belonging to Cajanal S.A. EPS, containing social security funds. The Bank considered that such writs of garnishments had to be complied with and without objection. Arguments include the statute of limitations with regard to the case, the absence of causation between the conduct of Bancolombia and the consequential damages claimed, the absence of any damages incurred by Cajanal S.A. EPS and negligence on the part of the plaintiff company.

Sale of Almacénar

In December 2006, the Bank's subsidiary Almacenes Generales de Depósito Almacénar S.A. was spun off to create two additional companies, Inversiones IVL S.A. and LAB Investment Logistics S.A. Subsequently in 2007, the Parent Company sold its shares in LAB Investment Logistics S.A. and Almacénar S.A., pledging to cover any contingencies caused before the date on which these were sold, and which would only become apparent after the transaction was completed. In particular, the Parent Company, undertook to cover any losses incurred by Almacénar as a result of a fire that broke out in May 2005 in its warehouse located in the Salomia district in Cali.

As a result of this fire, a lawsuit has been filed against Almacénar by Industrias del Maíz S.A., Cadbury Adams and Pfizer S.A., and/or the insurance companies representing the rights of these.

The legal proceedings filed by Industrias del Maíz S.A. and Pfizer S.A. have now been concluded by the transaction contracts that have been signed, and the corresponding amounts of money have been recognized by the insurance company, Compañía Suramericana de Seguros S.A., based on an all-risk insurance policy in force covering material damage and loss of profits.

The proceedings initiated by Seguros Comerciales Bolívar S.A., in representation of Cadbury Adams. are still pending, in which a total of Ps 30,901 is being claimed. However, the claimed compensation for merchandise based on selling prices or the loss of profits are not the responsibility of the depository. For this contingency, the Parent Company shall have at its disposal the Ps 11,467 that remains from the compensation payable on the part of Suramericana de Seguros as well as a provision of Ps 20,000.

Sierras del Chicó Ltda. and Chicó Oriental No. 2 Ltda.

According to the terms and conditions contained in a guarantee agreement for contingent liabilities entered into by the Parent Company and the Fondo Nacional de Garantías FOGAFÍN (the Colombian National Guarantee Fund) on January 18, 1994, said Fund called for an arbitration panel to be set up for the purpose of the Parent Company handing over the rights held by the former Banco de Colombia in the companies Sierras del Chicó Ltda. and Chicó Oriental No. 2 Ltda. at December 31, 1993.

Should the Parent Company be ordered to transfer said rights, the Fund must recognize, based on the existing contract between the parties ...the value of said ownership interest as recorded in the books of the Parent Company at December 31, 1993, together with all applicable adjustments for inflation as provided for by law and that should accrue up to the moment these are transferred to the Fund..... Furthermore, the Parent Company is claiming the payment of all those expenses incurred while said assets were held.

Given the fact that in the event of an unfavorable ruling, this would imply having to sell the asset, it was not considered necessary to set up a provision for such contingency.

As part of these arbitration proceedings, which are being heard by the Center for Arbitration and Conciliation, attached to the Chamber of Commerce of Bogotá, the following arbiters Gilberto Peña Castrillón, Jorge Pinzón Sánchez and Eduardo Zuleta Jaramillo were appointed by mutual agreement.

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c) Contingencies Related to the Purchase of 51% of Former Banco de Colombia S.A. (Banco de Colombia) Stock and Later Merger with Banco Industrial Colombiano (BIC , now Bancolombia)

The Gilinski Case

See Item 8. Financial Information A.2. Legal Proceedings.

Arbitration Proceedings HSBC Fiduciary

In May 2008, HSBC Fiduciary requested the Chamber of Commerce of Bogota the installation of an Arbitration Tribunal in order to settle the disputes arising from the trust guarantee and payment agreement entered on March 30, 1998 between Isaac Gilinski, Jaime Gilinski and other foreign companies as trustors and Bancolombia as beneficiary; the trust guarantee intended to manage and hold in safekeeping all those assets handed over to guarantee and pay the existing amounts; the funds owed by the trustors for compensations for flaws contained in the declarations and guarantees issued by these, enclosed in the promissory bill of sale of shares held by Banco de Colombia and its modifications. The value of the goods as guarantee is US\$ 30 million.

The dispute is a result of the application submitted by the trustors to the HSBC Fiduciary for the purpose of liquidating the trust fund and retribute the funds. This was subsequently objected by the Bank, based on pending claims filed against the sellers and guaranteed by the trust, especially the contingency in favor of the Bank, derived from the decision issued by the Arbitration Tribunal initiated by Bancolombia against Isaac Gilinski and others.

d) National Tax and Customs Agency (DIAN)

Special Requirement

On December 27, 2007, the Bank received a special requirement by the Tax Administration of Medellin (Administracion de Impuestos de Medellin) regarding the income tax (impuesto de renta) of the year 2006, in which Ps 79,013 are discussed.

On September 23, 2008 the aforementioned tax authorities issue an official tax settlement corresponding to Review No. 900005.

The Bank and its tax advisors considered that the procedure of the income tax return of 2006 followed was in compliance with the applicable rules and regulations and on November 20, 2008 it filed for a reconsideration of the official review settlement, which was approved by the Colombian Tax Authorities (DIAN) by means of an official decision given in 2008.

Industry and Commerce Tax corresponding to 2006

Special requirement No. 2008EE336858 was issued on September 23, 2008 by the Bogotá District Council for the second two-month period of 2006, stipulating a total of Ps 3,039 in tax owing and a fine of Ps 4,863.

This requirement was contested December 19, 2008, requesting that the requirement be revoked given the lack of grounds and an arithmetic error in the corresponding settlement.

On November 27, 2008 special requirement No.2008EE597337 was received for the third, fourth, fifth and sixth two-monthly periods of 2006. This requirement stated an amount of Ps 5,236 in tax owing and a fine of Ps 8,377. This requirement was subsequently contested requesting that the requirement be revoked given the lack of grounds and an arithmetic error in the corresponding settlement.

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Pro Senior Citizen Stamp Tax for fiscal years 2005 and 2006

On June 24, 2008 two official review settlements Nos. 001-08 and 002-08 were received for the third, fourth, fifth and sixth two-monthly periods of 2005 as well as the first, second, third and fourth two-monthly periods of 2006, respectively, from the Barranquilla District Council, claiming stamp tax owing in the amount of Ps 85 and a fine of Ps 137.

On October 23, 2008, proceedings were filed to revoke and re-establish rights with regard to the official review settlements. This claim has yet to be ruled upon. The provision set up for this contingency with regard to the Industry and Commerce tax return come to Ps 149.

Pro Senior Citizen Stamp Tax for fiscal years 2005 and 2007

On July 01, 2008 special requirement No. 0123-08 was received for the fifth and sixth two-monthly periods of 2006 and the first, second, third, fifth and sixth two-monthly periods of 2007; from the Barranquilla District Council, claiming tax owing of Ps 119 and a fine of Ps 190.

On September 18, 2008 the Parent Company contested this special requirement based on the same terms on which it filed proceedings to revoke and reestablish the right for the two-monthly periods of 2005 and 2006.

Fiduciaria Bancolombia S.A.

a. Silvania Trust Seven proceedings are underway in the civil courts of the Bogota Circuit and in an Arbitration Court which ruled in favor of the Trust Company. All of the proceedings arise from Fiducolombia S.A.'s role (now Fiduciaria Bancolombia S.A.) as trustee in the guarantee mercantile trust agreement entered into on December 1, 1993, with Gallego Inmobiliaria S.A. and the appraisal of the property made by Vector (appraisal company).

Two of the aforementioned proceedings were terminated due to the statute of limitations. However, on December 11, 2003, a new ordinary proceeding was initiated against Fiducolombia (currently Fiduciaria Bancolombia S.A.), following a legal action filed during the month of September 2003. One of these proceedings has produced first and second instant rulings in favor of the Fiduciary, and the Fiduciary is currently awaiting the results of an appeal lodged by the plaintiff. The Ninth Civil Circuit Court ordered all those remaining processes relating to the proceedings initiated against Tarazona Bermudez, to be heard following this same procedural vein, and currently there is an expert opinion pending on the part of the Agustin Codazzi Institute in order to proceed to grant a first instance ruling. This process was transmitted to the Court for the corresponding ruling in August 2008.

The legal counsel in charge of this case considers that a favorable ruling is possible.

b. Invico Ltda. has a lawsuit pending against the Bank and Fiducolombia S.A. (now Fiduciaria Bancolombia S.A.) in the Sixth Court of the Civil Circuit of Bogota (*Juzgado Sexto Civil del Circuito de Bogota*). The plaintiff seeks a ruling declaring that the Bank and Fiducolombia S.A. (now Fiduciaria Bancolombia S.A.) must exercise the alternate right contained in Article 1948 of the Civil Code, in reference to the land lot denominated La Granjita, pursuant to the trust mandate. The claims amounted to Ps 4,000. On January 17, 2002, the court issued a ruling dismissing a defense presented by Fiduciaria Bancolombia S.A. and ordered it to pay the court fees. The discovery stage has finalized and Fiduciaria Bancolombia S.A. has presented its final legal conclusions on September 17, 2007. Since that date, the ruling is pending.

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c. Invico Ltda. has a suit pending against the Bank and Fiducolombia S.A. (currently Fiduciaria Bancolombia S.A.) in Civil Circuit Court 6 of Bogota. The plaintiff seeks a ruling declaring that the Bank and Fiducolombia S.A. (now Fiduciaria Bancolombia S.A.) must exercise the alternate right contained in Article 1948 of the Civil Code, in reference to the land lot denominated La Granjita, pursuant to the trust mandate. The claims amounted to Ps 4,000. On January 17, 2002, the court issued a ruling dismissing an exception that was filed and ordered the filing party to pay costs. The discovery stage has finalized and the Trust Company has presented its legal conclusions on September 17, 2007. The judge ruled against the Fiduciary who lodged an appeal within the term legally provided for such. Having been admitted by the Court, this case is still being heard.

The legal counsel in charge of this case considers that a favorable ruling is highly possible.

d. With regard to the Fopep Consortium there are two labor proceedings filed by John Freddy Bustos Lombana, who claims that he acted as attorney and assistant manager in two different agreements and therefore demands the payment of salary and other employment benefits. He is also claiming indemnification alleging that his resignation was a consequence of an insinuation made by the Manager of the Consortium. In one of the proceedings, a ruling in the first instance was given in favor of the Trust Company. This was subsequently appealed and a second instance ruling is pending. In the other proceedings, first and second instance rulings were given in favor of the Trust Company, which were subsequently upheld on appeal.

The legal counsel in charge of these proceedings considers that favorable rulings are moderately possible.

e. With regard to the Santa Sofía Trust, there are two different types of proceedings being conducted:

A class action filed by the co-owners of the Santa Sofia Housing Estate against the Bogota Mayor's Office, Fiducolombia S.A. (now Fiduciaria Bancolombia S.A.) and others, claiming that the deterioration to the property was caused by flaws in the terrain, and therefore no building permit should have been issued. The judge ordered evidence to be heard as requested by the parties. The legal counsel in charge of these proceedings considers that favorable rulings are moderately possible.

Criminal proceedings against the Trust Company's Legal Representative, based on the action filed by the co-owners of the Santa Sofia Housing Estate, claiming alleged Illegal Squatting and Fraud with regard to the urban development of the real estate project. These proceedings are still being heard although the judge has ordered the investigation stage to be wound up. Possibilities of success, according to information supplied by legal counsel: Moderate.

Ordinary process of major quantity of extracontractual civil responsibility. The plaintiff claims civilian and jointly responsibly from Fiduciary Bancolombia S.A. and other defendants and, consequently order them to pay the price of the property, including its improvements. The Trust Company answered the complaint and presented as defense the following: the nonexistence of responsibility for corporate purpose different from the invoked and the nonexistence of responsibility for lack of contractual or extracontractual bond. The judge hearing the case has ordered the case to be closed given the tacit withdrawal of the action on the part of the plaintiff. Possibilities of success, according to information provided by legal counsel are: High.

f. There are currently two executive proceedings that were filed by Mr. Eugenio Segura Villarraga seeking payment of three checks that were countermanded according to instructions given by the Bank. Mr Segura Villarraga claims that the checks were drawn as a result of an unlawful act. These proceedings are currently suspended.

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g. There is a criminal court case against one of the Trust Company's legal representatives regarding the Chisa Lote 2C Trust filed by Carmela Guardo and Joaquín Atencio Niño claiming misrepresentation of facts in a public deed, procedural fraud, perturbation of ownership and fraud with regard to a court ruling by virtue of a public deed establishing the boundaries of a plot of land, signed by the Trust Company on behalf of the Trust. These proceedings are at a pre-trial stage where evidence is collected.

Previously the joining of actions, the Attorney General's Office No. 19 foreclosure the criminal investigation regarding the crimes of fraud to judicial award, invasion of lands and disturbance to the possession (Attorney General's Office No. 19, Bogotá), and continued for the crimes of fraud in public document and procedural fraud (Attorney General's Office No. 10, Bogotá). This case was concluded given the preclusion of the investigation.

The Trust Company's management considered the contingency that this proceeding represents no liability.

h. The Trust Management Agreement No. 255 entered into by the Consorcio Fosalud (made up of Fiduciaria Bancolombia S.A., Fiduciaria La Previsora S.A. and Fiducafe S.A.) and the Colombian Ministry of Social Protection is currently subject to an arbitration award being granted. Three arbiters were appointed and an Arbitration Panel set up. The arbitration hearing was suspended until January 2008 on the grounds of a possible conciliation between the parties. No assessment has been given to the legal counsel in charge of the case. At December, 2008, Fiduciaria Bancolombia had set up a provision in the amount of \$ 4,257 to cover any eventual contingency as a result of these arbitration proceedings as well as for the winding up of the consortium itself.

i. A contract lawsuit filed by the Colombian Ministry of Social Protection against the Fidufosyga Consortium on the grounds of 4 events of default: 1. The renewal of a role in a parent company bank on the part of the fiduciaries forming part of the consortium. 2. A compensation process that was never carried out according to that stipulated by applicable law and the terms and conditions of the contract. 3. Claims and recoveries on the part of ECAT. 4. Failure to present a work plan within the term requested. The legal counsel representing the Fiduciary and the Consortium presented a counter-memorial to dismiss the procedure taken since the proper means would be an arbitration hearing. The judge admitted the Fiduciary's arguments and concluded the proceedings.

j. Ordinary proceedings filed by Álvaro Navarro T & Cía. S. en C. against Fiduciaria Bancolombia S. A., in which the plaintiff claims that Public Deed No. 5496 drawn up before Notary Public No. 3 of the Circuit of Cartagena should be revoked. According to said Public Deed, title to the ownership of the property held in trust was given over in the form of payment to the beneficiaries: Banco del Pacifico (currently being wound up), BIC S. A. now known as Bancolombia S. A. and Bancafé S. A. As a result of the above, the restitution of the above mentioned property was claimed along with the payment of consequential damages which the plaintiff estimates at Ps 10, per month, as of the date on which the property was given over in the form of payment until it was restituted. The Fiduciary contested this lawsuit and notice of such is to be served on the respondents.

Possibilities of success according to information supplied by legal counsel: High.

k. Administrative Action No. 230-11504 filed by the Colombian Superintendency of Companies against the Fiduciary claiming an alleged breach of exchange regulations due to failure to submit Form No. 15, by means of which the companies receiving the foreign investment must update information regarding the recording of these investments for the period beginning January 1st and ending December 31, 2005, date on which the Trust Company Fiduciaria Bancolombia S. A. Sociedad Fiduciaria held no recorded foreign investment. The Fiduciary responded to this requirement within the term legally provided for such and are still pending a decision on the part of the Colombian Superintendency of Companies.

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I. Administrative Action No. 230-15875 filed by the Colombian Superintendency of Companies against the Fiduciary claiming an alleged breach of exchange regulations due to failure to submit Form No. 15, by means of which the companies receiving the foreign investment must update information regarding the recording of these investments for the period beginning January 1st and ending December 31, 2006, date on which the Trust Company Fiduciaria Bancolombia S. A. Sociedad Fiduciaria held no recorded foreign investment.

Leasing Bancolombia S.A.

According to the opinion of the lawyers involved, claims against the Company do not represent any loss contingency that could affect its future results, except for all those processes filed against EXXON Mobil de Colombia, the Proteger Foundation and Alexandra Milena Díaz for which provisions were set up for the amounts of Ps 1.061, Ps 5 and Ps 5, respectively.

Compañía de Financiamiento Comercial Sufinanciamiento S.A.

The Company has proceedings against it, in which the claim is estimated in Ps 5.756, those proceedings are classified as remote.

Additionally, the Company recorded contingencies with tax audit entities which are classified as remote.

Valores Bancolombia S.A.

The Company is currently contesting an ordinary contractual civil liability case which is being heard by the Civil Circuit Court No. 2 in Medellin. Evidence is still being heard for this case, as ordered by the Court by means of Court Order issued November 22, 2007. In the opinion of Valores Bancolombia's Company Secretary and the external lawyer in charge of this process, the probability of an unfavorable ruling against this brokerage firm is remote, however, should the court find against Valores Bancolombia this could well represent a maximum value of Ps 20.

Factoring Bancolombia S.A.

Factoring Bancolombia S.A. is currently party in the following proceedings:

a. Three summons by the Central Bank to all the financial entities regarding the lawsuits of debtors of commitments agreed by the Sistema UPAC, before the administrative tribunals of the departments of Nariño, Sucre and Cauca.

There should not be any contingency with regard to these processes because Factoring has not had credit transactions under the UPAC System.

b. Process (proceso verbal de acción de reivindicatoria) by Mr. Jairo Buriticá Burbano against FES S.A, actino on behalf of the trusty Comoderna S.A, Banco Santander S.A, Corporación Financiera Colombiana S.A, Banco de Bogotá and Factoring Bancolombia S.A Compañía de Financiamiento Comercial.

Factoring Bancolombia S.A. was notified of this process, on December 5, 2007. To date, evidence is still being heard.

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AFP Crecer S.A

a. As of December 31, 2008, the entity has an administrative process PA-337-2004 for a supposed loss of US\$ 34 regarding the liquidation of Eurobonds 2032. Nevertheless, it was presented to the Superintendency of Pensions the arguments and evidence of discharge reject the administrative processes and to justify that the transactions were done with the purpose of preserving the interests of the members. The Superintendence of Pensions issued resolution A-AF-DO-072-2005 imposing a fine for US\$ 1; on February 28, 2005 Crecer S.A filed an appeal, which has been admitted thereby temporarily suspending the effects of the above mentioned resolution, At December 31, 2008 and at the time of publication of these financial statements the status of this appeal remains unchanged.

b. According to resolution N ° PA-016-2006 notified on February 13, 2006, the Superintendency of Pensions (Superintendencia de Pensiones) impose a fine of US\$ 29 to AFP Crecer S.A, for omitting to gave information regarding some commitments in a term of 5 days. On February 16, 2006, AFP Crecer S.A filed an appeal of rectification before the Superintendency of Pensions arguing that they have given the information required. This appeal was admitted on February 17, 2006, temporarily suspending the effects of the abovementioned resolution, and consequently, opening to the evidence stage. On March 6, 2006 the Superintendency of Pensions declares that there is no place to rectifying the appealed resolution and ordered AFP Crecer S.A to pay the correspondent fine in the term specified on the Ley del Sistema de Ahorro para Pensiones . On March 31, 2006 AFP Crecer S.A filed an action before the Contencious Adminitrative Court (Sala de lo Contencioso Administrativo) of the Supreme Court of Justice against this resolution, which was admitted on May 31, 2006, which order the temporarily suspension of the appealed decisions, which do not making the fin imposed effective until is not a definitive award. On February 26, 2008, the Court gave notice of its ruling dated November 30, 2007 by means of which it declared the legitimacy of the resolutions issued by the Superintendency of Pensions with regard to the fine imposed and the absence of any grounds for an appeal remedy. On March 1, 2008, a fine of US\$ 29 (thousand) was paid and the Superintendency of Pensions was duly informed for the corresponding legal purposes and the consequent conclusion of the proceedings.

c. According to resolution N ° A-AF-DO-330-2004 issued on November 9, 2004, the Superintendency of Pensions ordered AFP Crecer S.A to calculate correctly the value of the complementary certificate of transfer, corresponding to the months of October and November of 2003, pursuant to the requirements of the above mentioned resolution, in order to compare the original value and establish the amount to return to the State and effect the corresponding refund with its own funds, without affecting the CIAP of the pensioned members.

On September 27, 2007, AFP Crecer S.A requested the rectification of resolution N ° A-AF-PE-195-2007 and comply the procedure for the complementary payment for insufficient in the amount of the certificate of transfer and refund of payments in excess, established by the *Reglamento para la Emision y Pago del Certificado de Traspaso*. Pursuant to resolution A AF DO 243 2007, of December 10, 2007, the Superintendency of Pensions solved unfounded the request of AFP Crecer S.A. regarding the admission of the rectification request. As of the date of the financial statements, AFP Crecer S.A is studying the further steps.

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On January 28, 2008, Administrative Process PA-008-2008 was initiated, by means of which the Superintendency of Pensions claimed an alleged breach on the part of AFP Crecer, S. A. of the aforementioned resolutions, and a sanction based on Clause 2 of Article 234 of the Law of the Savings System for Pensions. Also, it granted an audience to AFP Crecer, S. A., in order for the latter to exercise its right to a defense and to present any evidence it considered necessary. On February 8 and March 8 2008, AFP Crecer, S. A. filed a request for all charges to be dropped this based on the corresponding legal grounds.. On April 23, 2008, the Board of Directors of AFP Crecer, S. A. voluntarily decided to give back to ISSS and INPEP, using its own funds, the contribution corresponding to the aforementioned complementary transfer certificates dated May 8, 2008. AFP Crecer, S. A. paid ISSS a total of USD 608 (thousand) and on June 11, 2008 paid INPEP USD 266 (thousand) (for a total of USD 874 (thousand) and gave due notice to the Colombian Superintendency of Pensions for the corresponding legal purposes. On September 29, 2008, the Colombian Superintendency of Pensions issued a resolution by means of which it considered that, amongst other matters, all that that stipulated in Resolution A-AF-DO-330-2004 had been duly complied with and therefore there were no grounds for imposing a fine on AFP Crecer, S. A. since it had effectively returned to the aforementioned Pension Institutes both the principal and the interest paid in excess on the transfer certificates issued.

d. At December 31, 2008, the Company continues with Administrative Process No. PA-002-2008, notice of which was served on February 2 2008, since it allegedly published pension information without having obtained due authorization from the Colombian Superintendency of Pensions. On March 8, 2008, a hearing was held and AFP Crecer, S.A. requested the Superintendency of Pensions to drop the charges based on the corresponding legal grounds. At December 31, 2008 and at the time these financial statements are published the Company continues to await the corresponding resolution.

Banco Agrícola S.A

As of December 31, 2007 and 2008, Banagrícola has the following judicial or administrative litigations:

a. At December 31, 2007, a claim for damages had been filed before the Fifth Commercial Court of San Salvador against the Bank for an alleged responsibility in handling executive commercial proceedings on the part of Banco Agrícola, S. A. against a client in 1989. The amount claimed totaled US\$ 220,000 (thousand). The Bank filed an action for the enforcement of rights before the Civil Division of the Supreme Court of Justice, for the purpose of the case being heard before a Civil Court Judge. This action for the enforcement of rights was admitted by the Court thereby giving rise to suspending the previously filed claim. On December 5, 2008, the Supreme Court of Justice ruled that there were grounds for the action for the enforcement of rights as requested by the Bank on December 15, 2008, the Fifth Commercial Court of San Salvador ruled that there was a jurisdiction exception, thereby upholding the right of the plaintiff to file his complaint before a court of competent jurisdiction. Formal notice of this was received by the Bank on January 6, 2009. The Bank's legal counsel believes that this process does not represent any risk for Banco Agrícola, S.A.

b. BA has filed two appeals under contentious administrative law against the Internal Tax Authorities before the Supreme Court of Justice, based on the complementary settlement of tax on the transfer of personal property and the providing of services (VAT), corresponding to the fiscal years of 2002 and 2003; the amount being claimed through both proceedings comes to US\$ 4,261 (thousand) plus accrued interest. The Bank's Senior Management together with its legal counsel believe that the final rulings on these two cases shall not have any significant effect on the Bank's financial position or the results of its operations.

(1) For more information of Commitments, see Note 31. Differences

Between
Colombian
Accounting
Principles for
Banks and U.S.
GAAP- r)
Guarantees .

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BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

(27) Administrative and Other Expenses

Administrative and other expenses consisted of the following:

	2006	2007⁽²⁾	2008
Public services	Ps 53,512	Ps 69,857	Ps 70,680
Advertising	63,214	68,222	88,003
Industry and trade, property, vehicle and other taxes	129,141	147,684	193,628
Communication, postage and freight	52,403	85,042	104,902
Insurance	29,635	23,366	29,054
Security services	27,292	33,655	31,752
Amortization of deferred charges	40,692	61,143	73,541
Rental expenses	62,182	70,949	61,026
Maintenance and repairs	123,169	164,590	147,441
Contributions and membership fees	17,115	31,971	32,989
Temporary services	31,316	18,379	40,192
Travel expenses	22,840	21,999	22,124
Professional fees	59,506	79,599	155,000
Call center services	26,404	26,617	32,321
Information processes outsourcing	22,731	38,383	46,746
Warehouse expenses	11,777		
Software ⁽¹⁾	24,041	32,175	8,804
Joint venture SUFI Almacenes Exito S.A. Expense	10,950	14,333	31,481
Operational expenses related with consortium	9,138	10,198	12,115
Electronic processing data	4,934	3,575	4,663
Public relation	2,052	2,799	2,455
Other ⁽¹⁾	58,138	66,309	80,065
Total	Ps 882,182	Ps 1,070,845	Ps 1,268,982

(1) The amount disclosed in the table for 2007 differs from those disclosed in the annual report of 2007, because they were reclassified for comparative purposes with the information of 2008.

(2) The administrative and other expenses were modified to reflect certain reclassifications made in commissions from banking services and other services, administrative and other expenses and other income that conform to the presentation of 2008 figures, in order to provide a better basis of comparison with respect to 2008 figures regarding the gains on the sale of mortgage loans. No such changes were made for 2006, as the reclassifications would not have a material impact on the figures for that period, and accordingly, would not be material for comparative purposes. Amounts reclassified as discussed in Note 2(ab).

(28) Non-Operating Income (Expenses)

The following table summarizes the components of the Bank's non-operating income and expenses:

	<i>Year ended December 31,</i>		
	2006	2007⁽³⁾	2008
	<i>(Ps million)</i>		
<i>Non-operating income (expenses):</i>			
Other income ⁽¹⁾	Ps 194,589	Ps 93,294	Ps 172,550
Minority interest	(6,352)	(13,246)	(18,511)
Other expenses ⁽²⁾	(149,243)	(81,236)	(140,662)
Total non-operating income (expenses), net	Ps 38,994	Ps (1,188)	Ps 13,377

(1) For 2008 and 2007, includes gains on sale of foreclosed assets, property, plant and equipment and other assets, securitization residual benefit, insurance contracts sale and rent. For 2006, includes recovery of deferred tax liability of Ps 98,788 million recorded in 2005 by the Bank.

(2) Other expenses include operational losses and losses from the sale of foreclosed assets, property, plant and equipment and payments for fines, sanctions, lawsuits and indemnities.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

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

reclassified as
discussed in
Note 2(ab).

(29) Related Party Transactions

Significant balances and transactions with related parties were as follows:

2006

	<i>Shareholders with participating stock equal to or higher than 10% of Bank's capital</i>		<i>Non-consolidated investments</i>		<i>Bank's officers and board of directors⁽¹⁾</i>		<i>Shareholders with participating stock lower than 10% of the Bank's capital and with operations higher than 5% technical equity</i>	
Balance Sheet								
Investment securities ⁽¹⁾				737				
Loans	10,610			90,783		36,231		
Customer's acceptances and derivatives				2				107,640
Accounts receivable	89			8,632		4,108		
Total	Ps	10,699	Ps	100,154	Ps	40,339	Ps	107,640
Deposits ⁽¹⁾		632		107,389		8,656		287,000
Overnight funds				448				
Accounts payable		6		477		2,274		
Bonds				610				35,300
Total	Ps	638	Ps	108,924	Ps	10,930	Ps	322,300
Transactions								
Income								
Dividends received				11,206				
Interest and fees		899		29,639		3,339		
Other				2				
Total	Ps	899	Ps	40,847	Ps	3,339		
Expenses								
Interest		49		6,703		6,642		22,400

Fees						156		
Other						18		
Total	Ps	49	Ps	6,703	Ps	6,816	Ps	22,400

(1) The data presented herein for 2005 exclude the transactions with the Qualifying Special Purpose Entity QSPE of Titularizadora Colombiana S.A. and Deceval S.A. and therefore differ from corresponding data presented in previous years.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)
2007

	<i>Shareholders with participating stock equal to or higher than 10% of Bank's capital</i>		<i>Non-consolidated investments</i>		<i>Bank's officers and board of directors</i>		<i>Shareholders with participating stock lower than 10% of the Bank's capital and with operations higher than 5% technical equity</i>	
Balance Sheet								
Investment securities				75,546				
Loans	390			80,231		40,393		
Customer's acceptances and derivatives		624		23,065				2,339
Accounts receivable		19		11,678		488		
Total	Ps	1,033	Ps	190,520	Ps	40,881	Ps	2,339
Deposits		789		184,127		2,164		480,095
Bonds				3,000				74,567
Total	Ps	789	Ps	187,127	Ps	2,164	Ps	554,662
Transactions								
Income								
Dividends received				3,635				
Interest and fees		53		234		61		
Total	Ps	53	Ps	3,869	Ps	61		
Expenses								
Interest		345		8,881		521		35,424
Fees						439		
Total	Ps	345	Ps	8,881	Ps	960	Ps	35,424

2008

	<i>Shareholders with participating stock equal to or higher than 10% of Bank's capital</i>	<i>Non-consolidated investments</i>	<i>Bank's officers and board of directors</i>	<i>Shareholders with participating stock lower than 10% of the Bank's capital and with operations higher than 5% technical equity</i>
Balance Sheet				
Investment securities		54,331		
Loans	15	21,979	8,020	296,715
Customer's acceptances and derivatives	9,496			
Accounts receivable	8	1,377	136	6,968
Total	Ps 9,519	Ps 77,687	Ps 8,156	Ps 303,683
Deposits	31,766	110,715	4,176	1,213,832
Bonds	1,947			94,667
Total	Ps 33,713	Ps 110,715	Ps 4,176	Ps 1,308,499

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BANCOLOMBIA S.A. AND SUBSIDIARIES

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(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)
2008

	<i>Shareholders with participating stock equal to or higher than 10% of Bank s capital</i>		<i>Non-consolidated investments</i>		<i>Bank s officers and board of directors</i>		<i>Shareholders with participating stock lower than 10% of the Bank s capital and with operations higher than 5% technical equity</i>	
Transactions								
Income								
Dividends received				9,737				
Interest and fees	9,532		4,004		3,420		26,240	
Total	Ps	9,532	Ps	13,741	Ps	3,420	Ps	26,240
Expenses								
Interest	455		42,114		2,923		98,727	
Fees			2		892		3	
Total	Ps	455	Ps	42,116	Ps	3,815	Ps	98,730

(30) Subsequent Events

In 2008, the Colombian Superintendency of Finance issued external circulars 025, 030, 044 and 063 (the 2008 External Circulars) establishing new guidelines for the valuation of derivatives and structured products to be followed by entities under its supervision. External circular 025 amended chapter XVIII of the Circular Básica Contable y Financiera In accordance with the 2008 External Circulars, Bancolombia modified the methodology by which it values its portfolio of derivatives and structured products. As a result of this change, Bancolombia s balance sheet and financial results have been impacted as follows: A reduction of Ps 135,000 (approximately US\$ 56,600) in the carrying value of derivatives will be recorded in 2009, resulting in a reduction on income that will be amortized daily, in equal installments, during the first six months of 2009.

Bancolombia S.A. announces the public offer of subordinated ordinary notes.

On March 3, 2009 the Bank announced the local public offering of tranche 1 of Subordinated Ordinary Notes. This offering of Subordinated Ordinary Notes (the First Subordinated Ordinary Notes Offering) is the first offering of multiple and successive issuances of Subordinated Ordinary Notes up to an aggregate principal amount of Ps 1,000,000.

Subordinated Ordinary Notes were offered in the First Subordinated Ordinary Notes Offering for an aggregate principal amount of Ps 300,000. The Bank may increase the offering principal amount of Subordinated Ordinary

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Notes by Ps 100,000, for a total amount of up to Ps 400,000.

The First Subordinated Ordinary Notes Offering has been rated AA + by Duff & Phelps de Colombia S.A.

The First Subordinated Ordinary Notes Offering was announced on page 7A of the March 3, 2009 edition of the Colombian newspaper La Republica .

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BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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Bancolombia S.A. announces mortgage securization

On March 5, 2009 Bancolombia S.A. (The Bank) (NYSE: CIB) announces that it sold mortgage loans in Pesos, to Titularizadora Colombiana S.A. (Titularizadora) amounting to approximately Ps 218,800. These mortgage loans will be secured by Titularizadora through the issuance of mortgage-backed securities. The purpose of this transaction is to continue the transfer of Bank s mortgage loans to the capital markets.

Bancolombia S.A. announces a decision by the Colombian Attorney general s office

On April 21, 2009, the Colombian Attorney General s Office (*Fiscal Delegado ante la Corte Suprema de Justicia*) delivered an order (preclusion order) barring a criminal investigation of the president of Bancolombia, Mr. Jorge Londoño Saldarriaga, and others. This investigation was related to the acquisition by Bancolombia (formerly Banco Industrial Colombiano S.A.) of Banco de Colombia S.A. and their subsequent merger.

The decision rendered by the Colombian Attorney General s Office bars (i) the investigation of Mr. Jorge Londoño Saldarriaga regarding the alleged aiding and abetting of the crimes of willful misconduct and willful neglect by a public officer (*prevaricato por acción and prevaricato por omisión*) and (ii) the investigation of the members of the board of directors of Banco Industrial Colombiano S.A. in office at the time of the merger with Banco de Colombia S.A. regarding the alleged aiding and abetting of the crimes of willful misconduct and willful neglect by a public officer (*prevaricato por acción and prevaricato por omisión*), procedural fraud and fraud.

This order also bars the investigation of the members of the board of directors of the Central Bank of the Republic of Colombia and certain officers of the Colombian Superintendency of Finance.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

(31) Differences Between Colombian Accounting Principles for Banks and U.S. GAAP

The Bank's financial statements are prepared in accordance with generally accepted accounting principles and practices prescribed by the Superintendency of Finance and other legal provisions (Colombian GAAP). These principles and regulations differ in certain significant respects from accounting principles generally accepted in the United States of America (U.S. GAAP), the principal differences between Colombian GAAP and U.S. GAAP and the effect on consolidated net income and consolidated stockholders' equity are presented below, with an explanation of the adjustment.

The following is a summary of the adjustments to consolidated net income and consolidated stockholders' equity.

a) Reconciliation of consolidated net income:

	2006	2007	2008
Consolidated net income under Colombian GAAP	Ps 749,529	Ps 1,086,923	Ps 1,290,643
a) Deferred income taxes	(132,003)	(91,280)	83,358
b) Employee benefit plans	10,320	18,127	(18,463)
c) Fixed Assets	(104)	(151)	14,496
e) Allowance for loans losses, financial leases losses, foreclosed assets and other receivables	195,549	(69,809)	(338,799)
f) Loan origination fees and costs	16,798	7,241	(26,942)
g) Interest recognition on non-accrual loans	2,377	6,832	(78)
h) Deferred charges	(3,130)	7,192	24,455
i) Investment securities & derivatives	(36,235)	(9,190)	(141,392)
j) Investments in unaffiliated companies	(1,545)	(968)	(359)
k) Investments in affiliates	6,598	13,321	33,815
l) Lessor accounting	(1,703)	709	(1,294)
m) Business combinations			
m.i) Goodwill	22,642	82,075	55,603
m.ii) Intangible assets	(88,248)	(42,063)	(106,133)
m.iii) Fair value adjustments to assets and liabilities acquired	186,546	(6,860)	18,254
n) Securitization performing and non-performing loans	4,717	19,702	(3,417)
o) Foreign currency translation adjustment	7,853	13,115	(30,370)
p) Minority interest	4,793	(7,965)	(1,638)
r) Guarantees	(3,571)	(2,549)	(4,672)
s) Insurance Contracts		(4,945)	505
u) Equity tax		(3,813)	2,348
Consolidated net income under U.S. GAAP	Ps 941,183	Ps 1,015,644	Ps 849,920
Net income from continuing operations	Ps 988,926	Ps 1,071,031	Ps 772,684
Income (Loss) from operations and disposal of discontinued Operations	Ps (47,743)	Ps (55,387)	Ps 77,236

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

b) Reconciliation of Stockholders Equity:

	2007	2008
Consolidated stockholders equity under Colombian GAAP	Ps 5,199,270	Ps 6,116,845
a) Deferred income taxes	(108,876)	(51,897)
b) Employee benefit plans	4,507	(22,131)
c) Fixed assets	38,538	53,034
d) Revaluation of assets	(319,646)	(393,308)
e) Allowance for loans losses, financial leases losses, foreclosed assets and other receivables	561,442	229,439
f) Loan origination fees and costs	77,772	50,830
g) Interest recognition on non-accrual loans	15,217	15,139
h) Deferred charges	(11,291)	(26,690)
i) Investment securities & derivatives	(163,559)	(238,595)
j) Investments in unaffiliated companies	(14,266)	(14,625)
k) Investments in affiliates	50,496	84,311
l) Lessor accounting	937	(357)
m) Business combinations		
m.i) Goodwill	276,217	242,843
m.ii) Intangible assets	487,691	468,546
m.iii) Fair value adjustments to assets and liabilities acquired	(171,222)	(99,314)
n) Securitization performing and non-performing loans	30,270	30,493
p) Minority interest	(6,595)	(8,233)
r) Guarantees	(6,120)	(10,792)
s) Insurance contracts	(3,228)	(2,723)
	738,284	305,970
Consolidated stockholders equity under U.S. GAAP	Ps 5,937,554	Ps 6,422,815

c) Supplemental Consolidated Condensed Financial Statements under U.S.GAAP:

The presentation of balance sheet and income statement under U.S. GAAP differs from Colombian GAAP due to the acquisition of Banagrícola in 2007. As a result, we are presenting the summarized consolidated financial statements under U.S.GAAP for years ended December 31, 2006, 2007 and 2008:

Supplemental Consolidated Condensed Balance Sheets

	2007	2008
Assets:		
Cash and due from banks	Ps 5,285,089	Ps 5,641,204
Trading account	2,287,673	3,255,259
Investment securities, net	2,361,663	3,266,001
Loans	35,340,990	41,628,902
Financial lease	4,699,764	5,839,524
Allowance for loans, financial leases losses and other receivables	(1,072,307)	(2,188,949)

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Premises and equipment, net	1,922,999	2,461,649
Other assets	3,054,437	3,763,132
Total assets	Ps 53,880,308	Ps 63,666,722

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(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

	2007	2008
Liabilities and Stockholders Equity:		
Deposits	34,356,264	40,381,664
Short term debt	1,195,849	1,454,322
Long term debt	7,330,902	9,003,090
Other liabilities	4,996,708	6,257,069
Minority interest	63,031	147,762
Shareholders equity	5,937,554	6,422,815
Total Liabilities and Stockholders equity	Ps 53,880,308	Ps 63,666,722

Supplemental Consolidated Condensed Statements of Operations

	2006 ^{(1) (2)}	2007 ⁽¹⁾	2008 ⁽¹⁾
Total interest income	Ps 3,261,024	Ps 4,762,967	Ps 6,274,359
Total interest expense	(1,280,932)	(1,986,746)	(2,788,891)
Net interest income	1,980,092	2,776,221	3,485,468
Provision of loans, leases and other receivables	(1,722)	(678,930)	(1,476,368)
Net interest income after provision of loans, leases and other receivables	1,978,370	2,097,291	2,009,100
Other income	1,151,124	1,608,703	2,066,927
Other expenses	(1,940,694)	(2,185,319)	(2,941,328)
Income before income taxes	1,188,800	1,520,675	1,134,699
Income tax expense	(199,874)	(449,644)	(362,015)
Net income from continued operations	988,926	1,071,031	772,684
Discontinued Operations	(47,743)	(55,387)	77,236
Net income	Ps 941,183	Ps 1,015,644	Ps 849,920

(1) Prior periods were reclassified due to discontinued operations of Multienlace S.A., Suinternal do Brasil

Locacao de
Bens S.A., PA
Renting
Colombia,
Inversiones
Valsimesa,
Fundiciones y
Componentes
Automotores.

- (2) Prior periods were reclassified due to discontinued operations of Almacenar and their Subsidiaries.

Supplemental Consolidated Condensed Statements of Cash Flows ⁽¹⁾

	2006	2007	2008
Net income	Ps 941,183	Ps 1,015,644	Ps 849,920
Adjustments to reconcile net income to net cash used by operating activities	2,811,272	2,058,680	569,760
Net cash used by operating activities	3,752,455	3,074,324	1,419,680
Net cash (used) provided in investing activities	(7,121,607)	(9,139,513)	(9,101,689)
Net cash provided by financing activities	3,677,955	9,566,743	7,977,416
Increase in cash and cash equivalents	Ps 308,803	Ps 3,501,554	Ps 295,407
Effect of exchange rate changes on cash and cash equivalents	2,067	(257,357)	60,708
Cash and cash equivalents at beginning of year	1,730,022	2,040,892	5,285,089
Cash and cash equivalents at end of year	Ps 2,040,892	Ps 5,285,089	Ps 5,641,204

- (1) This consolidated statement of cash flow includes the following non cash transactions: Ps 4,050 related to restructured loans that were

transferred to
foreclosed
assets and
foreign
exchange gain
of Ps 88,783.

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BANCOLOMBIA S.A. AND SUBSIDIARIES

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Supplemental Consolidated Condensed Changes in Stockholders' Equity

	2006	2007	2008
Balance at beginning of year	Ps 4,125,996	Ps 4,549,018	Ps 5,937,554
Shares issued at market value		927,612	
Net income	941,183	1,015,644	849,920
Dividends declared	(369,736)	(403,164)	(447,486)
Other comprehensive income (loss)	(116,229)	(113,681)	53,993
Other movements	(32,196)	(37,875)	28,834
Balance at end of year	Ps 4,549,018	Ps 5,937,554	Ps 6,422,815

Supplemental Consolidated Statement of Comprehensive Income

	2006	2007	2008
Net Income	Ps 941,183	Ps 1,015,644	Ps 849,920
Other comprehensive income, net of tax:			
Unrealized gain or (loss) on securities available for sale	(146,925)	(34,731)	23,281
Pension liability	(2,217)	(10,130)	(5,314)
Foreign currency translation adjustments	(7,853)	(68,820)	36,026
Other comprehensive income (loss)	(156,995)	(113,681)	53,993
Comprehensive income	Ps 784,188	Ps 901,963	Ps 903,913

Other comprehensive income (loss)**2006**

	Before-Tax Amount	(Tax Expense) or Benefit	Net-of-tax Amount
Unrealized gain or (loss) on securities available for sale	Ps (232,271)	Ps 85,346	Ps (146,925)
Additional pension liability	(3,487)	1,270	(2,217)
Foreign currency translation adjustment	(7,853)		(7,853)
Other comprehensive income (loss)	Ps (243,611)	Ps 86,616	Ps (156,995)

2007

	Before-Tax Amount	(Tax Expense) or Benefit	Net-of-tax Amount
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Unrealized gain or (loss) on securities available for sale	Ps	(51,632)	Ps	16,901	Ps	(34,731)
Additional pension liability		(14,672)		4,542		(10,130)
Foreign currency translation adjustment		(68,820)				(68,820)
Other comprehensive income (loss)	Ps	(135,124)	Ps	21,443	Ps	(113,681)

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2008

		<i>Before-Tax Amount</i>	<i>(Tax Expense) or Benefit</i>		<i>Net-of-tax Amount</i>
Unrealized gain or (loss) on securities available for sale	Ps	39,570	Ps (16,289)	Ps	23,281
Additional pension liability		(8,175)	2,861		(5,314)
Foreign currency translation adjustment		36,026			36,026
Other comprehensive income (loss)	Ps	67,421	Ps (13,428)	Ps	53,993

Accumulated other comprehensive income

		<i>Unrealized Gains (Losses) on Securities, net of taxes</i>		<i>Pension Liability, net of taxes</i>		<i>Foreign Currency Translation Adjustment</i>		<i>Accumulated Other Comprehensive Income</i>
Beginning balance for 2006		68,491		(29,922)		(10,312)		28,257
Current-period change		(146,925)		(2,217)		(7,853)		(156,995)
Effects of adoption FAS 158				40,766				40,766
Ending balance for 2006	Ps	(78,434)	Ps	8,627	Ps	(18,165)	Ps	(87,972)
Beginning balance for 2007	Ps	(78,434)	Ps	8,627	Ps	(18,165)	Ps	(87,972)
Current-period change		(34,731)		(10,130)		(68,820)		(113,681)
Ending balance for 2007	Ps	(113,165)	Ps	(1,503)	Ps	(86,985)	Ps	(201,653)
Beginning balance for 2008		(113,165)		(1,503)		(86,985)		(201,653)
Current-period change		23,281		(5,314)		36,026		53,993
Prior years adjustments		773		(582)				191
Ending balance for 2008		(89,111)		(7,399)		(50,959)		(147,469)

Summary of significant differences and required U.S. GAAP disclosures***a) Deferred income taxes:***

Under Colombian GAAP, deferred income taxes are generally recognized for timing differences (not temporary differences as in SFAS No. 109) for commercial and manufacturing subsidiaries. For financial institutions, the Superintendency of Finance has restricted the inclusion of timing differences related to the amortization of fiscal tax losses and the excess of presumed income over ordinary income as a deferred tax asset.

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Under U.S. GAAP, deferred tax assets or liabilities must be recorded for all temporary differences between the financial and tax bases of assets and liabilities. A valuation allowance is provided for deferred tax assets to the extent that it is more likely than not that they will not be realized. During 2007 and 2008, the Bank calculated deferred income taxes based on the tax benefits received upon the acquisition of certain property and equipment in accordance to EITF 98-11 Accounting for Acquired Temporary Differences in Certain Purchase Transactions That Are Not Accounted for as Business Combinations.

Income tax expense under U.S. GAAP is comprised of the following components for the years ended at December 31, 2006, 2007 and 2008:

	2006	2007	2008
Current income tax expense	Ps 136,307	Ps 338,364	Ps 416,381
Deferred income tax (benefit) expense	71,788	114,799	(25,683)
Total	Ps 208,095	Ps 453,163	Ps 390,698
	2006	2007	2008
Continuing operation income tax	Ps 199,874	Ps 449,644	Ps 362,015
Discontinued operation income tax	8,221	3,519	28,683
Income tax	Ps 208,095	Ps 453,163	Ps 390,698

Temporary differences between the amounts reported in the financial statements and the tax bases for assets and liabilities result in deferred taxes. Deferred tax assets and liabilities at December 31, 2007 and 2008 were as follows:

	2007	2008
Deferred tax assets and liabilities		
Deferred tax assets:		
Accrual of employee benefits		Ps 7,746
Allowance for loan losses	28,527	90,798
Fixed assets	135,192	117,740
Tax losses and excess of presumed income over ordinary income	23,465	50,939
Allowance for foreclosed assets	17,965	16,574
Accrued expenses	33,779	42,341
Excess of accrued income over valuation income	3,625	533
Business combination	21,971	9,949
Unrealized gain on investment securities	61,909	46,844
Deferred interest on restructured loans	20,421	1,949
Forward, future and swaps effect		465
Other	20,731	46,750
Total gross deferred tax assets	367,585	432,628

Less valuation allowance		(9,491)		(63,114)
Net deferred tax asset	Ps	358,094	Ps	369,514
<i>Deferred tax liabilities:</i>				
Accrual of employee benefits	Ps	1,577		
Fixed assets		31,978		186,899
Allowance for loan losses		130,448		85,630
Allowance for foreclosed assets		26,308		21,358
Loan origination fees and cost		24,795		17,567
Forward, future and swaps effect		49,994		22,879
Inflation adjustments		76,090		12,818
Business Combination		24,842		23,041
Intangible assets		134,233		123,012
Excess of accrued income over valuation income		11,790		28,119
Securitization		10,595		10,673
Unrealized gain on investment securities				1,538
Other		7,813		7,644
Total deferred liabilities		530,463		541,178
Net deferred asset (liability)	Ps	(172,369)	Ps	(171,664)

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The valuation allowance for deferred tax assets as of December 31, 2007 and 2008 was Ps 9,491 and Ps 63,114, respectively. The net change in the total valuation allowance for the year ended December 31, 2007 was a decrease of Ps 10,217 and for the year ended December 31, 2008 was an increase of Ps 53,622. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal over an entity level of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2008. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

The 37% income tax nominal rate for years, 2006, 36% for year 2007 and 35% for year 2008 differs from 18.12%, 30.85% and 35.22% effective tax rate for years 2006, 2007 and 2008, due to the following:

	<i>2006</i>	<i>2007</i>	<i>2008</i>
Income before tax U.S. GAAP ⁽¹⁾	Ps 1,149,278	Ps 1,468,807	Ps 1,240,619
Income tax as per statutory rate	425,233	528,771	434,217
Foreign profits taxed at other rates		(162,428)	(13,492)
Foreign profits exempt from tax		121,689	(45,544)
Non-deductible items / provisions	77,002	72,868	59,596
Non-taxable income	(197,587)	(139,882)	(114,236)
Other	(111,820)	42,363	16,535
Increase (decrease) in tax valuation allowance	15,267	(10,217)	53,622
Income tax	Ps 208,095	Ps 453,163	Ps 390,698

(1) It represents continuing operation and discontinued operation.

For years ended December 31, 2006, 2007 and 2008, non-taxable income includes off shore subsidiaries income tax, dividend income tax, gain on sales of stocks tax, interest income over mortgage securities tax, interest income on VIS housing loans tax and recoveries of deductible items tax.

As of December 31, 2008, the Bank intended to capitalize the results from its off-shore Subsidiaries. Accordingly, no deferred income tax liability was recorded for the undistributed profits of Bancolombia Panamá and its subsidiaries, Bancolombia Puerto Rico and Suleasing Internacional and its subsidiaries. The undistributed profits in such Subsidiaries were Ps 641,628 at December 31, 2008.

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FIN 48

The Bank adopted the provisions of Interpretation 48 Accounting for uncertainty in income taxes (FIN 48) in 2007. The interpretation clarifies the accounting and reporting for uncertainty in income taxes recognized by the Bank and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

The Bank records interest and penalties, when necessary, related to the probable losses in other expenses in the statements of operations.

The adoption of FIN 48 did not have impact on the Bank's financial position, and there are no unrecognized tax benefits. Furthermore, the Bank did not have interest and penalties recognized in the balance sheet as of December 31, 2007 and 2008.

The Bank is not aware of positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will be significantly increased or decreased within 12 months of the reporting date.

The open tax years of the major companies of the Bancolombia Group are as follows:

Company	Open tax year
LOCAL SUBSIDIARIES	
Bancolombia	2006 2008
Leasing Bancolombia	2006 2008
Factoring Bancolombia	2006 2008
Fiduciaria Bancolombia	2006 and 2008
Banca de Inversión	2006 2008
Valores Bancolombia	2006 2008
Sufinanciamiento	2006 2008
Renting Colombia	2006 2008
FOREIGN SUBSIDIARIES	
Banco Agrícola	2006 2008

b) Employee benefit plans:

U.S. GAAP requires the recognition of pension costs based on actuarial computations under a prescribed methodology which differs from that used under Colombian GAAP. For purposes of U.S. GAAP reconciliation, the transition obligation calculated at the date the Bank adopted SFAS 87 is being amortized from January 1, 1989, for a period of 18 years for the pension plan and 27 years for the severance plan.

There are not plan assets under the employee benefit plan.

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Pension Plan

In 1967, the Social Security Institute assumed the pension obligation for the majority of the Bank's employees; however, employees who had more than ten years of service prior to that date, continued participating in the Bank's non-contributory unfunded defined benefit pension plan. Under this plan, benefits are based on length of service and level of compensation. As of December 31, 2008, there were nearly 895 participants covered by the Plan.

The measurement for pension plan obligations differs from Colombian GAAP to U.S. GAAP basically due to the fact that Colombia GAAP requires calculation of the estimated liability using the actuarial methodology and projection rates given by the law, the actuarial assumptions, based on nominal discount, salary and pension increase rates, and the method of computing the net periodic pension costs. For U.S. GAAP purposes, actuarial valuation of pension plan are performed annually using the projected unit credit method in accordance with SFAS 87.

Severance obligation

Under Colombian labor regulations, employees are entitled to receive one month's salary for each year of service. This benefit accumulates and is paid to the employees upon their termination or retirement from the Bank; however, employees may request advances against this benefit at any time. In 1990, the Colombian government revised its labor regulations to permit companies, subject to the approval of the employees, to pay the severance obligation to their employees on a current basis. Law 50 from 1990, also enabled each worker freely to choose which pension fund would manage the amount accrued during the year of his/her severance pay. This amount must be transferred by headquarters to the pension funds no later than the following year.

Under U.S. GAAP, a curtailment is an event that significantly reduces the expected years of future service of present employees or eliminates, for a significant number of employees, the accrual of defined benefits for some or all of their future services. Consequently, this modification reduces the projected benefit obligation. Such a reduction is used to reduce any existing unrecognized prior service cost, and the excess, if any, is amortized on the same basis as the cost of benefit increases.

As of December 31, 2008 there were 1,548 participants remaining in the original severance plan.

Until December 31, 2006, the pension plan and severance obligation included employees from the Bank and Almacénar S.A. As a result of the sale of Almacénar S.A., dated February 2007, 16 of Almacénar's employees who participated in the pension plan and 22 employees who participated in Severance plan were not included in the calculation. The Bank does not maintain any pension or severance obligation with Almacénar's employees after the date of sale.

Upon to the merger, Conavi/Corfinsura did not have a defined benefit plan for their employees and they were not entitled to join the Bank's defined benefit plan.

Retirement Premium Pension Plan

Under Colombian labor regulations, employers and employees are entitled to negotiate other compensations than benefit plans stated by the law by means of private agreements. As result of the agreement, for employees who are entitled to enjoy their pension assumed by Pension Funds, the Bank recognizes an additional liability as a premium for once and only at the moment of the retirement date. Calculation of premium pension plan varies from Colombian GAAP to U.S. GAAP, because the latter is performed using actuarial valuations over a long-term period, while Colombian GAAP is prepared over the remaining years of the remaining private agreement's extension.

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Disclosure and calculation of differences under U.S. GAAP

	2006	2007	2008
Components of net periodic benefit cost			
Service cost	Ps 4,277	Ps 3,447	Ps 5,039
Interest cost	18,477	16,950	21,831
Amortization of prior service cost	135	131	1,217
Amortization of net transition obligation (Assets)	1,017	978	789
Amortization of net (gain) or loss	(401)	(3,470)	(3,412)
Recognition of pension premium ⁽¹⁾			23,534
Adjustment to be recognized			
Net periodic pension cost under U.S. GAAP	23,505	18,036	48,998
Net periodic pension cost under Colombian GAAP	33,825	36,163	30,535
Difference to be recognized under U.S. GAAP	Ps 10,320	Ps 18,127	Ps (18,463)

(1) As of December 31, 2008, the Bank recognized accumulated reserves of prior years for pension premium plan using the actuarial methodology required by SFAS 87 and SFAS 106.

The combined costs for the above mentioned benefit plans, determined using U.S. GAAP, for the years ended December 31, 2006, 2007 and 2008, are summarized below:

	2006	2007	2008
Change in project benefit obligation			
Unfunded benefit obligation at beginning of year	Ps 133,498	Ps 111,587	Ps 119,831
Recognition of pension premium ⁽¹⁾			25,399
Service cost	4,277	3,447	5,039
Interest cost	18,477	16,950	21,831
Actuarial (gain)/loss	(21,552)	(655)	5,593

Effect of settlements ⁽²⁾			(1,741)			
Cost of plan amendment ⁽³⁾			13,056			
Benefits paid		(23,113)	(22,812)		(23,635)	
Unfunded benefit obligation at end of year	Ps	111,587	Ps	119,832	Ps	154,058
Accrued benefit cost under Colombian GAAP		(112,639)	(124,339)		(131,927)	
Difference to be recognized under U.S. GAAP Stockholders equity	Ps	1,052	Ps	4,507	Ps	(22,131)

- (1) As of December 31, 2008, the Bank recognized reserves for pension premium plan using the actuarial methodology required by SFAS 87 and SFAS 106.
- (2) The effect of curtailment/settlement is related to the sale of Almacenar S.A.
- (3) Due to the retroactive effect of sentence 862/2006, Bancolombia was required to recognize pension benefit increases ranging from about 1% to more than 400% to approximately 123 retirees and beneficiaries. The increase in the Project Benefit Obligation as of December 31, 2007 due to this plan amendment is treated as prior service cost.

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Under U.S. GAAP, Bancolombia S.A. applies the provisions of SFAS 87, as amended by SFAS 132, Employers Disclosures about Pensions and Other Post-retirement Benefits and SFAS 132(R), Employers Disclosure about Pension and Other Post-retirement Benefits, an amendment to FASB Statements No. 87, 88 and 106. Bancolombia adopted effective December 31, 2006 SFAS 158, in respect of its defined benefits pension plans, detailed in Note 31 of the Consolidated Financial Statements.

	2007	2008
Net Amount Recognized in the Consolidated Balance Sheet at December 31		
Statement of Financial Position		
Noncurrent Assets	Ps (6,194)	Ps (2,489)
Current Liabilities	13,441	14,831
Noncurrent Liabilities	112,585	141,716
Amount Recognized in Financial Position	Ps 119,832	Ps 154,058
Accumulated Other Comprehensive Income Net Actuarial Gain (Loss)	Ps 12,452	Ps 2,460
Net Prior Service (Cost)/Credit	(13,350)	(12,118)
Net Transition (Obligation) Asset	(1,415)	(1,412)
Total at December 31, 2008	(2,313)	(11,070)
Deferred income tax	810	3,671
Accumulated other comprehensive Income	Ps (1,503)	Ps (7,399)

The changes in the Accumulated other comprehensive Income taking place during the year 2007 and 2008, are described as follows:

	2007	2008
Increase or (decrease) in Accumulated Other Comprehensive Income		
Recognized during year Transition Obligation/(Asset)	Ps 979	Ps 789
Recognized during year Prior Service Cost/(Credit)	131	1,217
Recognized during year Net Actuarial Losses/(Gains)	(3,381)	(6,417)
Occurring during year Prior service cost	(13,056)	
Occurring during year Net Actuarial (Losses)/Gains	655	(2,588)
* Recognition of pension premium		(1,176)
Accumulated other comprehensive Income in current year	Ps (14,672)	Ps (8,175)

The Bank expects the following amounts in other comprehensive income to be recognized as components of net periodic pension cost during 2009:

Net transition obligation/(asset)	Ps	304
Net prior service cost		1,217
Net loss/(gain)		(2,587)
Total	Ps	(1,066)

The economic assumptions adopted are shown below in nominal terms. Those assumptions used in determining the actuarial present value of pension obligation and the projected pension obligations for the plan years, were as follows:

	<i>2006</i>	<i>2007</i>	<i>2008</i>
Discount rate	8.68%	9.25%	9.75%
Rate of compensation increases	6.07%	6.00%	7.00%
Rate of pension increases	4.50%	5.00%	5.50%

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Estimated Future Benefit Payments

The benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	<i>Pension Benefits</i>	<i>Other Benefits⁽¹⁾</i>
2009	12,993	13,591
2010	12,895	7,816
2011	12,572	11,332
2012	12,573	15,285
2013	12,445	19,078
Years 2014 - 2018	65,328	106,545

(1) Includes
Expected future
benefit
payments for
Retirement
premium
pension plan
and Leaving
Indemnity plan.

c) Fixed assets:

The following table shows the adjustments for each item:

	<i>2006</i>	<i>Net Income 2007</i>	<i>2008</i>
Items			
Inflation adjustment	(104)	(151)	(1,914)
Capitalization of Interest Cost			15,862
Assets available for sale			548
Total	(104)	(151)	14,496

	<i>Stockholders equity</i>	
	<i>2007</i>	<i>2008</i>
Items		
Inflation adjustment	38,538	36,624
Capitalization of Interest Cost		15,862
Assets available for sale		548
Total	38,538	53,034

Inflation adjustment

The consolidated financial statements under Colombian GAAP were adjusted for inflation based on the variation in the IPC for middle income-earners, from January 1, 1992, to December 31, 2000. The adjustment was applied monthly to non-monetary assets, equity (except for the revaluation surplus and exchange adjustment), contingent accounts and memorandum accounts.

Financial statements are adjusted for inflation under U.S. GAAP when an entity operates in a hyperinflationary environment. The U.S. GAAP adjustment represents the cumulative inflation adjustment on the Bank's non-monetary assets for inflation occurring prior to January 1, 2001, less depreciation expense.

Capitalization of Interest Cost

Under U.S. GAAP, the Bank has capitalized interest costs incurred during the construction of the new headquarters in Medellín. The capitalized interest will be amortized on a straight-line basis over the estimated useful life of the asset starting in January 2009. Under Colombian GAAP, the interest costs were recorded as expenses in the Bank's statement of operations.

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Real estate in use and for sale

- Real Estate In Use

In the case of all real estate recorded under Colombian GAAP, their book values are compared with their commercial appraisal values to determine whether a provision should be set up or their values increased. If the appraisal is lower than the corresponding book value, then a provision is recorded, if higher then the corresponding book value is increased to the appraisal value.

Under U.S. GAAP, these assets are subject to recognition of an impairment loss if the book values of those assets is lower than their future undiscounted cash flows and an impairment loss is recorded for the difference between the carrying amount and the fair value of the assets.

- Real estate held for sale

According to Colombian GAAP, these assets are recorded similarly to real estate in use.

Under U.S. GAAP, long held assets classified as held for sale to be recorded at the long of the book value less estimated costs to sell less and are not subject to depreciation.

d) Revaluation of assets

In accordance with Colombian GAAP, reappraisals of a portion of the Bank's premises and equipment, equity investments and other non-monetary assets are made periodically and recorded in offsetting accounts which are shown in the balance sheet under the asset caption "reappraisal of assets" and the stockholders' equity in the balance sheet caption "Surplus from reappraisals of assets". The last revaluation was made in December 2008. Under U.S. GAAP, reappraisals of assets are not permitted and thus balances are reversed.

e) Allowance for loan losses, financial leases, foreclosed assets and other receivables

As established by the Superintendency of Finance, the methodology for evaluating loans under Colombian GAAP, as discussed in Note 2 (i), is based on their inherent risk characteristics and serves as a basis for recording loss allowances based on loss percentage estimates. Under both Colombian GAAP and U.S. GAAP, the loan loss allowance is determined and monitored on an ongoing basis, and is established through periodic provisions charged to operations. Under Colombian GAAP troubled debt restructuring loans have the same characteristics than under U.S. GAAP.

Under U.S. GAAP, the Bank considers loans to be impaired when it is probable that all amounts of principal and interest will not be collected according to the contractual terms of the loan agreement. The allowance for significant impaired loans including troubled debt restructuring loans are assessed based on the present value of estimated future cash flows discounted at the current effective loan rate or the fair value of the collateral in the case where the loan is considered collateral-dependent. An allowance for impaired loans is provided when future cash flows discounted at their original effective rate or collateral fair value is lower than book value.

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In addition, if necessary, a specific allowance for loan losses is established for individual loans, based on regular reviews of individual loans, recent loss experience, credit scores, the risk characteristics of the various classifications of loans and other factors directly influencing the potential collectibility and affecting the quality of the loan portfolio. To calculate the allowance required for smaller-balance impaired loans and unimpaired loans, historical loss ratios are determined by analyzing historical losses. Loss estimates are analyzed by loan type and thus for homogeneous groups of clients. Such historical ratios are updated to incorporate the most recent data reflecting current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information that may affect the estimation of the allowance for loan losses.

Many factors can affect the Bank's estimates of allowance for loan losses, including volatility of default probability, migrations and estimated loss severity.

Credit losses relating to loans, which may be for all or part of a particular loan are deducted from the allowance. The related loan balance is charged off in the year in which the loans are deemed uncollectible. Recoveries of loans and trade receivables previously charged off are credited to the allowance when received.

In addition, for U.S. GAAP purposes, the Bank maintains an allowance for credit losses on off-balance sheet credit instruments, including commitments to extend credit, guarantees granted, standby letters of credit and other financial instruments. The allowance is recorded as a liability. The Bank follows the same methodology described for allowance for loans losses, but including an estimated probability of drawdown by the borrower.

The following summarizes the allowance for loan and financial lease losses under Colombian GAAP and U.S. GAAP:

	<i>2007</i>	<i>2008</i>
<i>Allowance for loans, financial lease losses and foreclosed assets under Colombian GAAP</i>		
Allowance for loans and financial lease losses	Ps 1,457,151	Ps 2,134,360
Allowance for accrued interest and other receivables	67,707	110,641
Allowance for foreclosed assets	201,822	179,827
	Ps 1,726,680	Ps 2,424,828
<i>Allowance for loan losses under U.S. GAAP</i>		
Allowance for loans, financial lease, accrued interest losses and other related receivables ⁽¹⁾	1,055,697	2,089,940
Allowance for foreclosed assets	109,541	105,449
	Ps 1,165,238	Ps 2,195,389
Difference to be recognized as an adjustment to Colombian GAAP stockholders' equity	Ps 561,442	Ps 229,439

(1) For 2008, The Allowance for loans, financial

lease, accrued
interest losses
and other
related
receivables
under
U.S.GAAP
differs in Ps
99,009 from the
amount of Ps
2,188,949
registered in the
Supplemental
Consolidated
Condensed
Balance Sheets
on the line:
Allowance for
loans, financial
leases losses
and other
receivables.
This difference
corresponds to
the following
lines that impact
the allowance
for loan losses
under
U.S.GAAP and
are included in
these
reconciliation
lines: Lessor
accounting Ps
3,744;
Securitization
non-performing
and performing
loans Ps 21,928;
Business
Combinations
Ps 59,636 and
Interest
recognition on
non-accrual
loans Ps 13,701.

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	2006	2007	2008 ⁽¹⁾
<i>Difference recognized in net income under U.S.GAAP</i>			
Allowance for loans, financial lease losses and other receivables	Ps 193,596	Ps (45,780)	Ps (314,101)
Allowance for foreclosed assets	1,953	(24,029)	(24,698)
	Ps 195,549	Ps (69,809)	Ps (338,799)

(1) For 2008, the difference of Ps 332,003 between the reconciliations for the years 2007, Ps 561,442, and 2008, Ps 229,439, that are recognized as adjustments to Colombian GAAP stockholders equity is different from the difference recognized in net income under U.S.GAAP (Ps 338,799) in the amount of Ps 6,796 due to the comprehensive income derived from the reconciliation of foreclosed assets of Banco Agrícola and Asesuisa.

An analysis of the activity in the allowance for loans and financial lease losses under U.S. GAAP during the year ended December 31, 2006, 2007 and 2008 is as follows:

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	2006	2007	2008
Provision at the beginning of the period	Ps 581,645	Ps 507,641	Ps 1,055,697
Provision for credit losses ⁽¹⁾	1,765	678,967	1,466,085
Foreign Currency translation and other adjustments	(685)	(29,129)	47,512
Charge-offs	(145,829)	(191,779)	(577,123)
Recoveries of charged-off loans	70,745	89,997	108,143
Reclassifications			(10,374)
Provision at the end of the period	Ps 507,641	Ps 1,055,697	Ps 2,089,940
Gross Loans and financial leases	24,645,574	37,702,624	44,642,570
Provision at the end of the period as a percentage of gross loans	2.06%	2.80%	4.68%
Provision for credit losses as percentage of gross loans	0.01%	1.79%	3.28%

(1) For 2008, the provision for credit losses differ in Ps 10,283 from the amount of Ps 1,476,368 registered in the Supplemental Consolidated Condensed Statements of Operations on the line: Provision of loans, leases and other receivables. This difference corresponds to:

a) The amount of Ps 16,586 to the following lines that impact the allowance for loan losses under U.S.GAAP and are included in this reconciliations lines: Lessor accounting Ps 1,294;

Securitization
non-performing
and performing
loans Ps 5,318;
Business
Combinations Ps
8,968 and
Interest
recognition on
non-accrual loans
Ps 1,006. b)
Reclassifications
of recoveries of
charged-offs loan
in the amounts of
Ps 13,726 from
Discontinued
operations and
(Ps 20,029) from
Securitization.

The recorded investments in impaired loans were approximately Ps 1,676,770 and Ps 2,680,199 for the years ended December 31, 2007 and 2008, respectively, and the related allowance for loan losses on those impaired loans totaled Ps 327,980 and Ps 1,069,136, respectively.

The average recorded investments in impaired loans were approximately Ps 1,241,224 and Ps 2,178,484 for the years ended December 31, 2007 and 2008, respectively, and the related allowance for loan losses on those impaired loans totaled Ps 279,559 and Ps 698,558, respectively.

The interest income that would have been recorded for impaired loans in accordance with the original contractual terms amounted to Ps 458,710 for the year ended 2008.

For the years ended December 31, 2006, 2007 and 2008, the Bank recognized interest income of approximately Ps 14,133, Ps 26,592 and Ps 89,917, respectively, on such impaired loans.

The small balances-homogeneous loans evaluated under SFAS 5 methodology amounted to Ps 41,962,372 at December 31, 2008.

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Foreclosed assets

Under Colombian GAAP, the Bank must design and adopt its own internal models for the calculation of provisions for foreclosed assets allowing the Bank to estimate the expected loss for all types of assets. For real estate, the provision is equal to 30% of the value of the asset at the time of receipt and must be constituted in proportional monthly installments within the first year following receipt. This provision will increase an additional 30% in proportional monthly installments within the second year following receipt of the asset. Once the legal term for sale has expired without authorization to extend, the provision must be 80% of the value upon receipt. In case the term extension is granted, the remaining 20% of the provision may be constituted within said term.

For moveable assets, the provision is equal to 35% of the value of the asset at the time of acquisition and must be constituted in proportional monthly installments within the first year following receipt. Said provision must be increased and additional 35% within the second year following receipt of the asset. Once the legal term for sale has expired without authorization to extend, the provision must be 100% of the book value of the asset prior to provisions. In case the term extension is granted, the remaining 30% of the provision may be constituted within said term.

Under U.S. GAAP, personal and real property received as payment or settlement on a loan is recorded at the lower of its carrying amount or fair value less cost to sell. Gains or losses from the realization of foreclosed assets are included in the statement of operations. Assets received lieu of payment that are not expected to be sold within a year recorded as fixed assets.

f) Loan origination fees and costs

Under Colombian GAAP, the Bank recognizes commissions (origination fees) on loans, lines of credit and letters of credit when collected and records related direct costs when incurred. For U.S. GAAP, under SFAS No.91, Accounting for Non-refundable Fees and Costs Associated with Origination or Acquiring Loans and Initial Direct Costs of Leases, loan origination fees and certain direct loan origination costs are deferred and recognized over the life of the related loans as an adjustment of yield.

g) Interest recognition non-accrual loans

For Colombian GAAP purposes, the Bank established that commercial, consumer and small business loans that are past due more than thirty days and mortgages that are past due more than 60 days will stop accruing interest in the statement of operations and their entries will be made in memorandum accounts until such time that the customer does proceed to cancel.

For U.S. GAAP purposes accrual of interest income is discontinued once a loan becomes more than 90 days past due. While the loan is on non-accrual status is generally recognized as income on a cash basis unless collection of principal is doubtful, in which case, cash collections are applied against unpaid principal balance.

h) Deferred charges

The Bank has deferred certain pre-operating expense, and other charges, which are expenses as incurred under U.S. GAAP.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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The cost of issuance of shares and bonds is recorded by the Bank as a deferred charge and amortized on a monthly basis over a term of three (3) years. Nevertheless, under U.S. GAAP, the cost of issuance of bonds must be amortized during the period of maturity of the issue, and the cost of issuance of shares must be recorded as less value of the additional paid in capital.

Under Colombian GAAP, the Bank accounted for improvements on leased property on the statement of operation as expenses. Under U.S. GAAP, leasehold improvements are recorded as a deferred charge and amortized on a monthly basis over the term of the contract.

i) Investment securities and Derivatives

Investment Securities:

The Superintendency of Finance requires the Bank to classify investment securities into trading, held to maturity, and available for sale categories. According to this guidance, an investment will be classified as trading when the Bank acquires it for the purpose of selling it in the near term, as held to maturity when the Bank has the intention and ability to hold it to maturity, and as available for sale when the investment is not classified either trading or held to maturity. Under U.S. GAAP, investment in equity securities that have readily determinable market values and debt securities are accounted for as follows:

Debt and equity securities that are purchased and held principally for the purpose of selling them in the short term are classified as trading securities and are reported at fair value, with gains and losses included in earnings.

Debt and equity securities not classified as either held to maturity or trading securities are classified as available for sale securities and are reported at fair value, with unrealized gains and losses excluded from earnings and reported net of taxes, as a separate component of stockholders equity. Any loss in value of an investment considered other than temporary is recognized in earnings.

The difference between fair value and the amortized cost of these securities is amounted to Ps 16,431 and Ps 10,612 at December 31, 2007 and 2008, respectively.

The Colombian Government offers to the holders of certain securities issued by the Colombian Government to exchange short term by long term securities in 2006, as a part of Government's plan to restructure the maturity of its internal debt. The Bank swapped securities, previously classified as held-to-maturity under Colombian GAAP, by securities with a longer term at cost plus accrued and unpaid interest and classified them as trading under Colombian GAAP. The Bank did not intend to hold the new securities until the new maturity date. Under US GAAP, the Bank reclassified the remaining securities previously classified as held-to-maturity, to available-for-sale and recorded the difference between the carrying value and the market value, in other comprehensive income. The swap of the securities was authorized by the Superintendency of Finance and therefore under Colombian GAAP, the Bank did not have to change the classification of its remaining held-to-maturity portfolio.

Foreign Exchange Gains and Losses on Debt Securities Available For Sale

Under Colombian GAAP, movements resulting from changes in foreign currency exchange rates on available for sale debt securities are reflected in the consolidated statements of operations. Under U.S. GAAP, EITF 96-15, Accounting for the Effects of Changes in Foreign Currency Exchange Rates on Foreign-Currency-Denominated Available-for-Sale Debt Securities, changes in the fair value of available for sale debt securities as a result of changes in foreign currency exchange rates is reflected in shareholders equity.

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The carrying amounts, gross unrealized gains and losses and approximate fair value of debt securities classified as available for sale under U.S. GAAP are shown below:

	<i>Fair value</i>	<i>Gross unrealized gains</i>	<i>Gross unrealized losses</i>	<i>Cost basis</i>
Available for sale Debt securities				
December 31, 2007				
Securities issued or secured by Colombian government	Ps 1,035,891	Ps 2,216	Ps (158,816)	Ps 1,192,491
Securities issued or secured by the Central Bank	586,284	59	(155)	586,380
Securities issued or secured by government entities	232,840	389	(5,444)	237,895
Securities issued or secured by financial entities	166,920	2,991	(728)	164,657
Securities issued or secured by foreign governments	444,405	3,200	(1,593)	442,798
Other investments	56,946	173	(440)	57,213
Total	Ps 2,523,288	Ps 9,028	Ps (167,176)	Ps 2,681,434

	<i>Fair value</i>	<i>Gross unrealized gains</i>	<i>Gross unrealized losses</i>	<i>Cost basis</i>
Available for sale Debt securities				
December 31, 2008				
Securities issued or secured by Colombian government	Ps 942,994	Ps 1,529	Ps (117,012)	Ps 1,058,477
Securities issued or secured by government entities	435,515	96	(10,868)	446,287
Securities issued or secured by other financial entities	407,369	16,132	(820)	392,057
Securities issued or secured by foreign governments	684,404	7,494	(36,854)	713,764
Securities issued or secured by the El Salvador Central Bank	669,629	4	(723)	670,348
Other investments	47,795	2,686	(446)	45,555
Total	Ps 3,187,706	Ps 27,941	Ps (166,723)	Ps 3,326,488

*Gross
unrealized* *Gross
unrealized* *Cost*

	<i>Fair value</i>	<i>gains</i>	<i>losses</i>	<i>basis</i>
<i>Available for sale Equity securities</i>				
December 31, 2007				
Inmobiliaria Cadenalco	Ps 4,377	Ps 1,886		Ps 2,491
Bolsa de Valores de Colombia	4,877	174		4,703
Total	Ps 9,254	Ps 2,060		Ps 7,194

	<i>Fair value</i>	<i>Gross unrealized gains</i>	<i>Gross unrealized losses</i>	<i>Cost basis</i>
<i>Available for sale Equity securities</i>				
December 31, 2008				
Inmobiliaria Cadenalco	Ps 4,552	Ps 2,065		Ps 2,487
Bolsa de Valores de Colombia	16,082	2,299		13,783
Total	Ps 20,634	Ps 4,364		Ps 16,270

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The scheduled maturities of debt securities at December 31, 2008 were as follows:

	<i>Available for sale</i>	
	<i>Amortized cost</i>	<i>Fair value</i>
Due in one year or less	Ps 1,734,249	Ps 1,726,937
Due from one year to five years	780,465	738,643
Due from five years to ten years	569,972	501,198
Due more than ten years	241,802	220,928
Total	Ps 3,326,488	Ps 3,187,706

The Bank is not required under Colombian GAAP to disclose the proceeds from the sale of investment securities or the gains or losses resulting from such sales. As a result, it is not feasible to obtain that information for U.S. GAAP purposes.

Unrealized Losses Disclosure

Investments that have been in a continuous unrealized loss position for less than 12 months are:

	<i>Fair value</i>	<i>Gross unrealized losses</i>	<i>Cost basis</i>
<i>Available for Sale</i>			
December 31, 2008			
Securities issued or secured by Colombian government	Ps 65,155	Ps (2,044)	Ps 67,199
Securities issued or secured by government entities	407,868	(6,213)	414,081
Securities issued or secured by other financial entities	18,294	(220)	18,514
Securities issued or secured by foreign governments	128,832	(24,675)	153,507
Securities issued or secured by the El Salvador Central Bank	649,624	(685)	650,309
Other investments	13,517	(66)	13,583
Total	Ps 1,283,290	Ps (33,903)	Ps 1,317,193

Investments that have been in a continuous unrealized loss position for 12 months or longer are:

	<i>Fair value</i>	<i>Gross unrealized losses</i>	<i>Cost basis</i>
<i>Available for Sale</i>			
December 31, 2008			
Securities issued or secured by Colombian government	Ps 847,474	Ps (114,968)	Ps 962,442
Securities issued or secured by government entities	27,318	(4,655)	31,973
Securities issued or secured by other financial entities	10,970	(600)	11,570
Securities issued or secured by foreign governments	40,565	(12,179)	52,744

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Securities issued or secured by the El Salvador Central Bank	19,146	(38)	19,184
Other investments	10,658	(380)	11,038
Total	Ps 956,131	Ps (132,820)	Ps 1,088,951

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The amount of realized gain or loss on trading securities included in earnings during 2007 and 2008 was Ps 229,725 and Ps 491,879, respectively.

For Colombian GAAP and U.S. GAAP purposes, the Bank conducts regular reviews to assess whether other than temporary impairment exists. A number of factors are considered in performing an impairment analysis of securities. Those factors include:

- a. the length of time and the extent to which the market value of the security has been less than cost;
- b. the financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer (such as changes in technology that may impair the earnings potential of the investment, or the discontinuance of a segment of a business that may affect the future earnings potential); or
- c. the intent and ability of the Bank to retain its investment in the issuer for a period of time that allows for any anticipated recovery in market value.

The Bank also takes into account changes in global and regional economic conditions and changes related to specific issuers or industries that could adversely affect these values.

The Bank has determined that unrealized losses on investments at December 31, 2008 are temporary in nature based on its ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery and the results of its review conducted to identify and evaluate investments that have indications of possible impairments. The substantial majority of the investments in an unrealized loss position for 12 months or more are primarily securities issued or secured by the Colombian Government, denominated in pesos and *Unidad de Valor Real* (the Real Value Unit or UVR). These securities were issued with a stated interest rate and average mature in less than eight years. All of the unrealized losses on these securities resulted from current economic conditions affecting the international markets, and fluctuations on interest rates. Unrealized losses may decline as interest rates fall below the purchased yield and as the securities approach maturity. Since the Bank has the ability and intent to hold the securities until recovery of the carrying value, which could be maturity, the unrealized loss is considered temporary.

As of December 31, 2008, 730 available for sale securities presented gross unrealized losses.

Unrealized Losses Disclosure for derivative instruments:

U.S. GAAP requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated and effective as part of a hedge transaction and, if it is, the type of hedge transaction. Under Colombian GAAP the Bank accounts for a portion of their swaps contracts at their cost basis and the fair value of the asset and liability leg of the derivatives are recorded as rights and commitments separately in the balance sheet see Note 8. Customers Acceptances and Derivatives. As of December 31, 2007 and 2008, the Bank did not apply hedge accounting for any of its derivatives instruments under U.S. GAAP.

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Balance sheet classification:

Under Colombian GAAP, the Bank's derivative instruments are grouped and presented net as either an asset or a liability.

U.S. GAAP restricts the ability to offset where the right of set-off exists between two parties (that is, where a debtor-creditor relationship exists). Typically, under U.S. GAAP, financial assets and liabilities can be offset and the net amount reported in the balance sheet when (a) each of two parties owes the other determinable amounts, (b) the reporting party has the right to set off the amount owed with the amount owed by the other party and (c) the right to setoff is enforceable by law.

Consequently, certain assets and liabilities are presented gross in the U.S. GAAP condensed balance sheet, with no effect on net income or shareholders' equity. See note 31(t) for gross presentation of derivative instruments in accordance with U.S. GAAP and net presentation under Colombian GAAP.

The following table is a summary of the adjustments to consolidated net income and consolidated stockholders' equity as a result of differences between Colombian GAAP and U.S. GAAP:

	2006	2007	2008
Investments	Ps (45,682)	Ps 2,453	Ps 28,978
Derivatives	20,516	(1,627)	(162,055)
Changes in foreign currency exchange rates	(11,069)	(10,016)	(8,315)
	Ps (36,235)	Ps (9,190)	Ps (141,392)
		2007	2008
Investments		Ps (161,777)	Ps (74,759)
Derivatives		(1,782)	(163,837)
		Ps (163,559)	Ps (238,596)

j) Investment in unaffiliated companies.

Under Colombian GAAP stock dividends are recorded as income, under U.S. GAAP dividends paid in the form of additional shares of common stock are not recorded as income. Instead, the costs of the shares previously held are allocated equitably to the total shares held after receipt of the stock dividend. When any shares are later disposed of, a gain or loss is determined on the basis of the adjusted cost per share.

k) Investments in affiliates.

Under Colombian GAAP, investment in affiliates are recorded as available for sale at cost with changes in fair value recorded in shareholders' equity.

Under U.S. GAAP, an investment in non-marketable equity securities is recorded using the equity method when the investor can exercise significant influence or the cost method is used when significant influence cannot be exercised.

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l) Lessor accounting

Certain of the Bank's subsidiaries, lease assets to third parties under non-cancelable lease arrangements. These lease arrangements involve machinery and equipment, computer equipment, automobile and furniture and fixtures and their terms range between three and five years.

Under Colombian GAAP, for financial entities, leases are classified as either financial leases or operating leases. Goods provided through leases to third parties with a purchase option are recorded in the loan portfolio. Goods provided through operating leases are recorded as property, plant and equipment. For both types of leasing, the initial measurement represents the value to be financed of the good given in leasing (that is, the acquisition or construction cost) and the value of the improvement and expenses that can be capitalized, which represent a greater value of the lease operation to be financed.

Under U.S. GAAP, a net investment in direct financing leases would be established in an account representing the present value of the minimum lease payments plus the unguaranteed residual value accruing to the benefit of the lessor.

In addition, certain of the Bank's subsidiaries, Renting Colombia, Arrendadora Financiera and Leasing Bancolombia applied a specific provision of Colombian GAAP for leases. Under this regulation, leases are classified as operating leases, even if the contracts were signed with a purchase option. Under U.S. GAAP, certain contracts are classified as financial leasing after applying the criteria established in SFAS 13.

The following lists the components of the net investment in direct financial leases as of December 31, 2007 and 2008:

	2007	2008
Total minimum lease payments to be received	Ps 6,057,324	Ps 7,373,767
Less: Allowance for uncollectibles ⁽¹⁾	(95,047)	(138,776)
Net minimum lease payments receivable	5,962,277	7,234,991
Estimated residual values of leased property	369,183	605,645
Less: Unearned income	(1,671,907)	(2,139,888)
Net investment in direct financial leases	Ps 4,659,553	Ps 5,700,748

(1) The allowance for uncollectibles is registered in the Supplemental Consolidated Condensed Balance Sheets (See Note 31. Differences Between Colombian Accounting Principles for

Banks and U.S.
GAAP c)
Supplemental
Consolidated
Condensed
Financial
Statements
under
U.S.GAAP
Supplemental
Consolidated
Condensed
Balance Sheets
Allowance for
loans, financial
leases losses
and other
receivables).

The following schedule shows the future minimum lease payments to be received on direct financial leases and operating leases for each of the next five years and thereafter.

<i>Year Ended December 31,</i>	<i>Financial leases</i>		<i>Operating Leases</i>	
2009	Ps	478,956	Ps	150,060
2010		863,154		129,197
2011		1,364,750		98,971
2012		1,299,374		49,110
2013		1,306,811		6,442
Later years, through 2014		2,060,722		1,573
Total minimum future lease payments to be received	Ps	7,373,767	Ps	435,353

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m) Business combinations

Purchase method of accounting

In regard to a business combination, the purchase method of accounting under U.S. GAAP requires that (i) the purchase price be allocated to the identifiable acquired assets and liabilities on the basis of fair market value, (ii) the statement of operations of the acquiring company for the period in which a business combination occurs include the income of the acquired company after the date of acquisition, and (iii) the costs directly related to the purchase of a business combination be included as a cost of the acquisition and, therefore, recorded as a component of goodwill.

In regard to a business combination, the purchase method of accounting under Colombian GAAP requires that (i) the purchase price be allocated to the acquired assets and liabilities on the basis of their book value, (ii) the statement of income of the acquiring company for the period in which a business combination occurs include the income of the acquired company as if the acquisition had occurred on the first day of the reporting period and (iii) the costs directly related to the purchase business combination not be considered as a cost of the acquisition, but deferred and amortized over a reasonable period as determined by management.

Each of the Banagrícola S.A. and Factoring Bancolombia acquisitions were accounted for using the purchase method under Colombian GAAP, in accordance with the methodology suggested by the Superintendency of Finance.

Banagrícola S.A.

In May 2007, Bancolombia Panamá S.A. acquired 89.15% of Banagrícola S.A. (Banagricola). Banagrícola s shareholders agreed to sell 16,817,633 of the total 18,865,000 outstanding shares. The purchase price was US\$0.04704479 per share for a total of US\$ 791,182.

Simultaneously with the acquisition, the Bank had signed an agreement with Bienes y Servicios S.A (BYSSA), formerly Banagrícola major shareholder, which included a call and written put option. The options were exercised in December 2007 and as a consequence the Bank acquired the shares representing 9.59% of interest in Banagrícola for an aggregate purchase price of approximately US\$ 87,700 (US\$ 0.04845024 per share).

Bancolombia Panamá S.A. continued purchasing shares from Banagrícola s minority shareholders and at December 31, 2007 held an interest of 98.90% of Banagrícola s total shareholder s equity.

During 2008, Bancolombia Panamá S.A. acquired 0.21% of Banagrícola S.A. (Banagricola). The purchase price was of approximately US\$ 1,912. The excess of purchase price amounted to US 1,313 was assigned to all other segments.

With this acquisition Bancolombia Panamá S.A. at December 31, 2008 held an interest of 99.12% of Banagrícola s total shareholder s equity.

The consolidated statements of operations and the consolidated statement of cash flow under U.S. GAAP for the year ended December 31, 2007 includes the operations of Banagrícola S.A. and its subsidiaries since June 1, 2007.

For Colombian GAAP purposes the results of operations of the acquired entities were included in the consolidated statements of operations of Banagrícola S.A. and its subsidiaries since January 1, 2007.

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The following tables summarize the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	<i>Fair value of assets acquired and liabilities assumed under U.S. GAAP from Banagrícola during 2007</i>	
Total Purchase Price	Ps	1,816,219
Assets acquired		7,072,642
Premises and equipment, net		188,500
Liabilities assumed		6,457,732
Net Assets Acquired	Ps	803,410
Excess of cost over the fair value of acquired net assets		1,012,809
Intangible Assets		365,849
Goodwill	Ps	646,960

The following unaudited pro forma information for 2006 and 2007 reflects the consolidated results of operations as if the acquisition of Banagrícola had occurred at the beginning of each year presented and includes the amortization of intangibles, as appropriate. The unaudited pro forma financial information presented is not necessarily indicative of the results of operations that might have occurred, had the transaction been completed at the beginning of the year specified, and does not purport to represent what the consolidated results might be for any future period.

	2006	
U.S. GAAP Net income	Ps	1,114,121
Revenues		2,918,628
Earnings per share	Ps	2,186
	2007	
U.S. GAAP Net income	Ps	1,147,510
Revenues		3,822,759
Earnings per share	Ps	2,251

Factoring Bancolombia acquisition

On May 8, 2006, the Bank acquired 9,803,685 shares of Comercia S.A., (now Factoring Bancolombia S.A. Compañía de Financiamiento Comercial) equivalent to 55.61% of its outstanding shares, from Textiles Fabricato Tejicóndor S.A. by means of a transaction duly authorized by the Superintendency of Finance. The value paid by the Bank was Ps 24,610.

On June 30, 2006, the Bank acquired an additional stake of 6,868,409 shares of Comercia S.A., equivalent to 38.96% of its outstanding shares, from Textiles Fabricato Tejicóndor S.A. by means of a transaction duly authorized by the Superintendency of Finance. The value paid by the Bank was Ps 17,241.

Under U.S. GAAP, the results of Comercia S.A. s, operations have been included in the consolidated financial statements since that date. For Colombian GAAP purposes the results of operations of the acquired entity were included in the consolidated statements of operations of the combined entity since January 1, 2006.

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The acquisition of Factoring Bancolombia will allow the Bank to complement its portfolio of products improving commercial financing activities.

The aggregate purchase price was Ps 37,101 paid in cash. The excess of purchase price amounted to Ps 15,054 and Ps 7,267 was assigned to customers relationships intangible asset (the triangular line), while the remaining Ps 7,787 was assigned to goodwill. The resulting goodwill under U.S. GAAP was allocated to the retail segment.

The following tables summarize the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

		<i>Fair value of assets acquired and liabilities assumed under U.S. GAAP from Comercia as of April 30, 2006</i>
<i>Total Purchase Price, Net of Cash</i>	Ps	37,101
Assets acquired		161,407
Premises and equipment, net		3,756
Liabilities assumed		143,116
<i>Net Assets Acquired</i>	Ps	22,047
Excess of cost over the fair value of acquired net assets		15,054
Intangible Asset		7,267
<i>Goodwill</i>	Ps	7,787

m.i) Goodwill

Under U.S. GAAP, from January 1, 2002, the Bank no longer amortizes goodwill, but it is subject to an annual impairment test.

Under SFAS 142, the goodwill impairment analysis is done in two steps. The first step requires a comparison of the fair value of the individual reporting unit to its carrying value including goodwill. If the fair value of the reporting unit is in excess of the carrying value, the related goodwill is considered not to be impaired and no further analysis is necessary. If the carrying value of the reporting unit exceeds the fair value, there is an indication of potential impairment and a second step of testing is performed to measure the amount of impairment, if any, for that reporting unit.

When required, the second step of testing involves calculating the implied fair value of goodwill for each of the affected reporting units. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination, which is the excess of the fair value of the reporting unit determined in step one over the fair value of the net assets and identifiable intangibles as if the reporting unit were being acquired. If the amount of the goodwill allocated to the reporting unit exceeds the implied fair value of the goodwill in the pro forma purchase price allocation, an impairment charge is recorded for the excess. An impairment charge recognized cannot exceed the amount of goodwill allocated to a reporting unit and cannot be reversed subsequently even if the fair value of the reporting unit recovers.

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Under Colombian GAAP, goodwill derived from business combinations effective before October 2006, was amortized over a maximum period of ten years. In business combinations that occurred after October 2006, the resulting goodwill is recorded as a deferred charge and amortized on a monthly basis on the administrative and other expenses account over a term of twenty (20) years, unless the supervised entity voluntarily selects a shorter period of amortization. Up to December 31, 2007 goodwill was amortized using the exponential method. Under this method the charge for amortization is increased exponentially every year. Since January, 2008, the straight-line method has been used to amortized goodwill, since the Bank considers this method provides a better association between the revenues and expenses corresponding to this investment.

Under Colombian GAAP, in the case of goodwill acquired by the Bank and its subsidiaries before the date when the new regulation came into full force in year 2007, the amortization term was maintained in five years, ten years, three years for goodwill recorded in the subsidiaries Banagrícola S.A. and Inversiones Financieras Banagrícola S.A., respectively as permitted by Superintendency of Finance at the acquisition date.

For purposes of the impairment goodwill test under FAS 142, derived from acquisition of Banagricola, management has considered to Banco Agricola, AFP Crecer and Aseguradora Suiza Salvadoreña as single reporting unit each one, taking into account the nature of the products and services of these subsidiaries, the methods used to provide their services, the regulatory environment in El Salvador, and the manner in which the subsidiaries operate their business and their operations.

Under U.S. GAAP, the Bank has performed the required impairment test of each reporting segment's goodwill and concluded that there was no impairment of goodwill. Accordingly, the Bank reversed the amortization of goodwill from Colombian GAAP.

The activity of the goodwill and intangible assets under U.S. GAAP during the years ended December 31, 2006, 2007 and 2008 is as follows:

	2006	2007	2008
<i>Goodwill U.S. GAAP</i>			
Balance at beginning of year	Ps 569,748	Ps 577,535	Ps 1,382,159
Reclassifications		132,243	(40,690)
Additions	7,787	636,186	2,947
Foreign currency adjustment		36,195	77,914
Balance at end of year	Ps 577,535	Ps 1,382,159	Ps 1,422,330
Goodwill under Colombian GAAP	34,371	973,699	1,008,089
Difference to be recognized under U.S. GAAP ^{(1) (2)}	Ps 543,164	Ps 408,460	Ps 414,241

(1) For 2007 this adjustment is reflected in the line goodwill of the reconciliation of stockholders

equity for Ps
276,217 and as
part of the line
revaluation of
assets for Ps
132,243.

- (2) For 2008 this
adjustment is
reflected in the
line goodwill of
the
reconciliation of
stockholders
equity for Ps
242,843 and as
part of the line
revaluation of
assets for Ps
171,398.

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Goodwill under U.S. GAAP by segments was as follows:

	<i>December 31,</i> <i>2006</i>	<i>December 31,</i> <i>2007</i>	<i>December 31,</i> <i>2008</i>
Corporate and Governmental Banking	254,233	333,661	399,583
Retail and Small Business Banking	186,989	657,496	694,508
Treasury		122,446	
Offshore Commercial Banking	31,534	31,534	31,534
Leasing	54,238	54,238	54,238
All other segments ⁽¹⁾	50,541	182,784	242,467
Total Goodwill ⁽²⁾	Ps 577,535	Ps 1,382,159	Ps 1,422,330

(1) This segment includes trust, brokerage, insurance, pensions, construction banking and corporate headquarters.

(2) The Bank has modified the distribution of the goodwill by segments in order to be consistent with the segments presented in the note w) Segment Disclosure.

m.ii) Intangible Assets

m.ii.1) Banagrícola S.A

Under U.S. GAAP Ps 365,849 of acquired intangible assets, Ps 15,092 was assigned to registered brands that are not subject to amortization and Ps 177,451 was assigned to brands, deposits, customers relationship and others. The acquired intangible assets subject to amortization have a weighted-average useful life of approximately 12 years.

The following are the descriptions for each intangible asset valued. A detailed breakdown of intangibles values is showed above in the goodwill and intangible assets section:

Customer relationships and contractual agreements

Corresponds to the relationships that the Bank has established with its customers through contracts, those customer relationships would arise from contractual rights. Therefore, customer contracts and the related customer relationships are intangible assets that meet the contractual-legal criterion.

Intangibles are calculated based on the expected gains to be provided from these relations for a specific period of time.

Brands

The royalty savings method determines the brand value based on the savings a company generates as a result of not having to pay for a license to use such brand. The value of the asset is calculated based on the following assumptions:

The present value of the brand is determined based on its potential to generate future cash flow.

The royalty stream that the business would hypothetically earn from its brand can be reasonably estimated (it assumes that future royalties can in some way be predicted).

Cash flows are discounted in order to arrive to a present value.

Capital costs and rates of return can be properly estimated.

The royalty stream that the business would hypothetically earn during the final year of the period in question can be considered a perpetuity.

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The value of the brand is equal to the sum of the net present value of the after-tax savings a company generates during the period in question as a result of not having to pay for a license to use such brand plus the net present value of the after-tax savings a company would generate in perpetuity after the last year of the period in question.

Core Deposit Intangibles (CDI)

Core Deposit Intangible (CDI) values were determined by using the alternative funding method, which estimates the net present value of the cost difference or spread between the cost of using the CDI and the cost of an alternative source of funding under current market conditions.

The deposits of Banco Agrícola S.A and Banco Agrícola Panamá S.A include the following categories of checking accounts, saving deposits and time deposits:

- Retail banking
- Commercial banking
- Offshore commercial banking.

m.ii.2) Factoring Bancolombia acquisition

The excess of purchase price amounted to Ps 15,054 and Ps 7,267 was assigned to customers relationships intangible asset (the triangular line), while the remaining Ps 7,787 was assigned to goodwill. The resulting goodwill was allocated to the retail segment.

The activity of the Bank's intangible assets during the years ended December 31, 2007 and 2008 is as follows:

	<i>2007</i>	<i>2008</i>
<i>Intangible Assets</i>		
Balance at beginning of year	Ps 142,099	Ps 487,691
Additions	365,849	
Reclassifications ⁽¹⁾		45,951
Amortization	(42,063)	(79,578)
Impairment		(26,555)
Foreign currency translation adjustment ^{(2) (3)}	21,806	41,037
Balance at end of year	Ps 487,691	Ps 468,546

- (1) It corresponds to the recognition of the brand of Banco Agrícola from goodwill to intangible of finite life as a result of the initial decision of the Bank's management.

- (2)

The foreign
currency
translation
adjustment for
the amortization
expense
amounts Ps
4,858.

- (3) The foreign
currency
translation
adjustment
related to the
carrying amount
is Ps 45,620.

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Intangible assets were as follows:

	<i>December 31, 2007</i>			<i>December 31, 2008</i>		
	<i>Gross carrying amount</i>	<i>Accumulated amortization</i>	<i>Impairment</i>	<i>Gross carrying amount</i>	<i>Accumulated amortization</i>	<i>Impairment</i>
Non-Amortizable intangible assets	Ps 30,407			Ps 26,555		26,555
Amortizable intangible assets	Ps 520,781	Ps 63,222		Ps 616,204	Ps 147,658	

The following table shows the intangible assets gross carrying amount, detailed with their respective useful lives:

	<i>December 31, 2008</i>	<i>Weight useful life (months)</i>
Brands	Ps 79,813	60
Service asset	6,206	169
Asset management	30,004	125
Benefit associated to Loans	77,354	201
Core Deposits	135,587	151
Customer relationship Conavi and Corfinsura	22,400	105
Customer relationship Factoring Bancolombia	7,267	48
Customer relationship Conglomerado Banagrícola	199,134	159
Value of business acquired	80,115	120
Others	4,879	105
TOTAL	Ps 642,759	

The estimated aggregate amortization expense for intangible assets for the next five fiscal years is as follows:

<i>Fiscal year ending December 31,</i>	<i>Aggregate amortization expense</i>
2009	Ps 71,798
2010	66,392
2011	61,712
2012	49,040
2013	39,172
Total	Ps 288,114

The Bank has performed the required impairment test of intangible assets, concluding that except for the brands of Asesuisa Vida and Asesuisa S.A., AFP Crecer and Bursabac S.A. de C.V., there was no impairment in the remaining

intangible assets.

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As of December 31, 2008, the Bank has tested for impairment the brands that were no subject to amortization the prior fiscal year (Asesuisa Vida and Asesuisa S.A., AFP Crecer and Bursabac S.A. de C.V.) using the methodology to be applied to indefinite-lived intangible and concluded that was necessary change the estimated useful life of the above mentioned brands from indefinite to finite, because at the end of the fiscal year did not exist the causes and circumstances that support the brands like lived intangible. As a result of this change, the brands registered an impairment loss of Ps 26,555.

m.iii) Fair value of assets and liabilities acquired

Under U.S. GAAP the primary financial statements allocate the fair value adjustments to each of the respective assets and liabilities.

The following is a detail of the adjustments to the Stockholders Equity related to Banagrícola S.A. and Factoring Bancolombia business combination:

Fair value of fixed and foreclosed assets

The difference between the fair value of fixed and foreclosed assets and their book value is adjusted by the effect of the depreciation and by the effect of sales and written - offs.

Fair value of Time Deposits, long- term debt and loans

The difference between the fair value of loans, Time Deposits and long term debt and their book value is adjusted by the effect of the amortization of the discount or the premium during the estimated average life of these assets and liabilities.

Securitization of non-performing loans

Under U.S. GAAP securitization of non performing loans carried out by Banco Agrícola S.A., does not meets the definition criteria of transfers of financial assets by sale. The adjustment corresponds to the recognition of a secured borrowing under U.S. GAAP which under Colombian GAAP is not accounted for.

n) Securitization

Transfers of financial assets

The Bank securitizes performing and non-performing mortgages loans using different securitization vehicle.

Under Colombian GAAP, the securitization of performing and non-performing mortgage loans, is recorded as sales of financial assets and therefore, securitized loans have been removed from the Bank's balance sheet. Additionally, the Bank recognizes in the income statement at the moment of the operation the difference between the book value of the securitized portfolio and the value received.

Under U.S. GAAP, there are two key accounting determinations that must be made relating to securitizations. A decision must be made as to whether a transfer would be considered a sale under U.S. GAAP, resulting in the transferred assets being removed from our consolidated balance sheet with a gain or loss recognized. Alternatively, the transfer would be considered a secured borrowing, resulting in recognition of a liability in our consolidated balance sheet. The second key determination to be made is whether the securitization vehicle must be consolidated and included in our consolidated balance sheet or whether such securitization vehicle is sufficiently independent that it does not need to be consolidated.

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If the trust's activities are sufficiently restricted to meet certain accounting requirements in order to be considered a qualifying special-purpose entity (QSPE), the trust is not consolidated by the seller of the transferred assets. Additionally, under FASB Interpretation No. 46(R), if trusts other than QSPEs meet the definition of a variable interest entity (VIE), we must evaluate whether we are the primary beneficiary of the trust and, if so, must consolidate it.

For U.S. GAAP purposes, since the activities of these vehicles are not sufficiently restricted to meet certain accounting requirements in order to be considered a QSPE, these vehicles were deemed variable interest entities in accordance with FIN 46(R) and therefore, in those cases where the Bank holds the majority of the residual interests in these vehicles, the Bank concluded to be the primary beneficiary, as the party that expects to absorb the majority of the expected losses of such vehicles.

The Bank had no significant transfers of loans in securitization transactions accounted for as sales in accordance with U.S. GAAP as of the fiscal years ended December 31, 2007 and 2008, and did not retain any significant interests associated with loans transferred in securitizations for those years.

The table below presents the assets and liabilities of VIEs which have been consolidated on the Bank's balance sheet at December 31, 2008, and the Bank's allowance for loan losses resulting from its involvement with consolidated VIEs as of December 31, 2008.

The allowance for loan losses represents the management's estimate of probable losses inherent in the portfolio.

<i>Assets</i>	<i>Liabilities</i>	<i>Allowance for loan losses</i>
Ps 1,882,256	Ps 873,056	Ps 16,045

The Bank did not provide any additional financial support to these VIEs or others during 2008. Further, the Bank does not have any contractual commitments or obligations to provide additional financial support to these VIEs or others.

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Retained Interests in the Securitization vehicles

Under Colombian GAAP retained interests in the securitization vehicles are not recognized.

For U.S. GAAP purposes, retained interests in those securitization vehicles that are not subject to consolidation during the fiscal year ended December 31, 2008, as the Bank was not considered to be the primary beneficiary in accordance with FIN 46(R), should be recognized and recorded at fair value, as available-for-sale or trading securities in accordance with FAS 115. To determine their fair values of these securities, the Bank discounted the estimated future cash flows of these securities.

For securities classified as available-for-sale, unrealized gains or losses over the amortized cost basis are charged to equity through Other Comprehensive Income, unless unrealized losses are deemed to be other than temporary, in which case they are charged to the Statement of Operations.

Securities held for the purpose of selling them in the short term are classified as trading and are reported at fair value, with gains and losses included in earnings.

For U.S. GAAP purposes, the amortized cost, unrealized gain/loss and fair value of financial trusts qualifying for sale treatment but are not subject to consolidation as of December 31, 2008, are as follows:

	<i>Amortized Cost</i>		<i>Net Unrealized Gain/(Loss)</i>		<i>Fair Value</i>	
	Ps		Ps		Ps	
<i>Available for Sale Securities</i>		243,502		14,864		258,366
<i>Trading Securities</i>					Ps	30,179

As of December 31, 2007, all the securitization vehicles were consolidated for U.S. GAAP purposes.

o) Foreign currency translation adjustment

For Colombian GAAP purposes, the translation adjustments resulting in the conversion of foreign currency statements was included in the determination of net income.

Under U.S. GAAP, according to SFAS No. 52 and SFAS No. 130, the translation adjustments shall be reported as a component of stockholders' equity, in other comprehensive income.

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p) Minority Interest

The minority interest corresponds to the proportional adjustments to the shareholders equity and net income originated by the subsidiaries where the Bank holds less than 100% of participation.

q) Discontinued Operations

On February 26, 2007, in a transaction duly authorized by the Superintendency of Finance, Bancolombia sold to LAB Investment & Logistics S.A. and Portal de Inversiones S.A. 91.08% of its direct interest and 3.79% of its indirect interest, held through Banca de Inversión Bancolombia S.A. Corporación Financiera, in Almacénar S.A. The transaction price amounted to approximately Ps 11,719.

On April 30, 2007, in a transaction duly authorized by the Superintendency of Finance, Bancolombia sold to LAB Investment & Logistics S.A. and Portal de Inversiones S.A., 3.57% of its direct interest in Almacénar S.A. The transaction price amounted to approximately Ps 2,050. The Bank registered in 2007 a loss on sale of this investment for Ps 14,064.

On June 9, 2008, Bancolombia sold to Stratton Spain S.L 94.90% of its direct interest and 3.32% of its direct interest held through Banca de Inversión Bancolombia S.A. and Fiduciaria Bancolombia S.A. in Multienlace S.A. The transaction price amounted to Ps 105,882.

On July 24, 2008, Bancolombia liquidated 100% of its direct interest held through Suleasing Internacional USA Inc. and Bancolombia Panamá S.A. in Suinternal Do Brasil Locacao de Bens S.A. The Bank registered in 2008 a loss on sale of this investment for Ps 11.

On September 18, 2008, Bancolombia liquidated 71.75% of its direct interest held through Banca de Inversión Bancolombia S.A. in Inversiones Valsimesa S.A. The Bank registered in 2008 a gain on sale of this investment for Ps 5,310.

On November 19, 2008, Bancolombia sold to Mitsubishi Corporation 100% of its direct interest held through Banca de Inversión Bancolombia S.A. in P.A. Renting Colombia. The Bank registered in 2008 a gain on sale of this investment for Ps 2,988.

On December 22, 2008, Bancolombia sold to Corporation Delta Codelta. 80% of its direct interest held through Banca de Inversión Bancolombia S.A., Inmobiliaria Bancol S.A. and Valores Simesa S.A. in Fundiciones y Componentes Automotores. The Bank registered in 2008 a gain on sale of this investment for Ps 13,692.

The results of the discontinued operations under U.S. GAAP were as follows:

	2006	2007	2008
Profit (losses) from discontinued operations before income taxes	Ps (39,522)	Ps (51,868)	Ps 105,919
Income taxes (benefit) expense	8,221	3,519	28,683
Profit (losses) from discontinued operations	Ps (47,743)	Ps (55,387)	Ps 77,236

r) Guarantees

In order to meet the needs of its customers, the Bank issues financial standby letters of credit and bank guarantees. At December 31, 2007 and 2008, outstanding letters of credit and bank guarantees issued by the Bank totaled Ps 2,613,369 and Ps 3,524,631, respectively.

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The table below summarizes, at December 31, 2007 and 2008, all of the Bank's guarantees where the Bank is the guarantor. The maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collateral held or pledged. Such amounts bear no relationship to the anticipated losses on these guarantees and greatly exceed anticipated losses.

	<i>Expire within one year</i>		<i>Expire after one year</i>		<i>Total amount outstanding</i>		<i>Maximum potential amount of future payments</i>	
	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>
Financial standby letters of credit	Ps 1,007,038	Ps 1,577,231	Ps 347,883	Ps 313,343	Ps 1,354,921	Ps 1,890,574	Ps 1,354,921	Ps 1,890,574
Bank guarantees	992,467	1,106,968	265,981	527,089	1,258,448	1,634,057	1,258,448	1,634,057
Total	Ps 1,999,505	Ps 2,684,199	Ps 613,864	Ps 840,432	Ps 2,613,369	Ps 3,524,631	Ps 2,613,369	Ps 3,524,631

Financial standby letters of credit include guarantees of payment of credit facilities, promissory notes and trade acceptances.

Bank guarantees are performance guarantees that are issued to guarantee a customer's tender bid on a construction or systems installation project or to guarantee completion of such projects in accordance with contract terms. They are also issued to support a customer's obligation to supply specified products, commodities, or maintenance or warranty services to a third party.

The maximum potential payments represent a worse-case scenario, and do not necessarily reflect expected results. The Bank does not hold collaterals over the guarantees issued.

Under U.S. GAAP, effective January 1, 2003, the Bank adopted FASB interpretation No. 45 Guarantor's Accounting and Disclosures Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others. As of December 31, 2007 and 2008, the Bank recognized Ps 12,736, and Ps 10,895 as a liability for the fair value of the obligations assumed at its reception. Such liabilities are being amortized over the expected term of the guarantee.

s) Insurance contracts

Under U.S. GAAP reserves for individual and group Life insurance are computed on the basis of interest rates, mortality tables, including a margin for adverse deviations. For the year 2008 and 2007, reserve discount rate was 4.5%, based on the Bank's own profitability experience.

Under Colombian GAAP, there are no reserves for adverse deviations.

t) Estimated Fair Value of Financial Instruments

Fair value of financial instruments

Effective January 1, 2008, the Bank adopted SFAS 157 Fair Value Measurements (SFAS 157). SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair-value measurements. As a result of the adoption of SFAS 157, the Bank has made some amendments to the techniques applied in measuring the fair value in order to include considerations about own credit and counterparty risk.

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The framework for measuring fair value under Colombian GAAP is substantially consistent with SFAS 157, except for considerations about own credit risk, counterparty risk and valuation of collaterals.

Fair-Value Hierarchy

SFAS 157 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair-value hierarchy:

Level 1 Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes certain bonds issued by government or its entities, corporate debt securities and derivative contracts.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain retained residual interests in securitizations, asset-backed securities (ABS), highly structured or long term derivative contracts and certain collateralized debt obligations (CDO) where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

The Bank considers relevant and observable market prices in its valuations where possible. The frequency of transactions, the size of the bid-ask spread and the amount of adjustment necessary when comparing similar transactions are all factors in determining the liquidity of markets and the relevance of observed prices in those markets.

Determination of Fair Value

For assets and liabilities carried at fair value, the Bank measures such value using the procedures set out below. The Bank did not choose to measure financial instruments and certain other items at fair value based on the SFAS 159,

The Fair Value Option for Financial Assets and Financial Liabilities .

When available, the Bank generally uses quoted market prices to determine fair value and classifies such items in Level 1. In some cases where a market price is available, the Bank will make use of acceptable practical expedients (mid-market pricing or other pricing conventions) to calculate fair value.

Where available, the Bank may also make use of quoted prices for recent trading activity in positions with the same or similar characteristics to that being valued. The frequency and size of transactions and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the relevance of observed prices from those markets. If relevant and observable prices are available, those valuations would be classified as Level 2.

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If quoted market prices are not available, fair value is based upon internally developed valuation techniques such as discounted cash flows, pricing models and similar methodologies that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, option volatilities, etc. Items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

Fair-value estimates from internal valuation techniques are verified, where possible, to prices obtained from independent price providers or non-bidding brokers. Price providers and non-bidding brokers' valuations may be based on a variety of inputs ranging from observed prices to proprietary valuation models.

The estimated fair value based upon internally developed valuation techniques could vary if other valuation methods or assumptions were used. The bank believes its valuation methods are appropriate and consistent with other market participants. Nevertheless, the use of different valuation methods or assumptions, including imprecision in estimating unobservable market inputs, to determine the fair value of certain financial instruments could result in different estimates of fair value at the reporting date and the amount of gain or loss recorded for a particular instrument. Most of the valuation models are not significantly subjective, because they can be tested and, if necessary, recalibrated by the internal calculation of and subsequent comparison to market prices of actively traded securities, where available.

Financial instruments that are classified as trading, or available-for-sale, and all derivatives, are stated at fair value.

The fair value of such financial instruments is the estimated amount at which an asset could be sold or a liability transferred in a current transaction between willing parties, other than in a forced or liquidation sale.

The following section describes the valuation methodologies used by the Bank, including an indication of the level in the fair-value hierarchy in which each instrument is generally classified. Where appropriate, the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

1. Fair value measurement on a recurring and non-recurring basis (SFAS 157)

Investment securities

a) *Debt securities:*

When available, the Bank uses quoted market prices to determine the fair value and such items are classified in Level 1 of the fair value hierarchy. For securities not traded or over the counter, the Bank generally determines fair value utilizing internal valuation and standard techniques. These techniques include determination of expected future cash flows which are discounted using curves of the applicable currencies and interest. The interest and foreign exchange curves are generally observable market data and reference yield and exchange curves derived from quoted interest and exchange rates in appropriate time bandings, which match the timings of the cash flows and maturities of the instruments. Fair-value estimates from internal valuation techniques are verified and tested by independent personnel.

Price providers compile prices from various sources and may apply matrix pricing for similar securities where no price is observable. If available, the Bank may also use quoted prices for recent trading activity of assets with similar characteristics to the security. These securities priced using such methods are generally classified as Level 2. However, when less liquidity exists for a security, a quoted price is stale or prices from independent sources vary, a security is generally classified as Level 3.

The Bank has credit linked notes issued by financial institution including embedded derivatives to credit risks relating to the Colombian Government. The Bank has elected to measure these credit linked notes at fair value through income statement based on SFAS 155. The Bank determines the fair value using the appropriate derivative valuation methodology (described below) given the nature of the embedded risk profile. Such instruments are classified in Level 3.

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b) Equity securities

When available, the Bank uses quoted market prices to determine the fair value and such items are classified in Level 1 of the fair value hierarchy and in trading category.

Derivatives

Derivatives entered into by the Bank are executed over the counter and so are valued using internal valuation techniques as no quoted market prices exist for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instrument. For over the counter derivatives those trades in liquid markets are valued using industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-base observable inputs including interest rate curves, foreign exchange rates, and forward and spot prices for currencies. In addition, these estimates consider assumptions for our own credit risk and the respective counterparty credit risk.

The key inputs depend upon the type of derivative and the nature of the underlying instrument and include interest rate yield curves, foreign exchange rates, the spot price of the underlying volatility, credit curves and correlation of such inputs. The item is placed in either Level 2 or Level 3 depending on the observability of the significant inputs to the model. Correlation and items with longer tenors are generally less observable.

When appropriate, valuations are adjusted for various factors such as liquidity, bid / offer spreads and credit considerations.

Credit Valuation Adjustment

Under Colombian GAAP, the measurement of the fair value of derivatives does not include the credit valuation adjustment CVA. Under US GAAP, beginning January 1, 2008 with the adoptions of FAS 157 the Bank is measuring the effects of the credit risk of its counterparties and its own creditworthiness in determining fair value of the swap derivatives.

Counterparty credit-risk adjustments are applied to derivatives when the Bank's position is an active and own credit risk is incorporated when the position is a liability. The Bank attempts to mitigate credit risk to third parties which are international banks by entering into netting master agreements. When assessing the impact of credit exposure, only the net counterparty exposure is considered at risk; due to the offsetting of certain same-counterparty positions and the application of cash and other collateral. The Bank generally calculates the asset's credit risk adjustment for derivatives transacted with international financial institutions by incorporating indicative credit related pricing that is generally observable in the market (CDS). The credit risk adjustment for derivatives transacted with non-public counterparties is calculated by incorporating unobservable credit data derived from internal credit qualifications to the financial institutions and corporate companies located in Colombia. The Bank has recognised Ps 4,050 earning as an increase of the associated asset as a result of counterparty credit-risk.

A hundred basis points reduction in our own credit spreads when determining the fair value of the liabilities associated with derivative contracts, could result in an increase of the associated liability of approximately Ps 4,599. These sensitivity analyses do not represent management's expectations of the changes in our own credit risk, but are provided as hypothetical scenarios to assess the sensitivity of the fair value of those liabilities to changes in credit spreads.

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A hundred basis points increase in the counterparty credit spreads when determining the fair value of the assets associated with derivative contracts, could result in a reduction of the associated asset of approximately Ps 4,942. These sensitivity analyses do not represent management's expectations of the changes in the counterparties credit risk, but are provided as hypothetical scenarios to assess the sensitivity of the fair value of those liabilities to changes in credit spreads.

The process of determining credit risk spreads requires a high degree of judgment. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions.

Impaired loans measured at fair value

The Bank, as a practical expedient, measured certain impaired loan based on the fair values of the collaterals. The fair values were determined using internal valuation techniques. These techniques include basically a matrix pricing using recent activities of collaterals with similar characteristics. The key inputs to the matrix depend upon the type of collateral and include property price index (per region, size, type etc.), physical conditions and expected selling costs. In certain cases, the Bank may also use experts to validate the prices obtained using the matrix.

Asset-backed securities

The Bank invests in asset-backed securities which the underlying assets correspond to mortgages issued by financial institutions. The Bank does not have a significant exposure to sub-prime securities. The asset-backed securities are denominated Debt Investment Portfolio (TIPS) and can be classified either as trading or available for sale. These asset-backed securities have different vintages and are generally classified as AA+ by credit ratings. The Bank does not expect significant changes in those ratings.

Fair values were estimated using discounted cash flow using models which the main key economic assumptions used are estimates of prepayment rates and resultant weighted average lives of the securitised mortgage portfolio, probability of default and interest rate curves. These items are classified as Level 3.

2. Fair value disclosures

FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments (SFAS 107) requires entities to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized in the statement of financial position, for which it is practicable to estimate fair value. The financial instruments below are not recorded at fair value on a recurring and nonrecurring basis:

Short-term financial instruments

Short-term financial instruments are valued at their carrying amounts included in the consolidated balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments. This approach was used for cash and cash equivalents, accrued interest receivable, customers' acceptances, accounts receivable, accounts payable, accrued interest payable and bank acceptances outstanding. These instruments would generally be classified as Level 1 or 2 if required.

Deposits

The fair value of Time Deposits was estimated based on the discounted value of cash flows using the appropriate discount rate for the applicable maturity. Fair value of deposits with undefined maturities represents the amount payable on demand as of the balance sheet date. These instruments would generally be classified as Level 2 if required.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

Interbank borrowings and borrowings from development and other domestic banks

Short-term interbank borrowings and borrowings from domestic development banks have been valued at their carrying amounts because of their relatively short-term nature. Long-term and domestic development bank borrowings have also been valued at their carrying amount because they bear interest at variable rates. These instruments would generally be classified as Level 1 or 2 if required.

Long term debt

The fair value of long-term debt, which comprises bonds issued by Bancolombia and its subsidiaries, was estimated substantially based on quoted market prices. Certain bonds which are nonpublic trading, issued basically by Sufinanciamiento S.A., were determined based on the discounted value of cash flows using the rates currently offered for deposits of similar remaining maturities and its own creditworthiness. These instruments would generally be classified as Level 1 or 2 if required.

Items Measured at Fair Value on a Recurring Basis

The following table present for each of the fair-value hierarchy levels the Bank's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2008 based on the supplemental consolidated condensed balance sheets.

Fair value measurements using

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Gross inventory</i>	<i>Net balance</i>
Assets					
Trading account	Ps 1,098,091	Ps 1,437,272	Ps 79,391	Ps 2,614,754	Ps 2,614,754
Investment securities					
Debt securities	891,755	1,215,553	967,517	3,074,825	3,074,825
Equity securities	16,082	4,552		20,634	20,634
Derivatives		303,680	4,518,725	4,822,405	4,822,405
Liabilities					
Derivatives		(271,972)	(4,498,747)	(4,770,719)	(4,770,719)
	Ps 2,005,928	Ps 2,689,085	Ps 1,066,886	Ps 5,761,899	Ps 5,761,899
% total	34.81%	46.67%	18.52%		

The Bank's derivative instruments classified in level 3 grouped and presented net, amounts to Ps 19,978.

The table below presents reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2008.

	<i>Trading account</i>	<i>Available for sale</i>	<i>Derivatives</i>
Balance as of January 1, 2008	Ps 112,541	Ps 626,356	Ps 208,874
Total gain or losses (realised / unrealised):			
Included in earnings	12,987	70,979	5,298
Included in other comprehensive income		(1,013)	
Purchase, issuance and settlements	(46,137)	271,195	(192,833)
Transfer in to/(out) of Level 3			(1,361)

Balance as of December 31, 2008	Ps	79,391	Ps	967,517	Ps	19,978
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BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

The following table present for each of the fair-value hierarchy levels the bank's assets and liabilities that are measured at fair value on a nonrecurring basis at December 31, 2008 based on the supplemental consolidated condensed balance sheets.

	<i>Year end 31/12/2008</i>	<i>Fair value measurements using</i>			<i>Total gain (losses)</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
Collateralized loans				200,730	(79,054)

SFAS 107 Disclosures

The table below presents the disclosures required by SFAS 107 to all assets and liabilities based on the supplemental consolidated condensed balance sheets:

	<i>December 31, 2007</i>		<i>December 31, 2008</i>	
	<i>Colombian GAAP Amount</i>	<i>Estimated Fair Value</i>	<i>Colombian GAAP Amount</i>	<i>Estimated Fair Value</i>
Financial assets				
Cash and due from banks	Ps 5,228,387	Ps 5,228,387	Ps 5,619,575	Ps 5,619,575
Investment securities, net	5,774,251	4,562,689	7,278,276	7,203,517
Loans and accrued interest receivable on loans, net	36,644,033	38,954,179	43,013,868	41,499,564
Customers' acceptances	55,208	55,208	56,935	56,935
Derivatives, net ⁽¹⁾	140,797	139,015	215,523	51,686
Financial liabilities:				
Deposits	Ps 34,558,995	Ps 34,654,832	Ps 18,652,738	Ps 18,872,980
Overnight funds	2,020,366	2,020,366	2,573,591	2,573,591
Bank acceptances outstanding	55,208	55,208	56,935	56,935
Interbank borrowings	1,525,894	1,525,894	2,100,428	2,100,428
Borrowings from development and other domestic banks	3,371,003	3,371,003	3,905,021	3,905,021
Long term debt	2,866,462	3,675,395	3,675,613	3,665,997

(1) Under Colombian GAAP, the Bank's derivative instruments are grouped and presented net. For U.S. GAAP

purposes, the amount presented includes derivative assets for Ps 4,822,405 and Ps 282,953, derivative liabilities Ps. (4,770,719) and (143,398) for years ended in 2008 and 2007, respectively.

u) *Paid-in capital*

In accordance with Colombian GAAP, paid-in capital in excess of par value of shares issued is credited to a legal reserve. Under U.S. GAAP, capital in excess of par value is credited to paid-in capital.

v) *Equity tax*

Pursuant the Law 1111 of 2006, for the years 2007 through 2010, companies and individuals, who the January 1, 2007 hereinafter possess liquidity equity over Ps 3,000, are subject to equity tax.

Under Colombian GAAP, equity tax is allowed to be recorded as a decrease of Appropriated retained earnings.

Under U.S. GAAP, equity tax is recorded directly on statements of operations.

w) *Earnings per share*

Under Colombian GAAP, earnings per share (EPS) are computed by dividing net income by the weighted average number of both common and preference shares outstanding for each period presented.

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(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

U.S. GAAP requires dual presentation of basic and diluted EPS for entities with complex capital structures, as well as a reconciliation of the basic EPS computation to the diluted EPS computation. Basic EPS is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding. Diluted EPS assumes the issuance of common shares for all dilutive potential common shares outstanding during the reporting period. For the years ended December 31, 2006, 2007 and 2008, the Bank had a simple capital structure. Therefore, there was no difference between basic or diluted EPS for these years.

The following table summarizes information related to the computation of basic EPS for the years ended December 31, 2006, 2007 and 2008 (in millions of pesos, except per share data):

	2006	2007	2008
U.S. GAAP consolidated net income	Ps 941,183	Ps 1,015,644	Ps 849,920
Less preferred share dividends	116,041	157,974	173,548
Income attributable to common stockholders	825,142	857,670	676,372
Income from continuing operations attributable to common shareholders	872,885	913,057	599,135
Income (loss) from operations and disposal of discontinued operations	(47,743)	(55,387)	77,236
Income attributable to common shareholders	825,142	857,670	676,372
Weighted average number of common shares outstanding used in basic EPS calculation (in millions)	510	510	510
Basic and Diluted earnings per share (U.S. GAAP):			
Income from continuing operations	1,712.53	1,791.35	1,174.77
Income (loss) from operations and disposal of discontinued operations	(93.66)	(108.67)	151.44
Income attributable to common shareholders	Ps 1,618.87	Ps 1,682.68	Ps 1,326.21

x) Segments Disclosure

Operating segments are defined as components of an enterprise about which separate financial information is available that is regularly used by the finance vice president (the chief operating decision maker) in deciding how to allocate resources and assessing performance.

The Bank has strategically organized its operations into six major business segments based on its market segmentation, customer's needs and trading partners. Additionally, the Bank manages and measures the performance of its operations through these business segments using an internal profitability reporting system.

The Bank does not have any individual external customer which represents 10% or more of the enterprise's revenues. For this Annual Report, the Bank performed a review of its business segments and has changed the presentation of segment information. According to The Chief Operating Decision Maker, the major changes correspond to the aggregation of construction banking, corporate headquarters, brokerage and manufacturing segments into a category called All other Segments. The information for 2007 and 2006 has been restated to reflect these changes.

Banagrícola and its subsidiaries were allocated to each segment based on market segmentation, customer's needs and trading partners. The segments retail banking, commercial banking and off-shore commercial banking include most of the operations of Banagrícola and its subsidiaries.

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BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

The following presents information on reported operating segment profit or loss, and segment assets:

	2006 ⁽²⁾							Total					
	Retail and Small Business Banking		Corporate and Governmental Banking		Treasury	Offshore Commercial Banking	Leasing		All other Segments				
Revenues from external customers	Ps	547,311	Ps	169,871		Ps	130	Ps	38,515	Ps	222,699	Ps	978,526
Revenues (expenses) from transactions with other operating segments of the Bank				60,861			12,493		12,691		73,058		159,103
Interest income		1,201,392		864,665		343,496	495,222		437,977		274,651		3,617,403
Interest expense		265,393		339,072		246,058	123,286		254,752		123,645		1,352,206
Net interest revenue		935,999		525,593		97,438	371,936		183,225		151,006		2,265,197
Depreciation and amortization expense		26,888		29,804		8,956	988		10,237		57,044		133,917
Provision for loan losses		130,613		(50,742)		(30,134)	13,316		51,741		87,978		202,772
Administrative and other expense		1,029,375		286,855		65,064	9,099		68,689		280,414		1,739,496
Income tax expense or benefit		33,707		36,694		6,629			36,475		61,373		174,878
Other income or expense, net		(568)		(116,209)			(223,056)		12,138		84,564		(243,131)
Segment profit before distribution of income													
(expense) for treasury funds		262,159		337,505		46,923	138,100		79,427		44,518		908,632
Distribution of income (expense) for treasury funds ⁽¹⁾		77,399		(40,964)		(8,089)					(28,346)		

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Segment profit	Ps 339,558	Ps 296,541	Ps 38,834	Ps 138,100	Ps 79,427	Ps 16,172	Ps 908,632
Segments assets	Ps 10,142,901	Ps 10,858,235	Ps 3,090,780	Ps 4,216,594	Ps 4,528,718	Ps 5,418,802	Ps 38,256,030

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BANCOLOMBIA S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

	<i>2007</i> ^{(2) (3)}							
	<i>Retail and Small Business Banking</i>	<i>Corporate and Governmental Banking</i>	<i>Treasury</i>	<i>Offshore Commercial Banking</i>	<i>Leasing</i>	<i>All other Segments</i>	<i>Total</i>	
Revenues from external customers	Ps 801,924	Ps 179,491	Ps (2,302)	Ps 11,858	Ps 84,086	Ps 261,692	Ps 1,336,749	
Revenues (expenses) from transactions with other operating segments of the Bank	(10,844)	25,309	10,655	148,783	1,345	317,738	492,986	
Interest income	2,019,666	1,385,482	507,934	299,067	624,606	424,687	5,261,442	
Interest expense	501,024	449,711	552,969	205,806	392,740	42,497	2,144,747	
Net interest revenue	1,518,642	935,771	(45,035)	93,261	231,866	382,190	3,116,695	
Depreciation and amortization expense	52,538	41,949	10,083	20,819	24,369	85,421	235,179	
Provision for loan losses	421,576	187,766	(14,634)	19,271	108,538	26,111	748,628	
Administrative and other expense	1,351,951	313,805	35,186	10,786	77,778	309,496	2,099,002	
Income tax expense or benefit	109,999	89,947	52,370		35,990	73,577	361,883	
Other income or expense, net	43,610	14,313	21	18,067	61,258	(59,098)	78,171	
Segment profit before distribution of income								
(expense) for treasury funds	417,268	521,417	(119,666)	221,093	131,880	407,917	1,579,909	
Distribution of income (expense) for treasury funds ⁽¹⁾	(102,762)	(188,467)	362,750			(71,521)		
Segment profit	Ps 314,506	Ps 332,950	Ps 243,084	Ps 221,093	Ps 131,880	Ps 336,396	Ps 1,579,909	

Segment assets Ps 18,453,289 Ps 16,412,411 Ps 3,806,189 Ps 6,847,345 Ps 5,898,303 Ps 7,745,272 Ps 59,162,809

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BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

	2008 ⁽²⁾							Total
	<i>Retail and Small Business Banking</i>	<i>Corporate and Governmental Banking</i>	<i>Treasury</i>	<i>Offshore Commercial Banking</i>	<i>Leasing</i>	<i>All other Segments</i>		
Revenues from external customers	Ps 913,333	Ps 206,529	Ps 14,244	Ps 5,303	Ps 245,739	Ps 318,071	Ps 1,703,219	
Revenues (expenses) from transactions with other operating segments of the Bank	(11,117)	57,992	(5,175)	38,642	8,427	167,611	256,380	
Interest income	2,730,204	1,839,523	602,931	260,652	848,623	1,024,001	7,305,934	
Interest expense	602,384	674,548	779,047	214,825	561,778	119,748	2,952,330	
Net interest revenue	2,127,820	1,164,975	(176,116)	45,827	286,845	904,253	4,353,604	
Depreciation and amortization expense	51,882	43,625	8,565	57,415	99,022	52,134	312,643	
Provision for loan losses	802,255	330,148	(11,261)	16,001	143,234	38,352	1,318,729	
Administrative and other expense	1,595,323	370,408	67,334	12,035	157,656	369,750	2,572,506	
Income tax expense or benefit	125,978	118,522	74,679		35,553	118,561	473,293	
Other income or expense, net	67,372	27,171	(123)	19,464	54,975	(257,868)	(89,009)	
Segment profit before distribution of income								
(expense) for treasury funds	521,970	593,964	(306,487)	23,785	160,521	553,270	1,547,023	
Distribution of income (expense) for treasury funds ⁽¹⁾	(140,439)	(227,935)	532,594			(164,220)		
Segment profit	Ps 381,531	Ps 366,029	Ps 226,107	Ps 23,785	Ps 160,521	Ps 389,050	Ps 1,547,023	

Segment assets Ps 20,533,592 Ps 20,968,208 Ps 3,285,957 Ps 7,508,606 Ps 7,131,928 Ps 10,674,799 Ps 70,103,090

- (1) These costs are calculated based on the funds that segments use or provide. Those do not have an impact in the final result.
- (2) The methodology used for segment disclosure was changed for purposes of comparability. The segments Retail and Small Business Banking were combined in a single segment. The segments Corporate Banking and Governmental Banking were also combined in a single segment.
- (3) The segment disclosure was modified to reflect certain reclassifications made in commissions from banking services and other services, administrative and other expenses and other income that conform to

the presentation of 2008 figures, in order to provide a better basis of comparison with respect to 2008 figures regarding the gains on the sale of mortgage loans. No such changes were made for 2006, as the reclassifications would not have a material impact on the figures for that period, and accordingly, would not be material for comparative purposes.

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The following is a reconciliation of reportable segment s revenues, profit or loss and assets, to the Banks consolidated totals:

	2006	2007⁽⁴⁾	2008
Revenues			
Revenues for reportable segments ⁽¹⁾	Ps 4,755,032	Ps 7,091,177	Ps 9,265,533
Non-operating income ⁽²⁾	(372,237)	(161,201)	(596,387)
Elimination of intersegment revenues	(159,103)	(492,986)	(256,380)
Total revenues for reportable segments ⁽³⁾	Ps 4,223,692	Ps 6,436,990	Ps 8,412,766
Profit or Loss			
Segment Profit	Ps 908,632	Ps 1,579,909	Ps 1,547,023
Elimination of inter-segment profits	(159,103)	(492,986)	(256,380)
Net income	Ps 749,529	Ps 1,086,923	Ps 1,290,643
Assets			
Segments Assets	Ps 38,256,030	Ps 59,162,809	Ps 70,103,090
Elimination of inter-segment assets	(3,767,334)	(7,011,160)	(8,320,011)
Consolidated total	Ps 34,488,696	Ps 52,151,649	Ps 61,783,079

(1) Total revenues for reportable segments includes Revenues from external customers, revenues and expenses from transactions with other operating segments of the same enterprise and interest income.

(2)

Non-operating income represents other income classified as revenue for segment reporting purposes.

- (3) Total revenues for reportable segments include interest, fees, other services and other operating income.
- (4) The segment disclosure for the year ended 2007 was modified to reflect certain reclassifications made in commissions from banking services and other services, administrative and other expenses and other income that conform to the presentation of 2008 figures, in order to provide a better basis of comparison with respect to 2008 figures regarding the gains on the sale of mortgage loans. No such changes were made for 2006, as the

reclassifications would not have a material impact on the figures for that period, and accordingly, would not be material for comparative purposes.

The following summarizes the Bank's revenues and long-lived assets attributable to Colombia and other foreign countries:

<i>Geographic Information</i>	<i>As of December 31,</i>			
	<i>2007⁽²⁾</i>	<i>2007⁽²⁾</i>	<i>2008</i>	<i>2008</i>
	<i>Revenues</i>	<i>Long Term - Assets⁽¹⁾</i>	<i>Revenues</i>	<i>Long Term - Assets⁽¹⁾</i>
Colombia	Ps 5,540,069	Ps 1,202,108	Ps 7,558,997	Ps 1,718,190
Panama and Cayman Islands	515,749	10,242	260,282	10,476
Puerto Rico	51,765	164	39,191	238
Perú	357	6,706	8,319	22,453
El Salvador	774,026	143,658	759,587	148,422
USA	48,010	115	42,770	199
Total	6,929,976	1,362,993	8,669,146	1,899,978
Eliminations of intersegment operations	(492,986)	11	(256,380)	2,674
Total, net	Ps 6,436,990	Ps 1,363,004	Ps 8,412,766	Ps 1,902,652

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

(2) The segment disclosure for the year ended 2007 was modified to reflect certain reclassifications made in commissions from banking

services and other services, administrative and other expenses and other income that conform to the presentation of 2008 figures, in order to provide a better basis of comparison with respect to 2008 figures regarding the gains on the sale of mortgage loans. No such changes were made for 2006, as the reclassifications would not have a material impact on the figures for that period, and accordingly, would not be material for comparative purposes.

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The segments reported embrace the following activities:

Corporate and governmental Banking: This segment provides commercial banking products and services to local and international companies, from both the public and private sectors with annual sales of more than Ps15,000 million. They lead their own respective markets, which makes them highly sophisticated in terms of processes, operations and projects. The Chief Operating Decision Maker defined Corporate and Governmental banking as operating segment.

Retail and small business banking: The Bank's Retail Banking segment provides a wide range of financial products and services to individuals and SMEs. (firms that are not part of the Corporate and governmental segment) in Colombia and El Salvador. Bancolombia's Personal and SME Banking Division attends a wide range of clients with different needs, goals and lifestyles. The Chief Operating Decision Maker defined Retail and Small business banking as operating segment.

Treasury: This segment is responsible for the management of the Bank's proprietary trading activities, liquidity, and distribution of products and services to its client base in Colombia. In addition, Bancolombia's Economic Research Department makes part of this division. Additional information on Bancolombia's treasury products can be found in section Item 4. Information on the Company B.5 Products and services .

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

Leasing: This segment summarizes the operations of the following Bancolombia subsidiaries offer financial and operational leases: Leasing Bancolombia S.A., Renting Colombia S.A., Renting Perú S.A., Tempo Rent a Car, Capital Investment Safi S.A, Suleasing Internacional Inc, and Arrendadora Financiera S.A.

With our cross border or international leasing operations we provide financial leasing services from abroad offering very special features to our clients in Colombia as well as in Central America, Mexico and Brazil.

All other segments: This segment summarizes the following operations:

Investment Banking. Banca de Inversión Bancolombia specializes in providing investment banking services to corporate customers in areas such as mergers and acquisitions, project finance, issuances of debt and equity securities and syndicated loan transactions.

Brokerage and Asset Management. Valores Bancolombia, Suvalor Panama and Bursabac provide brokerage and asset management services. It provides its customers with domestic and international investment alternatives.

Trust, Pension Fund and Insurance. The Bank offers, through its subsidiaries Fiduciaria Bancolombia S.A., Fiduciara GBC S.A, funds designed to provide customers with the opportunity to diversify their investments.

BANCOLOMBIA S.A. AND SUBSIDIARIES

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Through its branch network, Bancolombia and Banco Agrícola offer various insurance products (Bancassurance). On the other hand, Asesuisa and Asesuisa Vida offer insurance products for individuals and corporations, covering a wide range of risks and exposures in El Salvador.

AFP Crecer S.A. is a pension fund manager that manages both voluntary and mandatory contributions through individual savings accounts for the elderly, common disability and surviving pensions, as established under the SAP. The SAP and other regulations issued by the Superintendency of Pensions of El Salvador regulate the products and services that AFP Crecer S.A. provides.

In addition, the operations of the following subsidiaries are part of the other segment: Sistema de Inversiones y negocios S.A., Sinesa Holding Company Limited, Future Net, Inmobiliaria Bancolombia, Valores Simesa, Todo1 Colombia, Inversiones CFNS, Tempo LTDA, Inversiones IVL, Banagricola (The holding), Inversiones Financieras Bancoagricola S.A. and Transportes Empresariales de Occidente Ltda.

y) Restatement of US GAAP Condensed Financial Information

On June 29, 2009, the Bank filed an amendment on Form 20-F/A to its annual report on Form 20-F for the year ended December 31, 2007, filed with the SEC on July 8, 2008 to reflect the restatements described below. For the years ended 2006 and 2007, the Bank reviewed certain of its service agreements with vehicles used to securitize the Bank's performing loans and reconsidered the analysis under SFAS 140 and concluded that such vehicles did not meet the definition of a qualified special-purpose entity under SFAS 140. Consequently, the Bank restated the Supplemental Consolidated Condensed Balance Sheets, Supplemental Consolidated Condensed Statements of Operations and the Supplemental Consolidated Condensed Statements of Cash Flows in order to consolidate the vehicles in which the Bank is the primary beneficiary under FIN 46R Consolidation of Variable Interest Entities (Revised). In addition, the Bank restated the Supplemental Consolidated Condensed Statements of Cash Flows to correct errors related to (i) for the fiscal years ended on December 31, 2005, 2006 and 2007, the inappropriate classification of the changes in the loan portfolio as operating activities rather than investing activities, (ii) for the years ended December 31, 2005 and 2007, clerical errors in the elimination and reclassification of cash flows related to the different accounting treatment for business combinations under Colombian GAAP and U.S. GAAP, (iii) for the fiscal years ended on December 31, 2006 and 2007, the presentation of the effects of exchange rate changes on cash and cash equivalents. In addition, as noted above, the restatement relating to the treatment of vehicles used to securitize the Bank's performing loans also affected the Supplemental Consolidated Condensed Statements of Cash Flows for the years ended December 31, 2006 and 2007.

z) Recent U.S. GAAP Pronouncements

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 166, Accounting for Transfers of Financial Assets (an amendment of FAS 140) (SFAS 166). SFAS 166 amends the guidance on transfers of financial assets in order to address practice issues highlighted most recently by events related to the economic downturn. The amendments include: (1) eliminating the qualifying special-purpose entity concept, (2) a new unit of account definition that must be met for transfers of portions of financial assets to be eligible for sale accounting, (3) clarifications and changes to the derecognition criteria for a transfer to be accounted for as a sale, (4) a change to the amount of recognized gain or loss on a transfer of financial assets accounted for as a sale when beneficial interests are received by the transferor, and (5) extensive new disclosures. Calendar year-end companies will have to apply SFAS 166 to new transfers of financial assets occurring from January 1, 2010. The Bank is currently analyzing the effect that SFAS No.166 will have on its U.S.GAAP disclosures and financial information.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS 167). SFAS 167 represents a significant change to the previous accounting rules. The standard include: (1) Eliminates the scope exception for qualifying special-purpose entities, (2) eliminates the quantitative model for determining which party should consolidate and replaces it with a qualitative model focusing on decision-making for an entity's significant economic activities, (3) requires a company to continually reassess whether it should consolidate an entity subject to FIN 46(R), (4) requires an assessment of whether an entity is subject

to the standard due to a troubled debt restructuring, and (5) requires extensive new disclosures. SFAS 167 is effective for the Bank's first reporting period beginning after November 15, 2009. The Bank is currently analyzing the effect that SFAS No.167 will have on its U.S.GAAP disclosures and financial information.

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, Subsequent Events (SFAS No.165). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, SFAS 165 provides (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009 and shall be applied prospectively. The Bank is currently analyzing the effect that SFAS No.165 will have on its U.S.GAAP disclosures and financial information.

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In April 2009, the FASB issued FASB Staff Position (FSP) No. 141R-1 Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies . FSP 141R-1 addresses application issues regarding initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This FSP applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Bank will apply FSP 141R-1 for acquisitions consummated on or after January 1, 2009.

In April 2009, the FASB issued FSP No. FAS 157-4 Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP FAS 157-4). FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP 157-4 is effective for the financial statements for interim and annual periods ending after June 15, 2009. The Bank is currently analyzing the effect that FSP FAS 157-4 will have on its U.S.GAAP disclosures and financial information.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2 Recognition and Presentation of Other-Than-Temporary Impairments (FSP FAS 115-2 and FAS 124-2). FSP FAS 115-2 and FAS 124-2 amend the other-than-temporary impairment guidance for investments in debt securities to make the guidance more operational and also to improve the presentation and disclosure of other-than-temporary impairments on both debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. FSP FAS 115-2 and FAS 124-2 are effective for the Bank s financial statements for the year ending December 31, 2009. The Bank is currently analyzing the effect that FSP FAS 115-2 and FAS 124-2 will have on its U.S.GAAP disclosures and financial information.

In February 2009, the FASB issued SFAS No. 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 . This FSP amends SFAS 157 to exclude FASB Statement No. 13, Accounting for Leases (SFAS 13), and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS 13. This FSP is effective upon the initial adoption of SFAS 157. The adoption of SFAS 157-1 did not have a material impact on the consolidated statements of income and consolidated balance sheets.

In December 2008, the FASB issued FSP No. FAS 132(R)-1 Employers Disclosures about Postretirement Benefit Plan Assets (FSP FAS 132(R)-1). FSP FAS 132(R)-1 provides guidance on an employer s disclosures about plan assets of a defined benefit pension or other postretirement plan. FSP FAS 132(R)-1 is effective for the financial statements for the year ending December 15, 2009. Management is currently evaluating the impact the FSP FAS 132(R)-1 would have on the Bank s financial statement and U.S.GAAP disclosures.

In December 2008, the FASB issued FSP No. SFAS 140-4 and FIN 46(R)-8, Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities (FSP SFAS 140-4 and FIN 46(R)-8). FSP SFAS 140-4 and FIN 46(R)-8 amends Statement of Financial Accounting Standards (SFAS) No. 140 Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities a replacement of FASB Statement No. 125 (SFAS 140) to require public entities to provide additional disclosures about transferors continuing involvements with transferred financial assets. It also amends FASB Interpretation (FIN) No. 46 (revised December 2003) Consolidation of Variable Interest Entities an interpretation of ARB No. 51 (FIN 46R) to require public enterprises, including sponsors that have a variable interest in a VIE, to provide additional disclosures about their involvement with VIEs. The expanded disclosure requirements for FSP FAS 140-4 and FIN 46(R)-8 are effective for the Bank s financial statements for the year ending December 31, 2008. The adoption of FSP FAS 140-4 and FIN 46(R)-8 did not impact the Bank s financial condition and results of operations.

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In October 2008, the FASB issued FSP No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* (FSP 157-3). FSP 157-3 clarifies how SFAS No. 157 *Fair Value Measurements* (SFAS 157) should be applied when valuing securities in markets that are not active. The results of adoption of FSP 157-3, effective September 30, 2008, were included in Note 31 (t) *Estimated Fair Value of Financial Instruments*.

In September 2008, the FASB issued FSP No. 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161* (FSP 133-1). FSP 133-1 requires expanded disclosures about credit derivatives and guarantees. The expanded disclosure requirements for FSP 133-1 were effective for the Bank's financial statements for the year ending December 31, 2008 and are included in Note 31 (i) *Investment securities and derivatives* and in Note 31 (r) *Guarantees*. The adoption of FSP 133-1 did not impact the Bank's financial condition and results of operations.

In May 2008, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). The new standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. GAAP for nongovernmental entities. SFAS 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board Auditing amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles* . The adoption of SFAS 162 did not have a material impact on the consolidated statements of income and consolidated balance sheets.

In April 2008, the FASB issued FSP No. SFAS 142-3, *Determination of the Useful Life of Intangible Assets* . (FSP SFAS 142-3) amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets*. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under Statement 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141 (revised 2007), *Business Combinations*. This Statement is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years; early adoption is prohibited. The Bank is currently analyzing the effect that FSP SFAS 142-3 will have on its U.S.GAAP disclosures and financial information, for acquisitions consummated on or after January 1, 2009.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161) which requires expanded qualitative, quantitative and credit-risk disclosures about derivatives and hedging activities and their effects on the Bank's financial position, financial performance and cash flows. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The Bank is currently analyzing the effect that SFAS 161 will have on its U.S.GAAP disclosures and financial information.

In February 2008, the FASB issued FSP No. FAS 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions* (FSP 140-3). FSP 140-3 requires that an initial transfer of a financial asset and a repurchase financing that was entered into contemporaneously with, or in contemplation of, the initial transfer be evaluated together as a linked transaction under SFAS 140, unless certain criteria are met. FSP 140-3 is effective financial statements issued for fiscal years beginning after November 15, 2008 (for the Bank's financial statements for the year beginning on January 1, 2009). The Bank is currently analyzing the effect that FSP No. FAS 140-3 will have on its U.S.GAAP disclosures and financial information.

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In December 2007, the FASB issued Statement No. 141 R (SFAS 141 R) Business Combination Revised 2007. SFAS 141 R replaces FASB Statement No. 141, Business Combinations. SFAS 141 R retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. It requires an acquirer to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions specified in the Statement. SFAS 141 R also requires the acquirer in a business combination achieved in stages (sometimes referred to as a step acquisition) to recognize the identifiable assets and liabilities, as well as the non-controlling interest in the acquiree, at the full amounts of their fair values (or other amounts determined in accordance with this Statement). This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Bank is currently analyzing the effect that SFAS 141 R will have on its U.S.GAAP disclosures and financial information.

In December 2007, the FASB issued Statement No. 160 (SFAS 160) Non-controlling Interests in Consolidated Financial Statements an amendment of ARB No. 51, which amends ARB 51 to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This Statement also changes the way the consolidated income statement is presented. It requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. SFAS 160 establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation and treats all of those transactions as equity transactions if the parent retains its controlling financial interest in the subsidiary. A parent recognizes a gain or loss in net income when a subsidiary is deconsolidated. A parent deconsolidates a subsidiary as of the date the parent ceases to have a controlling financial interest in the subsidiary. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends) and earlier adoption is prohibited. The Bank is currently analyzing the effect that SFAS 160 will have on the Bank's U.S.GAAP disclosures and financial information.

In November 2007, the SEC issued Staff Accounting Bulletin (SAB) No. 109 Written loan commitments recorded at fair value through earnings (SAB 109). SAB 109 clarifies that consistent with the guidance in SFAS 156 Accounting for Servicing of Financial Assets and SFAS 159 The Fair Value Option for Financial Assets and Liabilities, the expected net future cash flows related to the associated servicing of the loan should be included in the measurement of all written loan commitments that accounted for at fair value through earnings. SAB 109 is effective from January 1, 2008. The adoption of SAB 109 did not impact the Bank's financial condition and results of operations.

In February 2007, the FASB issued Statement No. 159 (SFAS 159) The Fair Value Option for Financial Assets and Financial Liabilities. SFAS 159 creates a fair value option under which an entity may irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities on a contract-by-contract basis, with changes in fair value recognized in earnings as these changes occur. SFAS 159 is effective as of the beginning of the first fiscal year beginning after November 15, 2007. The Bank did not elect to measure eligible items at fair value under SFAS 159 and therefore it did not impact the Bank's financial condition and results of operations.

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Recent Colombian GAAP Pronouncements:

On June 03, 2009, at its last session, bill 203/2008 (initially bill 165/2007, approved by the same commission but in the House of Representative of Colombian Congress) was duly approved, by means of which the accounting, reporting and information assurance principles and standards that are generally accepted in Colombia were regulated, indicating the competent authorities, the procedure by which said principles and standards are to be issued and determining the corresponding oversight authorities. This bill, which is about to be passed, brings the currently generally accepted accounting principles in Colombia in line with International Financial Reporting Standards.

In June 2008, the Colombian Superintendency of Finance published External Circular No. 025 titled Subrogation of instructions regarding derivatives and structured products as contained in Chapter 18 of the Basic Accounting and Financial Circular as well as the issuance of the transition regime applying to said instruments and products , for the purpose of adjusting its rules and regulations as well as issuing instructions as a result of the integral reform made to the rules and regulations governing operations carried out with derivatives and structured products, as promulgated by the National Government by means of Decrees 1796, 1797 and 1121 of 2008. That contained in the External Circular No. 025 is used on a prospective basis for purpose of appraising the value of derivatives and structured products occurring or traded as of July 23, 2008 and all the other rules and regulations therein contained that shall come into full force and effect as of July 1, 2008. The stipulations contained in External Circular 025 affect the appraisal of derivatives and structured products on the Bank's financial statements for the year ending December 31, 2008, and are included in Note 31 (t) Estimated Fair Value of Financial Instruments.

EXHIBIT INDEX

- 12.1 CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated July 24, 2009.
- 12.2 CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated July 24, 2009.
- 13.1 CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated July 24, 2009.
- 13.2 CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated July 24, 2009.
- 15.1 Consent of PriceWaterhouseCoopers Ltda.
- 15.2 Consent of Deloitte & Touche Ltda.
- 15.3 Consent of PriceWaterhouseCoopers, S.A.