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Colombian government
3,425 3.57% 103,385 3.55% 3,909 6.36% 763 6.23% 111,482 3.67%
El Salvador Central Bank
616,534 0.20% 135,155 2.43% - -- - - 751,689 0.60%
Other government entities
- -- 19,837 3.98% 22,655 4.75% 49,305 4.25% 91,797 4.31%
Other financial entities
5,480 3.91% 183,618 1.74% 73,264 5.53% - - 262,362 2.84%
Foreign governments
265,903 2.74% 118,163 1.09% 60,649 2.38% 77,884 6.41% 522,599 2.87%
Others
17,472 5.30% 120,303 7.52% 47,026 4.59% - - 184,801 6.57%
Subtotal
908,814 1.08% 680,461 3.13% 207,503 4.33% 127,952 5.57% 1,924,730 2.45%
Securities issued or secured by:

Peso-denominated

Colombian government
606,974 3.40% 880,380 5.00% 17,091 8.77% 1,026 8.15% 1,505,471 4.40%
Government entities
1,001,713 0.81% 9,672 5.58% - - - - 1,011,385 0.86%
Other financial entities
161,777 4,67% 434,157 7.06% 1,044,957 6.10% 782,551 11.46% 2,423,442 7.91%
Others
16,091 5.70% 90,782 6.63% 11,035 8.09% - - 117,908 6.64%
Subtotal
1,786,555 2.08% 1,414,991 5.74% 1,073,083 6.16% 783,577 11.46% 5,058,206 5.42%
Securities issued or secured by:

UVR-denominated

Colombian Government.
103,609 0.34% 544,107 0.65% - - 814 3.97% 648,530 0.61%
Other financial entities
- - 131,327 4.48% 320,689 3.54% 88,922 8.18% 540,938 4.53%
Subtotal
103,609 0.34% 675,434 1.40% 320,689 3.54% 89,736 8.14% 1,189,468 2.39%
Total (COP)
2,798,978 2,770,886 1,601,275 1,001,265 8,172,404

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(1) Amounts are net of allowances for decline in value which amounted to COP 45,727 million in 2010.

(2) Yield was calculated using the internal return rate (IRR) as of December 31, 2010.

As of December 31, 2010, the Bank had the following investments in securities of issuers that exceeded 10% of the Bank's stockholders' equity:

	Issuer	Amortized Cost	Fair value
		(COP million)	
Securities issued or secured by:			
Colombian government	Ministry of Finance	2,268,644	2,230,242
Other financial entities	Titularizadora Colombiana	2,474,877	2,463,602
Government entities	FINAGRO	1,001,713	989,512
Total		5,745,234	5,683,356

E.3. LOAN PORTFOLIO

Types of loans

The following table shows the Bank's loan portfolio classified into corporate, retail, financial leases and mortgage loans:

	As of December 31,				
	2010	2009	2008	2007(2)	2006
			(COP million)		
Domestic					
Corporate					
Trade financing	1,704,673	623,084	640,033	845,810	777,417
Loans funded by development banks	300,459	485,754	970,456	842,957	321,263
Working capital loans	18,360,582	15,003,979	15,524,940	13,320,319	11,534,148
Credit cards	31,297	26,947	33,039	36,613	50,803
Overdrafts	38,563	45,072	55,796	50,536	74,218
Total corporate	20,435,574	16,184,836	17,224,264	15,096,235	12,757,849
Retail(1)					
Credit cards	2,477,808	2,198,127	2,317,178	1,855,999	796,175
Personal loans	2,890,095	2,060,776	2,369,852	2,305,390	2,281,177
Vehicle loans	1,332,175	1,218,299	1,314,685	1,305,685	963,072
Overdrafts	156,244	168,760	208,123	195,063	119,882
Loans funded by development banks	667,299	792,437	887,978	713,007	386,283
Trade financing	27,547	48,955	98,344	93,037	70,406
Working capital loans	4,702,240	4,346,213	4,125,358	3,715,945	2,331,999
Total retail	12,253,408	10,833,567	11,321,518	10,184,126	6,948,994
Financial Leases	5,737,473	5,390,937	5,406,712	4,698,702	3,553,286
Mortgage	2,516,376	2,556,810	2,313,864	1,930,742	1,385,445
Total loans	40,942,831	34,966,150	36,266,358	31,909,805	24,645,574
Allowance for loan losses	(2,160,119)	(2,115,161)	(1,810,577)	(1,251,561)	(834,183)
Total loans, net (COP)	38,782,712	32,850,989	34,455,781	30,658,244	23,811,391
Foreign					
Corporate					

Trade financing	1,192,349	551,211	1,128,931	313,736
Loans funded by development banks	18,874	41,969	52,308	39,758
Working capital loans	3,644,287	3,509,893	3,807,352	2,779,180
Credit cards	6,712	8,462	9,327	6,546
Overdrafts	5,190	5,530	7,712	8,610
Total corporate	4,867,412	4,117,065	5,005,630	3,147,830
Retail(1)				
Credit cards	156,895	190,932	201,813	164,612
Personal loans	1,649,853	1,713,992	1,917,663	1,473,168
Vehicle loans	2,705	3,718	5,724	6,711
Overdrafts	18,449	19,853	21,089	22,943
Loans funded by development banks	12,143	9,410	8,304	6,204
Trade financing	7,516	4,343	25,482	4,941
Working capital loans	20,705	24,833	13,015	13,399
Total retail	1,868,266	1,967,081	2,193,090	1,691,978
Financial Leases	96,076	79,064	100,030	125
Mortgage	826,505	912,614	1,077,462	952,886
Total loans	7,658,259	7,075,824	8,376,212	5,792,819
Allowance for loan losses	(349,094)	(316,506)	(323,783)	(205,590)
Total loans, net (COP)	7,309,165	6,759,318	8,052,429	5,587,229
Total Foreign and Domestic Loans (COP)	46,091,877	39,610,307	42,508,210	36,245,473

(1) Includes loans to high-income individuals and small companies.
(2) In 2007 the foreign loan category became material to the Bank due to the acquisition of Banagrícola.Foreign loans for 2006 are not material and therefore are not separately identified.

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

As of December 31, 2010, the Bank's total loan portfolio amounted to COP 48,601 billion, up 16% as compared to COP 42,042 billion in 2009, and 8% higher than the COP 44,643 billion at the end of 2008. Loan volume performance, during 2010, is primarily explained by the significantly increased economic activity in Colombia, which led individuals and corporations to demand more credit. For further discussion of some of these trends please see "Item 5. Operating and Financial Review and Prospects – D.Trend information".

As of December 31, 2010, corporate loans amounted to COP 25,303 billion, or 52% of loans, and increased 25% from COP 20,319 at the end of 2009.

Retail and SMEs loans totaled COP 14,122 billion, or 29% of total loans, of which COP 7,175 billion were consumer loans (15% of total loans). Retail and SMEs loans increased 10% over the year.

Financial leases totaled COP 5,834 as of the end of 2010, up 7% from COP 5,470 at the end of 2009.

Mortgage lending activity was dynamic during 2010, driven mainly by the Colombian government's housing subsidy program that was implemented in April 2009 as well as by lower long-term interest rates in Colombia. Taking into account securitized loans, mortgages increased 11% over the year. Bancolombia securitized COP 1,627 billion mortgage loans during 2010 in the local market.

Borrowing Relationships

As of December 31, 2010, the aggregate outstanding principal amount of the Bank's 25 largest borrowing relationships, on a consolidated basis, represented approximately 14.14% of the loan portfolio, and no single borrowing relationship represented more than 1.52% of the loan book. Also, 100% of those loans were corporate loans and 100% of these relationships were classified as "A".

Maturity and Interest Rate Sensitivity of Loans

The following table shows the maturities of the Bank's loan portfolio as of December 31, 2010:

	Due in one year or less	Due from one to five years	Due after five years	Total
		(COP million)		
Domestic loans and financial leases:				
Corporate				
Trade financing	1,549,311	51,785	103,577	1,704,673
Loans funded by development banks	47,728	128,687	124,044	300,459
Working capital loans	5,831,067	6,307,767	6,221,748	18,360,582
Credit cards	5,490	25,507	300	31,297
Overdrafts	38,563	-	-	38,563
Total corporate	7,472,159	6,513,746	6,449,669	20,435,574
Retail				
Credit cards	339,709	2,123,068	15,031	2,477,808
Personal loans	269,279	2,582,628	38,188	2,890,095
Vehicle loans	71,589	992,018	268,568	1,332,175
Overdrafts	156,244	-	-	156,244
Loans funded by development banks	50,099	489,226	127,974	667,299
Trade financing	27,068	479	-	27,547
Working capital loans	1,225,018	3,100,834	376,388	4,702,240
Total retail	2,139,006	9,288,253	826,149	12,253,408
Financial leases	324,091	3,218,401	2,194,981	5,737,473
Mortgage	35,226	123,843	2,357,307	2,516,376
Total domestic loans and financial leases	9,970,482	19,144,243	11,828,106	40,942,831
Foreign loans and financial leases:				
Corporate				
Trade financing	453,687	418,538	320,124	1,192,349
Loans funded by development banks	9,728	2,054	7,092	18,874
Working capital loans	903,658	1,649,043	1,091,586	3,644,287
Credit cards	-	6,712	-	6,712
Overdrafts	5,190	-	-	5,190
Total corporate	1,372,263	2,076,347	1,418,802	4,867,412
Retail				
Credit cards	465	156,412	18	156,895
Personal loans	62,830	627,366	959,657	1,649,853
Vehicle loans	145	2,320	240	2,705
Overdrafts	18,449	-	-	18,449
Loans funded by development banks	23	3,142	8,978	12,143
Trade financing	3,874	1,322	2,320	7,516
Working capital loans	3,338	13,952	3,415	20,705
Total retail	89,124	804,514	974,628	1,868,266
Financial leases	4,383	78,935	12,758	96,076
Mortgage	2,521	38,404	785,580	826,505
Foreign loans and financial leases	1,468,291	2,998,200	3,191,768	7,658,259
Total loans (COP million)	11,438,773	22,142,443	15,019,874	48,601,090

The following table shows the interest rate sensitivity of the Bank's loan portfolio due after one year and within one year or less as of December 31, 2010:

	As of December 31, 2010 (COP million)
Loans with term of 1 year or more:	
Variable Rate	
Domestic-denominated	COP 24,135,665
Foreign-denominated	5,262,887
Total	29,398,552
Fixed Rate	
Domestic-denominated	6,836,684
Foreign-denominated	927,081
Total	7,763,765
Loans with terms of less than 1 year:	
Domestic-denominated	9,970,482
Foreign-denominated	1,468,291
Total	11,438,773
Total loans	COP 48,601,090

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Loans by Economic Activity

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

	As of December 31, 2010	%		2009	%		2008	%		2007 (1)	%		2006
	(COP million ,except percentages)												
Domestic													
Agricultural	1,810,415	4.4	%	1,625,790	4.6	%	1,691,697	4.7	%	1,453,047	4.6	%	996,091
Mining products and oil	1,863,052	4.6	%	1,193,712	3.4	%	521,249	1.4	%	496,296	1.6	%	456,770
Food, beverage and tobacco	2,922,405	7.1	%	2,243,064	6.4	%	2,264,246	6.2	%	1,799,891	5.6	%	1,665,850
Chemical production	2,727,045	6.7	%	1,310,495	3.7	%	1,790,731	4.9	%	1,145,943	3.6	%	805,900
Other industrial and manufacturing products	3,124,519	7.6	%	3,396,188	9.7	%	4,132,049	11.4	%	5,032,310	15.8	%	3,867,432
Government	1,310,226	3.2	%	1,234,824	3.5	%	659,800	1.8	%	772,539	2.4	%	602,585
Construction	4,092,951	10.0	%	3,520,673	10.2	%	3,422,564	9.4	%	2,325,378	7.2	%	1,534,816
Trade and tourism	5,614,774	13.7	%	5,471,749	15.7	%	6,216,359	17.2	%	3,919,082	12.3	%	2,791,340
Transportation and communications	2,803,387	6.9	%	2,544,050	7.3	%	2,426,608	6.7	%	2,262,124	7.1	%	1,924,129
Public services	2,220,108	5.4	%	1,659,742	4.7	%	836,298	2.3	%	1,266,250	4.0	%	1,183,361
Consumer services	9,353,171	22.8	%	7,916,772	22.7	%	8,709,958	24.1	%	8,070,250	25.2	%	5,804,779
Commercial services	3,100,778	7.6	%	2,849,091	8.1	%	3,594,799	9.9	%	3,366,695	10.6	%	3,012,521
Total loans domestic (COP)	40,942,831	100.0	%	34,966,150	100.0	%	36,266,358	100.0	%	31,909,805	100.0	%	24,645,574
Foreign													
Agricultural	327,430	4.3	%	301,866	4.3	%	248,631	3.0	%	242,404	4.2	%	
Mining products and oil	133,052	1.7	%	176,042	2.5	%	189,743	2.3	%	215,540	3.7	%	
Food, beverage and tobacco	138,252	1.8	%	118,092	1.7	%	232,410	2.8	%	200,439	3.5	%	
Chemical production	12,850	0.2	%	51,173	0.7	%	95,552	1.1	%	67,425	1.2	%	
Other industrial and manufacturing products	1,836,483	24.0	%	1,586,708	22.4	%	2,426,601	29.0	%	526,061	9.1	%	
Government	4	0.0	%	-	0.0	%	-	0.0	%	-	0.0	%	

Construction	1,231,658	16.1 %	1,375,521	19.4 %	442,021	5.2 %	354,903	6.0 %
Trade and tourism	594,213	7.8 %	613,928	8.7 %	751,364	9.0 %	794,335	13.7 %
Transportation and communications	149,698	2.0 %	291,613	4.1 %	117,356	1.4 %	78,014	1.4 %
Public services	514,250	6.7 %	256,307	3.6 %	275,812	3.3 %	248,345	4.3 %
Consumer services	1,946,188	25.4 %	1,971,723	27.9 %	3,202,212	38.2 %	2,494,456	43.0 %
Commercial services	774,181	10.0 %	332,851	4.7 %	394,510	4.7 %	570,897	9.9 %
Total loans foreign (COP)	7,658,259	100.0%	7,075,824	100.0%	8,376,212	100.0%	5,792,819	100.0%
Total Foreign and Domestic Loans (COP)	48,601,090	100.0%	42,041,974	100.0%	44,642,570	100.0%	37,702,624	100.0%

(1) In 2007 the foreign loan category became material to the Bank due to the acquisition of Banagrícola. Foreign loans for 2006 are not material and therefore are not separately identified.

Credit Categories

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

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

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

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

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

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

	Loan Portfolio by Type of Loan As of December 31,				
	2010	2009	2008	2007	2006
			(COP million)		
Commercial Loans	30,992,403	26,011,915	28,068,731	23,397,058	16,028,505
Consumer Loans	8,177,175	6,888,615	7,532,649	6,593,211	3,587,260
Microcredit Loans	255,082	202,019	143,122	129,900	91,078
Financial Leases	5,833,549	5,470,001	5,506,742	4,698,827	3,553,286
Mortgage	3,342,881	3,469,424	3,391,326	2,883,628	1,385,445
Total Loans and Financial Leases	48,601,090	42,041,974	44,642,570	37,702,624	24,645,574
Allowance for Loans and Financial Lease Losses	2,509,213	2,431,667	2,134,360	1,457,151	834,183
Total Loans and Financial Leases, Net (COP)	46,091,877	39,610,307	42,508,210	36,245,473	23,811,391

Risk categories

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

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

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

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

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

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

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

	As of December 31,								
	2010	%	2009	%	2008	%	2007	%	2006
	(COP million, except percentages)								
“A” Normal	44,914,187	92.4 %	38,180,628	90.8 %	40,650,096	91.0 %	35,397,503	93.9 %	23,310,5
“B” Subnormal	1,588,798	3.3 %	1,711,661	4.1 %	2,216,832	5.0 %	1,135,022	3.0 %	708,774
“C” Deficient	606,901	1.2 %	703,053	1.7 %	576,557	1.3 %	300,085	0.8 %	209,386
“D” Doubtful Recovery	1,014,289	2.1 %	1,105,442	2.6 %	871,892	2.0 %	604,034	1.6 %	242,763
“E” Unrecoverable	476,915	1.0 %	341,190	0.8 %	327,193	0.7 %	265,980	0.7 %	174,106
Total loans and financial leases	48,601,090	100.0%	42,041,974	100.0%	44,642,570	100.0%	37,702,624	100.0%	24,645,5
Loans classified as “C”, “D” and “E” as a percentage of total loans	4.3 %		5.1 %		4.0 %		3.1 %		2.5

Suspension of Accruals

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

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

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

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

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

	As of December 31,									
	2010	%	2009	%	2008	%	2007	%	2006	%
	(COP million, except percentages)									

Performing past due loans:(1)										
Consumer loans(2)	117,787	25.2 %	141,813	23.7 %	150,762	22.4 %	131,824	30.1 %	62,201	26.4 %
Commercial loans(3)	197,895	42.4 %	254,923	42.5 %	323,185	48.0 %	164,163	37.4 %	74,577	31.8 %
Mortgage loans(4)	107,639	23.0 %	115,611	19.3 %	100,785	15.0 %	81,523	18.6 %	62,919	26.8 %
Financial leases(5)	43,819	9.4 %	87,202	14.5 %	98,644	14.6 %	61,055	13.9 %	35,150	15.0 %
Total perf. PDLs	467,140	100.0%	599,549	100.0%	673,376	100.0%	438,565	100.0%	234,847	100.0%
Non-performing PDLs:										
Consumer loans(6)	180,668	19.5 %	231,790	22.6 %	296,153	31.2 %	234,659	35.2 %	114,101	34.1 %

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	As of December 31,									
	2010	%	2009	%	2008	%	2007	%	2006	%
	(COP million, except percentages)									
Small loans(7)	22,193	2.4 %	17,250	1.7 %	17,600	1.9 %	14,630	2.2 %	10,003	3.
Commercial loans(8)	450,161	48.5 %	488,248	47.5 %	387,571	40.7 %	233,883	35.1 %	133,987	40
Mortgage loans(9)	195,631	21.1 %	197,323	19.2 %	184,597	19.4 %	124,251	18.6 %	65,187	19
Financial leases(10)	80,106	8.5 %	93,101	9.0 %	64,708	6.8 %	58,945	8.9 %	11,210	3.
Total non-perf. PDLs	928,759	100.0%	1,027,712	100.0%	950,629	100.0%	666,368	100.0%	334,488	10
Total PDLs (COP)	1,395,899		1,627,261		1,624,005		1,104,933		569,335	
Total non-perf. PDLs	928,759		1,027,712		950,629		666,368		334,488	
Foreclosed assets	257,603		250,976		204,480		234,116		193,004	
Other accounts receivable (overdue > 180 days)	19,190		33,800		34,486		38,182		29,146	
Total non-performing assets (COP)	1,205,552		1,312,488		1,189,595		938,666		556,638	
Allowance for loan losses	(2,509,213)		(2,431,667)		(2,134,360)		(1,457,151)		(834,183)	
Allowance for estimated losses on foreclosed assets	(187,326)		(170,308)		(179,827)		(201,822)		(174,393)	
Allowance for accounts receivable and accrued interest losses	(111,848)		(124,916)		(114,009)		(69,956)		(34,936)	
PDLs/ Total loans		2.9 %		3.9 %		3.6 %		2.9 %		2.
Allowance for loan losses/ PDLs		179,8 %		149.4 %		131.4 %		131.9 %		14
Allowance for loan losses/ Loans classified as “C”, “D” and “E”		119.6 %		113.1 %		120.2 %		124.5 %		13
		98.1 %		97.6 %		97.9 %		98.2 %		98

Perf.
Loans/Total
loans

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(1) Performing past due loans are loans upon which the Bank continues to recognize income although interest has not been received for the periods indicated.
(2) Past due from 31 to 60 days.
(3) Past due from 31 to 90 days.
(4) Past due from 31 to 60 days.
(5) The Consumer financial leases are due from 31 to 60 days and the commercial financial leases are due from 31 to 90 days.
(6) Past due more than 60 days.
(7) Past due more than 30 days.
(8) Past due more than 90 days.
(9) Past due more than 60 days.
(10) The Consumer financial leases are more than 60 days and the commercial financial leases are more than 90 days.

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

	As of December 31,				
Non-performing past due loans:	2010	2009	2008	2007 (1)	2006
Consumer loans(2)					
Domestic	COP 124,149	COP 169,357	COP 243,487	COP 204,739	COP -
Foreign	56,519	62,433	52,666	29,920	-
Total Consumer Loans	180,668	231,790	296,153	234,659	114,101
Microcredit loans (3)					
Domestic	20,602	15,025	15,583	12,888	-
Foreign	1,591	2,225	2,017	1,742	-
Total Small Loans	22,193	17,250	17,600	14,630	10,003
Commercial loans(4)					
Domestic	378,380	430,695	336,958	192,457	-
Foreign	71,781	57,553	50,613	41,426	-
Total Commercial Loans	450,161	488,248	387,571	233,883	133,987
Mortgage loans(5)					
Domestic	151,975	159,697	161,284	105,516	-
Foreign	43,656	37,626	23,313	18,735	-
Total Mortgage Loans	195,631	197,323	184,597	124,251	65,187
Financial leases(6)					
Domestic	80,106	93,100	63,160	58,902	-
Foreign	-	1	1,548	43	-
Total Financial leases	80,106	93,101	64,708	58,945	11,210
Total non-perf. PDLs (domestic)	755,212	867,874	820,472	574,502	-
Total non-perf. PDLs (foreign)	173,547	159,838	130,157	91,866	-
Total non-perf. PDLs	COP 928,759	COP 1,027,712	COP 950,629	COP 666,368	COP 334,488

(1) In 2007 the Foreign loan category becomes material to the Bank due to the acquisition of Banagrícola.This category was not material to the Bank for 2006 and is therefore not separately reported.

(2) Past due more than 60 days.

(3) Past due more than 30 days.

(4) Past due more than 90 days.

(5) Past due more than 60 days.

(6) Past due financial leases incluses Consumer financial leases that are more than 60 days past due and the commercial financial leases that are more than 90 days past due.

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

	As of December 31,									
	2010	%	2009	%	2008	%	2007 (1)	%	2006	%
	(COP million, except percentages)									
Domestic										
Corporate										
Trade financing	1,685	0.2 %	3,945	0.3 %	2,472	0.2 %	9,073	1.0 %	18,218	3.2 %
Loans funded by development banks	22,497	1.9 %	13,933	1.0 %	22,125	1.6 %	6,710	0.7 %	6,820	1.2 %
Working capital loans	189,833	16.4 %	154,071	11.2 %	150,795	11.1 %	101,613	10.8 %	67,267	11.8 %
Credit cards	351	0.0 %	376	0.0 %	456	0.0 %	377	0.0 %	2,669	0.5 %
Overdrafts	1,975	0.2 %	2,781	0.2 %	3,032	0.2 %	1,835	0.2 %	7,716	1.4 %
Total corporate	216,341	18.7 %	175,106	12.7 %	178,880	13.1 %	119,608	12.7 %	102,690	18.0 %
Retail										
Credit cards	137,649	11.9 %	163,924	11.9 %	172,409	12.7 %	144,621	15.3 %	40,307	7.1 %
Personal loans	62,392	5.4 %	86,358	6.3 %	144,336	10.6 %	128,954	13.7 %	113,514	19.9 %
Vehicle loans	68,194	5.9 %	117,601	8.6 %	142,336	10.5 %	74,379	7.9 %	41,641	7.3 %
Overdrafts	15,368	1.3 %	20,106	1.5 %	33,277	2.5 %	27,932	3.0 %	11,771	2.1 %
Loans funded by development banks	31,752	2.7 %	30,733	2.2 %	33,530	2.5 %	21,168	2.2 %	12,166	2.1 %
Trade financing	947	0.1 %	961	0.1 %	8,169	0.6 %	3,213	0.3 %	1,403	0.2 %
Working capital loans	272,522	23.5 %	353,744	25.7 %	287,587	21.2 %	139,307	14.8 %	57,976	10.2 %
Total retail	588,824	50.8 %	773,427	56.3 %	821,644	60.6 %	539,574	57.2 %	278,778	49.0 %
Financial Leases)	123,925	10.7 %	179,632	13.1 %	155,678	11.5 %	119,956	12.7 %	46,359	8.1 %
Mortgage	230,018	19.8 %	246,277	17.9 %	201,186	14.8 %	164,901	17.5 %	141,508	24.9 %
Total past due loans (COP)	1,159,108	100.0%	1,374,442	100.0%	1,357,388	100.0%	944,039	100.0%	569,335	100.0%
Foreign										
Corporate										
Trade financing	9,535	4.0 %	14,978	5.9 %	19,157	7.2 %	5,098	3.2 %		
Loans funded by development banks	376	0.2 %	2,306	0.9 %	1,552	0.6 %	1,132	0.7 %		
Working capital loans	76,559	32.3 %	80,031	31.7 %	106,532	40.0 %	64,522	40.1 %		
Credit cards	434	0.2 %	499	0.1 %	222	0.0 %	130	0.0 %		

Overdrafts	775	0.3 %	287	0.0 %	341	0.1 %	137	0.1 %
Total corporate	87,679	37.0 %	98,101	38.6 %	127,804	47.9 %	71,019	44.1 %
Retail								
Credit cards	7,615	3.2 %	12,450	4.9 %	10,692	4.0 %	6,901	4.3 %
Personal loans	65,749	27.8 %	72,157	28.5 %	63,172	23.7 %	39,739	24.7 %
Vehicle loans	203	0.1 %	239	0.1 %	110	0.0 %	116	0.0 %
Overdrafts	134	0.1 %	99	0.0 %	103	0.0 %	321	0.2 %
Loans funded by development banks	569	0.2 %	260	0.1 %	568	0.2 %	96	0.1 %
Trade financing	199	0.1 %	213	0.1 %	243	0.1 %	191	0.1 %
Working capital loans	1,391	0.6 %	1,972	0.8 %	1,764	0.7 %	1,535	1.0 %
Total retail	75,860	32.1 %	87,390	34.5 %	76,652	28.7 %	48,899	30.4 %
Financial Leases	-	0.0 %	671	0.3 %	7,674	2.9 %	43	0.0 %
Mortgage	73,252	30.9 %	66,657	26.6 %	54,487	20.5 %	40,933	25.5 %
Total past due loans (COP)	236,791	100.0%	252,819	100.0%	266,617	100.0%	160,894	100.0%

(1) In 2007 the foreign loan category became material to the Bank due to the acquisition of Banagrícola. Foreign loans for 2006 are not material and therefore are not separately identified.

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

	As of December 31,									
	2010	%	2009	%	2008	%	2007	%	2006	%
	(COP million, except percentages)									
Secured										
Current	20,970,409	43.2%	19,061,249	45.3%	17,779,101	39.8%	16,923,998	44.9%	10,762,717	43.7%
Past due Commercial loans	327,323	0.7 %	411,359	1.0 %	324,541	0.7 %	198,901	0.5 %	96,641	0.4 %
Past due Consumer loans	73,476	0.2 %	88,740	0.2 %	70,934	0.2 %	72,601	0.2 %	29,116	0.1 %
Past due Microcredit loans	11,415	0.1 %	7,824	0.1 %	8,175	0.1 %	7,156	0.0 %	3,972	0.0 %
Past due Mortgage loans	303,270	0.6 %	312,934	0.7 %	285,382	0.6 %	205,774	0.6 %	148,050	0.6 %
Past due Financial	123,925	0.3 %	180,303	0.4 %	163,352	0.4 %	120,000	0.3 %	46,360	0.2 %

leases										
Total (COP)	21,809,818	45.1%	20,062,409	47.7%	18,631,485	41.8%	17,528,430	46.5%	11,086,856	45.0%
Unsecured(1)										
Current	26,234,778	54.0%	21,353,464	50.8%	25,239,464	56.5%	19,673,693	52.2%	13,313,522	54.0%
Past due Commercial loans	320,738	0.7%	331,812	0.8%	386,215	0.9%	199,145	0.5%	91,979	0.4%
Past due Consumer loans	224,978	0.5%	284,863	0.7%	375,981	0.8%	293,882	0.8%	147,186	0.6%
Past due Microcredit loans	10,778	0.0%	9,426	0.0%	9,425	0.0%	7,474	0.0%	6,031	0.0%
Total (COP)	26,791,272	55.2%	21,979,565	52.3%	26,011,085	58.2%	20,174,194	53.5%	13,558,718	55.0%
Total current loans and financial leases	47,205,191	97.1%	40,414,713	96.1%	43,018,565	96.4%	36,597,691	97.1%	24,076,239	97.7%
Past due Commercial loans	648,061	1.4%	743,171	1.9%	710,756	1.6%	398,046	1.0%	188,620	0.8%
Past due Consumer loans	298,454	0.6%	373,603	0.9%	446,915	1.0%	366,483	1.0%	176,302	0.7%
Past due Microcredit loans	22,189	0.1%	17,250	0.0%	17,600	0.0%	14,630	0.0%	10,003	0.0
Past due Mortgage loans	303,270	0.6%	312,934	0.7%	285,382	0.6%	205,774	0.6%	148,050	0.6
Past due Financial leases	123,925	0.3%	180,303	0.4%	163,352	0.4%	120,000	0.3%	46,360	0.2
Total past due loans and financial leases (COP)	1,395,899	2.9%	1,627,261	3.9%	1,624,005	3.6%	1,104,933	2.9%	569,335	2.3
Total gross loans and financial leases	48,601,090	100%	42,041,974	100%	44,642,570	100%	37,702,624	100%	24,645,574	100
Allowance for loan and financial lease losses	(2,509,213)	(5.2)%	(2,431,667)	(5.8)%	(2,134,360)	(4.8)%	(1,457,151)	(3.9)%	(834,183)	(3.4
	46,091,877	94.8%	39,610,307	94.2%	42,508,210	95.2%	36,245,473	96.1%	23,811,391	96.6

Total loans and financial leases, net (COP)

(1) Includes loans with personal guarantees.

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

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

As of December 31, 2010, 2009, 2008, 2007 and 2006, Bancolombia did not have any performing loans which were past due for 90 days or more.

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

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

	As of December 31, 2009		
	Amount of Loans	Gross Interest Income	Interest income included in net income for the period
	(COP million)		
Foreign loans	COP 159,838	COP 15,957	COP 3,080
Domestic loans	867,874	302,451	208,829
Non-performing loans	COP 1,027,712	COP 318,408	COP 211,909

Performing Troubled Debt Restructuring Loans

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

	As of December 31,				
	2010	2009	2008	2007(1)	2006
	(COP million)				
Foreign loans	266,173	169,459	176,246	111,870	-
Domestic loans	1,088,117	994,506	623,722	521,181	578,099
Total Performing Troubled Debt Restructuring loans (COP)	1,354,290	1,163,965	799,968	633,051	578,099

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

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

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

	As of December 31, 2009		
	Amount of Loans	Gross Interest Income	Interest income included in net income for the period
	(COP million)		
Foreign loans	169,459	14,006	14,006
Domestic loans	994,506	66,469	66,469
Total Performing Troubled Debt Restructuring loans	COP 1,163,965	COP 80,475	COP 80,475

Policies for the granting and review of credit

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

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

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

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

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

In general, the term of a loan will depend on the type of guarantee, the credit history of the borrower and the purpose of the loan. Almost 70% of the Bank's loan portfolio has a maturity of five years or less.
Loan applications, depending on their amount, are presented for approval to branch managers, the zone or regional managers, the Vice Presidents, the President, the Credit Committee and the board of directors of Bancolombia. In general, loan application decisions are made by the Bank's management in the corresponding committee. Approval at each level also requires the agreement of each lower level of the approval hierarchy.

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

The Bank has established policies for the valuation of collateral received as well as for the determination of the maximum loan amount that can be granted against the value of the collateral. Periodically, the Bank undertakes a valuation of collateral held as security for loans. In addition, for retail and mortgage loans that are between 5 and 60 days past due, an external collection company controls each obligation payment, for commercial lending this procedure is always made by internal employees. When a loan becomes 60 days past due, the loan will be given to an independent and specialized division where various steps will be taken to recover the loan.

With respect to monitoring outstanding loans, the Bank, in accordance with the requirements of the Superintendency of Finance, has implemented regional committees and a central qualification office to undertake a biannual evaluation of the loan portfolio, during the months of May and November each year. At least 50% of the outstanding portfolio is evaluated by the Superintendency of Finance. Clients evaluated have, among others, the following characteristics: high exposure, more than 30 days past due, bad record of historical payment behavior either with the Bank or the financial system and restructured loans or loans that are part of the watch list. The 30 clients with the largest debt and the 30 clients with the least debt in each region are also included, and 30 more clients are randomly selected. When monitoring outstanding loans, the Bank examines current financial statements including cash flow and financial indicators.

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

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

E.4. SUMMARY OF LOAN LOSS EXPERIENCE

ALLOWANCE FOR LOAN LOSSES

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

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

	Year Ended December 31,				
	2010	2009	2008	2007	2006
			(COP million)		
Balance at beginning of period	2,431,667	2,134,360	1,457,151	834,183	705,882
Balance at beginning of period (Factoring Bancolombia)	-	-	-	-	5,625
Balance at beginning of period (Banagrícola's subsidiaries)(3)	-	-	-	147,357	-
Provisions for loan losses(1)	1,842,406	2,448,581	1,986,710	1,203,543	568,679
Recoveries of provisions	(1,085,211)	(1,186,674)	(807,245)	(516,218)	(308,004)
Charge-offs	(658,151)	(925,592)	(547,860)	(186,273)	(136,789)
Effect of difference in exchange rate	(21,498)	(39,008)	45,604	(25,441)	(1,210)
Balance at end of year (2) (COP)	2,509,213	2,431,667	2,134,360	1,457,151	834,183

(1) The provision for past due accrued interest receivable, which is not included in this item, amounted to COP 33,540 million, COP 46,840 million, COP 58,721 million, COP 35,543 million and COP 14,825 for the years ended December 31, 2010, 2009, 2008, 2007 and 2006, respectively.

(2) The allowance for past due accrued interest receivable, which is not included in this item, amounted to COP 38,952 million, COP 45,937 million, COP 54,323 million, COP 33,303 million and COP 11,644 for the years ended December 31, 2010, 2009, 2008, 2007 and 2006, respectively. The allowance at the beginning the period for past due accrued interest receivable , which is not included in this item, amounted to COP 45,937 million, COP 54,323 million, COP 33,303 million, COP 11,644 million and COP 8,655 for the years ended December 31, 2010, 2009, 2008, 2007 and 2006, respectively.

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

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

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

	As of December 31,				
	2010	2009	2008	2007	2006
			(COP million)		
Commercial loans	1,465,318	1,443,943	1,202,047	791,957	356,272
Consumer loans	559,789	523,353	502,496	340,247	152,842

Microcredit loans	21,719	17,263	12,424	9,050	6,365
Financial leases	269,634	253,764	197,952	133,837	49,463
Mortgage	157,459	157,445	122,407	53,973	23,948
General	35,294	35,899	97,034	128,087	245,293
Total allowance for loan losses (COP)	2,509,213	2,431,667	2,134,360	1,457,151	834,183

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

	As of December 31,									
	2010	%	2009	%	2008	%	2007(1)	%	2006	%
	(COP million, except percentages)									
Domestic										
Corporate										
Trade financing	36,857	1.7 %	22,834	1.1 %	13,081	0.7 %	21,184	1.7 %	17,154	2.1 %
Loans funded by development banks	39,189	1.8 %	47,540	2.2 %	61,430	3.4 %	27,612	2.2 %	7,057	0.8 %
Working capital loans	687,038	31.8 %	614,342	29.0 %	522,065	28.8 %	379,169	30.3 %	261,589	31.4 %
Credit cards	898	0.0 %	826	0.0 %	1,134	0.1 %	1,176	0.1 %	2,324	0.3 %
Overdrafts	2,892	0.1 %	3,783	0.2 %	3,983	0.2 %	2,383	0.2 %	3,617	0.4 %
Total corporate	766,874	35.4 %	689,325	32.5 %	601,693	33.2 %	431,524	34.5 %	291,741	35.0 %
Retail										
Credit cards	285,248	13.2 %	266,094	12.6 %	208,323	11.5 %	128,523	10.3 %	36,062	4.3 %
Personal loans	124,912	5.8 %	122,265	5.8 %	166,880	9.2 %	126,297	10.1 %	92,625	11.1 %
Vehicle loans	95,308	4.4 %	112,626	5.3 %	115,593	6.4 %	68,938	5.5 %	30,698	3.7 %
Overdrafts	13,341	0.6 %	16,650	0.8 %	24,002	1.3 %	16,451	1.3 %	4,274	0.5 %
Loans funded by development banks	45,927	2.1 %	48,354	2.3 %	41,323	2.3 %	30,064	2.4 %	5,817	0.7 %
Trade financing	1,333	0.1 %	2,450	0.1 %	7,616	0.4 %	5,111	0.4 %	1,254	0.2 %
Working capital loans	393,285	18.2 %	442,116	20.9 %	330,437	18.3 %	204,022	16.3 %	53,008	6.4 %
Total retail	959,354	44.4 %	1,010,555	47.8 %	894,174	49.4 %	579,406	46.3 %	223,738	26.9 %
Financial Leases)	273,556	12.7 %	251,618	11.9 %	187,514	10.4 %	133,757	10.7 %	49,463	5.9 %
Mortgage	133,101	6.2 %	136,674	6.5 %	103,133	5.7 %	37,863	3.0 %	23,948	2.9 %
General	27,234	1.3 %	26,989	1.3 %	24,062	1.3 %	69,011	5.5 %	245,293	29.3 %
Total allowance for loan losses (COP)	2,160,119	100 %	2,115,161	100.0 %	1,810,576	100.0 %	1,251,561	100.0 %	834,183	100.0 %
Foreign										
Corporate										
	26,344	7.6 %	13,502	4.3 %	13,633	4.2 %	5,155	2.5 %		

Trade financing												
Loans funded by development banks	554	0.2	%	1,107	0.3	%	545	0.2	%	432	0.2	%
Working capital loans	174,348	49.9	%	172,704	54.6	%	132,294	40.9	%	76,002	37.0	%
Credit cards	344	0.1	%	387	0.0	%	177	0.0	%	97	0.0	%
Overdrafts	513	0.2	%	656	0.2	%	222	0.1	%	323	0.2	%
Total corporate	202,103	58.0	%	188,356	59.4	%	146,871	45.4	%	82,009	39.9	%
Retail												
Credit cards	10,991	3.2	%	12,961	4.1	%	9,469	2.9	%	6,258	3.0	%
Personal loans	97,239	27.9	%	78,999	25.0	%	62,409	19.3	%	40,388	19.6	%
Vehicle loans	220	0.1	%	242	0.1	%	152	0.0	%	142	0.1	%
Overdrafts	2,403	0.7	%	2,032	0.6	%	564	0.2	%	625	0.3	%
Loans funded by development banks	708	0.2	%	332	0.1	%	274	0.1	%	108	0.1	%
Trade financing	303	0.1	%	214	0.1	%	525	0.2	%	101	0.1	%
Working capital loans	1,025	0.3	%	1,542	0.5	%	838	0.3	%	692	0.3	%
Total retail	112,889	32.5	%	96,322	30.5	%	74,231	23.0	%	48,314	23.5	%
Financial Leases	1,685	0.5	%	2,147	0.7	%	10,436	3.1	%	81	0.0	%
Mortgage	24,357	7.0	%	20,771	6.6	%	19,274	6.0	%	16,110	7.8	%
General	8,060	2.0	%	8,910	2.8	%	72,972	22.5	%	59,076	28.8	%
Total allowance for loan losses (COP)	349,094	100	%	316,506	100.0	%	323,784	100.0	%	205,590	100.0	%

(1) In 2007 the foreign loan category became material to the Bank due to the acquisition of Banagrícola. Foreign loans for 2006 are not material and therefore are not separately identified.

As of December 31, 2010, allowances for loans and financial lease losses amounted to COP 2,509 billion (5.2% of total loans), up 3.2% as compared to COP 2,432 billion (5.8% of loans) at the end of 2009 and up 17.6% as compared to COP 2,134 billion (4.8% of loans) at the end of 2008.

Coverage, measured by the ratio of allowances for loan losses to past due loans (overdue 30 or more days), reached 180% at the end of 2010, increasing from 149% at the end of 2009 and 131% at the end of 2008. For futher information regarding asset quality and provision charges see “Item 5. Operating and Financial Review and Prospects”.

CHARGE-OFFS

The following table shows the allocation of the Bank’s charge-offs by type of loan as of December 31, 2010, 2009, 2008, 2007 and 2006:

	Year ended December 31,				
	2010	2009	2008	2007(1)	2006
	(COP million)				
Domestic					
Trade financing	2,165	263	2,558	151	5,507
Loans funded by development banks	22,368	37,112	8,820	1,320	-
Working capital loans	202,241	329,603	45,941	16,068	49,474
Credit cards	172,804	195,676	166,067	28,179	10,067
Personal loans	69,808	96,597	138,007	65,006	46,095
Vehicle loans	55,711	57,966	29,088	10,131	6,483
Overdrafts	15,052	27,685	52,822	3,733	4,544
Mortgage & other	679	29,027	509	1,791	12,795
Financial leases	23,799	30,284	27,650	2,029	1,824
Total charge-offs (COP)	564,627	804,213	471,462	128,408	136,789
Foreign					
Trade financing	3,999	74	1,819	-	
Loans funded by development banks	6	62	-	-	
Working capital loans	31,207	31,850	21,581	31,240	
Credit cards	10,969	13,460	10,734	5,077	
Personal loans	45,898	62,854	39,073	21,079	
Vehicle loans	167	55	88	59	
Overdrafts	947	1,167	620	407	
Mortgage & other	331	3,472	2,434	-	
Financial leases	-	8,385	49	-	
Total charge-offs (COP)	93,524	121,379	76,398	57,862	

(1) In 2007 the foreign loan category became material to the Bank due to the acquisition of Banagrícola. Foreign loans for 2006 are not material and therefore are not separately identified.

The ratio of charge-offs to average outstanding loans for the years ended December 31, 2010, 2009, 2008, 2007 and 2006 was as follows:

	Year ended December 31,				
	2010	2009	2008	2007	2006
Ratio of charge-offs to average outstanding loans	1.49 %	2.10 %	1.36 %	0.60 %	0.63 %

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

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

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

POTENTIAL PROBLEM LOANS

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

As of December 31 2010, 1054 clients with loans amounting to COP 1.6 billion were performing and part of the watch list.

CROSS–BORDER OUTSTANDING LOANS AND INVESTMENTS

As of December 31, 2010, 2009 and 2008, total cross-border outstanding loans and investments amounted to approximately USD 4,092 million, USD 4,367 million and USD 4,386 million, respectively. As of December 31, 2010, total outstanding loans to borrowers in foreign countries amounted to USD 4,007 million, and total investments were USD 895 million. As of December 31, 2010, total cross-border outstanding loans and investments represented 13.78% of total assets.

The Bank had no cross-border outstanding acceptances, interest-earning deposits with other banks or any other monetary assets denominated in pesos or other non-local currencies, in which the total exceeded 1% of consolidated total assets at December 31, 2010, 2009 and 2008.

The following table presents information with respect to the Bank's cross-border outstanding loans and investments for the years ended on December 31, 2010, 2009 and 2008:

	2010	2009	2008
		(thousands of U.S. dollars)	
El Salvador	USD 3,006,200	USD 3,057,261	USD 3,036,433
Guatemala	581,671	438,622	400,291
Panama	407,418	82,273	54,461
Costa Rica	225,344	200,721	205,708
Peru	130,774	18,203	28,007
Brazil	128,228	141,142	80,383
Chile	107,215	71,809	53,311
United States	90,828	124,813	258,665
Honduras	76,635	44,876	49,500
Mexico	69,957	74,661	73,830
Venezuela	30,453	3,186	7
Bahamas	9,316	-	-
Cayman Islands	7,800	23,336	-
Nicaragua	6,916	14,322	28,062
Ecuador	6,017	6,658	18,003
Dominican Republic	5,080	-	4,639
Guyana	5,000	1,000	2,000
British Virgin Islands	4,700	32,191	57,594
Curazao	1,000	1,000	3,000
Spain	885	7	8
United Kingdom	435	30,432	32,419
Other	558	375	30
Total Cross-Border Outstanding Loans and Investments	USD 4,902,430	USD 4,366,888	USD 4,386,351

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E.5. DEPOSITS

The following table shows the composition of the Bank's deposits for 2010, 2009 and 2008:

	As of December 31, 2010	2009	2008
	(COP million)		
Non-interest bearing deposits:			
Checking accounts	COP 6,980,322	COP 5,858,667	COP 5,289,918
Other deposits	651,894	449,113	433,542
Total	7,632,216	6,307,780	5,723,460
Interest bearing deposits:			
Checking accounts	2,575,611	2,366,281	2,011,132
Time deposits	15,270,271	18,331,488	18,652,738
Savings deposits	18,060,869	15,143,781	13,997,070
Total	35,906,751	35,841,550	34,660,940
Total deposits	COP 43,538,967	COP 42,149,330	COP 40,384,400

The following table shows the time deposits held by the Bank as of December 31, 2010, by amount and maturity for deposits:

	At December 31, 2010 Peso-Denominated	U.S. dollar - Denominated	Total
	(COP million)		
Time deposits higher than US$ 100,000(1)			
Up to 3 months	COP 697,744	COP 961,693	COP 1,659,437
From 3 to 6 months	1,222,044	354,210	1,576,254
From 6 to 12 months	1,300,821	1,178,161	2,478,982
More than 12 months	3,122,978	2,075,816	5,198,794
Time deposits less than US$ 100,000(1)	2,861,354	1,495,450	4,356,804
Total	COP 9,204,941	COP 6,065,330	COP 15,270,271

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

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

E.6. RETURN ON EQUITY AND ASSETS

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

	Year ended December 31, 2010	2009	2008
	(in percentages)		

Net income as a percentage of:			
Average total assets	2.27	2.01	2.34
Average stockholders’ equity	19.71	19.59	23.68
Dividends declared per share as a percentage of consolidated net income per share(1)	36.68	39.92	38.09
Average stockholders’ equity as a percentage of average total assets	11.50	10.24	9.89
Return on interest-earning assets(2)	9.32	12.20	13.55

(1) Dividends are paid based on unconsolidated earnings. Net income per share is calculated using the average number of common and preferred shares outstanding during the year.
(2) Defined as total interest earned divided by average interest-earning assets.

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E.7. INTERBANK BORROWINGS

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

	As of December 31,					
	2010		2009		2008	
	Amount	Rate(3)	Amount	Rate(3)	Amount	Rate(3)
	(COP million, except percentages)					
End of period	2,698,941	0.72 %	1,152,918	4.1 %	2,077,291	3.9 %
Weighted average during period	1,449,197	1.30 %	1,270,413	3.8 %	1,578,252	4.7 %
Maximum amount of borrowing at any month-end	2,698,941 (1)		2,102,719 (2)		2,077,291 (1)	
Interest paid during the year	19,537		47,650		81,178	

(1) December

(2) January

(3) Corresponds to the ratio of interest paid to foreign interbank borrowings.

ITEM 4 A. UNRESOLVED STAFF COMMENTS

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

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. OPERATING RESULTS

The following discussion should be read in conjunction with Bancolombia’s audited consolidated financial statements for the three year period ended December 31, 2010.

Bancolombia’s audited consolidated financial statements for the periods ended December 31, 2010, 2009 and 2008 are prepared following the accounting practices and the special regulations of the Superintendency of Finance, or, in the absence of such regulations, Colombian GAAP. Together, these requirements differ in certain significant respects from U.S. GAAP. Note 31 to the Bank’s audited consolidated financial statements included in this Annual Report provides a description of the significant differences between Colombian GAAP and U.S. GAAP as they relate to the Bank’s audited consolidated financial statements and provides a reconciliation of net income and stockholders’ equity for the years and dates indicated herein.

IMPACT OF ECONOMIC AND MONETARY POLICIES IN BANCOLOMBIA'S RESULTS

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

Economic activity

Colombia's GDP growth was 4.3% in 2010, significantly higher than the 1.5% obtained in 2009. This figure is indeed favorable for it shows that better household consumption and also investment vitality are driving a stronger economic expansion.

The Colombian Statistics Bureau (DANE) revised Colombia's GDP growth for 2009 upwards. This means that the country neither grew by 0.4% or 0.8% as reported initially and by subsequent revision, but by 1.5% which was remarkable for a year in which the global economy recorded its worst performance since 1946, with declines of 0.6% worldwide, and 1.9% in the case of Latin America.

In 2010, Colombia´s domestic demand rose by 5.9%, reconfirming the trend that began at the end of 2009, but the external sector dampened the overall growth with imports increasing by 14.7% compared with the drop of 7.3% in 2009.

On the demand side, key GDP components performed as follows in 2010 compared to 2009: consumption increased 4.4%; investment grew 11.0% and exports increased 2.2%.

For 2010, gross capital formation represented 26% of GDP; household consumption represented 65%, government consumption 16%, exports 16% and imports 24%.

The activities that led growth during the year were mining (11% growth), trade (6% growth), manufacturing (5% growth) and transportation (5% growth).

Interest Rates

Between July, 2008 and May 2010, the Central Bank decreased its benchmark rate from 10.0% to 3.0% in order to incentivize economic activity. During 2010, amid an environment of low inflationary pressures, rates were maintained at 3.0%. In the first months of 2011, the Central Bank increased its benchmark rate 50 basis points to 3.50% (two consecutive increases of 25 basis points) motivated by rising domestic demand and increasing lending activity, as well as the estimated GDP growth for 2011, a projected inflation rate approaching the midpoint of the long-term targeted range and inflation expectations for over one year surpassing the long-term target.

It is important to note that the Central Bank does not consider that this increase in the cost of money shall negatively affect the country’s GDP growth and employment, on the contrary, higher interest rates shall contribute to maintain inflation over time within the long-term targeted range (between 2% and 4%).

Inflation

Year-end inflation rate for 2010 was 3.17%, higher than the 2.0% recorded for 2009.

Historically 93% of the total inflation rate for the year is reached at November, but in 2010 it came to just 79.2%, that is to say November and December accounted for 20.8% of the total annual inflation increase. It is the first time this has happened in the last 20 years, and is due to the disasters caused by the heavy rainfall that damaged crops and infrastructure in the country over recent months thereby driving up the cost of food and other services such as transport.

The 12-month core inflation rate for 2010 came to 2.82%, thereby remaining within the Central Bank’s targeted inflation range. Also, upon excluding regulated goods and services along with food, the monthly rise in inflation comes to just 0.14% with the 12-month figure running at 1.79%; it must be noted however that the cost of regulated goods and services in December rose by 0.72%, given the rise in gas and petrol prices and their effect on inter-municipal bus services. December’s CPI increase was not due to any problems with demand, but to negative shocks on the supply side which are unlikely to have any tangible effect on the monetary policy decisions to be taken by Central Bank in 2011.

Exchange rate

The Colombian Peso appreciated 6% versus the US Dollar during 2010.

Foreign Direct Investment flows into Colombia were one of the main drivers of this appreciation. During 2010, FDI totaled USD 8,093 million, of which 95% was related to oil, gas and mining. FDI is expected to grow more than 30% in 2011. Abundance of US dollars in the US economy was also a factor that contributed to the appreciation as international investors were looking for investments in currencies that were not likely to lose value versus the US dollar and that could offer better returns than dollar denominated securities.

The negative impact of the strengthening of the COP was mainly suffered by exporting oriented companies that lost competitiveness as they had a big portion of their expenses in local currency.

Outlook

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

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

GENERAL DISCUSSION OF THE CHANGES IN RESULTS

Summary

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

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

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

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

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

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

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

REVENUE PERFORMANCE

Net Interest Income

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

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

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

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

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

Net Fees and Income from Financial Services

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

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

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

The following table lists the main revenue-producing fees along with their variation from the prior fiscal year:

	2010	Year 2009 (COP million)	2008	Growth 2010/2009
Main fees and commissions				
Commissions from banking services	306,917	251,734	238,918	21.92 %
Electronic services and ATM fees	57,019	58,944	86,070	(3.27)%
Branch network services	118,647	110,837	104,010	7.05 %
Collections and payments fees	226,537	187,348	157,281	20.92 %
Credit card merchant fees	18,355	28,200	32,215	(34.91)%
Credit and debit card annual fees	564,457	548,820	446,647	2.85 %
Checking fees	69,425	69,544	67,963	(0.17)%
Fiduciary activities	165,075	171,927	98,799	(3.99)%
Pension plan administration	90,131	96,678	87,826	(6.77)%
Brokerage fees	36,779	45,966	54,742	(19.99)%
Check remittance	17,693	25,812	26,148	(31.45)%
International operations	58,559	53,614	47,962	9.22 %
Fees and other service expenses	(149,653)	(143,151)	(134,939)	4.54 %
Total fees and income from services, net	1,579,941	1,506,273	1,313,642	4.89 %

Other Operating Income

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

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

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

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

Operating expenses

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

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

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

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

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

	Year ended December 31,		
	2010	2009	2008
		(COP million)	
Operating expenses:			
Salaries and employee benefits	1,139,947	1,034,942	928,997
Bonus plan payments	126,839	90,341	125,393
Compensation	27,551	19,725	23,539
Administrative and other expenses	1,455,025	1,418,145	1,268,982
Deposit security, net	84,399	74,228	52,151
Donation expenses	13,008	3,506	26,653
Depreciation	195,744	185,027	141,133
Goodwill amortization	55,966	69,231	73,149
Total operating expenses	3,098,479	2,895,145	2,639,997

Provision Charges and Credit Quality

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

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

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

Allowance for credit losses

Under Colombian GAAP and according to the rules issued by the Colombian Superintendency of Finance, a bank must follow minimum provided standards for establishing allowances for loan losses, which require banks to analyze on an ongoing basis the credit risk to which their loan portfolio is exposed, considering the terms of the corresponding obligations as well as the level of risk associated with the borrowers. The risk evaluation is based on information relating to the historical performance data, the particular characteristics of the borrower, collaterals, debt service with other entities, macroeconomic factors and financial information, among others. The standards for provisioning vary for every credit category.

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

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

The probability of default is calculated and provided by the Superintendency of Finance based on historical data. Exposure at default is defined as the current balance of the principal, interest, interest receivable accounts and other receivables regarding consumer and retail loan obligations at the moment of default. The Loss Given Default ("LGD") is defined as the expected loss occurred after default and is calculated and provided by the Superintendency of Finance. The LGD varies according to the type of collateral and would increase gradually depending on the number of days the loan has been in default. It is important to note that in 2008 and 2009, Bancolombia applied stricter parameters in the estimation of the LGD of its loan portfolio by reducing the number of the past due days that are used in such calculation and adjusting some percentages. These parameters were maintained in 2010. Therefore, allowances increased and produced higher provision charges that reflected on higher coverage ratio for loan losses. In addition to the allowances calculated by the reference models, the Bank also sets up marginal allowances for certain clients which are considered to bear an increased inherent risk due to determined risk factors such as macroeconomic or industry deterioration trends or any other factors that could indicate early impairment. The changes in the LGD parameters and the marginal allowances for certain clients in the commercial loan portfolio were made to better reflect the credit risk associated with increasing defaults and the deterioration of the economy.

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

The Bank has also adopted, for its Colombian operation, a more rigorous policy in the calculation of allowances for mortgage and microcredit loans as compared to that required by the regulator. The Bank's policy aims at better reflecting the higher risk of these segments throughout the economic downturn. Such policy has established higher allowance percentages for loans classified in the C, D and E risk categories.

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

All in all, allowances for loan and financial lease losses amounted to COP 2,509 billion or 5.2% of total loans at the end of 2010 and increased from COP 2,432 billion, or 5.8% of total loans as of December 31, 2009. Likewise, coverage for loan losses, measured by the ratio of allowances to past due loans ("PDLs") (overdue 30 days), reached 180% at the end of 2010, up from 149% at the end of 2009. The coverage increase reflects the Bank's prudent approach toward risk and incorporates as mentioned above stricter parameters than those required by the Superintendency of Finance. Additionally a low deterioration of the loan portfolio during 2010, contributed to a higher coverage ratio. As of December 31, 2010, allowances in the amount of COP 559 billion were recorded in excess of the minimum allowances required by Colombia's Superintendency of Finance.

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

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

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

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

Merger Expenses and Goodwill Amortization

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

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

Non-Operating Income (Expenses)

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

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

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

	Year ended December 31,		
	2010	2009	2008
		(COP million)	
Non-operating income (expenses), net:			
Other income(1)	267,472	198,761	172,550
Minority interest	(13,217)	(15,081)	(18,511)
Other expenses(2)	(168,179)	(105,529)	(140,662)
Total non-operating income (expenses), net	86,076	78,151	13,377

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

Income Tax Expenses

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

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

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

GENERAL DISCUSSION OF THE CHANGES IN RESULTS FOR 2009 versus 2008

Summary

Despite a slow economic growth environment, Bancolombia further strengthened its competitive position and full-service financial model, while benefiting from the diversity of its leading franchises. For the year 2009, net income totaled COP 1,257 billion (COP 1,595 per share – US$ 3.12 per ADR), which represents a decrease of 3% as compared to COP 1,291 billion net income for the fiscal year 2008.

As a result of lower net income and a less leveraged capital structure, Bancolombia's return on average stockholders' equity for 2009 decreased to 19.6%, from 23.7% in 2008.

Margins were compressed during 2009: Net interest margin decreased throughout 2009 and reached 7.22% in 2009, down from 7.70% in 2008.

Credit cost remained high: Provision charges, net of recoveries, totaled COP 1,153 billion for 2009, up from COP 1,133 billion in 2008.

Loans and financial leases decreased 6% during the year. This performance was driven primarily by higher than anticipated prepayments and lower demand on corporate loans motivated by increased activity of non-financial firms in the domestic and international debt markets.

The Bank continued to have a strong balance sheet.Reserves for loan losses represented 5.8% of total loans and 149% of past due loans at the end of 2009, compared with 4.9% of total loans and 131% of past due loans at December 31, 2008, while capital adequacy finished 2009 at 13.2% (Tier 1 ratio of 10.4%), higher than the 11.2% (Tier 1 ratio of 9.0%) reported at the end of 2008.

Solid liquidity position: deposits increased 4% during 2009, while the ratio of net loans to deposits (including borrowings from development banks) was 88% at the end of the year

REVENUE PERFORMANCE

Net Interest Income

For the year 2009, net interest income totaled COP 3,802 billion, up 7% as compared to COP 3,560 billion in 2008. This performance is explained by the combined effect of lower interest expenses and higher interest income in 2009. Net interest income represented 67% of revenues in 2009, compared to 64% for 2008.

Interest income, which is the sum of interest on loans, financial leases, overnight funds and income from investment securities, totaled COP 6,428 billion in 2009, up 2% as compared to COP 6,314 billion in 2008. This performance was partially driven by higher income from securities, though it was negatively impacted by lower interest income on loans and financial leases.

Although interest on loans and financial leases benefited from higher average balances in 2009, which increased 9% during the year, such positive effect was completely offset by lower interest rates on loans. The weighted average nominal interest rate on loans and financial leases decreased to 13.1% in 2009 from 14.7% in 2008. As a result, interest on loans and financial leases totaled COP 5,624 billion (88% of interest income) and decreased COP 152 billion (or 3%) as compared to 2008.

Interest on investment securities, which incorporates, among other items, the interest accrual of debt securities and mark-to-market valuation adjustments, totaled COP 729 billion in 2009, up 69% as compared to 2008. This performance was driven by a larger investment portfolio (the Bank's average investment portfolio grew 26% during 2009), positive mark-to-market valuation effect due to higher bond prices, positive effects produced by the reclassification of the bank's investment in the private capital fund Fondo inmobiliario Colombia and the recording of the net present value ("NPV") of the estimated residual income derived from the pools of securitized mortgages.

In the fourth quarter of 2009, FCP Colombia Inmobiliaria, a fund that purchases and manages investment in real estate assets, issued units that were not bought by Bancolombia. As a result the Bank no longer held a controlling interest in the fund, stopped consolidating its financial statements and reclassified this investment as part of the trading category in order to be in compliance with accounting regulations on this matter. This reclassification produced positive effects in the Bank's income from investment securities, which was positively impacted by income of COP 100 billion related to the greater market value of the Fund's units in 2009. In addition, and in accordance with new regulations related to the accounting treatment of securitized mortgages issued by Colombian regulators, the Bank recorded, for the first time, the NPV of the estimated residual income that will be generated by the pools of securitized mortgages. Under the terms of the mortgage securitization transaction documents, Bancolombia is entitled to receive any residual income generated by the pool of mortgages after complete payment of the pool's debt services and administrative charges. Therefore, the Bank proceeded to incorporate, for the first time, into the value of its mortgage backed securities, the net present value of the expected estimated residual income which takes into account performance assumptions based on historical statistical data. As a result, interest income from investment securities was positively impacted by income of COP 58 billion related to the greater value of the mortgage backed securities in 2009. The combined positive effect then, of the reclassification of Fondo Inmobiliario Colombia's units in the trading category and the incorporation of the NPV of the residual income generated by pools of securitized mortgages into the value of mortgage backed securities was COP 158 billion and accounts for 53% of the year over year variation in the interest on investment securities.

Regarding interest expenses, despite a greater average volume of interest-bearing liabilities in 2009, which increased 13% as compared to 2008, interest paid on such liabilities decreased 5% over the year and totaled COP 2,625 billion in 2009, down COP 128 billion as compared to 2008. Such a decrease in interest expenses is explained by lower interest rates paid on deposits and a more favorable funding mix (one with a greater proportion of demand deposits). Overall, the average interest rate paid on interest-bearing liabilities decreased to 5.6% in 2009 from 6.6% in 2008.

Net Fees and Income from Financial Services

For the year 2009, net fees and income from services totaled COP 1,506 billion, up 15% as compared to 2008. This increase was driven primarily by the solid performance of credit and debit card annual fees, fiduciary activities and collection and payments fees.

Despite the lower economic activity, our distributions channels performed an increasing number of transactions in 2009. In particular, our Colombia Banking operation performed more than a billion transactions during 2009, which represents an increase of 5% as compared to the levels experienced in 2008. The higher transactional levels, together with fee increments and the elimination of fee exemptions in certain payment instruments (like debit cards and credit cards) for some segments explained the solid performance of fees. In addition, fiduciary activities benefited from the increase in assets under management, which amounted to COP 55,153 billion by year end in 2009 up from COP 42,677 billion in 2008.

Other Operating Income

For 2009, total other operating income was COP 381 billion, substantially lower than the COP 650 billion reported in 2008.

During 2008, the Colombian Superintendency of Finance issued external circulars number 025, 030, 044 and 063 (the “2008 External Circulars”) establishing new guidelines for the valuation of derivatives and structured products. As a result of this change, Bancolombia recorded a reduction in the carrying value of derivatives that produced charges of COP 123 billion in 2009 and COP 145 billion in 2008. However, the net impact of such regulatory change was greater in 2009, because in 2008 other operating income was positively affected by greater mark-to-market gains produced by the formerly used methodology, which yielded results that were magnified by the market’s conditions in the second half of 2008. Bancolombia finished amortizing the one-time adjustments in carrying value related to the change in methodology in the first half of year 2009.

In addition, the sale of Bancolombia’s interest in Multienlace S.A. positively affected other operating income in 2008. As part of this transaction, the Bank recorded gains on sales of investment securities of COP 92 billion for 2008.

Operating expenses

For 2009, operating expenses totaled COP 2,826 billion, up 10% as compared to 2008.

Personnel expenses (the sum of salaries and employee benefits, bonus plan payments and compensation) totaled COP 1,145 billion in 2009, up 6% as compared to 2008. This performance was primarily driven by the combined effect of larger headcount (the bank increased its number of employees to 1,473 during 2009, representing a 7% increase compared to 2008) and wage increments during 2009, which off-set lower bonus plan payments and compensation in 2009 vs. 2008.

Administrative and other expenses totaled COP 1,418 billion in 2009, up 12% as compared to 2008, driven by increased fees paid in connection with software development and IT upgrades, greater collection efforts, greater costs associated with deposit insurance and higher taxes and tariffs.

Depreciation expense totaled COP 185 billion in 2009, increasing 31% as compared to 2008. This increase was driven by the growth in the depreciation of assets that are part of the operating lease business of Bancolombia. In particular, COP 70 billion or 38% of 2009’s depreciation expense is associated with operating lease assets.

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Provision Charges and Credit Quality

For the year 2009, provision charges (net of recoveries) totaled COP 1,153 billion (or 2.6% of average loans), which represents an increase of 2% as compared to COP 1,133 billion in 2008 (or 2.8% of average loans). The high level of credit cost was driven by higher net charge-offs in our loan portfolio and higher reserve additions for deterioration across all credit segments, reflecting the lower economic activity and weaker labor markets.

Net loans' charge-offs totaled COP 926 billion in 2009, up 69% from 548 COP billion in 2008, while the increase in the amount of past due loans before charge-offs amounted to COP 929 billion in 2009, down 13% as compared to COP 1,067 billion in 2008.

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

Allowance for credit losses

Allowances for loan and financial lease losses amounted to COP 2,432 billion or 5.8% of total loans at the end of 2009 up from COP 2,134 billion, or 4.8% of total loans as of December 31, 2008. Coverage for loan losses, measured by the ratio of allowances to PDLs (overdue 30 days) also increased, reaching 149% at the end of 2009, up from 131% at the end of 2008. The coverage increase reflects the Bank's prudent approach toward risk and incorporates as mentioned above stricter parameters than those required by the Superintendency of Finance. As of December 31, 2009, allowances in the amount of COP 494 billion were recorded in excess of the minimum allowances required by Colombia's Superintendency of Finance.

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

Merger Expenses and Goodwill Amortization

For the year ended December 31, 2009, goodwill amortization amounted to COP 69 billion, down from COP 73 billion in 2008 (5% decrease). During 2008 the Bank completed the amortization of goodwill recorded in connection with the acquisition of Banco de Colombia S.A. that occurred in the year 1998.

As of December 31, 2009, outstanding goodwill totaled COP 856 billion, which represents a 15% decrease from COP 1,009 billion at the end of 2008. Outstanding goodwill represented 1.4% of the Bank's total assets and primarily comprises the goodwill related to the acquisition of Banagrícola, which will be amortized over 20 years beginning in May 2007.

Non-Operating Income (Expenses)

Net non-operating income, which includes gains/losses from the sale of foreclosed assets, property, plant and equipment and other assets and income from minority interests, totaled COP 78 billion in 2009, significantly higher than COP 13 billion in 2008. This performance is explained by lower non-operating expenses in 2009, which decreased 25% compared to 2008, driven by lower expenses related to legal proceedings.

Income Tax Expenses

Income tax expense for the fiscal year 2009 totaled COP 462 billion, down 3% as compared to COP 474 billion in 2008.

Tax expense is determined for every subsidiary following the tax law of the country where it is domiciled. It is important to note that Bancolombia (unconsolidated), Leasing Bancolombia, Banca de Inversion Bancolombia and Fiduciaria Bancolombia signed an agreement with the Government of Colombia in order to be subject to the tax stability regime for ten years beginning on January 2001. Pursuant to the tax stability regime, those firms agreed to be taxed two percentage points above the applicable income tax rate in Colombia in exchange for an exemption with regard to any new national taxes or rates required after the date of the agreement. For this reason, in 2009, 2008 and 2007, Bancolombia (unconsolidated), Leasing Bancolombia, Banca de Inversion Bancolombia and Fiduciaria Bancolombia did not pay any financial transaction tax, wealth tax or income surtax. Consequently, Bancolombia (unconsolidated), Leasing Bancolombia, Banca de Inversion Bancolombia and Fiduciaria Bancolombia were taxed at a total income tax rate of 36% for the fiscal year 2007, and 35% for the year 2008 and 2009, 2 percentage points above the required tax rate for the companies that were not subject to the tax stability regime in Colombia. This agreement will be terminated in December 31, 2010 (in the case of Fiduciaria Bancolombia, the agreement was terminated in December 31, 2009).

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

RESULTS BY SEGMENT

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

These segments changed from those reported in 2009. For an explanation of the reasons for this change, please see Note 31-section (y) “Segments Disclosure” to the Bank’s consolidated financial statements as of December 31, 2010.

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

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

	Year ended December 31,				
	2010	2009	2008	Change 2010-2009	Change 2009-2008
			(COP in million)		
Net Interest Income	2,617,840	2,954,586	2,846,819	(11.40)%	3.79%
Net provisions	(378,778)	(866,097)	(955,657)	(56.27)%	(9.37)%
Net Commissions	1,197,419	1,116,632	1,000,716	7.23%	11.58%
Other net revenues	444,676	276,437	529,493	60.86%	(47.79)%
Total Operating Income	3,881,157	3,481,558	3,421,371	11.48%	1.76%

Operating expenses	2,442,504	2,209,990	2,056,822	10.52 %	7.45 %
Non-operating income (expense)	71,628	61,378	25,904	16.70 %	136.94 %
Income before income taxes	1,510,281	1,332,946	1,390,453	13.30 %	(4.14)%
Income tax expense	(334,712)	(316,170)	(348,911)	5.86 %	(9.38)%
Segment profit	1,175,569	1,016,776	1,041,542	15.62 %	(2.38)%
Segment assets	49,499,711	42,952,531	41,815,182	15.24 %	2.72 %

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

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

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

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

In 2009, profit for Banking Colombia decreased 2.4% to COP 1,017 billion due to weak growth in the loan portfolio combined with a reduction in net interest margins, which caused net interest income to grow only 3.8%. Additionally, operating expenses grew by 7.4%. Even though commissions grew 11.6% and provisions decreased 9.4%, these decreases were not sufficient to prevent a decline in segment profit for the year. Operating expenses grew 7.45%, driven by wage increases and higher administrative expenses due to inflation.

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

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

	Year ended December 31,				
	2010	2009	2008	Change 2010-2009	Change 2009-2008
			(COP in million)		
Net Interest Income	362,155	393,873	321,797	(8.05)%	22.40%
Net provisions	(102,681)	(179,418)	(92,572)	(42.77)%	93.81%
Net Commissions	115,206	136,137	131,145	(15.37)%	3.81%
Other net revenues	18,476	16,759	17,505	10.25%	(4.26)%
Total Operating Income	393,156	367,351	377,875	7.02%	(2.79)%
Operating expenses	189,922	238,432	215,880	(20.35)%	10.45%
Non-operating income (expense)	600	(8,748)	22,278	(106.86)%	(139.27)%
Income before income taxes	203,834	120,171	184,273	69.62%	(34.79)%
Income tax expense	(54,547)	(23,446)	(36,897)	132.65%	(36.46)%
Segment profit	149,287	96,725	147,376	54.34%	(34.37)%
Segment assets	7,093,621	7,756,293	8,526,531	(8.54)%	(9.03)%

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

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

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

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

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

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

In 2009, profit for Banking El Salvador decreased 34.4% to COP 97 billion. Net interest income grew 22.4% to COP 394 billion despite the asset contraction of 9% during the year; this was possible due to a smaller increase in cost of deposits as compared to the increase of interest revenues. Credit quality and increased risk of deterioration of loans, forced the Bank to increase provisions by 93.8% in order maintain an adequate allowance and this resulted in a reduction of operating income of 2.8%. Operating expenses grew 10.4% due to increases in labor costs and other administrative expenses. Non operating income presented a loss of COP 8.9 billion due to the effect of converting dollar-denominated assets into Colombian pesos and the depreciation of the USD versus the COP.

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

	Year ended December 31, 2010	2009	2008	Change 2010-2009	Change 2009-2008
	(COP in million)				
Net Interest Income	443,574	432,472	428,817	2.57%	0.85%
Net provisions	(48,262)	(96,419)	(85,898)	(49.95)%	12.25%
Net Commissions	4,895	597	5,951	719.93%	(89.97)%
Other net revenues	53,799	46,197	17,278	16.46%	167.37%
Total Operating Income	454,006	382,847	366,148	18.59%	4.56%
Operating expenses	213,433	183,597	171,832	16.25%	6.85%
Non-operating income (expense)	(7,032)	(5,345)	(3,479)	31.56%	53.64%
Income before income taxes	233,541	193,905	190,837	20.44%	1.61%
Income tax expense	(47,208)	(43,348)	(35,729)	8.90%	21.32%
Segment profit	186,333	150,557	155,108	23.76%	(2.93)%
Segment assets	8,345,821	7,341,863	6,939,220	13.67%	5.8%

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

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

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Net provision charges decreased 50% to COP 48 billion, due to better credit quality and high provision charges that the company made in previous years. Allowances for bad loan losses ,as a percentage of gross loans, was 220% and past due loans as a percentage of gross loans was 2.04% at end of 2010, up from144% and 3.14% respectively at the end of 2009.

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

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

In 2009, profit for the Leasing segment decreased 2.9% to COP 151 billion. Net interest income increased 0.9% during the year due to a slowdown in demand for leasing products and a compression in margins and higher provision charges. Most of the leasing products are demanded by SMEs and large corporations that had excess installed capacity during 2009 and therefore did not require expanding their plants or acquiring new machinery. Net provision expenses increased 12.2% to COP 96 billion due to a higher deterioration of the leasing book, in part because of a slow economy that reduced demand for SMEs' output. Operating expenses grew 6.8% due to increased labor cost, expenses associated with IT systems and expansion of leasing activities in Peru.

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

	Year ended December 31,				
	2010	2009	2008	Change 2010-2009	Change 2009-2008
			(COP in million)		
Net Interest Income	16,933	17,225	14,483	(1.70)%	18.93 %
Net provisions	(394)	(2,364)	(948)	(83.33)%	149.37 %
Net Commissions	144,786	153,731	88,584	(5.82)%	73.54 %
Other net revenues	874	3,391	2,533	(74.23)%	33.87 %
Total Operating Income	162,199	171,983	104,652	(5.69)%	64.34 %
Operating expenses	53,805	44,808	36,635	20.08 %	22.31 %
Non-operating income (expense)	(742)	1,088	(2,189)	(168.20)%	(149.70)%
Income before income taxes	107,652	128,263	65,828	(16.07)%	94.85 %
Income tax expense	(34,660)	(44,333)	(24,420)	(21.82)%	81.54 %
Segment profit	72,992	83,930	41,408	(13.03)%	102.69 %
Segment assets	272,797	256,195	206,186	6.48 %	24.25 %

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

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

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

In 2009, profit for the Trust segment increased 102.7% to COP 84 billion. Net commissions, which are the main revenue generator, increased 73.5% as assets under management also increased. Mutual fund assets that were managed by the Brokerage segment were transferred to the Trust segment, with the corresponding transfer of revenues. Other revenues increased 33.9% as fees derived from consortiums and joint ventures in trust activities increased. Net Interest Income also improved due to increased returns on investments. Operating expenses increased 22.3% to COP 45 billion, primarily as a result of the increased cost of managing more assets.

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

	Year ended December 31,				
	2010	2009	2008	Change 2010-2009	Change 2009-2008
			(COP in million)		
Net Interest Income	10,303	17,438	7,159	(40.92)%	143.58%
Net provisions	1,168	(1,236)	7,227	(194.50)%	(117.10)%
Net Commissions	31,913	14,934	13,719	113.69%	8.86%
Other net revenues	94,743	31,618	55,682	199.65%	(43.22)%
Total Operating Income	138,127	62,754	83,787	120.11%	(25.10)%
Operating expenses	16,673	15,926	11,963	4.69%	33.13%
Non-operating income (expense)	133	2,258	546	(94.11)%	313.55%
Income before income taxes	121,587	49,086	72,370	147.70%	(32.17)%
Income tax expense	(18,632)	(5,460)	(1,347)	241.25%	305.35%
Segment profit	102,955	43,626	71,023	135.99%	(38.57)%
Segment assets	427,967	398,267	369,867	7.46%	7.68%

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

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

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

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

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

In 2009, profit for the Investment Banking segment decreased 38.6% to COP 44 billion. Net interest income increased 143.6% to COP 17 billion as the securities portfolio recovered the value lost in 2008. Commissions from advisory services grew 8.9%, driven by higher fees from a larger number of M&A and project finance mandates in the year. Other net revenues decreased by COP 24 billion, reflecting the absence of one-time capital gains on investments that were sold in 2008.

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

	Year ended December 31, 2010	2009	2008	Change 2010-2009	Change 2009-2008
			(COP in million)		
Net Interest Income	28,102	58,129	34,308	(51.66)%	69.43%
Net provisions	(208)	(152)	(183)	36.91%	(16.84)%
Net Commissions	52,711	48,927	56,796	7.73%	(13.86)%
Other net revenues	4,581	2,177	6,616	110.43%	(67.09)%
Total Operating Income	85,186	109,081	97,537	(21.91)%	11.84%
Operating expenses	86,699	81,679	71,304	6.15%	14.55%
Non-operating income (expense)	15,206	(1,582)	2,507	(1061.10)%	(163.10)%
Income before income taxes	13,693	25,820	28,740	(46.97)%	(10.16)%
Income tax expense	(1,245)	(8,371)	(9,283)	(85.13)%	(9.82)%
Segment profit	12,448	17,449	19,457	(28.66)%	(10.32)%
Segment assets	851,844	1,129,222	884,800	(24.56)%	27.62%

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

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

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

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

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

In 2009, profit for the Brokerage segment decreased 10.3% to COP 44 billion. Net interest income grew 69.4% due to gains on securities held by Valores Bancolombia S.A. Commissions decreased 13.9% to COP 49 billion during the year due to lower trading activities and to the transfer of assets under management and associated commission revenues to the Trust segment. Operating expenses increased 14.6% due to greater labor and administrative cost.

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

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

	Year ended December 31,				
	2010	2009	2008	Change 2010-2009	Change 2009-2008
			(COP in million)		
Net Interest Income	108,114	96,131	34,096	12.47 %	181.94 %
Net provisions	(19,754)	(8,358)	(13,104)	136.35 %	(36.22)%
Net Commissions	12,432	10,595	10,093	17.34 %	4.97 %
Other net revenues	87,081	35,486	18,048	145.40 %	96.62 %
Total Operating Income	187,873	133,854	49,133	40.36 %	172.43 %
Operating expenses	66,811	84,208	74,501	(20.66)%	13.03 %
Non-operating income (expense)	(3,279)	(1,286)	3,578	154.98 %	(135.94)%
Income before income taxes	117,783	48,360	(21,790)	143.55 %	(321.94)%
Income tax expense	-	-	-	N/A	N/A
Segment profit/(loss)	117,783	48,360	(21,790)	143.55 %	(321.94)%
Segment assets	6,068,344	6,362,171	6,939,710	(4.62)%	(8.32)%

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

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

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

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

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

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

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

In 2009, profit for the Off Shore segment was COP 48 billion, increasing from a loss of COP 22 billion in 2008. Net interest income increased by 181.9% to COP 96 billion, because of higher spreads on loans and small increases in interest expenses. Net provisions decreased by 36.2% due to better credit quality of the loan portfolio and recoveries of provisions with respect to loans that were prepaid during the year. Other revenues also had a positive trend as it reached COP 35 billion, up 96.6% from 2008, explained mainly by penalties received from pre-payments of loans. Operating expenses increased by 13%, due to higher labor costs

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

	Year ended December 31, 2010	2009	2008	Change 2010-2009	Change 2009-2008
			(COP in million)		
Net Interest Income	4,046	7,109	5,454	(43.09)%	30.34%
Net provisions	593	3,258	(1,364)	(81.80)%	(338.86)%
Net Commissions	89,969	96,676	84,386	(6.94)%	14.56%
Other net revenues	(14,887)	(17,391)	(2,418)	(14.40)%	619.23%
Total Operating Income	79,721	89,652	86,058	(11.08)%	4.18%
Operating expenses	31,115	38,278	36,895	(18.71)%	3.75%
Non-operating income (expense)	1,752	(236)	6,852	(842.37)%	(103.44)%
Income before income taxes	50,358	51,138	56,015	(1.53)%	(8.71)%
Income tax expense	(11,557)	(13,395)	(11,713)	(13.72)%	14.36%
Segment profit	38,801	37,743	44,302	2.80%	(14.81)%
Segment assets	229,156	242,226	275,493	(5.40)%	(12.08)%

In 2010, profit for the Pension and Insurance segment increased 2.8% to COP 39 billion.

Net commissions, which are the main revenue generators, decreased 6.9% to COP 90 billion, due the contraction of assets under management as employment in El Salvador suffered with the slowdown in economic activity , individuals contributed less to pension plans and purchased fewer insurance policies. As a result, operating income also decreased 11.1% during the year.

Operating expenses decreased 18.7% to COP 31 billion due to lower administrative and labor expenses.

Assets attributable to Pension and Insurance decreased 5.4% during the year, mainly driven by the contraction of the investment portfolio.

In 2009, profit for the Pension and Insurance segment decreased 14.8% to COP 38 billion. Net commissions grew 14,6% to COP 97 billion as assets under management recovered from the crisis of 2008 and more policies were issued. Operating Expenses increased 3.7%, in line with expected increments in labor cost and other administrative expenses.

All other: This includes results from particular investment vehicles of Bancolombia: Valores Simesa, Inmobiliaria Bancol, Todo 1 Colombia S.A., Inversiones CFNS, CFNS Infraestructura S.A.S, Sinesa, Sinesa Holding, Future Net, Vivayco S.A.S., Banagrícola, Inversiones Financieras Banco Agrícola, Banco Agrícola Panamá and others.

	Year ended December 31, 2010	2009	2008	Change 2010-2009	Change 2009-2008
			(COP in million)		
Net Interest Income	680	(1,694)	9,763	(140.14)%	(117.35)%
Net provisions	(181)	1,437	8,129	(112.60)%	(82.32)%
Net Commissions	840	1,920	907	(56.25)%	111.69%
Other net revenues	100,036	148,526	29,821	(32.65)%	398.06%
Total Operating Income	101,375	150,189	48,620	(32.50)%	208.90%
Operating expenses	25,343	28,493	32,968	(11.06)%	(13.57)%
Non-operating income (expense)	19,814	13,960	16,977	41.93%	(17.77)%

Income before income taxes	95,846	135,656	32,629	(29.35)%	315.75 %
Income tax expense	(5,856)	(7,490)	(5,756)	(21.82)%	30.13 %
Segment profit	89,990	128,166	26,873	(29.79)%	376.93 %
Segment assets	1,529,612	1,502,366	1,532,178	1.81 %	(1.95)%

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In 2010, profit for All Other decreased 29.8% to COP 89 billion.

Other revenue, which is the most significant revenue line decreased 32.6% to COP 100 billion. The reduction is explained by lower dividends received by the companies that compose the segment.

Operating expenses decreased 11.1% to COP 25 billion, due to lower amortization charges.

Assets attributable to All Other grew only 1.8% during the year, since no significant changes happened in the group of companies.

In 2009, profit for All Other increased 376.9% to COP 128 billion. The businesses grouped together in this classification are very diverse, nevertheless the main source of revenue are dividends and capital gains from sales of assets and divestitures which increased and impacted the line Other net revenues in 2009 due to dividends received by Banagricola and Banco Agricola Panamá.

B.LIQUIDITY AND CAPITAL RESOURCES

B.1. LIQUIDITY AND FUNDING

Market Scenario

Macroeconomic policies established by Colombia's Central Bank impact directly the liquidity levels of the financial system. During 2010, the Central Bank continued with an expansive monetary policy and maintained its reference rate in minimum historical levels. However, the liquidity levels of the system were lower as compared to last year due to the better performance of the economy and the increase in credit demand. The Bank liquidity levels were adequate and within both the internal and regulatory limits.

Liquidity Management

The Asset and Liability Management Committee ("ALCO") defines the main policies of liquidity and funding in accordance with the Bank's desired balance sheet structure.

The Bank uses a variety of funding sources to generate liquidity taking into consideration market conditions, interest rates, liquidity needs and the desired maturity profile of funding instruments. Consequently, policies are designed to achieve an optimal match between asset and liability profiles regarding maturities, interest rates and currency exposure.

One of the Bank's main strategies is to maintain a solid liquidity position., ALCO has established a minimum amount of liquid assets, calculated in relative terms to the total assets, in order to guarantee the proper operation of banking activities such as lending and withdrawals of deposits, protect capital and take advantage of market opportunities. ALCO has delegated the short-term liquidity assessment task to a smaller committee called the Liquidity Committee, which revises strategies and policies regarding liquidity. In addition, the Bank has defined a contingency liquidity plan that allows the organization to raise funds under stressed market scenarios. This contingency plan is tested on a continuous basis to guarantee its viability.

Liquid Assets consist of cash, cash equivalents, and securities admitted by the Central Bank to engage in repurchase agreements. The securities that comprise liquid assets are reviewed by ALCO in light of the Bank's liquidity objective; these investments are not constituted for trading and they must follow the investment policy defined by ALCO. Part of these securities are issued by the Colombian central government, others are issued by other Colombian government institutions and are mandatory investments.Securities issued by some foreign govermments are also taken into account as part of liquid assets.

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The Bank measures liquid assets on a daily basis and compares this result with an objective target of minimum requirements defined by ALCO. A liquid assets has policy been established under which daily liquid assets must be equal to or higher than this target. Inthe event the limit is not reached there is a 5-day period in which to increase liquidity levels.

The Superintendency of Finance requires each financial entity to have liquid assets greater than the contractual liquidity accumulative one week GAP. This contractual GAP includes the maturity of assets and liabilities of the current positions and does not include projections of future operations. The loan portfolio is affected by historical default and prepayment indicators. The maturity of deposits is modeled according to the regulation.

All of Bancolombia's local subsidiaries met this regulatory limit throughout the year.

During 2010, the Bank maintained a solid liquidity position; however it was lower as compared to 2009. The ratio of net loans to deposits (including borrowings from development banks) was 100% at the end of 2010, up from 88% at the end of 2009. The increase of the ratio is explained partly by a change in the Bank's funding structure; as Bancolombia issued ordinary notes in Colombian and international markets and obtained additional funding from international banks. Short term funding was also increased as the Bank wanted to take advantage of the low interest rates in Colombian and international markets.

The following table sets forth checking, time deposits and saving deposits as a percentage of the Bank's total liabilities for the years 2010, 2009 and 2008:

	2010		2009		2008	
Checking deposits	15.9	%	15.0	%	13.1	%
Time deposits	25.4	%	33.5	%	33.6	%
Saving deposits	30.1	%	27.6	%	25.1	%

The Bank's principal sources of funding are short-term deposits which are primarily composed of time deposits, checking accounts and savings accounts. The funding structure in 2010 changed, as the proportion of saving deposits increased while that of time deposits decreased. This change was due in part to our strategy of managing additional financial costs that would be incurred by the Bank starting 2011 due to the application in 2011 of a transactional tax on time deposits that would affect short-term deposits most. Prior to 2011, Bancolombia (unconsolidated), Leasing Bancolombia, Banca de Inversion Bancolombia and Fiduciaria Bancolombia were not subject to this tax as part of the fiscal stability regime discussed above, which expired at the end of 2010. Furthermore, a change in tax regulation, effective January 1, 2011, regarding financial transactions in Colombia had a positive effect in the growth of savings accounts as clients migrated liquid resources from fiduciaries and brokers to savings accounts ahead of the change in regulation. Deposits as a percentage of the Bank's total liabilities in 2010 were 71.4%, decreasing from 76.1% at the end of 2009. This change is explained by the issuance of long-term debt which increased total liabilities.

The Bank experienced deposit growth during 2010 as total deposits reached COP 43,538 billion, an increase of COP 1,390 billon as compared to 2009. Deposits represented 64% of assets at the end of 2010, down from 68% at the end of 2009.

As of December 31, 2010, the Bank's liabilities reached COP 60,148 billion, increasing 9.7 % as compared to the end of 2009. Liabilities denominated in pesos, which represent 73% of total liabilities (74% at the end of 2009), increased 8.5% as compared to the end of 2009, while deposits denominated in U.S. dollars totaled COP 16,208 billion, increasing 13.2% as compared to the end of 2009.

The Bank also had total outstanding borrowings from domestic development banks of COP 2,551 billion at the end of 2010. These borrowings represent a good quality source of funding provided by governmental entities in order to promote lending activities within specific sectors of the Colombian economy. This funding source is fully matched with related loans in terms of maturity and interest rates.

In addition to the main sources of funding described above, the Bank uses: (i) its debt securities portfolio as a source of short-term liquidity by engaging in repurchase agreements transactions, overnight-loan funds and the Central Bank's funds and (ii) the issuance of bonds on a regular basis to reduce the maturity mismatch between assets and liabilities, reducing the liquidity risk. During 2010 the Bank obtained funds from an issuance of ordinary notes with an aggregate principal amount of COP 1,225 billion in a public offering in Colombia Additionally, on July 27, 2010, Bancolombia issued subordinated ordinary notes (with maturity of 10 years) with an aggregate principal amount of US$620 million in the United States and international markets. As of December 31, 2010, the total outstanding aggregate principal amount of bonds issued by the Bank was COP 5,718 billion.

The Bank's management believes that the current level of liquidity is adequate and will seek to maintain its solid deposit base and the access to alternative sources of funding such as borrowings from domestic development banks, repurchase agreements, bond issuances, overnight funds and Central Bank funds, in light of market conditions, interest rates and the desired maturity profile of liabilities.

The following table sets forth the components of the Bank's liabilities for the years 2010, 2009 and 2008:

	As of December 31,								
	2010	% of total funding		2009	% of total funding		2008	% of total funding	
(COP million, except percentages)									
Checking deposits									
Peso-denominated	COP7,275,904	12.1	%	COP5,840,450	10.7	%	COP5,365,391	9.6	%
U.S. dollar-denominated	2,280,029	3.8	%	2,384,498	4.3	%	1,935,659	3.5	%
Total	9,555,933	15.9	%	8,224,948	15.0	%	7,301,050	13.1	%
Time deposits									
Peso-denominated	9,215,754	15.3	%	11,940,626	21.8	%	11,804,875	21.3	%
U.S. dollar-denominated	6,054,517	10.1	%	6,390,862	11.7	%	6,847,863	12.3	%
Total	15,270,271	25.4	%	18,331,488	33.5	%	18,652,738	33.6	%
Savings deposits									
Peso-denominated	15,794,026	26.3	%	12,999,375	23.7	%	11,928,822	21.4	%
U.S. dollar-denominated	2,266,843	3.8	%	2,144,406	3.9	%	2,068,248	3.7	%
Total	18,060,869	30.1	%	15,143,781	27.6	%	13,997,070	25.1	%
Other deposits									
Peso-denominated	507,002	0.8	%	329,693	0.6	%	272,755	0.5	%
U.S. dollar-denominated	144,892	0.2	%	119,420	0.2	%	160,787	0.3	%
Total	651,894	1.0	%	449,113	0.8	%	433,542	0.8	%
Interbank Borrowings									
Peso-denominated	-	0.0	%	-	0.0	%	-	0.0	%
U.S. dollar-denominated	2,698,941	4.5	%	1,152,918	2.1	%	2,077,291	3.7	%
Total	2,698,941	4.5	%	1,152,918	2.1	%	2,077,291	3.7	%
Repurchase agreement and interbank funds									
Peso-denominated	1,784,060	3.0	%	1,280,796	2.3	%	1,646,924	3.0	%
U.S. dollar-denominated	174,786	0.3	%	61,405	0.1	%	917,284	1.6	%
Total	1,958,846	3.3	%	1,342,201	2.4	%	2,564,208	4.6	%
Domestic development banks Borrowings and other(1)									
Peso-denominated	2,479,778	4.1	%	2,672,752	4.9	%	3,210,780	5.8	%

U.S. dollar-denominated	71,868	0.1 %	213,480	0.4 %	659,854	1.2 %
Total	2,551,646	4.2 %	2,886,232	5.3 %	3,870,634	7.0 %
Bank acceptances outstanding and derivatives						
Peso-denominated	911,353	1.5 %	-	0.0 %	-	0.0 %
U.S. dollar-denominated	(265,979)	(0.4)%	47,609	0.1 %	56,935	0.1 %
Total	645,374	1.1 %	47,609	0.1 %	56,935	0.1 %
Long term debt						
Peso-denominated	3,332,068	5.5 %	2,699,565	4.9 %	1,957,310	3.5 %
U.S. dollar-denominated	2,386,308	4.0 %	1,474,057	2.7 %	1,686,176	3.0 %
Total	5,718,376	9.5 %	4,173,622	7.6 %	3,643,486	6.5 %

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	As of December 31,								
	2010	% of total funding		2009	% of total funding		2008	% of total funding	
(COP million, except percentages)									
Other liabilities									
Peso-denominated	2,639,857	4.4	%	2,749,575	5.0	%	2,672,406	4.8	%
U.S. dollar-denominated	396,009	0.6	%	330,049	0.6	%	396,874	0.7	%
Total	3,035,866	5.0	%	3,079,624	5.6	%	3,069,280	5.5	%
Total funding									
Peso-denominated	43,939,802	73.0	%	40,512,832	73.9	%	38,859,263	69.9	%
Dollar-denominated	16,208,214	27.0	%	14,318,704	26.1	%	16,806,971	30.1	%
Total liabilities	COP 60,148,016	100.0	%	COP 54,831,536	100.0	%	COP 55,666,234	100.0	%

(1) Includes borrowings from commercial banks and other non-financial entities.

Consolidated Statement of Cash Flows

Cash flows for the Bank include net cash used in operating activities, net cash used in investing activities and net cash provided by financing activities. The following table shows those flows for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
		(COP million)	
Operating activities	COP (3,066,491)	COP 5,721,087	COP (402,768)
Investing activities	(1,093,268)	(1,027,548)	(949,537)
Financing activities	3,047,868	(2,818,255)	1,636,871
Net (decrease) increase in cash and cash equivalents	COP (1,111,891)	COP 1,875,284	COP 284,566

Cash flows in 2010 were significantly different from those observed in 2009 and 2008.

During 2010, the Bank reported a negative net cash flow that decreased the stock of cash and equivalents by COP 1,112 billion. This result is explained by COP 3,047 billion cash provided by financing activities, offset by COP 1,093 billion and COP 3,066 billion used in investing activities and operating activities respectively.

Operating Activities

Cash was used in 2010 in operating activities; growth in the loan portfolio of COP 7,843 billion was the principal use of these resources. The primary sources of cash for operating activities were deposits that increased by 2,008 billion and trading investments that decreased by COP 1,080 billion.

The loan portfolio used cash in 2008 and 2010 in similar amounts COP 6,534 billion and COP 7,843 billion respectively. In 2009, economic growth slowed; credit demand was low, the loan portfolio stayed stable decreasing COP 766 billion, liquidity was accumulated.

Deposits have been a source of liquidity during the last three years since the Bank funds an important part of its loan portfolio with these resources. In 2008, deposits increased by COP 4,966 billion; loan portfolio growth was mainly financed by deposits. In 2009, deposits increased by COP 2,695 billion, liquidity levels were high throughout the year;

this liquidity was used in 2010.

Trading investment securities in 2008 and 2009 used liquidity by COP 546 billion and COP 219 billion respectively. During 2010, there was a significant change, as COP 1,081 billion securities were sold and resources were used to fund growth in the loan portfolio.

Investing Activities

Investing activities also used cash in 2010; purchase of property plant and equipment increased by COP 546 billion, held to maturity debt securities increased by COP 435 billion and the technological renewal program used COP 101 billion.

Held to maturity debt securities have used liquidity during 2010, 2009, and 2008 in similar amounts; COP 435 billion, COP 649 billion and COP 518 billion respectively. The bank classifies part of its investments as held to maturity in order to manage interest rate risk, a portion of them are mandatory investments required by the Superintendency of Finance.

Net purchase of property plant and equipment includes operating leases which is part of the loan portfolio. In 2010, the increase was COP 546 billion; increase in operating leases explains 49% of this growth. In 2009, this value was lower, COP 203 billion, 92% of which corresponded to operating leases. In 2008, the increase was COP 712 billion; 42% of which corresponded to operating leases.

The Bank has investments related to the technological renewal program. During 2010, 2009 and 2008, the Bank invested COP 101 billion, COP 92 billion and COP 30 billion, respectively, in its technological renewal program.

Financing Activities

Financing activities provided cash during 2010; overnight funding and interbank lending increased by COP 1,896 billion, placement of long term debts increased by COP 1,654 billion. Cash was used in paying dividends to stock holders; COP 502 Billion.

In 2008 and 2010, overnight and interbank borrowing increased by COP 1,463 billion and COP 1,896 billion respectively due to the high credit demand. In 2009, the use of these funds decreased by 3,003 billion due to the high liquidity.

Structural funding is important to manage liquidity and interest rate risk; long term debt is part of the Bank's funding structure. During 2010, 2009 and 2008, the bank issued long term debt of COP 1,654 billion, COP 676 billion and 621 billion respectively. Long term debt is issued in dollars and pesos to finance growth in both currencies.

Payments of dividends to stockholders in 2010, 2009 and 2008, were COP 502 billion, COP 492 billion and COP 448 billion respectively.

Capital Position

The Bank and its subsidiaries comply with the capital adequacy requirements in their respective countries of operation.

Stockholders' equity amounted to COP 7,947 billion at the end of 2010, up 13% as compared to COP 7,033 billion in stockholders' equity at the end of 2009. This increase is the net effect of paying out dividends, generating earnings during the year 2010 and all the other transactions that directly affect the stockholders' equity.

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In addition, on a consolidated basis, the Bank's capital adequacy ratio was 14.7% as of December 31, 2010, higher than the 13.2% at the end of 2009 and the 11.2% as of December 31, 2008. The Bank's capital adequacy ratio exceeded the requirements of the Colombian government and the Superintendency of Finance by 567 basis points. The basic capital ratio (tier 1) was 10.32% and the tangible capital ratio, which is equal to stockholders' equity minus goodwill and intangible assets divided by tangible assets, was 10.26% at the end of 2010. For a full description of our capital adequacy requirements please see "Item 4. History and development of the company – B. Business Overview – B.7 – Supervision and Regulation".

TECHNICAL CAPITAL RISK WEIGHTED ASSETS	As of December 31,					
Consolidated (COP million)	2010	%	2009	%	2008	%
Basic capital (Tier I)	6,343,769	10.32	5,726,319	10.40	4,971,755	8.95
Additional capital (Tier II)	2,673,679	4.35	1,559,977	2.83	1,273,869	2.29
Technical capital(1)	9,017,449		7,286,296		6,245,624	
Risk weighted assets included market risk	61,449,661		55,084,655		55,542,485	
CAPITAL ADEQUACY(2)	14.67 %		13.23 %		11.24 %	

(1) Technical capital is the sum of basic and additional capital.
(2) Capital adequacy is technical capital divided by risk weighted assets.

B.2. FINANCIAL INSTRUMENTS AND TREASURY ACTIVITIES

The Bank's treasury division is able to carry out all transactions in local or foreign currencies that are legally authorized in Colombia. These include derivative transactions, purchase and sale of fixed income securities and indexed securities, repurchase or resale transactions, short sales, temporary securities transfers, simultaneous transactions and transactions on the foreign currency exchange market.

The Bank monitors treasury division activities through policies regarding management of liquidity, market, legal, credit and operational risks. Such policies are monitored by the Vice President of Risk Management. In order to be able to control market and liquidity risks, the Bank sets limits intended to keep its exposure levels and losses within certain ranges determined by the Bank's board of directors. The Bank's investment policies do not include restrictions regarding the maturity of the securities held in the portfolio, except those related to the liquidity portfolio, but do include a target (weighted average) duration for the entire portfolio.

Before taking any additional positions, the Bank's treasury division also verifies, with respect to investments in local and in foreign currencies, the availability of funds for investment and each investment's compatibility with the Bank's liquidity structure.

As further described in "Item 11. Quantitative and Qualitative Disclosure About Market Risk", the market risk stated in the treasury book is measured using methodologies of value at risk (VaR), and the position limits are based on the results of these methodologies. The Bank has defined VaR limits that follow a hierarchical structure, which avoid the concentration of market risk in certain groups of assets and also take advantage of portfolio diversification. In addition to VaR limits, the Bank also uses stop loss advisories to inform senior management when losses are close to certain established thresholds in the trading book. Moreover, for the options portfolio the Bank has set limits based on the sensitivity of the portfolio to the underlying, volatility and interest rates. As part of its operation, the Bank holds cash and cash equivalents primarily in Colombian pesos and U.S. dollars. Nevertheless, those positions, as well as any other currency position, are determined by the treasury division in connection with the Bank's currency risk assessment and management. Specifically, the Bank's exposure to currency risk primarily arises from changes in the U.S.

dollar/COP exchange rate. The exposure to currency risk is managed by the Bank's treasury division. The Bank uses a VaR calculation to limit the exposure to currency risk of its balance sheet. These limits are supervised on a daily basis by the Bank's Market Risk Management Office. The Bank's treasury division manages a derivative portfolio which includes forward agreements in foreign currency with the purpose of hedging its currency exposure.

B.3. COMMITMENT FOR CAPITAL EXPENDITURES

See “Item 4. Information on the Company – A. History and Development of the Company – Capital Expenditures and Divestitures”.

C.RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Not Applicable

D.TREND INFORMATION

During the first half of 2010, the Bank’s net interest income was pressured by decreasing interest margins and the contraction of the loan portfolio in line with the trend experienced in 2009. During the second half of the year, net interest income remained stable as interest rates and margins also remained stable and credit volumes increased as demand grew. In addition, credit cost in 2010 was lower, as provision charges were below their historical relative level. Future levels of loan volumes, interest margins and credit cost will be key drivers of the Bank’s performance. The following is a brief discussion of recent trends with regard to those three elements.

Loan Volume Performance

Gross loans and financial leases (i.e, before allowance for loans and financial lease losses) increased 16% during 2010. Credit growth was slow during the first half of the year, mainly because large companies in Colombia did not require expanding their facilities due to excess installed capacity and some were prepaying some loans. Government spending during the 2010 presidential pre-electoral season was restricted and some projects were delayed, which negatively impacted economic growth and credit demand in the first six months of the year.

During the second half of the year, economic activity in Colombia improved and consumer confidence increased. As a result, demand in mortgages and consumer loans picked up vigorously and commercial loans started growing again. By the end of the year, commercial loans grew 19%, consumer loans grew 19%, small business loans grew 26%, leasing grew 7% and mortgages (including securitized mortgages) increased 11%, in each case from the level at the end of 2009.

Economic growth in El Salvador was slow in 2010 and Banco Agricola’s loan book contracted as there was lower demand from corporate and individuals; this generated a lagging effect in the Grupo Bancolombia’s overall book.

USD denominated loans grew 26% during 2010. This reflected the recovery of international trade as the world economy improved and there was greater demand from companies with revenues in USD. Corporations in Colombia and off shore financing, particularly in Central America, led the demand for this type of loan. Nevertheless, this growth was offset by the USD depreciation versus the COP.

Debt issuances by Colombian companies were COP 13,796 billion in 2010 (up 1% from COP 13,694 billion in 2009), and non-financial firms issued about COP 4,900 billion (down 26% from COP 6,630 billion in 2009). Although during 2009 the Bank suffered the impact of corporations obtaining resources from local capital markets instead of taking loans, in 2010 the impact was lesser due to the higher demand for resources and the competitive interest rates offered by banks. Mid size companies and SMEs demanded more credit and that allowed the Bank to grow its loan portfolio.

Credit demand is expected to be strong in 2011 as the economy in Colombia continues to grow, and individuals and corporations demand consumer and commercial loans; and as the economy in El Salvador recovers from the crisis of

2008 - 2010.

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Net Interest Margins

The majority of the Bank's loan book has a variable rate (60% of loans have a maturity of more than a year and variable rates) and the re-pricing pace of our assets tends to be faster than that of our liabilities. Consequently, the interest rate cuts in Colombia during the first quarter of 2010 had an effect on the Bank's net interest margins, as they shrank from 6.7% in the fourth quarter of 2009 to 5.9% in the fourth quarter of 2010.

The bank's strategy during the year was to defend the net interest margin by changing the mix of deposits and increasing the proportion of demand deposits (savings and checking accounts) which are less expensive than time deposits.

Ample liquidity, a more favorable deposit mix (one with a greater proportion of demand deposits) and a potential increase in interest rates in the economy point toward stability in interest margins in 2011.

Credit Cost

For the year 2010, the cost of credit was 1.2% of average loans, lower than the 2.6% experienced in 2009 and the 2.8% in 2008 This lower level of credit cost was driven by lower net charge-offs in our loan portfolio and lower reserve additions across all credit segments, reflecting the better economic activity and stronger labor markets.

A better economic outlook and signs of improvement in asset quality point towards a more positive scenario for asset quality and provision burden in 2011.

E.OFF-BALANCE SHEET ARRANGEMENTS

The following are the off-balance sheet arrangements in which the Bank is involved: standby letters of credit, letters of credit and bank guarantees.

Standby letters of credit and bank guarantees are conditional commitments issued by us to guarantee the performance of a customer to a third party. The Bank typically has recourse to recover from the customer any amounts paid under these guarantees. In addition, the Bank may hold cash or other highly liquid collateral to support these guarantees.

At December 31 2010,2009 and 2008, outstanding letters of credit and bank guarantees issued by Bancolombia totaled COP 3,198,143 million, COP 3,094,924 million and COP 3,524,631 million, respectively.

The table below summarizes at December 31, 2010 and 2009 all of the Bank's guarantees where the Bank is the guarantor. The total amount outstanding represents maximum potential amount (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 greatly exceed anticipated losses.

Commissions received from these arrangements amounted to COP 23,250, COP 15,280 and COP 10,895 for 2010, 2009 and 2008 respectively. (For commitments to originate loans see F. Tabular disclosure of contractual obligations, for unused credit lines see Item 18. Note 17 Interbank Borrowings.

	Expire within one year At December 31,		Expire after one year At December 31,		Total amount outstanding At December 31,		Maximum potential amount of future losses At December 31,	
	2010	2009	2010	2009	2010	2009	2010	2009

	COP millions							
Financial standby letters of credit	1,146,617	1,280,104	540,354	323,997	1,686,971	1,604,101	1,686,971	1,604,101
Bank guarantees	1,111,606	1,047,549	399,566	443,274	1,511,172	1,490,823	1,511,172	1,490,823
Total (COP)	2,258,223	2,327,653	939,920	767,271	3,198,143	3,094,924	3,198,143	3,094,924

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F.TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table shows the Bank's contractual obligations as of December 31, 2010:

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
			(COP millions)		
Long-term debt obligations	COP 5,817,459	COP 845,997	COP 1,201,792	COP 542,610	COP 3,227,060
Time deposits	15,426,539	13,390,962	1,200,455	189,474	645,647
Commitments to originate loans	1,926,117	1,926,117	-	-	-
Commitments of repurchase of investments	-	-	-	-	-
Employee benefit plans	220,633	63,857	38,908	37,302	80,567
Borrowings from domestic development banks	2,551,646	303,780	746,668	642,915	858,283
Total	COP 25,942,394	COP 16,530,713	COP 3,187,823	COP 1,412,301	COP 4,811,557

The amounts shown in the table include interest costs on debt. The Bank does not have any uncertain positions to report.

G.CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following are considered critical accounting policies, given their significant impact on the financial condition and operating performance of the Bank. This information should be read together with Note 2. Summary of significant accounting policies of the Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES UNDER COLOMBIAN GAAP

Evaluation of loan portfolio risk and determination of allowances for loan losses: Under Colombian GAAP, the Bank currently evaluates loan portfolio risk according to the rules issued by the Colombian Superintendency of Finance, which establishes qualitative and quantitative standards for assigning a risk category to individual assets. The qualitative analysis includes the evaluation of "potential weaknesses", "deficiencies" or "serious deficiencies" based on the existence and magnitude of specific factors, according to the judgment of management. For the quantitative evaluation, the Bank first determines whether the loan has become due and then classifies the loan according to the number of days past due.

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

Microcredit and mortgage loans are provisioned considering a minimum allowance level for each credit category. In addition, a general allowance equal to 1% of the outstanding loan balance is required.

The Bank considers the accounting estimates used in the methodology to determine the allowance for loan losses to be "critical accounting estimates" because: (a) by its nature, the allowance requires the Bank to make judgments and assumptions regarding the Bank's loan portfolio, (b) the methodology used in its determination is based on the existence and magnitude of determined factors that are not necessarily an indication of future losses and (c) the amount of the provision that is based on reference models for commercial and consumer portfolio and a percentage based on the risk category for microcredit and mortgage portfolio, although it is impossible to ensure that this percentage will exactly reflect the probability of loss.

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Contingent Liabilities:

The Bank is subject to contingent liabilities, including judicial, regulatory and arbitration proceedings and tax and other claims arising from the conduct of the Bank's business activities. Under Colombian GAAP, allowances are established for legal and other claims by assessing the likelihood of the loss actually occurring as probable, possible or remote. Contingencies are partially provisioned and are recorded when all the information available indicates that it is probable that the Bank will be required to make disbursements in the future for events that happened before the balance sheet date and the amounts may be reasonably estimated. The Bank engages internal and external experts (lawyers and actuaries) in assessing probability and in estimating any amounts involved.

Throughout the life of a contingency, the Bank may learn of additional information that can affect assessments regarding probability or the estimates of amounts involved. Changes in these assessments can lead to changes in recorded allowances.

The Bank considers the estimates used to determine the allowance for contingent liabilities to be "critical accounting estimates" because the probability of their occurrence and the amounts that the Bank may be required to pay are based on the Bank's judgment, which will not necessarily coincide with the future outcome of the proceedings.

Pension Plan: Under Colombian GAAP, the Bank applies the provisions of Decree 4565 of 2010, which requires a distribution of charges to amortize the actuarial calculation by 2029. The distribution is calculated by taking the percentage amortized up to December 2009 and annually adding the minimum percentages needed to complete amortization by 2029. Under the Bank's non-contributory unfunded defined benefit pension plan, benefits are based on length of service and level of compensation.

The Bank considers that the accounting estimates related to its pension plan are "critical accounting estimates" because the determination of the contributions to the plan involves judgments and assumptions made by the actuaries related to future macroeconomic and employee demographic factors, among others, which will not necessarily coincide with the future outcome of such factors.

Recognition of Business Combinations: 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 includes 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 interests method of accounting requires the aggregate of the stockholders' equity of the entities included in the business.

The Conavi/Corfinsura Merger 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 acquisitions were accounted for using the purchase method under Colombian GAAP.

Goodwill Recognized Upon Business Combinations: The Bank tests goodwill recognized upon business combinations for impairment at least annually using a two-step process that begins with an estimation of the fair value of a reporting unit. The first step is a screen for potential impairment, and the second step measures the amount of impairment, if any. However, if certain criteria are met, the requirement to test goodwill for impairment annually can be satisfied without a remeasurement of the fair value of a reporting unit. Fair value is determined by management by reference to market value, if available, or by pricing models or with the assistance of a qualified evaluator. Determination of a fair value by a qualified evaluator or pricing model requires management to make assumptions and use estimates.

The most significant amounts of goodwill and intangibles relate to the acquisition of Conavi and Corfinsura in 2005 and Banagrícola in 2007. The valuation models used to determine the fair value of these companies and the intangibles are sensitive to changes in the assumptions. Adverse changes in any of these factors could lead the bank to record a goodwill or intangible impairment charge. Management believes that the assumptions and estimates used are reasonable and supportable in the existing market environment and commensurate with the risk profile of the assets valued. However, different assumptions and estimates could be used which would lead to different results.

Under Colombian GAAP, financial entities have to register amortization of goodwill. According to the guidelines issued by Superintendency of Finance, the goodwill should be amortized using the exponential method, however, others methods which provide a better association between the revenues and expenses are permitted. Since January, 2008, the straight-line method has been used to amortize goodwill, since the Bank considers this method to provide a better association between the revenues and expenses corresponding to this investment. Under Colombian GAAP the Bank performs impairment test using discounted cash flow technique.

The Bank considers amortization and impairment tests to be "critical accounting estimates" because of the importance of assumptions used in the testing and the sensitivity of the results to the assumptions used.

Recognition and Measurement of Financial Instruments at Fair Value: A portion of the Bank's assets is carried at fair value for Colombian GAAP purposes, including equity and debt securities with quotations available or where quoted prices are available for similar assets, derivatives, customers' acceptances and short-term borrowings.

Under Colombian GAAP, the fair value of a financial instrument is defined as the estimated amount at which the instrument could be exchanged in a current transaction between willing and independent parties. A large proportion of the Bank's assets reported at fair value are based on quoted market prices, which provide the best indication of fair value. If quoted market prices are not available, the Bank discounts the expected cash flows using market interest rates which take into account the credit quality and duration of the investment. The degree of management's judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices. When observable market prices and parameters do not exist, management's judgment is necessary to estimate fair value, in terms of estimating the future cash flows, based on variables of the instruments, the inherent credit risk and the applicable interest rate to discount those cash flows.

As of December 31, 2010, the Bank's assets that were fair-valued using discounted cash flow techniques amounted to COP 3,583 billion and mainly included bonds and notes issued by the Colombian government or its entities and corporate debt securities.

As of December 31, 2010, derivative financial instruments were not recognized based on quoted prices and as a consequence, valuation techniques such as discounted cash flows, Black-Scholes and similar methodologies were performed to measure the estimated fair value, using where possible current market-based or independently sourced market parameters, such as interest rates, currency rates and forward curves based on transactions.

The estimated fair value of instruments based upon internally developed valuation techniques could vary if other valuation methods or assumptions were used.

As of December 31, 2010, our financial derivatives that were fair-valued using discounted cash flows and Black-Scholes techniques amounted net to COP 118 billion and mainly included market rate and interest rate swaps and forwards.

For the Bank's derivative financial instruments that have optionality, the relevant option model is used. For a further discussion on the effect of a change in interest rates and foreign exchange rates on the Bank's portfolio see "Item 11. Quantitative and Qualitative Disclosures About Market Risk".

Securitizations: The Bank has securitized both performing and non-performing mortgage loans which, according to Colombian GAAP, have been accounted for as sales, and, as such, said loans have been removed from the Bank's balance sheet.

As of 2009 (effective date), when External Circular 047 of 2008 was issued, assets subject to portfolio securitizations could be derecognized as firm transfers or disposals providing the following conditions were fulfilled:

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Assets assigned to securitizations must be transferred exclusively to securitization firms in order to set up Special-Purpose Vehicles (SPVs).

In the case of securitizations carried out by securitization firms or directly by credit establishments, the disposal of the corresponding assets must be carried out by separating the equity value of the securitized assets and creating the corresponding SPV.

The disposal or transfer of securitized assets must not be subject to any type of express or implicit cancellation clause or provision.

In transferring or disposing of these securitized assets, the total benefits and risks inherent or accruing from such assets must also have been totally transferred.

Under no circumstance shall the originator conserve discretionary rights to dispose of, control, limit, encumber, substitute, reacquire or use the assets thus transferred or disposed of.

Also, this new regulation provided that in cases where the transferor retains a positive residual interest, it may record as an investment the fair value of the residual interest subject to the conditions defined for this purpose in the applicable rules and regulations of the issue in question, with a balancing entry in the investment valuation income account. This value must be updated at least every year, on the anniversary of the date on which the SPV was set up and in any case on the closing date of the fiscal period in question. As a result of the above, the Bank has recognized retained interest as held to maturity debt securities in the amount of COP 19,699 and COP 57,358 as of December 31, 2010 and 2009 respectively.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES UNDER U.S. GAAP

Allowance of Deferred Tax Assets

A valuation allowance for deferred tax assets is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. All available evidence, both positive and negative, is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed. Future realization of the tax benefit of existing deductible temporary differences or carryforwards ultimately depends on the existence of sufficient taxable income in future periods.

In determining a valuation allowance, the Bank performs a review of future taxable income (exclusive of reversing temporary differences and carryforwards) and future reversals of existing taxable temporary differences. Management’s judgment on the likelihood that deferred tax assets can be realized is subjective and involves estimates and assumptions about matters that are inherently uncertain.

With regard to state taxes, Bancolombia is subject to Colombian tax legislation. In the case of its companies based in El Salvador, it must also calculate the corresponding taxes according to Salvadorian tax legislation.

With regard to municipal and departmental taxes, these must be calculated according to tax legislation applicable in each of the municipal jurisdictions in which the Bank’s branch offices are located.

The application of tax legislation is subject to diverse interpretations on the part of both tax payers and the Colombian tax authorities (Dirección de Impuestos y Aduanas Nacionales)

When calculating deferred tax, the Bank considers future estimates, the figures recorded in its financial statements, as well as applicable tax legislation.

Valuation of the deferred tax asset is considered to be a critical accounting estimate, because it requires determinations involving estimates of profits and future taxable incomes that are inherently uncertain and can be affected by changes in economic conditions and other factors, including future changes in law. The valuation allowance has been determined based on estimations of taxable income and the application of current fiscal laws.

Evaluation of Loan Portfolio Risk and Determination of Allowances for Loan Losses: 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 are assessed based on the present value of estimated future cash flows discounted at the 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 discounted future cash flows or the fair value of collateral is lower than book value.

In addition, if necessary, a specific allowance for loan losses is established for non-impaired 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 collectability and affecting the quality of the loan portfolio.

Determining the allowance for loan losses requires significant management judgments and estimates including, among others, identifying impaired loans, determining customers' ability to pay and estimating the fair value of underlying collateral or the expected future cash flows to be received.

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.

A one-percent decrease in the expected cash flows could result in an impairment of the portfolio of approximately COP 9,554 million. These sensitivity analyses do not represent management's expectations of the decline in risk ratings or the increases in loss rates, but are provided as hypothetical scenarios to assess the sensitivity of the allowance for loan and lease losses to changes in key inputs. The Bank believes the risk ratings and loss severities currently in use are appropriate and represent management's expectations about the credit risk inherent in its loan portfolio.

The Bank considers accounting estimates related to provisions for loans and advances "critical accounting estimates" because: (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and advances are based on recent performance experience, and (ii) any significant difference between the Bank's estimated losses (as reflected in the provisions) and actual losses would require the Bank to take provisions which, if significantly different, could have a material impact on its future financial condition and results of operations. The Bank's assumptions about estimated losses are based on past performance, past customer behavior, the credit quality of recent underwritten business and general economic conditions, which are not necessarily an indication of future losses.

Pension Plan: Under U.S. GAAP, actuarial valuation of its pension plan is performed annually using the projected unit credit method in accordance with ASC 715 Compensation-Retirement Benefits and prepared using actuarial, economic and demographic assumptions about future events.

The Bank considers the accounting estimates related to its pension plan to be "critical accounting estimates" because the determination of the contributions to the plan involves judgments and assumptions made by the actuaries related to the future macroeconomic and employee demographic factors, among others, which will not necessarily coincide with the future outcome of such factors.

Recognition and Measurement of Intangibles Recognized Upon Business Combinations: Under U.S. GAAP, the Bank accounts for acquired businesses using the acquisition purchase method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. The application of the acquisition method requires certain estimates and assumptions, especially concerning the determination of fair values of the acquired intangible assets and property, plant and equipment, as well as the liabilities assumed at the date of the acquisition.

In addition, the useful lives of acquired intangible assets, property, plant and equipment have to be determined. The judgments made in the context of the purchase price allocation can materially impact the Bank's future results of operations. Accordingly, for significant acquisitions, the Bank obtains assistance from third-party valuation specialists. The valuations are based on information available at the acquisition date and different methodologies are used for each intangible identified.

Goodwill and Intangibles Recognised Upon Business Combinations: Under U.S. GAAP, for business acquisitions occurred before January 1, 2009, goodwill was measured as the excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed. Since January 1, 2009 goodwill has been measured as the excess of the sum of the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. The Bank tests goodwill recognized upon business combinations for impairment at least annually using a two-step process that begins with an estimation of the fair value of a reporting unit. A reporting unit is defined as an operating segment or one level below an operating segment; which is a business component that earns revenues and incurs expenses, whose operating results are regularly reviewed by management to assess performance and allocate resources. The first step is a screen for potential impairment, and the second step measures the amount of impairment, if any. However, if certain criteria are met, the requirement to test goodwill for impairment annually can be satisfied without a remeasurement of the fair value of a reporting unit. Fair value is determined by management by reference to market value, if available, by pricing models, or with the assistance of a qualified evaluator. Determination of fair value by a qualified evaluator or pricing model requires management to make assumptions and use estimates to forecast cash flow for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the reporting unit; estimation of the fair value of reporting units; and the valuation of the separable assets of each business whose goodwill is being reviewed.

The amount of goodwill allocated to the reporting unit and the key assumptions used by management in determining the fair value are:

Reporting segments	Reporting Unit	Goodwill 2010	Valuation Methodology	Key Assumptions	Discount Rate (real)		Growth rate (real)	
Banking El Salvador	Banco Agrícola	COP 568.058	Cash flow	10 years plan	10.0	%	1.25	%
Banking Colombia	Bancolombia Tuya and Factoring(1)	428,040	Cash flow	10 years plan	12.5	%	5.2	%
Leasing	Leasing Bancolombia	54,238	Cash flow	10 years plan	12.5	%	0	%
Pension and Insurance	AFP Crecer and Aseguradora Suiza	50,890	Cash flow	10 years plan	10.0% -11.7	%	0	%
Trust	Fiduciaria Bancolombia	2,493	Cash flow	10 years plan	12.5	%	5.2	%
Investments	Banca de Inversión	132,273	Cash flow	10 years plan	12.5	%	5.2	%
Brokerage	Valores Bancolombia	43,722	Cash flow	10 years plan	12.5	%	5.2	%
Off Shore	Bancolombia Puerto Rico	31,534	Cash flow	10 years plan	12.5	%	5.2	%

All Other Segments	Inversiones CFNS	COP 1,330	Cash flow	10 years plan	12.5 %	5.2 %

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(1) In 2009, the Bank has performed the impairment test of Factoring Bancolombia's goodwill and concluded there was an impairment. The impairment loss has been recorded to the extent of carrying amount of the goodwill. There are no reporting units close to failing the first step of the impairment test performed during 2010.

The changes in the organizational structure in 2010 resulted in the creation of new reporting segments. As a result, the Bank identified new reporting units as required under ASC 350, Intangibles— Goodwill and Other. Goodwill affected by the reorganization has been reassigned from seven reporting units to nine. There are no reporting units close to failing the first step of the impairment test performed during 2010.

The long-term growth rates have been based on respective country GDP rates adjusted for inflation. The risk discount rates are based on observable market long-term government bond yields and average industry betas adjusted for an appropriate risk premium.

The most significant amounts of goodwill and intangibles relate to the Conavi/Corfinsura Merger in 2005 (allocated to Bancolombia, Tuya and Factoring Reporting Unit) and the acquisition of Banagrícola in 2007. The valuation models used to determine the fair value of these companies and the intangibles are sensitive to changes in the assumptions. Significant adverse changes in discount rate or growth rate could lead the Bank to record a goodwill or intangible impairment charge. Management believes that the assumptions and estimates used are reasonable and supportable in the existing market environment and commensurate with the risk profile of the assets valued. However, different assumptions and estimates could be used which would lead to different results.

Recognition and Measurement of Financial Instruments at Fair Value:

Effective January 1, 2008, for U.S. GAAP purposes, the Bank adopted ASC 820 – Fair Value Measurements and Disclosures. As a result, the Bank has made amendments to the techniques used in measuring the fair value in order to include considerations about credit risk, as described below.

The Bank holds debt and equity securities, derivatives, assets-backed securities, loans, short-term borrowings and long term-debt, to meet clients' needs and to manage liquidity needs and market risk.

a. Overall Valuation Methodology

When available, the Bank generally uses quoted market prices to determine fair value, and classifies such items within Level 1 of the fair value hierarchy established under ASC 820. 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.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates and option volatilities. Financial instruments valued in this manner are classified within level 2 of the fair-value hierarchy under ASC 820.

When an internally developed model is used to price a significant product, it is subject to validation and testing by independent personnel and the item would be classified as Level 3 of the fair-value hierarchy established under ASC 820.

b. Credit Valuation Adjustments

For U.S. GAAP purposes, beginning January 1, 2008 with the adoption of fair-value measurement guidance, the Bank has measured the effects of the credit risk of its counterparties and its own creditworthiness in determining fair value of certain financial instruments that are measured on a recurring basis.

Counterparty credit-risk adjustments are applied to derivatives, such as over-the-counter derivatives, where the base valuation uses market parameters based on the LIBOR, the COP interest rate curve implicit in the Cross Currency Swap Curve and foreign exchange curves.

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 Credit Default Swap ("CDS") market. The credit risk adjustment for derivatives transacted with all other counterparties is calculated by incorporating unobservable credit data derived from internal credit qualifications to the financial institutions and corporations located in Colombia.

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The Bank also considers its own creditworthiness when determining the fair value of an instrument, including OTC derivative instruments if the Bank believes market participants would take that into account when trading the respective instrument. The approach to measuring the impact of the Bank's credit risk on an instrument is in the same as for third-party credit risk.

As of December 31, 2010, a hundred basis points increase in our own credit spreads when determining the credit valuation adjustment of our derivative portfolio, could result in a reduction of the associated adjustment of approximately COP 1,059 in 2010. On the other hand, a hundred basis points increase in the counterparty credit spreads when determining the credit valuation adjustment of our derivative portfolio, could result in an increase of the associated adjustment of approximately COP 7,883 in 2010. 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 our derivative portfolio to changes in credit spreads.

c. Loans

The Bank is required, on a nonrecurring basis, to adjust the carrying value of certain assets or provide valuation allowances related to certain assets using fair-value measurements in accordance with U.S. GAAP. Loans are generally not recorded at fair value on a recurring basis. Periodically, the Bank records nonrecurring adjustments for including certain impairment amounts for collateral-dependent loans calculated in accordance with ASC 450 Contingencies when establishing the allowance for loan losses. Such amounts are generally based on the fair value of the underlying collateral supporting the loan. Estimates of fair value used for collateral supporting loans generally are based on assumptions not observable in the marketplace and therefore such valuations have been classified as Level 3. Loans subject to nonrecurring fair value measurement were COP 266,503 millions at December 31, 2010 classified as Level 3. Changes in fair value recognized for loan impairment reserves on loans held by the Bank on December 31, 2010 represented impairment losses for COP 91,814 millions for the year ended December 31, 2010.

d. Other than Temporary Impairment:

The Bank conducts regular reviews to assess whether other than temporary impairment exists, in accordance with ASC 320. If the Bank determines that unrealized losses are temporary in nature, they are recorded in Accumulated Other Comprehensive Income.

U.S. GAAP requires, when an entity intends to sell an impaired debt security or it is more likely than not that it will be required to sell prior to recovery of its amortized cost basis, the recognition in earnings of the impairment loss on investment securities for decline in fair value. Determinations of whether a decline is other than a temporary decline often involve estimating the outcome of future events. Management judgment is required in determining whether factors exist that indicate that an impairment loss has been incurred at the balance sheet date. These judgments are based on subjective as well as objective factors. The Bank conducts a review semi-annually to identify and evaluate investment securities that have indications of possible impairment.

The Bank has determined that unrealized losses on investments as of December 31, 2010 are temporary in nature because it does not intend to sell an impaired debt security and it is not more likely than not it will be required to sell the debt security before the recovery of its amortized cost.

The substantial majority of the investments in an unrealized loss position for 12 months or more are primarily securities issued by Titularizadora Colombiana, denominated in Unidad de Valor Real (the "Real Value Unit" or "UVR"). Unrealized losses may decline as interest rates fall below the purchased yield and as the securities approach maturity. Since the Bank does not intend to sell an impaired debt security and it is not more likely than not it will be required to sell the debt security before the recovery of its amortized cost, which could be maturity, the unrealized loss is considered temporary.

The Bank considers that the accounting estimate related to the valuation of financial assets and financial liabilities, including derivatives where quoted market prices are not available to be a ‘critical accounting estimate’ because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific features of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported on its balance sheet as well as its net profit/(loss) could be material.

Securitizations:

Before 2010, if the SPE activities were sufficiently restricted to meet certain accounting requirements in order to be considered a qualifying special-purpose entity (QSPE), the trust was not consolidated by the seller of the transferred assets. Additionally, under ASC 810 Consolidation, if trusts other than QSPEs met the definition of a variable interest entity (VIE), the Bank evaluated whether the bank were the primary beneficiary of the trust and, if so, consolidate it. For U.S. GAAP purposes, since the activities of some vehicles ware 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 ASC 810 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.

Under U.S. GAAP, beginning 2010 the Bank adopted the new standard stablished in FAS 166 (ASC 810) "Accounting for transfers of financial assets". Under the new standard, 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 the Bank's 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. This change in accounting principle did not have a material effect to the Bank notes US GAAP.

Under ASC 810 Consolidation, if trusts other than SPEs 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. 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 receive benefits or absorb losses that could potentially be significant to the VIE.

Additionally and in order to consolidate these vehicles used to securitize the Bank's performing loans, the Bank records loans net of allowance for loan losses. For this process, the Bank considers the evaluation of loan portfolio risk and determination of allowances for loan losses under U.S. GAAP to be "critical accounting estimates" because it is based on estimations. (See more details above in Evaluation of Loan Portfolio Risk and Determination of Allowances for Loan Losses in this item).

The table below presents the assets and liabilities of vehicles used to securitize the Bank's loans, which have been consolidated on the Banks's balance sheet at December 31, 2010, and the Bank's allowance for loan losses resulting from its involvement with consolidated vehicles used to securitize the Bank's loans as of December 31, 2010.

The allowance for loan losses represents management's estimate of probable losses inherent in this portfolio, as of December 31:

	2010	2009
Assets	COP 3,957,769	COP 2,696,829
Liabilities	2,244,528	1,428,353
Allowance for loans losses	COP 162,443	COP 130,121

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H.RECENT U.S. GAAP PRONOUNCEMENTS

In April 2011, FASB issued ASU 2011-02, “A Creditor’s Determination of Whether a Restructuring Is a Troubled Debt Restructuring”, to help creditors in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. The new guidance requires for creditors to evaluate modifications and restructurings of receivables using a more principles-based approach, which may result in more modifications and restructurings being considered troubled debt restructurings. In addition, the amendments to Topic 310 clarify that a creditor is precluded from using the effective interest rate test in the debtor’s guidance on restructuring of payables when evaluating whether a restructuring constitutes a troubled debt restructuring. As a result of applying these amendments, the Bank expects that it may include additional U.S. GAAP disclosures with respect to future periods. Management is currently evaluating the impact the ASU 2011-02 would have on the Bank‘s financial statement and U.S.GAAP disclosures.

In January 2011, FASB issued ASU 2011-01, “Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in ASU 2010-20”, to temporarily delay the effective date of the disclosures about troubled debt restructurings in ASU 2010-20 for public entities. The delay is intended to allow the Board time to complete its deliberations on what constitutes a troubled debt restructuring. Under the existing effective date in ASU 2010-20, the Bank would have provided disclosures about troubled debt restructurings for periods beginning on or after December 15, 2010. In April 2011, FASB issuad ASU 2011-02, “A creditor’s of whether a restructuring is a troubled debt restructuring”. According to ASU 2011-02, the amendments in this ASU are effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption ad de disclosures deferred by ASU 2010-01 are effective for periods beginning after June 15, 2011. Management is currently evaluating the impact the ASU 2011-01 would have on the Bank‘s financial statement and U.S.GAAP disclosures.

In December 2010, the FASB issued ASU 2010-29 “Disclosure of Supplementary Pro Forma Information for Business Combinations”, to address diversity in practice about the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. Paragraph 805-10-50-2(h) requires a public entity to disclose pro forma information for business combinations that occurred in the current reporting period. The amendments in this Update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments in this update are effective prospectively for 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, 2010.The adoption had no impact on the U.S. GAAP disclosures and financial information released by the Bank for the reporting period ending on December 31, 2010.

In December 2010, the FASB issued ASU 2010-28 “When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts”. Under Topic ASC 350 on goodwill and other intangible assets, testing for goodwill impairment is a two-step test. When a goodwill impairment test is performed (either on an annual or interim basis), an entity must assess whether the carrying amount of a reporting unit exceeds its fair value (Step 1). If it does, an entity must perform an additional test to determine whether goodwill has been impaired and to calculate the amount of that impairment (Step 2). The amendments in this Update affect all entities that have recognized goodwill and have one or more reporting units whose carrying amount for purposes of performing Step 1 of the goodwill impairment test is zero or negative. The amendments in this Update modify Step 1 so that for those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with the existing guidance and examples in paragraph 350-20-35-30, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For public entities, the amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The Bank has taken into account the amendments introduced by this Update during the annual goodwill impairment test for reporting period ending on December 31, 2010.

In August 2010, the FASB issued ASU 2010-22 to amend various SEC paragraphs based on external comments received and the issuance of SAB 112, which amends or rescinds portions of certain SAB topics related to: form of condensed financial statements, debt issue costs in conjunction with a business combination, business combinations prior to an initial public offering, accounting for divestiture of a subsidiary and other topics. The proposed amendments do not include an effective date, applications must be considered after publication. The adoption had no impact on the U.S. GAAP disclosures and financial information released by the Bank.

In August 2010, the FASB issued ASU 2010-21 to amend various SEC paragraphs pursuant to the issuance of Release No. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies. The proposed amendments do not include an effective date, applications must be considered after publication. The Bank does not expect any significant effect in its U.S. GAAP disclosures and financial information.

In July 2010, the FASB issued ASU 2010-20, to improve the disclosures that an entity provides about the credit quality of its financing receivables and the related allowance for credit losses to assist financial statement users in assessing an entity’s credit risk exposures and evaluating the adequacy of its allowance for credit losses. As a result of these amendments, an entity is required to disaggregate by portfolio segment or class of financing receivable certain existing disclosures and provide certain new disclosures about its financing receivables and related allowance for credit losses. For public entities, the disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010.

In February 2010, the FASB issued ASU 2010-10, to defer the effective date of the amendments to the consolidation requirements made by FASB Statement 167 (ASC 810-10) to a reporting entity’s interest in certain types of entities and clarify other aspects of the Statement 167 amendments. The ASU also clarifies how a related party’s interests in an entity should be considered when evaluating the criteria for determining whether a decision maker or service provider fee represents a variable interest. In addition, the ASU also clarifies that a quantitative calculation should not be the sole basis for evaluating whether a decision maker’s or service provider’s fee is a variable interest. FASB Statement 167 was adopted on January 1, 2010.

In January 2010, the FASB issued ASU 2010-06, which amends ASC 820 to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. The ASU also clarified existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. Further, the ASU amended guidance on employers' disclosures about post retirement benefit plan assets under ASC 715 to require that disclosures be provided by classes of assets instead of by major categories of assets. The ASU was effective for the first reporting period beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.

In December 2009, the FASB issued ASU 2009-17, which codifies Statement 167 and revises the former guidance under Interpretation 46(R). The amendments in ASU 2009-17 replace the quantitative-based risks-and-rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which reporting entity has (1) the power to direct the activities of a variable interest entity that most significantly affects the entity's economic performance, and (2) the obligation to absorb losses of, or the right to receive benefits from, the entity. The ASU also requires additional disclosures about a reporting entity's involvement with variable interest entities and about any significant changes in risk exposure as a result of that involvement. It is effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009. Early application is not permitted. The Bank does not expect any significant effect in its U.S. GAAP disclosures and financial information.

In June 2009, the FASB issued FASB Statement No. 166, Accounting for Transfers of Financial Assets -an amendment of FASB Statement No. 140 ("SFAS 166"), amending 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. The Bank adopted this new guidance on January 1, 2010 and is applying it prospectively.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, "Amendments to FASB Interpretation No. 46(R)" (ASC 810). This standard represents a significant change to the previous accounting rules in that it: (1) eliminates the scope exception for qualifying special-purpose entities; (2) changes the consolidation model to one based on power and economics; (3) requires a company to continually reassess whether it should consolidate an entity; (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. The Bank adopted this new guidance on January 1, 2010.

Recent Colombian GAAP Pronouncements:

As explain in Note 21 Accrued expenses, during 2010 the Colombian government established a new equity tax for 2011, which is payable in 8 semi-annually installments during the next four years. Under U.S. GAAP, this equity tax will be recorded in the year 2010 Statement of Operations for its present value amounting to COP 446,052.

ITEM 6.DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A.DIRECTORS AND SENIOR MANAGEMENT

As of April 20, 2011, the following persons acted as directors and senior management of the Bank:

Directors

David Emilio Bojanini García was born in 1956. He has been the Chief Executive Officer of Grupo de Inversiones Suramericana S.A. since September 2006 and was the CEO of Administradora de Fondos de Pensiones y Cesantías "Protección S.A." from 1991 to September 2006. Before that time, he was Actuarial Manager in Suramericana de Seguros S.A. Currently he is a member of the board of directors of Bancolombia, Grupo Inversiones Nacional de Chocolates, Inversiones Argos S.A. and Suramericana S.A.He is also part of the l Board of Directors of Proantioquia and the Privy Council for Competitiveness. He is a member of the Consejo Empresarial de América Latina – CEAL (Business Council for Latin America) as well as a member of the board of directors the Empresarios por la Educación Foundation, El Cinco Foundation and Mi Sangre Foundation, among others.

José Alberto Vélez Cadavid was born in 1950. He has been the President of Inversiones Argos S.A. since August 2003 and of Cementos Argos S.A. since December 2005. He has held several management positions at Suramericana de Seguros S.A. since 1984, including Vice President of Marketing and Sales, Vice President of Investments, Vice President of Enterprise Development and President of Inversura S.A. and Suramericana de Seguros S.A. Currently Mr. Vélez Cadavid is also a member of the board of directors of Suramericana de Inversiones S.A., Grupo Nacional de Chocolates S.A. and Calcetines Crystal S.A.

Carlos Enrique Piedrahita Arocha was born in 1954. He has been President of Compañía Nacional de Chocolates S.A. since 2000 and President of Grupo Nacional de Chocolates S.A. (formerly Inversiones Nacional de Chocolates S.A.) since 2003. He was President of Corfinsura from 1993 to 2000, Vice President of Finance of Compañía Suramericana de Seguros S.A. from 1989 to 1993, Vice President of Personal Banking of Banco Industrial Colombiano from 1986 to 1989, National Manager of Credit Cards of Banco Industrial Colombiano from 1984 to 1986 and General Manager of Suleasing S.A. from 1981 to 1984. Mr. Piedrahita Arocha is a member of the board of directors of Suramericana de Inversiones S.A., Consejo Empresario de America Latina -CEAL and Inversiones Argos S.A. He is also a member of the board of directors of the following not-for-profit organizations: Hospital San Vicente de Paúl, Proantioquia and Consejo Privado de Competitividad.

Gonzalo Alberto Pérez Rojas was born in 1958. He is the President of Inversura S.A. He has held different management positions at Compañía Suramericana de Seguros since 1981, such as Vice President of Corporate Businesses and Vice President of Insurance and Capitalization. Mr. Pérez Rojas is also a member of the board of directors of Suramericana Panamá, Fasecolda (Federación de Aseguradores Colombianos), Colombiana de Inversiones S.A., Fundación Suramericana, Grupo Nacional de Chocolates S.A. and Fundación Grupo Nacional de Chocolates.

Ricardo Sierra Moreno was born in 1951. He has been the President of Productora Distrihogar S.A. since 1989. He had previously held positions as Chief Financial Officer of Suramericana de Seguros S.A. from 1982 to 1989 and Regional Manager of Corporación Financiera Suramericana S.A. Corfinsura from 1979 to 1982. Mr. Sierra Moreno is also a member of the board of directors of Conconcreto S.A., Carulla Vivero S.A., UNE EPM Telecomunicaciones S.A. and Calcetines Crystal S.A. He has also been a member of the ANDI's sectional board since 1992.

Alejandro Gaviria Uribe was born in 1965. Since 2004, he has been a professor and researcher at Universidad de los Andes (Bogota, Colombia) and a columnist for the weekly publication "El Espectador". Previously, he was the

Sub-director of the National Planning Department from 2002 to 2004 and the Sub-director of Fedesarrollo from 2000 to 2002. He was an associate researcher for Fedesarrollo from 2000 to 2001, a researcher for the Inter-American Development Bank (ABD) from 1998 to 2000 and the Head of the National Planning Department of Colombia from 1993 to 1994. He has also held positions as economist in the Federación Nacional de Cafeteros and civil engineer for Suramericana de Seguros S.A. Currently he is a member of the board of directors Isagen S.A. E.S.P. He is also currently the economics dean at Universidad de los Andes.

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Rafael Martinez Villegas was born in 1942. He holds a degree in Business Administration from EAFIT University in Medellin, and a Master's degree in Science in Accounting from Texas Tech University. He had previously held positions as an auditor at the firm of Peat Marwick, Mitchell & Co, General Manager of Prebel, President of Inversiones Aliadas S.A. and Corporación Financiera Aliadas S.A. He also has been a member of the board of directors of Prebel S.A., Productos Familia S.A., Enka de Colombia S.A, Corporación Financiera Suramericana S.A and Orquesta Filarmónica de Medellín, among others. He is now dedicated to his own business.

For additional information regarding the Bank's board of directors and its functions please see "Item 10. Additional Information – B. Memorandum and Articles of Association – Board of Directors."

Senior Management

Carlos Raúl Yepes Jimenez was born in 1964. He has been the President of Bancolombia since February, 2011 and was previously a member of its board of directors for five years. Mr. Yepes was Corporate Vice President of Cementos Argos S.A. from 2003 to 2011, Legal Director of Bancolombia from 1994 to 2003 and also Legal Director of CI Unión de Bananeros de Urabá ("Uniban") from 1991 to 1994.

Mr. Yepes holds a degree in law from Universidad Pontificia Bolivariana and a degree in Business Law from Universidad Externado de Colombia.

Sergio Restrepo Isaza was born in 1961. He has been Executive Vice President of Corporate Development of Bancolombia since the Conavi/Corfinsura merger was completed on July 30, 2005. Previously, he had been President (CEO) of Corfinsura since 2004 and held various managerial positions at Corfinsura such as Vice President of Investment Banking from 1996 to 2004, Vice President of Investment and International Affairs from 1993 to 1996, and before that, Assistant to the CEO, Regional Manager, International Sub-manager and Project Director. Mr. Restrepo Isaza holds a B.A. degree from Universidad EAFIT and a Master of Science in Management degree from Stanford University.

Juan Carlos Mora Uribe was born in 1965. He has been Risk Management Vice President of Bancolombia between July 2005 and March 2011 when he was designated as Technology and Innova Vice President. He served as the Vice President of Operations of Corfinsura since 2003 and held various positions within the corporation such as Corporate Finance Manager from 1995 to 2003, account executive from 1992 to 1995 and credit analyst from 1991 to 1992. Mr. Mora Uribe holds a B.A. degree from Universidad EAFIT and an M.B.A. degree from Babson College.

Santiago Pérez Moreno was born in 1955. He has been the Vice President of Personal and SMEs Banking since 1989, and has held different managerial positions at Bancolombia since 1981, such as Personal Banking Manager for the Bogota Region, International Commerce Manager for the Bogota Region and assistant for the Vice Presidency of International Commerce. Mr. Pérez Moreno holds an Industrial Economics degree from Universidad de los Andes and an M.B.A. from IESE in Barcelona.

Jaime Alberto Velásquez Botero was born in 1960. He has been the Vice President of Finance of Bancolombia since 1997. Mr Velasquez holds an economic degree from Universiad de Antioquia. From 1989 through 1997, he held several managerial positions in the Economic Department and Investor Relations Department of the Bank. Previously, he worked at C.I. Banacol from 1987 to 1989. Mr. Velásquez Botero holds an Economics Degree from Universidad de Antioquia.

Mauricio Rosillo Rojas was born in 1969. He has been the Legal Vice President of Bancolombia since December 2008. Mr. Rosillo Rojas holds a law degree from Pontificia Universidad Javeriana, obtained a post graduate degree in financial law from Universidad de Los Andes, and a Master's degree in commercial and economic law from the

University of Georgia. Mr. Rosillo Rojas has held several positions in the public and private sectors including secretary general of Fedeleasing, Interim Colombian Superintendent of Banking Cooperatives ("Superintendente de Economia Solidaria (encargado)"), director of financial regulation of the Colombian Ministry of Finance, supervisor of the securities market of the Colombian Stock Exchange and president of Autoregulador del Mercado de Valores, a Colombian self-regulatory organization.

Olga Botero Peláez was born in 1963. She has been the Vice President of Technology of Bancolombia since October 2006. She has held different positions in companies including Hewlett Packard, Suramericana de Seguros S.A., Mecosoft and Orbitel. During her seven years at Orbitel, she held several positions, including Marketing Operations Manager, Customer Services Manager and National Sales Manager. She has also been a professor at universities including Universidad EAFIT, Universidad Javeriana and Universidad de la Sabana. Mrs. Botero Peláez is an engineer and has both a bachelor’s degree and a Master’s degree in Computer Science from Iowa State University. Mrs. Botero will retire from the Bank effective April 30, 2011.

Gonzalo Toro Bridge was born in 1960. He has been Vice President of Corporate Banking of Bancolombia since 2003. From 1988 to 1994, he was the Assistant of the Vice Presidency of Corporate and International Banking and from 1994 to 2003 he was the Vice President of Corporate and International Banking. Mr. Toro Bridge holds a B.A. degree from Universidad EAFIT and a certificate of attendance from the Advanced Management Program for overseas bankers of the University of Pennsylvania.

Augusto Restrepo Gómez was born in 1962. He has been Administrative Vice President of Bancolombia between August 2017 and 2011 when he was designated as Vice President of Humand Resources. Mr. Restrepo Gómez has worked in Bancolombia for 27 years holding several positions at different departments of Bancolombia such as analyst, sub-manager, chief of department and regional manager. Most recently he was the Administratve Vice President of Bancolombia. He is also member of the board of directors of ACH Colombia S.A., Multienlace S.A., Todo 1 Colombia S.A. and Redeban Multicolor S.A. Mr. Restrepo Gómez holds a B.A. degree from the Universidad Cooperativa de Colombia, and obtained a post graduate degree in Marketing from Universidad EAFIT. His post-graduate education also includes among others, courses in Advanced Management from Universidad de los Andes and Universidad de la Sabana.

Luis Fernando Montoya Cusso was born in 1954. He has been the Vice President of Operations since 1998. Since 1983, he has occupied several positions at Bancolombia, including Manager of Cúcuta Region from 1983 to 1985, Northern Region from 1986 to 1991, Bogota Region from 1991 to 1993, and Operations Manager. Mr. Montoya Cusso holds a B.A. degree from Universidad EAFIT.

Luis Fernando Muñoz Serna was born in 1956. He has been the Vice President of Mortgage Banking since the Conavi/Corfinsura merger that was completed on July 30, 2005. He joined Conavi in 1989 as Regional Manager for Bogota, holding various positions at Conavi such as Vice President of Business Development and Vice President of Corporate Banking since 1994. Previously, Mr. Muñoz Serna worked as Branch Manager for the main office of BIC in Bogota from 1983 to 1989 and Branch Manager for the main office of Banco Real de Colombia in Bogota from April to October 1989. Mr. Muñoz Serna holds an industrial engineering degree from Pontificia Universidad Javeriana.

Luis Arturo Penagos Londoño was born in 1950. He has been Vice President of Internal Audit between January 2006 and April 2011 when he was designated as interim Administrative Vice President. He had previously been the Internal Auditor of Conavi since 1993 and the Compliance Officer since 1996. He was the CEO of El Mundo newspaper from 1990 to 1991 and the external auditor of Uniban S.A. from 1980 to 1983. He also worked as audit assistant to Coltejer S.A. from 1977 to 1990 and was the Dean of the B.A. Department of Universidad EAFIT from 1983 to 1993. Mr. Penagos Londoño is a CPA from Universidad de Antioquia. He holds an MBA degree, a specialization diploma in Systems Audit from Universidad EAFIT and a specialization diploma in Money Laundering prevention from Salamanca University.

Carlos Alberto Rodriguez López was born in 1967. He has been the Vice President of Treasury since March of 2008. Among other positions, he has been Director of the Market Transactions Department of the Central Bank, General Director of Public Credit and National Treasury, Vice President of Market Development of the Colombian Stock

Exchange, and Chief Financial officer (CFO) at Interconexion Electrica S.A. (ISA). He has also been a professor at Universidad de los Andes. Mr. Rodriguez Lopez holds undergraduate and post-graduate degrees in economics from Universidad de los Andes and an MBA from Insead (France).

Carmenza Henao Tisnes was born in 1960. She was appointed Interim Vice President of Internal Audit in April 2011. Mrs Henao previously worked in Bancolombia for 28 years holding several positions at different departments of Bancolombia such as analyst and manager of audit technology. Most recently she was the Audit National Manager of Bancolombia Banches. She has also been a professor at universities including Universidad EAFIT, Universidad Pontificia Bolivariana, Universidad de Medellin and Universidad San Buenaventura. Mrs. Henao Tisnes is a system engineer and specialized in Finance at Universidad Eafit.

Rodrigo Prieto Uribe was born in 1973. He was appointed Interim Risk Management Vice President of Bancolombia in March 2011. Mr Prieto worked in Bancolombia for 12 years holding several positions at different departments of Bancolombia such as analyst, manager of risk administration, planning manager and manager of Capital allocation and risk quantification. Most recently he was the director of planning and projects. He has also been a professor at universities including Universidad EAFIT, Escuela de Ingenieria de Antioquia and Universidad de los Andes. Mr Prieto Uribe is a civil engineer and has a Master's degree in Economics from Universidad de los Andes and a Master's degree in Finance Instituto Tecnológico y de Estudios Superiores de Monterrey.

There are no family relationships between the directors and senior management of Bancolombia listed above.

No arrangements or understandings have been made by major stockholders, customers, suppliers or others pursuant to which any of the above directors or members of senior management were selected.

B.COMPENSATION OF DIRECTORS AND OFFICERS

During 2010 the Bank paid each director a fee of COP 3 million per month for sitting on the Board, and another fee of COP 3 million for attending each session of the committees. The members of the Board of Directors who belong to other advisory committees were paid additional monthly fees ranging from COP 3 million to COP 15.0 million.

The directors received no other compensation or benefits.There is no stock option plan for directors. Consistent with Colombian law, the Bank does not make public information regarding the compensation of the Bank's individual officers. The Bank's stockholders may request that information during the period preceding the annual general stockholders' meeting. The aggregate amount of remuneration paid by the Bank and consolidated subsidiaries to all directors, alternate directors and senior management during the fiscal year ended December 31, 2010 was COP 46.33 billion.

The board of directors approves the salary increases for vice presidents and authorizes the CEO to readjust the salary of the remaining employees.

The Bank has established an incentive compensation plan that awards bonuses semi-annually to its management employees. In determining the amount of any bonuses, the Bank takes into consideration the overall return on equity of the Bank and its executives' achievement of their individual goals. The Bank's variable compensation has deferred elements and depending on the amount awarded, the bonuses are payable in cash and as a combination of cash, a right to receive in three years an amount in cash determined with reference to the value of the Bank's stocks and an entitlement to a share in a pool of unvested bonuses. The pool of unvested bonuses is an account of preliminary bonuses, payable once it is established that the results that are the basis of such bonuses have been sustained over time and were not the result of a particular, extraordinary transaction that does not reflect better performance, according to guidelines designed by the Bank. Such elements are solely paid when certain future profits are obtained. .This incentive compensation plan is not in the form of stock options.

The Bank paid a total of COP 971.17 billion for salaries of personnel employed directly by the Bank and senior management of its affiliates. The sum of COP 31.17 billion that was paid for the incentive compensation plan was included in the total amount.

As of December 31, 2010, the Bank had provisioned the 90.54% of actuarial obligation corresponding to retirement pensions payable by the Bank, which amounted to COP 112.59 billion. Decree 4565 of 2010 established the year 2029 as the deadline for amortization.

C.BOARD PRACTICES

At the stockholders' meeting held on March 1, 2011 the stockholders of the Bank elected Rafael Martinez Villegas to serve as an independent member of the Board of Directors.

The Board of Directors is composed of the following members for the April 2011-March 2013 period:

Name	First Elected to the Board	Term Expires
David Bojanini García	2006	2011
José Alberto Vélez Cadavid	1996	2011
Carlos Enrique Piedrahita Arocha	1994(1)	2011
Gonzalo Alberto Pérez Rojas	2004(2)	2011
Ricardo Sierra Moreno	1996(3)	2011
Alejandro Gaviria Uribe	2005	2011
Rafael Martinez Villegas	2010	2011

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(1) Carlos Enrique Piedrahita Arocha had previously served as Bank's Director during the period 1990-1993.
(2) Gonzalo Alberto Pérez Rojas had previously served as Bank's Director during the period 1990-1994.
(3) Ricardo Sierra Moreno had previously served as Bank's Director during the period 1982-1988.

The following are the current terms of office and the period during which the members of senior management have served Bancolombia. There are no defined expiration terms. The members of senior management can be removed by a decision of the board of directors.

Name	Period Served
President	
Carlos Raúl Yepes Jimenez	Since 2011
Vice Presidents	
Sergio Restrepo Isaza	Since 2005
Jaime Alberto Velásquez Botero	Since 1997
Juan Carlos Mora Uribe	Since 2005
Mauricio Rosillo Rojas	Since 2008
Santiago Pérez Moreno	Since 1989
Gonzalo Toro Bridge	Since 1998
Luis Fernando Muñoz Serna	Since 2005
Olga Botero Peláez	Since 2007
Luis Arturo Penagos Londoño	Since 2006

Augusto Restrepo Gómez	Since 2007
Luis Fernando Montoya Cusso	Since 1998
Carlos Alberto Rodríguez López	Since 2008
Rodrigo Prieto Uribe (Interim)	Since 2011
Carmenza Henao Tisnes (Interim)	Since 2011

Neither the Bank nor its Subsidiaries have any service contracts with the Bank's directors providing for benefits upon termination of employment.

For further information about the Bank's corporate governance practices please see "Item 16. Reserved – 16.B. Corporate Governance and Code of Ethics".

Audit Committee

In accordance with the Colombian regulation the Bank has an audit committee whose main purpose is to support the Bank's board of directors in supervising the effectiveness of the Bank's internal controls. The committee consists of three independent directors, one of whom must be a financial expert, who are elected by the board of directors for a period of two years.

The audit committee is composed of Mr. Alejandro Gaviria Uribe, Mr. Rafael Martinez Villegas, and Mr. Ricardo Sierra Moreno.

Pursuant to applicable U.S. laws for foreign private issuers, Mr. Alejandro Gaviria Uribe serves as the financial expert of the Audit Committee.

As established by the Superintendency of Finance, the audit committee has a charter approved by the Bank's board of directors which establishes its composition, organization, objectives, duties, responsibilities and extension of its activities. The Bank's board of directors also establishes the remuneration of the members of the audit committee. The audit committee must meet at least quarterly and must present a report of its activities at the general stockholders' meeting.

The Bank currently complies with the requirements of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder, as applicable to foreign private issuers with respect to the composition and functions of its audit committee.

Designation, Compensation and Development Committee

The board of directors of the Bank has established a designation, compensation and development committee whose members are elected by the board of directors. There are no defined expiration terms.

The main function of this committee is to determine hiring, compensation and development policies of the Bank's executive officers. The committee also supervises the goals established in the compensation programs and recommends the adoption of new remuneration programs for the Bank's executive officers.

The duties of the Designation, Compensation and Development Committee are: (i) setting the administration policies regarding the selection, evaluation, compensation, and development processes for senior management; (ii) determining the goals for senior management; (iii) proposing objective criteria under which the Bank hires senior management and designs succession plans; (iv) evaluating the performance of senior management and (v) issuing recommendations for the board of directors of the Bank concerning appointments and compensation of the President and senior management.

The members of the Designation, Compensation and Development committee are Ricardo Sierra Moreno, Carlos Enrique Piedrahita Arocha, David Bojanini Garcia and Jose Alberto Velez Cadavid.

D.EMPLOYEES

The following table sets forth the number of employees of the Bank for the last three fiscal years:

As of December 31	Total number of employees employed by Bancolombia and its consolidated Subsidiaries	Number of employees employed by Bancolombia and Bancolombia Miami Agency
2010	22,992	16,209
2009	21,201	14,583
2008	19,728	13,479

As of December 31, 2010, Bancolombia and its consolidated subsidiaries had 22.992 employees of which 16.209 were employed directly by the Bank. Of the 16.209 employees directly contracted by the Bank, 11,115 are operations personnel and 5.076 are management employees. Of the 16.209 employees, approximately 24.83% are located in the

Bogota Region, 13.07% in the South Region, 16.4% in the Antioquia Region, 24.83% in the Medellin headquarters, 11.07% in the Central Region, 9.69% in the Caribbean Region and 0.11% in the Miami Agency. During 2010, the Bank employed an average of 300 employees per month through temporary personnel service companies.

Of the employees directly employed by Bancolombia, approximately 11.06% are part of a labor union called Sintrabancol, 8.89% are members of an industry union called Uneb, and 0.37% belong to an industry labor union called Sintraenfi. A collective bargaining agreement was reached with Uneb and Sintrabancol in October, 2008. The agreement has been in effect since November 1, 2008 and is set to expire on October 31, 2011. This agreement applies to approximately 11,115 employees regardless of whether they are members of a union.

With the execution of the Agreement, Bancolombia and its labor unions continue to work on the consolidation of long-term labor relationships based on mutual trust and respect.

E.SHARE OWNERSHIP

The following directors and managers owned common shares in Bancolombia as of November 30, 2010: Ricardo Sierra Moreno, Gonzalo Alberto Pérez Rojas, Sergio Restrepo Isaza, Olga Botero Peláez, Carlos Alberto Rodríguez López and Gonzalo Toro Bridge. None of their shareholdings, individually or in the aggregate, exceeded 1% of Bancolombia's outstanding common shares.

The following managers owned preferred shares in Bancolombia as of November 30, 2010: Sergio Restrepo Isaza, and Luis Santiago Pérez Moreno. None of their shareholdings exceeds 1% of Bancolombia's outstanding preferred shares.

As of December 31, 2010, there were no outstanding options to acquire any of Bancolombia's outstanding common shares or preferred shares.

ITEM 7.MAJOR STOCKHOLDERS AND RELATED PARTY TRANSACTIONS

A.MAJOR STOCKHOLDERS

In accordance with the Bank's by-laws, there are two classes of stock authorized and outstanding: common shares and preferred shares. Each common share entitles its holder to one vote at meetings of the Bank's stockholders, and there are no differences in the voting rights conferred by any of the common shares. Under the Bank's by-laws and Colombian corporate law, holders of preferred shares (and consequently, holders of ADRs) have no voting rights in respect of preferred shares, other than in limited circumstances as described in "Item 10. Additional Information – B. Memorandum and Articles of Association – Description of Share Rights, Preferences and Restrictions – Voting Rights – Preferred Shares".

The following table sets forth, solely for purposes of United States securities laws, certain information regarding the beneficial ownership of Bancolombia's capital stock by each person known to Bancolombia to own beneficially more than 5% of each class of Bancolombia's outstanding capital stock as of March 31, 2011. A beneficial owner includes anyone who has the power to receive the economic benefit of ownership of the securities.

Name	Common Shares	Preferred Shares	% Ownership of Common Shares(1)		% Ownership Of Preferred Shares(1)		% Ownership of Total Shares(1)	
Grupo de Inversiones Suramericana S.A (2)	229,079,037	208,326	44.94	%	0.07	%	29.10	%
Inversiones Argos S.A.(3)	48,587,837	-	9.53	%	0.00	%	6.17	%
ADR Program	-	154,040,444	0.00	%	56.39	%	19.55	%
Fondo de Pensiones Obligatorias Protección S.A.	9,832,860	25,991,038	1.93	%	9.35	%	4.55	%

Fondo de Pensiones Obligatorias Porvenir	30,460,216	9,853,403	5.98	%	3.54	%	5.12	%
Fondo de Pensiones Horizonte	12,132,508	11,837,366	2.38	%	4.26	%	3.04	%

(1) Common shares have one vote per share; preferred shares have limited voting rights under certain circumstances specified in the by-laws of Bancolombia filed as Exhibit 1 to this Annual Report.

(2) Represents ownership of Grupo de Inversiones Suramericana S.A. directly and through its subsidiaries: Portafolio de Inversiones Suramericana S.A. (en liquidacion), Fideicomiso Cititrust - Suramericana II, Inversiones y Construcciones Estrategicas S.A, Cia. Suramericana de Seguros de Vida S.A., Cia. Suramericana de seguros S.A , Suratep.

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(3) Represents ownership of Inversiones Argos S.A. directly and through subsidiary Cementos Argos S.A.

As of March 31, 2011, a total of 509,704,584 common shares and 278,122,419 preferred shares were registered in the Bank's stockholder registry in the name of 17,410 stockholders. A total of 154,040,444 representing 55.4% of preferred shares were part of the ADR Program and were held by 42 record holders registered in the Bank of New York Mellon's registered stockholder list. Given that some of the preferred shares and ADSs are held by nominees, the number of record holders may not be representative of the number of beneficial owners.

During 2010, the Bank's ADR program changed its percentage ownership of the Bank decreasing from 19.99% as of March 31, 2010 to 19.55% by the end of March 2011, as depositary receipts were cancelled throughout the period. In addition, Fondo de Pensiones Obligatorias Protección, Fondo de Pensiones Obligatorias Porvenir Moderado, and Fondo de Pensiones Horizonte, three Colombian private pension fund managers, increased their percentage of ownership reaching 4.55%, 5.12% and 3.04% as of March 31, 2011 compared to the 4.83%, 5.48% and 3.49% held by them, respectively, as of March 31, 2010.

There are no arrangements known to the Bank which may at a subsequent date result in a change in control of the company.

To the extent known to the Bank, and in accordance with Colombian law, Bancolombia is not directly or indirectly owned or controlled by any other entity or person.

B.RELATED PARTY TRANSACTIONS

Related Parties, for the purpose of this item, means the Bank's Subsidiaries, the senior management of both the Bank and its Subsidiaries, the Bank's shareholders having a participation equal to or above ten percent (10%) of the capital of the Bank, and all companies where the Bank has a participation equal to or above ten percent (10%) of their capital.

Colombian law sets forth certain restrictions and limitations on transactions carried out with related parties, these being understood to be principal stockholders, subsidiaries and management.

Transactions that are prohibited in the case of credit institutions are described in Decree 663 of 1993, specifically in Articles 119 and 122 thereof, as well as in the Code of Commerce duly amended by Law 222 of 1995, when applicable. Credit and risk concentration limits are regulated by Decree 2360 of 1993, including its respective amendments and addendas.

The above-mentioned laws regulate, among others, the following: (i) subsidiaries must carry out their activities independently and with administrative autonomy; (ii) transactions between the parent company and its subsidiaries must be of a real nature and cannot differ considerably from standard market conditions, nor be in detriment to the Colombian government, stockholders or third parties and (iii) subsidiaries may not acquire any shares issued by their parent company.

According to the provisions of the Code of Commerce of Colombia, neither the Bank's directors nor the management may directly or indirectly, purchase or sell shares issued by the Bank while they remain in their offices, except when said transactions are (i) carried out for reasons other than purely speculative and with due authorization from the board of directors, which shall be granted by the affirmative vote of two thirds of its members, excluding that of the person requesting such authorization, or (ii) when the board of directors should consider such transactions to be convenient and the shareholders shall have authorized such transactions with the affirmative vote of its ordinary majority as provided in the Bank's by-laws, excluding the vote of the person requesting such authorization.

The Bank's Corporate Governance Code provides that in any event, any transaction in Bancolombia's shares carried out by any official, director or manager, may not be done for speculative purposes, which would be presumed for example in the case of the following three conditions coinciding: (a) suspiciously short lapses existing between the purchase and the sale of shares; (b) situations arising proving to be exceptionally favorable for the Bank, and (c) significant profits being obtained from this transaction.

According to Article 122 of Decree 663 of 1993, transactions that should be determined by the Colombian Government as carried out by credit institutions with their shareholders holding 5% or more of the subscribed capital, with their managers, as well as those carried out with spouses and relatives of shareholders and managers with up to a second degree of consanguinity or affinity, or of a single civil status, shall require the unanimous affirmative vote on the part of the members of the board of directors attending the corresponding meeting. In the minutes of this meeting no condition may be agreed upon that is different from that otherwise used by the entity with regard to the public, according to the type of transaction in question, except those transactions that are carried out with managers to address health, education, housing and transport issues according to the rules and regulations that the board of directors should determine in a general fashion for such purpose. To grant this type of credit, the Bank must verify that regulations concerning limits of credit and concentration of risks are not violated.

All economic relations that the Bank maintains with its directors, and senior executives shall be conducted within the limitations and conditions established by applicable legislation and regulations governing the prevention, handling and resolution of conflicts of interest.

From time to time, Bancolombia makes loans to related parties and engages in other transactions with such parties. Such loans have been made in the ordinary course of business, on substantially the same terms, including interest rates and required collateral, as those prevailing at the time for comparable transactions with other similarly situated persons, and have not involved more than the normal risk of collectability or presented other unfavorable features.

Bancolombia, on a non-consolidated basis, had a total amount of COP 140,277 million in loans outstanding to related parties as of February 28, 2011. This amount includes a loan to Inversiones Argos S.A. which is the largest loan outstanding as of February 28, 2011 in the amount of COP 90,000 million (which is represented in ordinary loans) and accrued interest for COP 846 million. As of February 28, 2011, the average interest rate for this loan is 5.53%.

	2010 Enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the company and associates (COP million)		Key management personnel	
Balance Sheet				
Investment securities		349,253		-
Loans		456,535		41,497
Customers’ acceptances and derivatives		26,121		-
Accounts receivable		11,497		286
Total	COP	843,406	COP	41,783
Deposits		1,146,634		4,498
Overnight funds		3,309,993		5,574
Derivatives		1,676		6
Accounts payable		32		499
Bonds		258,667		500
Total	COP	4,717,002	COP	11,077
Transactions Income				
Dividends received		16,758		-
Interest and fees		13,167		3,560

Other		2,509		244
Total	COP	32,434	COP	3,804

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	2010			
	Enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the company and associates		Key management personnel	
	(COP million)			
Expenses				
Interest		24,122		39
Fees		19		1,240
Other		25,611		595
Total	COP	49,752	COP	1,874

For additional information regarding the Bank's related party transactions, please see "Note 29 to the Consolidated Financial Statements".

C.INTEREST OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8.FINANCIAL INFORMATION

A.CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

A.1.CONSOLIDATED FINANCIAL STATEMENTS

Reference is made to pages F- 1 through F – 113.

A.2.LEGAL PROCEEDINGS

The Bank is involved in normal collection proceedings and restructuring proceedings with respect to certain borrowers and other legal procedures in the ordinary course of business. For the purpose of its audited financial statements, the Bank has various contingent liabilities, including contingent liabilities relating to ordinary commercial and civil litigation outstanding as of December 31, 2010 amounting to COP 212,676 million. As of December 31, 2010, there are seven (7) judicial proceedings against the Bank with an individual value exceeding COP 5,000 million. The Bank has established accounting provisions only with respect to those contingent liabilities whose likelihood of becoming an actual liability was considered "probable" and as to which an amount or range of amounts could be reasonably estimated.

As of December 31, 2010, COP 173 million of these liabilities are covered in a guarantee contract entered into by Fogafin and private investors when the former Banco de Colombia S.A. was privatized in 1994. This guarantee contract remains in force in connection with litigation that was commenced before the privatization of former Banco de Colombia S.A.

In the opinion of management, after consultation with its external Colombian legal counsel, the outcome of these contingent liabilities relating to ordinary commercial and civil litigation is not expected to have a material adverse effect on the Bank's financial condition or results of operations and the possibility of loss by the Bank as a result of such litigation is not likely to exceed the recorded allowance as of December 31, 2010 of COP 12,164 million.

Until recently, the most significant legal proceedings to which the Bank was a party or to which it was connected were those relating to disputes with the Gilinski family, the controlling shareholders of Banco de Colombia S.A. and its merger with a predecessor of the Bank. These proceedings including arbitrations, as well as criminal investigations. On June 21, 2010, the Bank entered into a settlement agreement with members of the Gilinski family pursuant to which the parties agreed, among other things, to end all disputes relating to the acquisition. All such proceedings have now been terminated in accordance with that agreement. The resolution of these matters did not have a material effect on the Bank's results of operations or financial condition.

A.3. DIVIDEND POLICY

The declaration, amount and payment of dividends is based on Bancolombia's unconsolidated earnings. Dividends must be approved at the ordinary annual stockholders' meeting upon the recommendation of the board of directors. Under the Colombian Commerce Code, after payment of income taxes and appropriation of legal and other reserves, and after setting off losses from prior fiscal years, Bancolombia must distribute to its stockholders at least 50% of its annual net income or 70% of its annual net income if the total amount of reserves exceeds its outstanding capital. Such dividend distribution must be made to all stockholders, in cash or in issued stock of Bancolombia, as may be determined by the stockholders, and within a year from the date of the ordinary annual stockholders' meeting in which the dividend was declared. According to Colombia's law, the minimum dividend per share may be waived by an affirmative vote of the holders of 78% of the shares present at the stockholders' meeting.

The annual net profits of Bancolombia must be applied as follows: (i) first, an amount equal to 10% of Bancolombia's net profits to a legal reserve until such reserve is equal to at least 50% of the Bank's paid-in capital; (ii) second, to the payment of the minimum dividend on the preferred shares (for more information, see "Item 10. Additional Information – B. Memorandum and Articles of Association"); and (iii) third, as may be determined in the ordinary annual stockholders' meeting by the vote of the holders of a majority of the shares entitled to vote.

The following table sets forth the annual cash dividends paid on each common share and each preferred share during the periods indicated:

Dividends declared with respect to net income earned in:	Cash Dividends per share(1)(2) (COP)	Cash Dividends per share(1)(3) (U.S. dollars)
2010	669	0.357
2009	637	0.331
2008	624	0.245
2007	568	0.310
2006	532	0.243

(1) Includes common shares and preferred shares.

(2) Cash dividends for 2009, 2008, 2007 and 2006 were paid in quarterly installments and cash dividends for 2010 will be paid in quarterly installments.

(3) Amounts have been translated from pesos at the Representative Market Rate in effect at the end of the month in which the dividends were declared (March).

B.SIGNIFICANT CHANGES

There have not been any significant changes since the date of the annual financial statements included in this document.

ITEM 9.THE OFFER AND LISTING

A.OFFER AND LISTING DETAILS

Bancolombia's ADRs, each representing four preferred shares, have been listed on the New York Stock Exchange ("NYSE") since 1995, where they are traded under the symbol "CIB". Bancolombia's preferred shares are also listed on the Colombian Stock Exchange.

The table below sets forth, for the periods indicated, the reported high and low market prices and share trading volume for the preferred shares on the Colombian Stock Exchange. The table also sets forth the reported high and low market prices and the trading volume of the ADRs on the NYSE for the periods indicated:

	Colombia Stock Exchange		New York Stock Exchange		
	COP Per Preferred Share		US$ per ADS		Trading Volume
	High	Low	High	Low	(Number of ADSs)
Year Ending					
December 31, 2010	31,820	20,400	69.44	40.10	92,823,574
December 31, 2009	24,200	10,440	48.00	15.90	110,933,010
December 31, 2008	18,960	9,300	44.00	15.00	135,165,148
December 31, 2007	19,360	13,200	39.00	24.00	132,406,300
December 31, 2006	20,700	12,980	36.18	20.00	93,232,700

Source: NYSENet (Composite Index) and Colombia Stock Exchange.

	Colombia Stock Exchange			New York Stock Exchange		
	COP Per Preferred Shares		Trading Volume (Number of Shares)	US$ per ADS		Trading Volume (Number of ADSs)
	High	Low		High	Low	
	(in nominal pesos)					
2011						
First quarter	29,700	25,160	40,901,113	63.53	53.56	26,407,950
2010						
First quarter	23,540	20,400	30,022,171	48.30	40.10	20,026,846
Second quarter	24,300	21,680	24,614,457	51.96	42.53	19,949,298
Third quarter	30,280	23,740	31,640,593	67.56	49.85	30,367,572
Fourth quarter	31,820	28,400	25,356,000	69.44	59.31	22,479,858
2009						
First quarter	13,160	10,440	64,657,870	24.33	15.90	33,167,974
Second quarter	16,500	12,160	64,560,996	32.19	18.96	31,275,488
Third quarter	20,700	14,980	55,568,395	43.29	28.23	23,001,042
Fourth quarter	24,200	19,240	38,539,785	48.00	38.17	23,488,506

Source: NYSENet (Composite Index) and Colombia Stock Exchange.

	Colombia Stock Exchange		New York Stock Exchange		
	COP Per Preferred Share		US$ per ADS		Trading Volume
	High	Low	High	Low	(Number of ADSs)
Month					
November 2010	31,820	28,400	69.44	59.41	5,935,305
December 2010	31,140	28,800	66.31	59.31	7,762,612

January 2011	29,620	25,840	62.39	55.42	9,334,755
February 2011	27,600	25,160	59.51	53.56	8,888,007
March 2011	29,700	26,820	63.53	55.87	8,185,188
April 2011(1)	30,100	27,500	66.95	61.38	4,625,459

Source: NYSENet (Composite Index) and Colombia Stock Exchange.

(1) Figures are as of April 18, 2011.

ADRs evidencing ADSs are issuable by The Bank of New York Mellon (the "Depositary"), as Depositary, pursuant to the Deposit Agreement, dated as of July 25, 1995, entered into by Bancolombia, the Depositary, the owners of ADRs from time to time and the owners and beneficial owners from time to time of ADRs, pursuant to which the ADSs are issued (as amended, the "Deposit Agreement"). The Deposit Agreement was amended and restated on January 14, 2008. Copies of the Deposit Agreement are available for inspection at the Corporate Trust Office of the Depositary, currently located at 101 Barclay Street, New York, New York 10286, and at the office of Fiduciaria Bancolombia, as agent of the Depositary, currently located at Carrera 48, No. 26 - 85, Medellín, Colombia or Calle 30A No. 6-38, Bogotá, Colombia. The Depositary's principal executive office is located at One Wall Street, New York, New York 10286.

On September 30, 1998, Bancolombia filed a registration statement on Form F-3 with the SEC to register ADSs evidenced by ADRs, each representing four preferred shares, issued in connection with the merger between BIC and Banco de Colombia for resale by the holders into the U.S. public market from time to time. On January 24, 2005, the Board determined to deregister the unsold ADSs registered under the registration statement on Form F-3. On March 14, 2005, Bancolombia filed an amendment to the registration statement deregistering the remaining unsold ADSs. On August 8, 2005, Bancolombia filed, through the Depositary, a registration statement on Form F-6 registering 50,000,000 ADSs evidenced by ADRs in connection with the Conavi/Corfinsura merger. On May 14, 2007, Bancolombia filed an automatic shelf registration statement on Form F-3 with the SEC to register an indeterminate amount of debt securities, preferred shares and rights to subscribe for preferred shares in connection with the subsequent offerings which took place in the second and third quarter of 2007. On January 14, 2008, by filing the Form F-6 before the SEC, Bancolombia increased the amount of its ADR program up to 400,000,000 American Depositary Shares, and registered some amendments to the Depositary Agreement of ADS's between Bancolombia and the Bank of New York. On July 13, 2010, Bancolombia filed an automatic shelf registration statement on Form F-3 with the SEC to register an indeterminate amount of debt securities, preferred shares, American Depositary Shares representing preferred shares and rights to subscribe for preferred shares in connection with the subsequent offering of subordinated debt securities which took place on July 19, 2010.

B.PLAN OF DISTRIBUTION

Not applicable.

C.MARKETS

The Colombian Stock Exchange is the principal non-U.S. trading market for the preferred shares and the sole market for the common shares. As of December 31, 2010, the market capitalization for Bancolombia's preferred shares based on the closing price in the Colombian Stock Exchange was COP 8,327 billion (Bancolombia's total market capitalization, which includes the common and preferred shares, was COP 23,363 billion or US$ 12.21 billion as of the same date).

There are no official market makers or independent specialists on the Colombian Stock Exchange to assure market liquidity and, therefore, orders to buy or sell in excess of corresponding orders to sell or buy will not be executed. The aggregate equity market capitalization of the Colombian Stock Exchange as of December 31, 2010, was COP 519,749 billion (U.S. dollars 261.2 billion), with 106 companies listed as of that date.

D.SELLING STOCKHOLDERS

Not applicable.

E.DILUTION

Not applicable.

F.EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A.SHARE CAPITAL

Not applicable.

B.MEMORANDUM AND ARTICLES OF ASSOCIATION

Set forth below is certain information concerning the Bank's capital stock and a brief summary of certain significant provisions of the Bank's by-laws and Colombian corporate law. This description does not purport to be complete and is qualified by reference to the Bank's by-laws (an English translation of which is attached to this Annual Report as Exhibit 1) and to Colombian corporate law.

Bancolombia is a publicly held corporation with its principal place of business in the city of Medellín, Colombia, governed mainly by the Bank's by-laws and by Colombian corporate law.

BANCOLOMBIA'S CORPORATE PURPOSE

Pursuant to Article four of its by-laws, Bancolombia's corporate purpose consists of all kinds of banking operations, business, acts and services. Subject to applicable law, Bancolombia may carry out all the activities and investments authorized to banking establishments. Bancolombia is also authorized to participate in the capital stock of other companies, subject to any restrictions imposed by applicable law.

BOARD OF DIRECTORS

As of the date of filing of this Annual Report, Bancolombia's board of directors is composed of seven (7) directors, elected for a two-year term on, with no alternate directors being provided for. For additional information regarding Bancolombia's current directors please see "Item 6.A – Directors and Senior Management – Directors".

After being designated, all of the members of the Board of Directors need an authorization from the Superintendency of Finance. This entity analyzes if the director has an adequate profile for the position according to the requirements of the Colombian Law.

The directors of Bancolombia must abstain from participating, directly or through an intermediary, on their own behalf or on behalf of a third party, in activities that may compete against the Bank or in conflict-of-interest transactions that may generate a conflict of interest situation, unless the general shareholders meeting expressly authorizes such transactions. For such purposes, the directors shall provide the shareholders meeting with all the relevant information necessary for the shareholders to reach a decision. If the director is a shareholder, his or her vote shall be excluded from the respective decision process. In any case, the general shareholders meeting could only grant its authorization if the act does not adversely affect Bancolombia's interests.

In the general annual shareholders meeting the shareholders are responsible for determining, the compensation of the members of the board of directors.

Pursuant to the by-laws of Bancolombia, the board of directors has the power to authorize the execution of any agreement, within the corporate purpose of Bancolombia, and to adopt the necessary measures in order for the Bank to accomplish its purpose.

The by-laws of Bancolombia provide an age limit requirement of 65 years regarding retirement for senior management. It also provides an age limit of 70 years for the members of the Board of Directors at the time of their election.

DESCRIPTION OF SHARE RIGHTS, PREFERENCES AND RESTRICTIONS

Bancolombia’s by-laws provide for an authorized capital stock of COP 500 billion divided into 1,000,000,000 shares of a par value of COP 500 each, which must belong to one of the following classes: (i) common shares, (ii) privileged shares; and (iii) shares with preferred dividend and no voting rights (“preferred shares”). Pursuant to Article 6 of the by-laws, all shares issued shall have the same nominal value.

As of December 31, 2010, Bancolombia had 509,704,584 common shares and 278,122,419 preferred shares outstanding and a capital stock of COP 393,914 million divided into 787,827,003 shares. No privileged shares have been issued by Bancolombia.

Voting Rights

Common Shares

The holders of common shares are entitled to vote on the basis of one vote per share on any matter subject to approval at a general shareholders' meeting. These general meetings may be ordinary meetings or extraordinary meetings.

Ordinary general shareholder's meetings occur at least once a year but no later than three months after the end of the prior fiscal year, for the following purposes: (i) to consider the approval of Bancolombia's annual report, including the financial statements for the preceding fiscal year; (ii) to review the annual report prepared by the external auditor; (iii) to determine the compensation for the members of the board of directors, the external auditor and the client representative (defensor del consumidor financiero). The client representative acts as spokesman of the clients and users before the Bank, his primary duty is to objectively solve, free of charge and within the terms established by law, the individual complaints submitted by clients; (iv) to elect directors, the client representative and the external auditor (each for a two-year term); and (v) to determine the dividend policy and the allocation of profits, if any, of the preceding fiscal year, as well as any retained earnings from previous fiscal years.

According to Decree 3923 of 2006, the election of independent directors must be in a separate ballot from the ballot to elect the rest of the directors, unless the reaching of the minimum number of independent directors required by law or by the by-laws is assured, or when there is only one list that includes the minimum number of independent directors required by law or by the by-laws.

According to Law 964 of 2005, 25% of the members of the board of directors shall be independent. A person who is an "independent director" is understood to mean a director who is NOT: (i) An employee or director of the issuer or any of its parent or subsidiary companies, including all those persons acting in said capacity during the year immediately preceding that in which they were appointed, except in the case of an independent member of the board of directors being re-elected; (ii) Shareholders, who either directly or by virtue of an agreement direct, guide or control the majority of the entity's voting rights or who determine the majority composition of the administrative, directing or controlling bodies of this same entity; (iii) A partner or employee of any association or firm that provides advisory or consultancy services to the issuer or to companies who belong to the same economic group to which the issuer in question belongs, in the event that income obtained from such services represent for said association or firm twenty per cent (20%) or more of its total operating income; (iv) An employee or director of a foundation, association or institution that receives significant donations from the issuer. The term "significant donations" is quantified as being twenty per cent (20%) or more of the total amount of donations received by the respective institution; (v) An administrator of any entity on whose board of directors a legal representative of the issuer participates; and (vi) Any person who receives from the issuer any kind of remuneration different from fees as a member of the board of directors, of the audit committee or any other committee set up by the board of directors. Both elections are made under a proportional representation voting system. Under that system: (i) each holder of common shares is entitled at the annual general shareholders' meeting to nominate for election of one or more directors; (ii) each nomination of one or more directors constitutes a group for the purposes of the election; (iii) each group of nominees must contain a hierarchy as to the order of preference for nominees in that group to be elected; (iv) once all groups have been nominated, holders of common shares may cast one vote for each common share held in favor of a particular group of nominees. Votes may not be cast for particular nominees in a group; they may be cast only for the entire group; (v) the total number of votes casted in the election is divided by the number of directors to be elected. The resulting quotient is the quota of votes necessary to elect particular directors. For each time that the number of votes cast for a group of nominees is divisible by the quota of votes, one nominee from that group is elected, in the order of the hierarchy of that group; and (vi)when no group has enough remaining votes to satisfy the quota of votes necessary to elect a director, any remaining board seat or seats are filled by electing the highest remaining nominee from the group with the highest number of remaining votes cast until all available seats have been filled.

Extraordinary general shareholders' meetings may take place when duly called for a specified purpose or purposes, or, without prior notice, when holders representing all outstanding shares entitled to vote on the issues presented are present at the meeting.

Quorum for both ordinary and extraordinary general shareholders' meetings to be convened at first call requires the presence of two or more shareholders representing at least half plus one of the outstanding shares entitled to vote at the relevant meeting. If a quorum is not present, a subsequent meeting is called at which the presence of one or more holders of shares entitled to vote at the relevant meeting constitutes a quorum, regardless of the number of shares represented. General meetings (whether ordinary or extraordinary) may be called by the board of directors, the President or the external auditor of Bancolombia. In addition, two or more shareholders representing at least 20% of the outstanding shares have the right to request that a general meeting be convened. Notice of ordinary general meetings must be published in one newspaper of wide circulation at Bancolombia's principal place of business at least 15 business days prior to an ordinary general shareholders' meeting. Notice of extraordinary general meetings, listing the matters to be addressed at such a meeting must be published in one newspaper of wide circulation at Bancolombia's principal place of business at least five calendar days prior to an extraordinary general meeting.

Except when Colombian law or Bancolombia's by-laws require a special majority, action may be taken at a general shareholder's meeting by the vote of two or more shareholders representing a majority of common shares present. Pursuant to Colombian law and/or Bancolombia's by-laws, special majorities are required to adopt the following corporate actions: (i) a favorable vote of at least 70% of the shares represented at a general shareholders' meeting is required to approve the issuance of stock without granting a preemptive right in respect of that stock in favor of the shareholders; (ii) a favorable vote of at least 78% of the holders of common shares present to decide not to distribute as dividend at least 50% of the annual net profits of any given fiscal year as required by Colombian law; (iii) a favorable vote of at least 80% of the holders of common shares and 80% of the holders of subscribed preferred shares to approve the payment of a stock dividend; and (iv)a favorable vote of at least 70% of the holders of common shares and of subscribed preferred shares to effect a decision to impair the conditions or rights established for such preferred shares, or a decision to convert those preferred shares into common shares.

Adoption of certain of the above-mentioned corporate actions also requires the favorable vote of a majority of the preferred shares as specified by Colombian law and Bancolombia's by-laws. If the Superintendency of Finance determines that any amendment to the by-laws fails to comply with Colombian law, it may demand that the relevant provisions be modified accordingly. Under these circumstances, Bancolombia will be obligated to comply in a timely manner.

Preferred Shares

The holders of preferred shares are not entitled to receive notice of, attend to or vote at any general shareholder's meeting of holders of common shares except as described below.

The holders of preferred shares will be entitled to vote on the basis of one vote per share at any shareholders' meeting, whenever a shareholders vote is required on the following matters: (i) In the event that changes in the Bank's by-laws may impair the conditions or rights assigned to such shares and when the conversion of such shares into common shares is to be approved. (ii)When voting the anticipated dissolution, merger or transformation of the corporation or change of its corporate purpose. (iii) When the preferred dividend has not been fully paid during two consecutive annual terms. In this event, holders of such shares shall retain their voting rights until the corresponding accrued dividends have been fully paid to them. (iv) When the general shareholders' meeting orders the payment of dividends with issued shares of the Bank. (v)If at the end of a fiscal period, the Bank's profits are not enough to pay the minimum dividend and the Superintendency of Finance, by its own decision or upon petition of holders of at least ten percent (10%) of preferred shares, determines that benefits were concealed or shareholders were misled with regard to benefits received from the Bank by the Bank's directors or officers decreasing the profits to be distributed, the Superintendency of Finance may resolve that holders of preferred shares should participate with speaking and voting rights at the general shareholders' meeting, in the terms established by law. (vi)When the registration of shares at the Colombian Stock Exchange or at the National Register of Securities and Issuers which is a registry kept by the Superintendency of Finance, is suspended or canceled. In this event, voting rights shall be maintained until the irregularities that resulted in such cancellation or suspension are resolved.

Bancolombia must cause a notice of any meeting at which holders of preferred shares are entitled to vote to be mailed to each record holder of preferred shares. Each notice must include a statement stating: (i) the date of the meeting; (ii) a description of any resolution to be proposed for adoption at the meeting on which the holders of preferred shares are entitled to vote; and (iii) instructions for the delivery of proxies.

Dividends

Common Shares

Once the balance sheet is approved by the general shareholders meeting, the appropriation for the payment of taxes of the corresponding taxable year has been made, and the transfers to the legal reserve have been performed, then they can determine the allocation of distributable profits, if any, of the preceding year. This is done through a resolution adopted by the vote of the holders of a majority of the common shares at the annual general shareholder's meeting pursuant to the recommendation of the board of directors and the President of Bancolombia.

Under the Colombian Commerce Code, a company must distribute at least 50% of its annual net profits to all shareholders, payable in cash, or as determined by the shareholders, within a period of one year following the date on which the shareholders determine the dividends. If the total amount segregated in all reserves of a company exceeds its outstanding capital, this percentage is increased to 70%. The minimum common stock dividend requirement of 50% or 70%, as the case may be, may be waived by a favorable vote of the holders of 78% of a company's common stock present at the meeting.

Under Colombian law and Bancolombia's by-laws annual net profits are to be applied as follows: (i)first, an amount equivalent to 10% of net profits is segregated to build a legal reserve until that reserve is equal to at least 50% of Bancolombia's paid-in capital; (ii) second, payment of the minimum dividend on the preferred shares; and (iii)third, allocation of the net profits is determined by the holders of a majority of the common shares entitled to vote on the recommendation of the board of directors and the President and may, subject to further reserves required by the by-laws, be distributed as dividends (iv)under Colombian law, the dividends payable to the holders of common shares cannot exceed the dividends payable to holders of the preferred shares. Bancolombia's by-laws requires to maintain a reserve fund equal to 50% of paid-in capital. All common shares that are fully paid in and outstanding at the time a dividend or other distribution is declared are entitled to share equally in that dividend or other distribution. Common shares that are only partially-paid in participate in a dividend or distribution in the same proportion than the shares have been paid in at the time of the dividend or distribution.

The general shareholders' meeting may allocate a portion of the profits to welfare, education or civic services, or to support economic organizations of the Bank's employees.

Preferred Shares

Holders of preferred shares are entitled to receive dividends based on the profits of the preceding fiscal year, after deducting losses affecting the capital and once the amount that shall be legally set apart for the legal reserve has been deducted, but before creating or accruing for any other reserve, of a minimum preferred dividend equal to one per cent (1%) yearly of the subscription price of the preferred share, provided this dividend is higher than the dividend assigned to common shares, if this is not the case, the dividend shall be increased to an amount that is equal to the per share dividend on the common shares. The dividend received by holders of common shares may not be higher than the dividend assigned to preferred shares.

Payment of the preferred dividend shall be made at the time and in the manner established in the general shareholders' meeting and with the priority indicated by Colombian law.

In the event that the holders of preferred shares have not received the minimum dividend for a period in excess of two consecutive fiscal years, they will acquire certain voting rights. See “Item 10.B Memorandum and Articles of Association – Description of Share Rights, Preferences and Restrictions – Voting Rights – Preferred Shares”.

General aspects involving Dividends

Subject to the decision of the General Meeting of Shareholders, the dividend may be payable is stock. This decision shall be compulsory to the stockholder's provided it has been approved of the majority in the manner provided for on number 3 of Article 47 of the Bancolombia's By-laws.

The dividend periods may be different from the periods covered by the general balance sheet. In the general shareholders' meeting, shareholders will determine such dividend periods, the effective date, the system and the place for payment of dividends.

Dividends declared on the common shares and the preferred shares will be payable to the record holders of those shares, as they are recorded on Bancolombia's stock registry, on the appropriate record dates as determined in the general shareholders' meeting.

Any stock dividend payable by Bancolombia will be paid in common shares to the holders of common shares and in preferred shares to the holders of preferred shares. Nonetheless, Shareholders at the general shareholders' meeting may authorize the payment in common shares to all shareholders.

Any stock dividend payable in common shares requires the approval of 80% or more of the shares present at a shareholders' meeting, which will include 80% or more of the outstanding preferred shares. In the event that none of the holders of preferred shares is present at such meeting, a stock dividend may only be paid to the holders of common shares that approve such a payment.

Liquidation Rights

Bancolombia will be dissolved if certain events take place, including the following: (i) its term of existence, as stated in the by-laws, expires without being extended by the shareholders prior to its expiration date; (ii) losses cause the decrease of its shareholders' equity below 50% of its outstanding capital stock, unless one or more of the corrective measures described in the Colombian Commerce Code are adopted by the shareholders within six months; (iii) by decision at the general shareholders' meeting; (iv) in certain other events expressly provided by law and in the by-laws.

Upon dissolution, a liquidator must be appointed by a general meeting of the shareholders to wind up its affairs. In addition, the Superintendency of Finance has the power to take over the operations and assets of a commercial bank and proceed to its liquidation under certain circumstances and in the manner prescribed in the Estatuto Orgánico del Sistema Financiero Decree 663 of 1993. For more information see "Item 4. Information on The Company - B. Business Overview - B.7. Supervision and Regulation - Intervention Powers of the Superintendency of Finance- Bankruptcy Considerations".

Preemptive Rights and Other Anti-Dilution Provisions

Pursuant to the Colombian Commerce Code, Bancolombia is allowed to have an amount of outstanding capital stock smaller than the authorized capital stock set out in its by-laws. Under Bancolombia's by-laws, the holders of common shares determine the amount of authorized capital stock, and the board of directors has the power to (a) order the issuance and regulate the terms of subscription of common shares up to the total amount of authorized capital stock and (b) regulate the issuance of shares with rights to a preferential dividend but without the right to vote, when expressly delegated at the general shareholders' meeting. The issuance of preferred shares must always be first approved at the general shareholders' meeting, which shall determine the nature and extent of any privileges, according to the by-laws and Colombian law.

At the time a Colombian company is formed, its outstanding capital stock must represent at least 50% of the authorized capital. Any increases in the authorized capital stock or decreases in the outstanding capital stock must be approved by the majority of shareholders required to approve a general amendment to the by-laws. Pursuant to Decree 663, the Superintendency of Finance may order a commercial bank to increase its outstanding capital stock under certain special circumstances.

The Bank's by-laws and Colombian law require that, whenever the Bank issues new shares of any outstanding class, it must offer the holders of each class of shares the right to purchase a number of shares of such class sufficient to maintain their existing percentage ownership of the aggregate capital stock of the Bank. These rights are called preemptive rights. See "Item 3. Key Information – D. Risk Factors – Preemptive rights may not be available to holders of ADRs."

Shareholders at a general meeting of shareholders may suspend preemptive rights with respect to a particular capital increase by a favorable vote of at least 70% of the shares represented at the meeting. Preemptive rights must be exercised within the period stated in the share placement terms of the increase, which cannot be shorter than 15 business days following the publication of the notice of the public offer of that capital increase. From the date of the notice of the share placement terms, preemptive rights may be transferred separately from the corresponding shares.

The Superintendency of Finance will authorize decreases in the outstanding capital stock decided by the holders of common shares only if: (i) Bancolombia has no liabilities; (ii) Bancolombia's creditors consent in writing; or (iii) the outstanding capital stock remaining after the reduction represents at least twice the amount of Bancolombia's liabilities.

Limits on Purchases and Sales of Capital Stock by Related Parties

Pursuant to the Colombian Commerce Code, the members of the Bank's board of directors and certain of our principal executive officers may not, directly or indirectly, buy or sell shares of our capital stock while they hold their positions, except when dealing with non-speculative operations and in that case they need to obtain the prior authorization of the board of directors passed with the vote of two–thirds of its members (excluding, in the case of transactions by a director, such director's vote) or when deemed relevant by the Board of Directors of the Bank with the authorization of the Shareholders Meeting the affirmative vote of the ordinary majority foreseen in the bylaws, excluding the vote of the petitioner.

No Redemption

Colombian law prohibits Bancolombia from repurchasing shares of its capital stock, including the preferred shares.

Limitations on the Rights to Hold Securities

There are no limitations in our by-laws or Colombian law on the rights of Colombian residents or foreign investors to own the shares of the Bank, or on the right to hold or exercise voting rights with respect to those shares.

Restrictions on Change of Control Mergers, Acquisitions or Corporate Restructuring of the Company

Under Colombian law and our by-laws, the general shareholders' meeting has full and exclusive authority to approve any corporate restructuring including, mergers, acquisitions or spin-offs upon authorization by the Colombian Superintendency of Finance.

Ownership Threshold Requiring Public Disclosure

We must disclose to the Superintendency of Finance at the end of each fiscal year the names of the shareholders of our company, indicating at least, the twenty shareholders with the highest number of shares.

Colombian securities regulations set forth the obligation to disclose any material event or hecho relevante. Any transfer of shares equal or greater than 5% of our capital stock or any person acquiring a percentage of shares that would make him the beneficial owner of 5% or more of our capital stock, is a material event, and therefore, must be disclosed to the Superintendency of Finance.

Changes in the Capital of the Company

There are no conditions in our by-laws governing changes in our capital stock that are more stringent than those required under Colombian law.

C.MATERIAL CONTRACTS

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

On March 19, 2010, 25% of the assets, liabilities and contracts of Sufinanciamiento Finance Company were assigned to its parent company, Bancolombia, as authorized by the Colombian Superintendency of Finance. Pursuant to the transaction, Sufinanciamiento assigned to Bancolombia assets and contracts totaling COP 1,208,019 million and Bancolombia assumed liabilities of Sufinanciamiento totaling COP 1,192,809 million. The difference, amounting to COP 15,210 million was paid by Bancolombia. Also pursuant to the Transaction, Bancolombia kept the trademark of Sufinanciamiento, which will hereafter be used to identify the automobile finance division of Bancolombia.
On November 17, 2010, Tuya S.A. Compañía de Financiamiento advanced in a corporate break-up and as a result, a new company named Cobranzas Bancolombia S.A., was incorporated with an authorized capital of $95millionwas created. As of December 31, 2010 Cobranzas Bancolombia S.A. was dissolved and in the process of liquidation. Tuya S.A, the spun off company, continues developing its objective as finance company (compañía de financiamiento).

On December 17 2010, Sinesa Holding Company, subsidiary of Bancolombia, constituted under the British Virgin Islands legislation, was dissolved. By virtue of the dissolution and liquidation, the assets of the Company were transferred to Sistemas de Inversiones y Negocios S.A. "Sinesa", subsidiary of Bancolombia Panama.
On December 28, 2010, Bancolombia S.A., transferred several real estate properties which form part of the “San Martin” building complex located in Bogotá, Colombia to the Fondo de Capital Privado Inmobiliario Colombia, which is administered by Fiduciaria Bancolombia. The transfer included the sale of 13 real estate properties in exchange for COP 58,569 million (approximately USD 29,343 million), which has already been paid to Bancolombia, and the transfer of 9 real estate properties for a value of COP 17,101 million (approximately USD 8,568 million) in exchange for increased ownership interests in the Fondo de Capital Privado Inmobiliario Colombia. Bancolombia S.A. will remain in the building as a renter.

On January 28, 2011, Banagrícola S.A. and Inversiones Financieras Banco Agrícola S.A., subsidiaries of Bancolombia S.A., and Protección S.A. Sociedad Administradora de Fondos de Pensiones y Cesantias (“Protección S.A.”), signed a contract where Banagrícola S.A. and Inversiones Financieras Banco Agrícola S.A. sell to Protección S.A. its shares equivalent to 99.99% of the capital stock of AFP Crecer, organization administrator of pension funds in the Republic of El Salvador. Banagrícola S.A. and Inversiones Financieras Banco Agrícola S.A. will receive a total of USD 103 million as payment for the shares.

On February 5, 2011, Banagrícola S.A. and Inversiones Financieras Banco Agrícola S.A., subsidiaries of Bancolombia S.A., and Suramericana S.A., signed an agreement pursuant to which Banagrícola S.A. and Inversiones Financieras Banco Agrícola S.A. agreed to sell to Suramericana 97.03% of its shares of capital stock of Asesuisa, an insurance company in the Republic of El Salvador. Banagrícola S.A. and Inversiones Financieras Banco Agrícola S.A. will receive a total of USD 98 million as payment for the shares.

D.EXCHANGE CONTROLS

The Central Bank has consistently made foreign currency available to Colombian private sector entities to meet their foreign currency obligations. Nevertheless, in the event of shortages of foreign currency, foreign currency may not be available to private sector companies and foreign currency needed by the Bank to service foreign currency obligations may not be purchased in the open market without substantial additional cost.

The Foreign Exchange Statute is contained in Law 9 of 1991 and External Resolution No. 8 of 2000, which were implemented by the External Regulating Circular DCIN 83 of 2006 of the board of directors of the Central Bank including its respective amendments. The International Investment Statute of Colombia is also contained in Decree 2080 of 2000 and Decree 1844 of 2003, as amended, and regulates the manner in which foreign investors can participate in the Colombian securities markets and undertake other types of investment, prescribes registration with the Central Bank of certain foreign exchange transactions and specifies procedures pursuant to which certain types of foreign investments are to be authorized and administered.

Under Colombian law and the Bank's by-laws, foreign investors receive the same treatment as Colombian citizens with respect to the ownership and the voting of ADSs and preferred shares. For a detailed discussion of ownership restrictions see "Item 4. Information on the Company – B. Business Overview – B.7. Supervision and Regulation – Ownership Restrictions".

E.TAXATION

Colombian Taxation

For purposes of Colombian taxation, an individual is a resident of Colombia if he or she is physically present in Colombia for six or more months during the calendar year or six or more consecutive or non consecutive months during fiscal year. For purposes of Colombian taxation, a legal entity is a resident of Colombia if it is organized under the laws of Colombia.

In Colombia, dividends received by foreign companies or other foreign entities, non-resident individuals and successions of non-residents are subject to income taxes.

Foreign companies, foreign investment funds, and individuals that are not Colombian residents are not required by law to file an income tax return in Colombia when dividends that have not been taxed at the corporate level have been subject to withholding taxes.

Pursuant to the International Investment Statute (see "Item 10. Additional Information – D. Exchange Controls") the preferred shares deposited under the Deposit Agreement constitute a "Foreign Institutional Capital Investment Fund". Under Article 18-1 of the Estatuto Tributario, Decree 624 of 1989 as amended (the "Fiscal Statute"), dividends paid to foreign institutional capital investment funds are not subject to Colombian income, withholdingor other taxes, provided that such dividends are paid in respect of previously taxed earnings of Bancolombia. Therefore, provided that distributions are made by the Bank to the holders of ADRs through the Depositary, all distributions by the Bank made on account of preferred shares to holders of ADRs evidencing ADSs who are not resident in Colombia, as defined below, will be exempt from Colombian income and withholding taxes, except when distributions are paid out of non-taxed earnings of the Bank, in which case the applicable tax rate for that distribution dividend is 33%.

Likewise, dividends paid to a holder of preferred shares (as distinguished from the ADSs representing such preferred shares) who is not a resident of Colombia, as defined below, and who holds the preferred shares in his own name, rather than through another institutional or individual fund, will be subject to income tax if such dividends do not correspond to the Bank's profits that have been taxed at the corporate level. For these purposes, the applicable rate is 33%.

Pursuant to article 36-1 of the Fiscal Statute, earnings received by a non-resident of Colombia derived from stock trading are not subject to income, withholding or other taxes in Colombia when the stock is listed in the Colombian Stock Exchange and the transaction does not involve the sale of 10% or more of the company's outstanding stock by the same beneficial owner in the same taxable year.

In the case of preferred shares trading in Colombia, the seller has to file an income tax return, and, if article 36-1 of the Colombian Fiscal Statute is not applicable, the transaction is subject to income tax at a rate of 33%. The sale of stock by foreign institutional capital investment funds is not subject to income tax pursuant to article 18-1 of the Fiscal Statute.

Other Tax Considerations

As of the date of this report, there is no income tax treaty and no inheritance or gift tax treaty in effect between Colombia and the United States. Transfers of ADSs from non-residents or residents to non-residents of Colombia by gift or inheritance are not subject to Colombian income tax. Transfers of ADSs or preferred shares by gift or inheritance from residents to residents or from non-residents to residents will be subject to Colombian income tax at the income tax rate applicable for occasional gains obtained by residents of Colombia. Transfers of preferred shares by gift or inheritance from non-residents to non-residents or from residents to non-residents are also subject to income tax in Colombia at a rate of 34% for 2007 and 33% for 2008 and thereafter. There is no Colombian stamp, issue, registration, transfer or similar taxes or duties payable by holders of preferred shares or ADSs.

United States Federal Income Taxation Considerations

In General

This section describes the material United States federal income tax consequences generally applicable to ownership by a U.S. holder (as defined below) of preferred shares or ADSs. It applies to you only if you hold your preferred shares or ADSs as capital assets for U.S. federal income tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a tax-exempt organization;
- a life insurance company;
- a person liable for alternative minimum tax;
- a person that actually or constructively owns 10% or more of the Bank's voting stock;
- a person that holds preferred shares or ADSs as part of a straddle or a hedging or conversion transaction; or
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions all as currently in effect. These laws are subject to change, possibly on a retroactive basis. There is currently no comprehensive income tax treaty between the United States and

Colombia. In addition, this section is based in part upon the representations of the depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. For United States federal income tax purposes, if you hold ADRs evidencing ADSs, you generally will be treated as the owner of the preferred shares represented by those ADRs. Exchanges of preferred shares for ADRs, and ADRs for preferred shares generally will not be subject to United States federal income tax.

You are a U.S. holder if you are a beneficial owner of preferred shares or ADSs and you are:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If a partnership holds the preferred shares or ADSs, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the preferred shares or ADSs should consult its tax advisor with regard to the United States federal income tax treatment of its investment in the preferred shares or ADSs.

You should consult your own tax advisor regarding the United States federal, state and local and the Colombian and other tax consequences of owning and disposing of preferred shares and ADSs in your particular circumstances.

This discussion addresses only United States federal income taxation.

Taxation of Dividends

Under the United States federal income tax laws, and subject to the passive foreign investment company, or PFIC, rules discussed below, if you are a U.S. holder, the gross amount of any dividend the Bank pays out of its current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation. If you are a noncorporate U.S. holder, dividends paid to you in taxable years beginning before January 1, 2013 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold the preferred shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date (or if the dividend is attributable to a period or periods aggregating over 366 days, provided that you hold the preferred shares or ADSs for more than 90 days during the 181-day period beginning 90 days before the ex-dividend date) and meet other holding period requirements. Dividends paid with respect to the preferred shares or ADSs generally will be qualified dividend income provided that, in the year that you receive the dividend, the preferred shares or ADSs are readily tradable on an established securities market in the United States. The preferred shares are currently not traded on an established securities market in the United States. Therefore, dividends paid with respect to the preferred shares will not be qualified dividend income and will be taxed as ordinary income. The Bank believes that its ADSs, which are listed on the NYSE, are readily tradable on an established securities market in the United States; however, there can be no assurance that the Bank's ADSs will continue to be readily tradable on an established securities market.

You must include any Colombian tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when you, in the case of preferred shares, or the Depositary, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the peso payments made, determined at the spot peso/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the preferred shares or ADSs and thereafter as capital gain.

Subject to certain limitations, the Colombian tax withheld and paid over to Colombia will generally be creditable or deductible against your U.S. federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate.

For purposes of calculating a U.S. Holder's United States foreign tax credit limitation, dividends will be income from sources outside the United States and, depending on your circumstances, will generally be either "passive" or "general" income for purposes of computing the foreign tax credit allowable to you. You should consult your own tax advisor regarding the foreign tax credit rules.

Taxation of Capital Gains

Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your preferred shares or ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your preferred shares or ADSs. Capital gain of a noncorporate U.S. holder that is recognized in taxable years beginning before January 1, 2013 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year. The deductibility of capital losses is subject to limitations. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

PFIC Rules

The Bank believes that the Bank's preferred shares and ADSs should not be treated as stock of a PFIC for United States federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change.

In general, if you are a U.S. holder, the Bank will be a PFIC with respect to you if for any taxable year in which you held the Bank's preferred shares or ADSs:

at least 75% of the Bank's gross income for the taxable year is passive income; or

at least 50% of the value, determined on the basis of a quarterly average, of the Bank's assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. However, income derived in the active conduct of a banking business by a qualifying foreign bank is not passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

If the Bank is treated as a PFIC, and you are a U.S. holder that did not make a mark-to-market election, as described below, you will be subject to special rules with respect to:

any gain you realize on the sale or other disposition of your preferred shares or ADSs; and

any excess distribution that the Bank makes to you (generally, any distributions to you during a single taxable year that are greater than 125% of the average annual distributions received by you in respect of the preferred shares or ADSs during the three preceding taxable years or, if shorter, your holding period for the preferred shares or ADSs).

Under these rules:

- the gain or excess distribution will be allocated ratably over your holding period for the preferred shares or ADSs;
- the amount allocated to the taxable year in which you realized the gain or excess distribution will be taxed as ordinary income;
- the amount allocated to each prior year, with certain exceptions, will be taxed at the highest tax rate in effect for that year; and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

If you own preferred shares or ADSs in a PFIC that are treated as marketable stock, you may make a mark-to-market election. If you make this election, you will not be subject to the PFIC rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your preferred shares or ADSs at the end of the taxable year over your adjusted basis in your preferred shares or ADSs. These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. You will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of your preferred shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your basis in the preferred shares or ADSs will be adjusted to reflect any such income or loss amounts.

In addition, notwithstanding any election you make with regard to the preferred shares or ADSs, dividends that you receive from us will not constitute qualified dividend income to you if the Bank is a PFIC either in the taxable year of the distribution or the preceding taxable year. Moreover, your preferred shares or ADSs will be treated as stock in a PFIC if the Bank was a PFIC at any time during your holding period in your preferred shares or ADSs, even if the Bank is not currently a PFIC. For purposes of this rule, if you make a mark-to-market election with respect to your preferred shares or ADSs, you will be treated as having a new holding period in your preferred shares or ADSs beginning on the first day of the first taxable year beginning after the last taxable year for which the mark-to-market election applies. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the 15% maximum rate applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of the Bank's accumulated earnings and profits (as determined for United States federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income.

If you own preferred shares or ADSs during any year that the Bank is a PFIC with respect to you, you must file Internal Revenue Service Form 8621.

F.DIVIDENDS AND PAYING AGENTS

Not applicable.

G.STATEMENT BY EXPERTS

Not applicable.

H.DOCUMENTS ON DISPLAY

Bancolombia files reports and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any document that Bancolombia files at the SEC's public reference room at 100 F Street N.E., Washington, DC 20549. Some of the Bank's SEC filings are also available to the public from the SEC's website at http://www.sec.gov.

I.SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Introduction

The following section describes the market risks to which Bancolombia is exposed and the tools and methodology used to measure these risks as of December 31, 2010. Bancolombia faces market risk as a consequence of its lending, trading and investments businesses. Market risk represents the potential loss due to adverse changes in market prices of financial instruments as a result of movements in interest rates, foreign exchange rates and equity prices and other risk factors, such as sovereign risk.

Bancolombia's risk management strategy, called the Integrated Risk Management Strategy, is based on principles set by international bodies and by Colombian rules and regulations, and is guided by Bancolombia's corporate strategy. The main objective of the Integrated Risk Management Strategy is to identify, measure, coordinate, monitor, report and propose policies for market and liquidity risks of the Bank, which in turn serve to facilitate the efficient administration of Bancolombia's assets and liabilities. Bancolombia's board of directors and senior management have formalized the policies, procedures, strategies and rules of action for market risk administration in its "Market Risk Manual". This manual defines the roles and responsibilities within each subdivision of the Bank and their interaction to ensure adequate market risk administration.

The Bank's Market Risks Management Office is responsible for: (a) identifying, measuring, monitoring, analyzing and controlling the market risk inherent in the Bank's businesses, (b) analyzing the Bank's exposure under stress scenarios and confirming compliance with Bancolombia's risk management policies, (c) designing the methodologies for valuation of the market value of certain securities and financial instruments, (d) reporting to senior management and the board of directors any violation of Bancolombia's risk management policies, (e) reporting to the senior management on a daily basis the levels of market risk associated with the trading instruments recorded in its treasury book (the "Treasury Book"), and (f) proposing policies to the board of directors and to senior management that ensure the maintenance of predetermined risk levels. The Bank has also implemented an approval process for new products across each of its subdivisions. This process is designed to ensure that every subdivision is prepared to incorporate the new product into their procedures, that every risk is considered before the product is incorporated and that approval is obtained from the board of directors before the new product can be sold.

The Bank's assets include both trading and non-trading instruments. Trading instruments are recorded in the Treasury Book (the "Treasury Book") and include fixed income securities, foreign exchange (FX) futures, bonds futures and over-the-counter plain vanilla derivatives. Trading in derivatives includes forward contracts in foreign currency operations, plain vanilla options on U.S. dollar/COP currency, foreign exchange swaps and interest rate swaps. Non-trading instruments are recorded in the Bank's banking book (the "Banking Book"), which includes primarily loans, time deposits, checking accounts and savings accounts.

The Bank uses a value at risk ("VaR") calculation to limit its exposure to the market risk of its Treasury Book. The board of directors is responsible for establishing the maximum VaR based on its assessment of the appropriate level of risk for Bancolombia. The Investment Committee is responsible for establishing the maximum VaR by type of investment (e.g., fixed income in public debt) and by type of risk (e.g., currency risk). These limits are supervised on a daily basis by the Market Risk Management Office.

For managing the interest rate risk from banking activities, the Bank analyzes the interest rate mismatches between its interest earning assets and its interest bearing liabilities. In addition, the foreign currency exchange rate exposures arising from the Banking Book are provided to the Treasury Division where these positions are aggregated and managed.

Trading Instruments Market Risk Measurement

The Bank currently measures the Tresury Book exposure to market risk (including over-the-counter derivatives positions) as well as the currency risk exposure of the Banking Book, which is provided to the Treasury Division, using a VaR methodology established in accordance with "Chapter XXI of the Basic Accounting Circular", issued by the Superintendency of Finance.

The VaR methodology established by "Chapter XXI of the Basic Accounting Circular" is based on the model recommended by the Amendment to the Capital Accord to Incorporate Market Risks of Basel Committee of 2005, which focuses on the Treasury Book and excludes investments classified as "held to maturity" and any other investment that comprises the Banking Book, such as non-trading positions. In addition, the methodology eliminates the aggregation of risks by the use of correlations and in the alternative, provides for a new allocation system based on defined zones and bands. The VaR is estimated with a 99% confidence level and ten days time horizon, adjusted by a multiplicative factor equal to three.

The total market risk for the Bank is calculated by the arithmetical aggregation of the VaR calculated for each subsidiary. The aggregated VaR is reflected in the Bank's Capital Adequacy (Solvency) ratio, in accordance with Decree 1720 of 2001.

For purposes of VaR calculations, a risk exposure category is any market variable that is able to influence potential changes in the portfolio value. Taking into account a given risk exposure, the VaR model assesses the maximum loss not exceeded at a specified confidence level over a given period of time. The fluctuations in the portfolio's VaR depend on volatility, modified duration and positions changes relating to the different instruments that are subject to market risk.

The relevant risk exposure categories for which VaR is computed by Bancolombia according to the "Chapter XXI, appendix 1 of the Basic Accounting Circular" are: (i) interest rate risks relating to local currency, foreign currency and UVR; (ii) currency risk; (iii) stock price risk; and (iv) fund risk.

Interest Rate Risk: The interest rate risk is the probability of loss of value of a position due to fluctuations in market interest rates. Bancolombia calculates the interest rate risk for positions in local currency, foreign currency and UVR separately; in accordance with Chapter XXI of the Basic Accounting Circular issued by the Superintendency of Finance. The calculation of the interest rate risk begins by determining the net position in each instrument and estimating its sensitivity by multiplying its net present value ("NPV") by its "modified duration" and by the interest rate's estimated fluctuation (as defined by the Superintendency of Finance). The interest rate's fluctuations are established by the Superintendency of Finance according to historical market performance, as shown in the following table:

Interest Risk – Sensitivity by Bands and Zones

Zone	Band	Modified Duration Low	Modified Duration High	Interest rate Fluctuations (basis points) Pesos	UVR	US$
Zone 1	1	0	0.08	221	221	100
	2	0.08	0.25	221	221	100
	3	0.25	0.5	221	221	100
	4	0.5	1	221	221	100
Zone 2	5	1	1.9	206	208	90
	6	1.9	2.8	190	195	80
	7	2.8	3.6	175	182	75
Zone 3	8	3.6	4.3	159	168	75
	9	4.3	5.7	144	155	70
	10	5.7	7.3	128	142	65
	11	7.3	9.3	118	142	60
	12	9.3	10.6	118	142	60
	13	10.6	12	118	142	60
	14	12	20	118	142	60
	15	20	-	118	142	60

Once the sensitivity factor is calculated for each position, the modified duration is then used to classify each position within a corresponding band (given by the Superintendency of Finance. A net sensitivity is then calculated for each band, by determining the difference between the sum of all short-positions and the sum of all long-positions. Then a net position is calculated for each zone (which consists of a series of bands) determined by the Superintendency of Finance. The final step is to make adjustments within each band, across bands and within each zone, which results is a number that is the interest rate risk VaR. Each adjustment is performed following the guidelines established by the Superintendency of Finance.

The Bank's exposure to interest risk primarily arises from investments in Colombian government's treasury bonds (TES) and securities issued by the Colombian government.

The interest rate risk VaR decreased from COP 173 billion as of December 31, 2009 to COP 156 billion as of December 31, 2010. This decrease was due to the Bank's shorter bond portfolio,primarily composed of Colombian government treasury bonds TES,. During 2010 the average interest rate risk VaR was COP 1 billion, the maximum value was COP 191 billion, and the minimum value was COP 155 billion.

Currency, Equity and Fund Risk: The VaR model uses a sensitivity factor to calculate the probability of loss due to fluctuations in the price of stocks, funds and currencies in which the Bank maintains a position. As previously indicated, the methodology used in this Annual Report to measure such risk consists of computing VaR, which is derived by multiplying the position by the maximum probable variation in the price of such positions ("Δp"). The Δp is determined by the Superintendency of Finance, as shown in the following table:

Sensitivity Factor for Currency Risks, Equity Risks and Fund Risks

USD	4.4	%
Euro	6.0	%
Other currencies	8.0	%

Funds	14.7%
Stock Price	14.7%

The currency risk VaR decreased from COP 14 billion as of December 31, 2009 to COP 9 billion as of December 31, 2010. This decrease was due to the reduction in the net short position exposed to currency risk in the Bank. During 2010 the average currency risk VaR was COP 16 billion, the maximum value was COP 27 billion, and the minimum value was COP 6 billion.

The equity risk VaR risk decreased from COP 81 billion as of December 31, 2009 to COP 69 billion as of December 31, 2010 due to a reduction in these investments. During 2010 the average equity VaR was COP 66 billion, the maximum value was COP 82 billion, and the minimum value was COP 59 billion.

The fund risk which arises from investment in mutual funds decreased from COP 20 billion as of December 31, 2009 to COP 6 billion as of December 31, 2010, due to a reduction in these investments. During 2010 the average fund risk VaR was COP 5 billion, the maximum value was COP 7 billion, and the minimum value was COP 3 billion.

Total Market Risk VaR

The total market risk VaR is calculated as the algebraic sum of the interest rate risk, the currency risk, the equity risk and the fund risk.

As of December 31, 2010, the total market risk VaR amounted to COP 239 billion which represents an increase from COP 289 billion in 2009, due to the increase in interest rate risk VaR and equity risk VaR.

Assumptions and Limitations of VaR Models: Although VaR models represent a recognized tool for risk management, they have inherent limitations, including reliance on historical data that may not be indicative of future market conditions or trading patterns. Accordingly, VaR models should not be viewed as predictive of future results. The Bank may incur in losses that could be materially in excess of the amounts indicated by the models on a particular trading day or over a period of time, and there have been instances when results have fallen outside the values generated by the Bank's VaR models. A VaR model does not calculate the greatest possible loss. The results of these models and analysis thereof are subject to the reasonable judgment of the Bank's risk management personnel.

The table below provides information about Bancolombia's consolidated VaR for trading instruments at the end of 2010 and 2009.

(COP million)	2010	2009
Interest Rate Risk VaR	157,742	173,964
Currency Risk VaR	9,901	14,277
Equity Risk VaR	69,165	81,005
Fund Risk VaR	6,963	20,376
Total VaR	243,771	289,621

During 2010 the average Total VaR was COP 261 billion, the maximum value was COP 284 billion, and the minimum value was COP 243 billion.

Non-Trading Instruments Market Risk Measurement

The Banking Book's relevant risk exposure is interest rate risk, which is the probability of unexpected changes in net interest income as a result of a change in market interest rates. Changes in interest rates affect Bancolombia's earnings as a result of timing differences on the repricing of the assets and liabilities. The Bank manages the interest rate risk arising from banking activities in non trading instruments by analyzing the interest rate mismatches between its interest earning assets and its interest bearing liabilities. The foreign currency exchange rate exposures arising from the Banking Book are provided to the Treasury Division where these positions are aggregated and managed.

The Bank has performed a sensitivity analysis of market risk sensitive instruments based on hypothetical changes in the interest rates. The Bank has estimated the impact that a change in interest rates would have on the net present value of each position in the Banking Book, using a modified duration model and assuming positive parallel shifts of 50 and 100 basis points.

The following tables provide information about Bancolombia's interest rate sensitivity for the balance sheet items comprising the Banking Book. These tables show the following information for each group of assets and liabilities:

FAIR VALUE: Sum of the original net present value.

+ 50 bps: Net present value change with an increase of 50 bps.

+ 100 bps: Net present value change with an increase of 100 bps.

Interest Rate Risk (COP million)
2010

	FAIR VALUE	+50bps	+100bps
Assets			
Held To Maturity Securities	3,696,888	(32,282)	(64,417)
Loans	48.668.026	(189,863)	(378,861)
Total interest rate sensitive assets	52,364,915	(222,144)	(443,278)
Liabilities	FAIR VALUE	+50bps	+100bps
Checking Accounts - Saving Deposits	28.194.158	(110.093)	(219.686)
Time Deposits	15.379.687	(40.613)	(81.041)
Interbank borrowings	5.382.415	(7.573)	(15.111)
Long-term debt	5.899.291	(80.504)	(160.642)
Convertible Bonds	419.459	(410)	(818)
Total interest rate sensitive liabilities	55.275.010	(239.193)	(477.297)
Total net change		17,048	34,019

Interest Rate Risk (COP million)
2009

	FAIR VALUE	+50bps	+100bps
Assets			
Held To Maturity Securities	3,077,121	(26,574)	(53,028)
Loans	43,359,552	(177,344)	(353,880)
Total interest rate sensitive assets	46,436,673	(203,918)	(406,908)
Liabilities	FAIR VALUE	+50bps	+100bps
Checking Accounts - Saving Deposits	22,954,585	(73,822)	(147,111)
Time Deposits	18,255,567	(37,470)	(74,769)
Interbank borrowings	4,434,489	(4,555)	(9,090)
Long-term debt	4,332,866	(39,283)	(78,388)
Convertible Bonds	40,270	(526)	(1,049)
Total interest rate sensitive liabilities	50,017,778	(155,656)	(310,407)
Total net change		(48,262)	(96,501)

A rise in interest rates decreases the fair value of the assets and liabilities of the Bank, therefore, affects negatively the Bank's market value on the active side and positively on the liabilities side.

Bancolombia's largest assets are loans, which represent 93.37% of the total NPV of the total interest rate sensitive assets in the Banking Book. The change in market value of assets as a result of a 50 basis points parallel shift of the yield curve has increased from COP 204 billion in 2009 to COP 222 billion in 2010 due to an increase in the duration of the Commercial Loans Portfolio.

On the liabilities side, Bancolombia's largest interest rate sensitive liabilities are demand deposits and time deposits which represent 51.01% and 27.82%, respectively of the total NPV of the total interest rate sensitive liabilities in the Banking Book. The change in market value of liabilities as a result of a 50 basis points parallel shift of the yield curve increased from COP 156 billion in 2009 to COP 239 billion in 2010, reflecting the increase in demand deposits and the issuance of long-term debt during 2010.

As of December 31, 2010, the net change in the NPV for the market risk sensitive instruments, entered into for other than trading purposes with positive parallel shifts of 50 and 100 basis points were COP 17 billion and COP 34 billion, respectively. The decrease in the interest rate risk in 2010 versus 2009 reflects the higher duration of the demand deposits and the long-term debt in 2010.

Assumptions and Limitations of Sensitivity Analysis: Sensitivity analysis is based on the following assumptions, and should not be relied on as indicative of future results: When computing the NPV of the market risk sensitive instruments and its modified duration we have relied on two key assumptions: (a) a uniform change of interest rates of assets and liabilities and of rates for different maturities; and (b) modified duration of variable rate assets and liabilities is taken to be the time remaining until the next interest reset date.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

D.AMERICAN DEPOSITARY SHARES

D.3. FEES AND CHARGES APPLICABLE TO HOLDERS OF AMERICAN DEPOSITARY RECEIPTS

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

The following are the fees charged by the depositary:

Persons depositing or withdrawing shares must pay:	For:
$5.00 per 100 ADSs (or portion of 100 ADSs)	• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property • Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
Registration or transfer fees	• Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares

Expenses of the depositary	• Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) • Converting foreign currency to U.S. dollars

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Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	• As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	• As necessary

D.4.i. FEES INCURRED IN PAST ANNUAL PERIOD

From January 1, 2010, to December 31, 2010, the depositary reimbursed Bancolombia US$ 300,000 for expenses related to the administration and maintenance of the ADR facility, investor relations activities, annual listing fees and any other ADR program-related expenses incurred by Bancolombia directly associated with the company’s preferred share ADR program. In addition, Fiduciaria Bancolombia, a subsidiary of the Bank, received USD 171,948.00 from the Bank of New York Mellon during the same period in connection to its role as local custodian of the depositary bank.

D.4.ii. FEES TO BE PAID IN THE FUTURE

The Bank of New York Mellon, as depositary, has agreed to reimburse the Bank for expenses incured that are related to establishment and maintenance expenses of the ADS program. The depositary has agreed to reimburse the Company for its continuing annual stock exchange listing fees. The depositary has also agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which consist of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls. It has also agreed to reimburse the Company annually for certain investor relationship programs or special investor relations promotional activities. In certain instances, the depositary has agreed to provide additional payments to the Company based on any applicable performance indicators relating to the ADR facility. There are limits on the amount of expenses for which the depositary will reimburse the Company, but the amount of reimbursement available to the Company is not necessarily tied to the amount of fees the depositary collects from investors.

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

There has not been any default in the payment of dividends, principal, interest, a sinking or purchase fund installment in Bancolombia operation or any of its subsidiaries.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS
No matters to report.

ITEM 15. CONTROLS AND PROCEDURES

The Bank carried out an evaluation under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. As a result, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports the Bank files and submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and regulations of the SEC and to provide reasonable assurance that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding disclosure.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures.

Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Bank'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.

The Bank's internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Bank;

- 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 Bank are being made only in accordance with authorizations of the Bank's management and directors; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank'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. 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.

Management assessed the effectiveness of internal control over financial reporting as of December 31, 2010 based on criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management concluded that the Bank's internal control over financial reporting was effective as of December 31, 2010. In addition, there were no changes in Bank's internal control over financial reporting during the period covered by this annual report that has materially affected, or is reasonable likely to materially affect the Bank's internal control over financial reporting.

The effectiveness of the Bank's internal control over financial reporting as of December 31, 2010 has been audited by PricewaterhouseCoopers Ltda., an independent registered public accounting firm, whose report is included on page F-4 of this annual report.

ITEM 16. RESERVED

A.AUDIT COMMITTEE FINANCIAL EXPERT

The board of directors of Bancolombia appointed Mr. Alejandro Gaviria Uribe as the "audit committee financial expert" in accordance with SEC rules and regulations.

Our audit committee financial expert, along with the other members of our audit committee, is considered to be independent according to applicable NYSE criteria.

Mr. Gaviria Uribe has served as the Bank's audit committee financial expert since May 22, 2007, he does not own any shares of Bancolombia and there is no business relationship between him and the Bank, except for standard personal banking services. Further, there is no fee arrangement between Mr. Gaviria Uribe and the Bank, except in connection with his capacity as a member of the Bank's board of directors and now as a member of the audit committee. Mr. Gaviria Uribe is considered an independent director under Colombian law and the Bank's Corporate Governance Code, as well as under NYSE's director independence standards. For more information regarding our audit committee, see "Item 6. Directors, Senior Management and Employees—Board Practices—Audit Committee."

B.CORPORATE GOVERNANCE AND CODE OF ETHICS

Bancolombia has adopted a Code of Ethics and a Corporate Governance Code, both of which apply to all employees, including our Chief Executive Officer (principal executive officer), Chief Financial Officer (principal financial officer) and Controller (principal accounting officer), as well as to the directors of the Bank.

English translations of the Ethics Code and the Corporate Governance Code are posted at Bancolombia's website at www.grupobancolombia.com.co. The Spanish versions of these codes will prevail for all legal purposes.

The Bank also has a phone line called "línea ética" which is available for anonymous reporting of any evidence of improper conduct.

Under the NYSE's Corporate Governance Standards, Bancolombia, as a listed foreign private issuer, must disclose any significant ways in which its corporate governance practices differ from those followed by U.S. companies under NYSE listing standards. See "Item 16. Reserved – 16.G Corporate Governance."

C.PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate fees billed under the caption audit fees for professional services rendered to Bancolombia for the audit of its financial statements and for services that are normally provided to Bancolombia, in connection with statutory or regulatory filings or engagements totaled COP 9,579 million and COP 8,314 million. for the years 2010 and 2009 respectively.

Additionally other audit-related fees totaled COP 724 million audited for the year 2009. Bancolombia paid no tax fees or other fees for the years 2010 and 2009 to PricewaterhouseCoopers Ltda.

The Bank's audit committee charter includes the following pre-approval policies and procedures, which are included in the audit committee's charters:

The audit committee will approve each year the work plan of the external auditors, which will include all services that according to the applicable law may be rendered by the external auditors.

For instances in which additional services are required to be provided by the external auditors, such services must be previously approved by the audit committee. Whenever this approval is not obtained at a meeting held by the audit committee, the approval will be obtained through the Vice Presidency of Internal Audit, who will be responsible for soliciting the consent from each of the audit committee members. The approval will be obtained with the favorable vote of the majority of its members.

Every request of approval of additional services must be adequately sustained, including complete and effective information regarding the characteristics of the service that will be provided by the external auditors. In all cases, the budget of the external auditors must be approved by the General Shareholders Meeting.

D.EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

E.PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Colombian law prohibits the repurchase of shares issued by entities supervised by the Superintendency of Finance. Therefore, neither Bancolombia nor any affiliated purchaser repurchased any shares during fiscal year 2010.

F.CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

G. CORPORATE GOVERNANCE

Bancolombia, as a listed company that qualifies as a foreign private issuer under the NYSE listing standards in accordance with the NYSE corporate governance rules, is permitted to follow home-country practice in some circumstances in lieu of the provisions of the corporate governance rules contained in Section 303A of the NYSE Listed Company Manual that are applicable to U.S. companies. The Bank follows corporate governance practices applicable to Colombian companies and those described in the Bank's Corporate Governance Code (the "Corporate Governance Code") which in turn follows Colombian corporate governance rules. An English translation of the Corporate Governance Code is available at Bancolombia's website at www.grupobancolombia.com.co. The Spanish version will prevail for all legal purposes.

In Colombia, a series of laws and regulations set forth corporate governance requirements. External Circular 056 of 2007 issued by the Superintendency of Finance, contains the corporate governance standards to be followed by companies issuing securities that may be purchased by Colombian pension funds, and determines that entities under supervision of the Superintendency of Finance, when making investment decisions, must take into account the recommendations established by the "Country Code" and the corporate governance standards followed by the entities who are beneficiaries of the investment. Additionally, External Circular 055 of 2007 establishes that entities under the supervision of the Superintendency of Finance must adopt mechanisms for the periodic disclosure of their corporate governance standards.

Additionally, Law 964 of 2005 established mandatory corporate governance requirements for all issuers whose securities are publicly traded in the Colombian market, and Decree 3139 of 2006 regulates disclosure and market information for the Colombian securities market SIMEV (Sistema Integral de Información del Mercado de Valores). Bancolombia's corporate governance standards comply with these legal requirements and follow regional recommendations, including the OECD's White Paper on Corporate Governance for Latin America and the Andean Development Corporation's (CAF) Corporate Governance Code.

The following is a summary of the significant differences between the corporate governance practices followed by Bancolombia and those applicable to domestic issuers under the NYSE listing standards:

- Independence of Directors. Under NYSE corporate governance rules, a majority of a U.S. company's board of directors must be composed of independent directors. Law 964 of 2005 requires that at least 25% of the members of the Bank's board of directors are independent directors, and Decree 3923 of 2006 regulates their election. Additionally, Colombian law mandates that all directors exercise independent judgment under all circumstances. Bancolombia's Corporate Governance Code includes a provision stating that directors shall exercise independent judgment and requires that Bancolombia's management recommends to its stockholders lists of director nominees of which at least 25% are independent directors. For the independence test applicable to directors of Bancolombia see "Item 10. Additional Information. – B. Memorandum and Articles of Association – Board of Directors".

- Non-Executive Director Meetings. Pursuant to the NYSE listing standards, non-executive directors of U.S. listed companies must meet on a regular basis without management present. The non-executive directors of Bancolombia do not meet formally without management present. There is no prohibition under Colombian regulations for officers to be members of the board of directors; however it is customary for Colombian companies to maintain separation between the directors and management. Bancolombia's board of directors does not include any management members, however the CEO attends the monthly meetings of the Bank's board of directors (but is not allowed to vote) and committees may have officers or employees as permanent members to guarantee an adequate flow of information between employees, management and directors. In accordance with the Law 964 of 2005 and the Bank's by-laws, no executive officer can be elected as chairman of the Bank's board of directors.

- Committees of the Board of Directors. Under NYSE listing standards, all U.S. companies listed on the NYSE must have an audit committee, a compensation committee, and a nominating/corporate governance committee and all members of such committees must be independent. In each case, the independence of directors must be established pursuant to highly detailed rules promulgated by the NYSE and, in the case of the audit committee, the NYSE and the SEC. The Bank's board of directors has a "Board Issues Committee", a "Designation, Compensation and Development Committee", a "Corporate Governance Committee" and an "Audit Committee", each of which is composed of both directors and officers, except the audit committee which is composed of three independent directors but no officers. For a description of these committees see "Item 6. Directors, Senior Management and Employees – C. Board Practices".

- Stockholder Approval of Equity Compensation Plans. Under NYSE listing standards, stockholders of U.S. companies must be given the opportunity to vote on all equity compensation plans and to approve material revisions to those plans, with limited exceptions set forth in the NYSE rules. Under Colombian laws applicable to Bancolombia, such approval from stockholder is also required.

- Stockholder Approval of Dividends. While NYSE corporate governance standards do not require listed companies to have stockholders approve or declare dividends, in accordance with the Colombian Code of Commerce, annual dividends must be approved by Bancolombia's shareholders.

PART III

FINANCIAL STATEMENTS

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to pages F - 1 through F – 113.

ITEM 19. EXHIBITS

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

1.	English translation of corporate by-laws (estatutos sociales) of the registrant, as amended on March 7, 2011.
2 (2)	The Deposit Agreement entered into between Bancolombia and The Bank of New York, as amended on January 14, 2008.
4.1.(3)	English summary of the Agreement for transfer of assets, liabilities and contracts of Sufinanciamiento S.A. Compañia de Financiamiento to Bancolombia S.A. dated March 19, 2010.
4.1. (3)	English summary of the Share Purchase Agreement among Leasing Bancolombia, Banca de Inversion Bancolombia, Inversiones CFNS, Fundacion Bancolombia y Factoring Bancolombia, Mitsubishi International Corporation and Mitsubishi Corporation dated March 12, 2010.
4.1.	English summary of the Sale Agreement of Asesuisa entered into among Bancoagrícola S.A., Inversiones Financieras Banco Agrícola and Suramericana dated February 5, 2011.
4.1.	English summary of the Sale Agreement of AFP Crecer entered into Bancoagrícola S.A., Inversiones Financieras Banco Agrícola and Proteccion S.A. Sociedad Administradora de Fondos de Pensiones y Cesantias dated December 28, 2010.
4.1.	English summary of the sale agreement of a several real estate propierties which form part of the “San Martin” building complex entered into Bancolombia S.A. and Fondo de Capital Privado Inmobiliario Colombia.
4.1.	English summary of the dissolved of Sinesa Holding Company, subsidiary of Bancolombia.
4.1.	English summary of the formative documents of a new entity Cobranzas Bancolombia S.A., after the corporate break-up of Tuya S.A. Compañía de Financiamiento.
7	Selected Ratios’ Calculation.
8.1.	List of Subsidiaries.
11(1)	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 April 28, 2011.
12.2	CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated April 28, 2011.
13.1	CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated April 28, 2011.
13.2	CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated April 28, 2011.
15.(a)(1)	English translation of Corporate Governance Code (Código de Buen Gobierno) of the registrant, as amended on June 23, 2008.

(1) 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.

(2) Incorporated by reference to the Registration Statement in Form F-6, filed by Bancolombia on January 14, 2008.
(3) Incorporated by reference to the Bank's Annual Report on Form 20-F for the year ended December 31, 2009 filed on June11, 2010.

SIGNATURES

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.

BANCOLOMBIA S.A.

/s/ JAIME ALBERTO VELASQUEZ BOTERO
Name: Jaime Alberto Velasquez Botero.
Title: Vice President, Finance

Date: April 28, 2011

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Bancolombia S. A. and its subsidiaries (the "Bank") at December 31, 2010 and 2009, and the results of their operations and cash flows for the years ended December 31, 2010, 2009 and 2008 in conformity with accounting principles generally accepted in Colombia and the special regulations of the Colombian 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, 2010, 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 consolidated financial statements and on the Bank's internal control over financial reporting based on our integrated audits. We conducted our audits 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 audits 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 audits 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 audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 (h), (i) and (j) to the consolidated financial statements, in 2009 the Bank changed the manner in which it values the swaps and equity securities and recognizes in the records the residual rights originated in the securitization of mortgage loans due to the adoption in 2009 of the new regulations of the Colombian Superintendency of Finance. Additionally, in 2010, as discussed in Note 2 (d), the Bank has revised the presentation of the consolidated statements of cash flows for all periods presented.

PricewaterhouseCoopers Ltda., Edificio Forum, Calle 7 Sur No. 42-70, Torre 2, Piso 11, Medellín, Colombia,
Tel: (57-4) 325 4320, Fax: (57-4) 325 4322, www.pwc.com/co

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

April 28, 2011

Colombian GAAP varies 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 the consolidated 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 the consolidated 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
April 28, 2011

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2010 and 2009

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

	Notes	2010(1) (Unaudited) U.S. Dollar	2010	2009
Assets				
Cash and cash equivalents:				
Cash and due from banks	4	USD 2,775,577	COP 5,312,398	COP 4,983,569
Overnight funds and interbank loans		440,253	842,636	2,388,790
Total cash and cash equivalents		3,215,830	6,155,034	7,372,359
Investment securities:	5			
Debt securities:		4,298,274	8,226,811	8,436,244
Trading		1,165,390	2,230,533	3,037,819
Available for sale		1,173,445	2,245,951	2,175,494
Held to maturity		1,959,439	3,750,327	3,222,931
Equity securities:		281,778	539,318	580,214
Trading		139,048	266,135	330,840
Available for sale		142,730	273,183	249,374
Allowance for impairment		(47,214)	(90,367)	(101,545)
Total investment securities		4,532,838	8,675,762	8,914,913
Loans and financial leases:	6			
Commercial loans		16,192,647	30,992,403	26,011,915
Consumer loans		4,272,341	8,177,175	6,888,615
Microcredit loans		133,273	255,082	202,019
Mortgage loans		1,746,560	3,342,881	3,469,424
Financial leases		3,047,863	5,833,549	5,470,001
Allowance for loans and financial lease losses	7	(1,310,992)	(2,509,213)	(2,431,667)
Total loans and financial leases, net		24,081,692	46,091,877	39,610,307
Accrued interest receivable on loans and financial leases:				
Accrued interest receivable on loans and financial leases		186,252	356,484	384,542
Allowance for accrued interest losses	7	(20,351)	(38,952)	(45,937)
Total interest accrued, net		165,901	317,532	338,605
Customers' acceptances and derivatives	8	410,082	784,888	205,367
Accounts receivable, net	9	416,783	797,715	806,885
Premises and equipment, net	10	613,708	1,174,625	992,041
	11	525,663	1,006,108	843,054

Premises and equipment under operating leases, net							
Foreclosed assets, net	15		36,718		70,277		80,668
Prepaid expenses and deferred charges, net	12		167,120		319,864		185,811
Goodwill	14		392,359		750,968		855,724
Other assets	13		619,639		1,185,977		922,265
Reappraisal of assets	16		399,445		764,529		736,366
Total assets		USD	35,577,778	COP	68,095,156	COP	61,864,365
Memorandum accounts	25	USD	196,463,347	COP	376,026,917	COP	304,507,396

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BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2010 and 2009

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

	Notes	2010(1) (Unaudited) U.S. Dollar	2010	2009
Liabilities and Stockholders' Equity				
Deposits				
Non bearing interest:		USD 3,987,616	COP 7,632,216	COP 6,307,780
Checking accounts		3,647,020	6,980,322	5,858,667
Other		340,596	651,894	449,113
Interest bearing:		18,760,254	35,906,751	35,841,550
Checking accounts		1,345,683	2,575,611	2,366,281
Time deposits		7,978,281	15,270,271	18,331,488
Savings deposits		9,436,290	18,060,869	15,143,781
Total deposits		22,747,870	43,538,967	42,149,330
Overnight funds and interbank borrowings		1,023,441	1,958,846	1,342,201
Bank acceptances outstanding and derivatives		337,190	645,374	47,609
Other interbank borrowings	17	1,410,120	2,698,941	1,152,918
Borrowings from development and other domestic banks	18	1,333,162	2,551,646	2,886,232
Accounts payable		886,217	1,696,201	1,656,154
Accrued interest payable		154,955	296,580	411,796
Other liabilities	19	360,205	689,426	665,893
Long-term debt	20	2,987,688	5,718,376	4,173,622
Accrued expenses	21	147,883	283,047	239,400
Minority interest		36,893	70,612	106,381
Total liabilities		31,425,624	60,148,016	54,831,536
Stockholders' equity	22, 24			
Subscribed and paid in capital:		240,694	460,684	460,684
Nonvoting preference shares		79,114	151,422	151,422
Common shares		161,580	309,262	309,262
Retained earnings:		3,570,814	6,834,467	5,954,205
Appropriated	23	2,820,287	5,397,973	4,697,355
Unappropriated		750,527	1,436,494	1,256,850
Reappraisal of assets	16	325,096	622,227	582,377
Gross unrealized net gain on investments		15,550	29,762	35,563
Total stockholders' equity		4,152,154	7,947,140	7,032,829

Total liabilities and stockholders' equity		USD	35,577,778	COP	68,095,156	COP	61,864,365
Memorandum accounts	25	USD	196,463,347	COP	376,026,917	COP	304,507,396

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 Operations

Years ended December 31, 2010, 2009 and 2008

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

	Note	2010 (1) (Unaudited) U.S. Dollar	2010	2009	2008
Interest income:					
Loans		USD 2,033,519	COP 3,892,114	COP 4,900,062	COP 4,999,520
Investment securities		231,148	442,413	728,558	431,589
Overnight funds and interbank loans		21,943	41,998	76,173	106,208
Financial leases		298,937	572,160	722,905	776,426
Total interest income		2,585,547	4,948,685	6,427,698	6,313,743
Interest expense:					
Checking accounts		20,302	38,858	43,211	39,257
Time deposits		362,463	693,746	1,376,567	1,256,742
Saving deposits		168,059	321,662	450,865	589,718
Total interest expense on deposits		550,824	1,054,266	1,870,643	1,885,717
Interbank borrowings		10,208	19,537	47,650	74,792
Borrowings from development and other domestic banks		72,640	139,032	252,842	344,900
Overnight funds		21,134	40,451	94,099	166,129
Long-term debt		166,300	318,295	360,182	281,803
Total interest expense		821,106	1,571,581	2,625,416	2,753,341
Net interest income		1,764,441	3,377,104	3,802,282	3,560,402
Provision for loan, accrued interest losses and other receivables, net	7	(412,122)	(788,794)	(1,317,846)	(1,263,405)
Recovery of charged-off loans		144,311	276,209	214,251	108,143
Provision for foreclosed assets and other assets		(35,103)	(67,187)	(98,437)	(46,297)
Recovery of provisions for foreclosed assets and other assets		16,749	32,057	48,658	68,392
Total net provisions		(286,165)	(547,715)	(1,153,374)	(1,133,167)
Net interest income after provisions for loans and accrued interest losses		1,478,276	2,829,389	2,648,908	2,427,235
Fees and other service income:					
Commissions from banking services		160,355	306,917	251,734	238,918

Electronic services and ATMs fees	29,791	57,019	58,944	86,070
Branch network services	61,990	118,647	110,837	104,010
Collections and payments fees	118,359	226,537	187,348	157,281
Credit card merchant fees	9,590	18,355	28,200	32,215
Credit and debit card annual fees	294,913	564,457	548,820	446,647
Checking fees	36,273	69,425	69,544	67,963
Fiduciary activities	86,247	165,075	171,927	98,799
Pension plan management	47,091	90,131	96,678	87,826
Brokerage fees	19,216	36,779	45,966	54,742
Check remittance	9,244	17,693	25,812	26,148
International wire transfers	30,595	58,559	53,614	47,962
Total fees and other service income	USD 903,664	COP 1,729,594	COP 1,649,424	COP 1,448,581
Fees and other service expenses	(78,189)	(149,653)	(143,151)	(134,939)
Total fees and income from services, net	825,475	1,579,941	1,506,273	1,313,642
Other operating income:				
Foreign exchange gains (loss), net	32,451	62,110	(216,411)	113,584
Gains of forward contracts in foreign currency	26,903	51,491	265,969	142,431
Gains on sales of investments on equity securities	23,885	45,716	584	92,125
Gains on sale of mortgage loans	44,860	85,862	53,784	41,080
Dividend income	18,129	34,699	24,045	39,586
Revenues from commercial subsidiaries	45,782	87,625	96,605	101,730
Insurance income	1,467	2,808	12	13,948

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2010, 2009 and 2008

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

	Note	2010 (1) (Unaudited) U.S. Dollar	2010	2009	2008
Communication, postage, rent and others		92,829	177,673	156,088	105,958
Total other operating income		286,306	547,984	380,676	650,442
Total operating income		2,590,057	4,957,314	4,535,857	4,391,319
Operating expenses:					
Salaries and employee benefits		595,590	1,139,947	1,034,942	928,997
Bonus plan payments		66,270	126,839	90,341	125,393
Termination benefits		14,395	27,551	19,725	23,539
Administrative and other expenses	27	760,209	1,455,025	1,418,145	1,268,982
Insurance on deposits, net		44,096	84,399	74,228	52,151
Donation expenses		6,796	13,008	3,506	26,653
Depreciation	10	102,271	195,744	185,027	141,133
Goodwill amortization		29,240	55,966	69,231	73,149
Total operating expenses		1,618,867	3,098,479	2,895,145	2,639,997
Net operating income		971,190	1,858,835	1,640,712	1,751,322
Non-operating income:					
Other income		139,747	267,472	198,761	172,550
Minority interest		(6,906)	(13,217)	(15,081)	(18,511)
Other expense		(87,869)	(168,179)	(105,529)	(140,662)
Total non-operating income, net	28	44,972	86,076	78,151	13,377
Income before income taxes		1,016,162	1,944,911	1,718,863	1,764,699
Income tax expense	21	(265,633)	(508,417)	(462,013)	(474,056)
Net income		USD 750,529	COP 1,436,494	COP 1,256,850	COP 1,290,643
Earnings per share		USD 0.95	COP 1,823	COP 1,595	COP 1,638

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 Stockholders' Equity

Years ended December 31, 2010, 2009 and 2008

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

	Non Voting Preferred Shares		Voting Common Shares		Retained Earnings			Surp C g a
	Number	Par Value	Number	Par Value	Appro-Priated	Unappro-Priated	Reappraisal of assets	
Balance at December 31, 2007	278,122,419	COP 151,422	509,704,584	COP 309,262	COP 3,359,604	COP 1,086,923	COP 319,646	
Net income	-	-	-	-	-	1,290,643	-	
Transfer to appropriated retained earnings	-	-	-	-	1,086,923	(1,086,923)	-	
Reappraisal of assets and valuation of investments	-	-	-	-	-	-	128,865	
Dividends declared	-	-	-	-	(447,486)	-	-	
Other	-	-	-	-	(24,020)	-	-	
Balance at December 31, 2008	278,122,419	151,422	509,704,584	309,262	3,975,021	1,290,643	448,511	
Net income	-	-	-	-	-	1,256,850	-	
Transfer to appropriated retained earnings	-	-	-	-	1,290,643	(1,290,643)	-	
Reappraisal of assets and valuation of investments	-	-	-	-	-	-	133,866	
Dividends declared	-	-	-	-	(491,604)	-	-	
Other	-	-	-	-	(76,705)	-	-	
Balance at December 31, 2009	278,122,419	151,422	509,704,584	309,262	4,697,355	1,256,850	582,377	
Net Income	-	-	-	-	-	1,436,494	-	
	-	-	-	-	1,256,850	(1,256,850)	-	

Transfer to appropriated retained earnings							
Reappraisal of assets and valuation of investment	-	-	-	-	-	-	39,850
Dividends Declared	-	-	-	-	(501,688)	-	-
Other	-	-	-	-	(54,544)	-	-
Balance at December 31, 2010	278,122,419	COP 151,422	509,704,584	COP 309,262	COP 5,397,973	COP 1,436,494	COP 622,227
Balance at December 31, 2010(1) (Unaudited)		USD 79,114		USD 161,580	USD 2,820,287	USD 750,527	USD 325,096

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, 2010, 2009 and 2008

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

	2010 (1) (Unaudited)	2010	2009	2008
Cash flows from operating activities:				
Net income	USD 750,529	COP 1,436,494	COP 1,256,850	COP 1,290,643
Minority interest	6,906	13,217	15,080	18,511
Adjustments to reconcile net income to net cash used in operating activities:				
Provision for loan, accrued interest and accounts receivable losses	414,167	792,708	1,317,845	1,260,655
Provision for foreclosed assets and other assets	23,212	44,428	97,917	16,265
Depreciation and amortization	179,257	343,095	364,607	313,592
Recovery of provision for foreclosed assets and other assets	(21,851)	(41,823)	(48,657)	(69,253)
Gains on sale of mortgage loans and other assets	(61,813)	(118,309)	(51,822)	(37,044)
Unrealized gains on investment securities	(277,710)	(531,531)	(760,647)	(568,061)
Unrealized gains on derivative contracts	(5,621)	(10,759)	(241,024)	(129,688)
Foreclosed assets donation	3,488	6,676	1,211	7,311
(Increase) Decrease in loans and financial leases	(4,097,903)	(7,843,304)	766,073	(6,533,700)
Decrease in customers' acceptances and derivatives	25,574	48,948	312,156	61,272
(Increase) Decrease in accounts receivable	(1,795)	(3,435)	111,339	(306,303)
(Increase) Decrease in other assets	(115,923)	(221,871)	23,418	(98,256)
Increase in deposits	1,049,118	2,007,990	2,695,386	4,966,018
Increase in other liabilities	7,076	13,545	42,240	92,512
(Decrease) Increase in accounts payable	(43,604)	(83,457)	(13,476)	86,572
Increase (Decrease) in estimated liabilities and allowances	27,606	52,837	(17,850)	47,263
Change in trading investment securities	564,567	1,080,569	(219,073)	(546,279)
Net losses on sales of foreclosed assets	64,457	123,370	48,984	54,575
(Increase) Decrease in assets to place in lease contracts	(91,892)	(175,879)	20,530	(329,373)
Net cash (used in) provided by operating activities	(1,602,155)	(3,066,491)	5,721,087	(402,768)
Cash flows from investing activities:				

Purchases of available for sale debt securities	(1,162,919)	(2,225,803)	(1,309,991)	(644,602)
Proceeds from sales of available for sale debt securities	1,148,493	2,198,192	1,297,458	825,723
Purchases of held to maturity debt securities	(798,458)	(1,528,232)	(2,044,603)	(1,038,122)
Proceeds from maturities of debt securities	571,192	1,093,250	1,396,112	520,224
Purchases of available for sale equity securities	(21,739)	(41,608)	(79,948)	(16,565)
Proceeds from sales of equity securities	30,547	58,467	9,251	145,672
Purchases of property, plant and equipment	(547,151)	(1,047,237)	(364,326)	(773,003)
Proceeds from sales of property and equipment	261,716	500,919	160,635	60,885
Software purcharses under INNOVA project	(52,881)	(101,216)	(92,136)	(29,749)
Net cash used in investing activities	(571,200)	(1,093,268)	(1,027,548)	(949,537)
Increase (Decrease) in overnight funds	326,187	624,316	(1,171,450)	478,070
Increase (Decrease) in interbank borrowings	664,336	1,271,526	(1,831,437)	985,467
Placement of long-term debt	1,237,829	2,369,179	1,414,939	864,258
Payment of long-term debt	(373,810)	(715,465)	(738,703)	(243,438)
Dividends paid	(262,118)	(501,688)	(491,604)	(447,486)
Net cash provided by (used in) financing activities	1,592,424	3,047,868	(2,818,255)	1,636,871
Effects of exchange rate changes on cash and cash equivalents	(55,086)	(105,434)	(122,500)	106,622
(Decrease) Increase in cash and cash equivalents	(580,931)	(1,111,891)	1,875,284	284,566
Cash and cash equivalents at beginning of year	3,851,847	7,372,359	5,619,575	5,228,387
Cash and cash equivalents at end of year	USD 3,215,830	COP 6,155,034	COP 7,372,359	COP 5,619,575
Supplemental disclosure of cash flows information:				
Cash paid during the year for:				
Interest	881,304	1,686,798	2,614,527	2,639,069
Income taxes	166,292	318,279	357,298	214,679

See accompanying notes to consolidated financial statements.

(1) See note 2 (c) and 2 (d)

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. ("the Bank") is a private commercial bank incorporated under Colombian law on January 24, 1945 and is incorporated until 2044. On April 3, 1998, Banco Industrial Colombiano S.A. ("BIC") 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 herein as the Bank.

As for recent amendments to the Bank's by-laws' the most important have been as follows: (i) by means of Public Deed No. 633 drawn up on April 3, 1998 before the Notary Public No. 14 of the Circuit of Medellín, BIC took over Banco de Colombia S.A. which was dissolved without being liquidated, and changed its corporate name to Bancolombia S.A.; (ii) by means of Public Deed No. 3974 drawn up on July 30, 2005 before the Notary Public No. 29 of the Circuit of Medellín the merger between Bancolombia, Conavi and Corfinsura (spin-off) was duly made official. By virtue of this merger, Bancolombia took over the total amount of assets, rights and obligations of Conavi and Corfinsura, which were dissolved but not liquidated; and (iii) the last amendment was made by means of Public Deed No. 1614 drawn up on March 15, 2007 before the Notary Public No. 29 of the Circuit of Medellín, the main purpose of which was to simplify the workings of its Board of Directors, eliminating alternate members and reducing the number of principal members to nine.

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.

The consolidated financial statements include the assets, liabilities, earnings, contingent accounts and memorandum accounts of the Bank and other entities in which the Bank holds, 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:

Entity	Location	Business	Participation percentage Dec-2010	Participation percentage Dec-2009
Leasing Bancolombia S.A. Compañía de Financiamiento	Colombia	Leasing	100	100
Fiduciaria Bancolombia S.A. Sociedad Fiduciaria	Colombia	Trust	98.81	98.81
Banca de Inversión Bancolombia S.A. Corporación Financiera	Colombia	Investment banking	100	100
Valores Bancolombia S.A. Comisionista de Bolsa	Colombia	Securities brokerage	100	100
Compañía de Financiamiento Tuya S.A. (Formerly Compañía de Financiamiento Sufinanciamiento S.A.)	Colombia	Financial services	99.99	99.99
Factoring Bancolombia S.A. Compañía de Financiamiento	Colombia	Financial services	100	100

Renting Colombia S.A. (1)	Colombia	Operating leasing	100	80.5
Transportempo S.A.S.	Colombia	Transportation	100	80.5
RC Rent a Car S.A.S. (2)	Colombia	Car rental	-	80.5
Valores Simesa S.A.	Colombia	Investments	68.75	69.66
Inversiones CFNS S.A.S.	Colombia	Investments	100	100
CFNS Infraestructura S.A.S. (3)	Colombia	Investments	100	-
Inmobiliaria Bancol S.A.	Colombia	Real estate broker	99.00	99.03
Todo 1 Colombia S.A.	Colombia	E-commerce	90.09	89.92

Entity	Location	Business	Participation percentage Dec-2010	Participation percentage Dec-2009
Vivayco S.A.S. (3)	Colombia	Portfolio Purchase	75	-
Cobranzas Bancolombia S.A. (Under "Liquidation process") (3)	Colombia	Technical and Administrative Services	99.99	-
Patrimonio Autónomo CV Sufinanciamiento (4)	Colombia	Loan management	-	100
Inversiones Valores y Logística S.A.(Under "Liquidation process") (5)	Colombia	Investments	-	98.25
Bancolombia Panamá S.A.	Panama	Banking	100	100
Valores Bancolombia Panamá S.A. (Formerly Suvalor Panamá S.A.)	Panama	Securities brokerage	100	100
Suvalor Panamá Fondo de Inversión S.A.	Panama	Holding	100	100
Sistema de Inversiones y Negocios S.A. Sinesa	Panama	Investments	100	100
Future Net S.A.	Panama	E-commerce	100	100
Banagrícola S.A.	Panama	Investments	99.16	99.16
Banco Agrícola Panamá S.A.	Panama	Banking	99.16	99.16
Banco Agrícola S.A.	El Salvador	Banking	97.33	97.28
AFP Crecer S.A.(6)	El Salvador	Pension fund	98.97	98.96
Aseguradora Suiza Salvadoreña S.A. Asesuisa(6)	El Salvador	Insurance company	96.08	96.07
Asesuisa Vida S.A.(6)	El Salvador	Insurance company	96.08	96.07
Arrendadora Financiera S.A. Arfinsa	El Salvador	Leasing	97.33	97.29
Credibac S.A. de C.V.	El Salvador	Credit card services	97.33	97.28
Bursabac S.A. de C.V.	El Salvador	Securities brokerage	98.89	98.87
Inversiones Financieras Banco Agrícola S.A. IFBA	El Salvador	Investments	98.89	98.87
Renting Perú S.A.C.	Peru	Operating leasing	100	80.6
Capital Investments SAFI S.A.	Peru	Trust	100	80.6
Fondo de Inversión en Arrendamiento Operativo Renting Perú	Peru	Car Rental	100	80.6
Leasing Perú	Peru	Leasing	100	100
FiduPerú S.A. Sociedad Fiduciaria (Formerly Fiduciaria GBC S.A.)	Peru	Trust	98.82	98.82
Bancolombia Puerto Rico Internacional, Inc.	Puerto Rico	Banking	100	100
Suleasing International USA, Inc.	USA	Leasing	100	100
Sinesa Holding Company Ltda. (7)	British Virgin Islands	Investments	-	100
Bancolombia Caymán S.A.	Cayman Islands	Banking	100	100

(1) In March 2010, Mitsubishi Corporation and Mitsubishi International Corporation sold its stake in Renting Colombia to Leasing Bancolombia S.A. Compañía de Financiamiento, Banca de Inversión Bancolombia S.A. Corporación Financiera, Inversiones CFNS S.A.S. and Factoring Bancolombia S.A. Compañía de Financiamiento.

(2) Company merged into Renting Colombia S.A. in February 2010.
(3) Company created in 2010.
(4) Company liquidated in 2010.
(5) Company sold in 2010.
(6) On September 13, 2010, The Board of Directors of Bancolombia S.A. authorized the Bank to proceed with negotiations with Grupo de Inversiones Suramericana S.A. and Protección S.A. Sociedad Administradora de Fondos de Pensiones y Cesantías regarding the sale of the Bank's ownership interests in AFP Crecer, Asesuisa and Asesuisa Vida in El Salvador which are currently held through foreign subsidiaries. The Bank expects that no impairment losses will be recognized for the sale. (See Note 30)
(7) Company dissolved in December 2010. The investments that the company had in Banca de Inversión Bancolombia S.A. Corporación Financiera and Future Net S.A., were transferred to Sistema de Inversiones y Negocios S.A. Sinesa

(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 Banking GAAP".

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 following companies: Prosicol E.U, Urbanización Sierras del Chicó Ltda. and Chicó Oriental No.2. Ltda. which were not included in the Consolidated Financial Statements due to the fact that these companies are either being wound up, subject to litigation proceedings or are currently in a non-productive stage.

See note (26) Commitments and Contingencies.

(b) Translation of Foreign Currency Transactions and Balances

Translation of financial statements in foreign currency

The balance sheet accounts are converted to pesos using the exchange rate applicable at the end of the year (except equity accounts which are translated at the historical exchange rate). The exchange rate at December 31, 2010 and December 31, 2009 was COP 1,913.98 and COP 2,044.23 per US$ 1, respectively. For the income accounts the average exchange rate was used. Exchange differences originating in balance sheet accounts are recorded as "Cumulative Translation Adjustments" in the Consolidated Statements of Stockholder's Equity and the exchange differences originating in the Consolidated statements of operations accounts are recorded as "Foreign exchange gains (loss)" in the Consolidated statements of operations.

Transactions in foreign currency

Transactions and balances in foreign currency are converted 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, 2010 and December 31, 2009 are those stated above.

Exchange rate differences arising from adjustments and remeasurement of assets and liabilities denominated in foreign currency are recorded in the consolidated statements of operations.

(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 COP 1,913.98 per US$ 1, which is the exchange rate, calculated on December 31, 2010, 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.

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(d) Cash and Cash Equivalents

The statement of cash flows was prepared using the indirect method. Cash and cash equivalents consist of cash and due from banks and all highly liquid investments with a maturity of three months or less at the date of acquisition.

Under Colombian Banking GAAP there are no special requirements of forms to prepare the Bank's statement of cash flows. Accordingly, the Bank reclassified some items in its statements of cash flows for the year 2010, to improve its presentation in preparing the statement of cash flows in accordance with the presentation in the International Financial Reporting Standard No. 7, "Statement of Cash Flows". Prior year amounts have also been reclassified to conform with the 2010 presentation.

As a part of the reclassifications, changes in trading investment securities and losses from sales of foreclosed assets were reclassified from investing activities to operating activities and a component of other assets from operating activities to investing activities.

Amounts previously published and the revised amounts are detailed bellow:

	2009		2008	
	Previous	As revised	Previous	As revised
Net cash provided by operating activities	COP 5,673,995	5,721,087	COP (7,133)	COP (402,768)
Net cash used in investing activities	(978,475)	(1,027,548)	(1,602,345)	(949,537)
Net cash used in financing activities	(2,942,736)	(2,818,255)	2,000,666	1,636,871

(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, 2010 and 2009, were COP 190.8298 and COP 186.2734, 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, 2010 and 2009 by 0.36% and (2.55%), respectively.

(g) Overnight Funds and Interbank Loans and Borrowings

Overnight funds and interbank loans and borrowings include: Interbank funds and securities sold and purchased under repurchase agreements ("Repos").

Interbank Funds

Interbank Funds include loans made to other financial institutions and borrowings from the Central Bank or other financial institutions with maturities between 1 to 30 days.

Repos

Asset Position: Refers to transactions that are accounted for as collateralized lending in which the Bank or its subsidiaries purchase securities with an agreement to resell them to the seller at a stated price plus interest at a specified date, not exceeding one year. The amount recorded in this account related to the money lent and the investment securities purchased are recorded in memorandum accounts. Accrued interest is recorded in accounts receivables.

Liability Position: Refers to transactions that are accounted for as collateralized borrowing in which the Bank or its subsidiaries sell securities with an agreement to repurchase them from the buyer at a stated price plus interest at a specified date, not exceeding one year. The amount is recorded as a liability related to the money borrowed and the investment security sold is reclassified inside the investment securities account into "Investment Securities under Repurchase Agreement". Accrued interest is recorded in accounts payable.

Under Colombian GAAP repo transactions do not qualify as true purchase/sales and therefore these investments are kept in the Bank's book.

(h) Investment Securities

1. Classification

Investment securities are classified as "trading", "held to maturity", and "available for sale".

Trading Securities

Trading investments are those acquired mainly for the purpose of profiting from fluctuations in short-term prices.

Held to Maturity Securities

Investments "held to maturity" are debt securities acquired for the purpose of holding until maturity. Reclassification to a different category is permitted only under specific situations. These investments only are sold for liquidity operations, in exceptional cases, as determined by the Superintendency of Finance.

Available for Sale Securities

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

Investments intented to be held for less than one year are classified as trading securities. This classification also covers equity investments with low market liquidity or those with no quoted share price.

2. Investment Valuation

2.1. Debt Securities

Trading securities are valued daily at fair value and the result is recorded daily. The Bank determines the fair value of trading and available for sale debt securities by using the prices, reference rates and margins provided by Infoval (entity created to provide market prices from the Colombia Stock Exchange). These prices are calculated and published daily.

Held to maturity investments are valued at amortized cost based on an internal rate of return calculated on the purchase date.

2.2 Equity Securities

External Circular 100 of 1995 issued by the Superintendency of Finance provides that investments be valued on a daily basis; however, in the case of investments in shares with little or low market liquidity, or that are not listed on the stock exchange, the valuation source of these investments is the financial statements of the related company. The Bank records the valuation of these investments on a monthly basis.

Since August 24, 2009, equity securities are valued as follows:

a. Listed equity securities on the Stock Exchange in Colombia

These investments are valued at prices published by authorized entities. In the absence of a price calculated for the day on which these investments are valued, the last known valuation price is used. For low volume trading securities the Bank uses the method described below in section b.

b. Non-listed equity securities

These investments are valued based on their purchase cost which is increased or decreased based on the investor's share in all subsequent changes in the issuer's equity.

For this purpose, the issuer's equity is calculated based on the latest certified financial statements released by the issuer, within six (6) months prior to the date of determination.

Until August 24, 2009, in accordance with External Circular 030 of 2009 issued by the Colombian Superintendency of Finance, equity securities were valued based on the trade-weighted stock index applicable on the valuation date, as show below:

High-trading stocks: based on the last daily average trade-weighted price as published by the stock exchange.

Medium-trading stocks: based on the average price for the last five (5) days on which such stocks were traded.

Low-trading stocks or those with no quoted share prices: Value was calculated the same way described in b. above.

This change in the valuation estimate increased the "surplus revaluation of asset account" on the stockholders' equity by approximately COP 88,384 for the year 2009.

Shares held in investment funds and structured securitizations through funds or self-standing trusts are valued using the unit value calculated by the fund manager on the day immediately proceeding the date on which such investments are valued. In the case of the Private Capital Fund, - Fondo Inmobiliario Colombia -, the unit value is calculated based on the fund financial statements in which real estate assets are recorded at their fair value.

2.3 Securities Denominated in Foreign Currency or in UVR

Foreign exchange gains or losses resulting from investment in foreign currency securities and UVR Securities are recorded as net foreign exchange gain or loss in the consolidated statements of operations, and interest income, respectively.

3. Investment securities, subsequent measurement

All investment securities are initially recorded at their purchase cost. Subsequent measurement is recorded as follows:

3.1 Trading Investments

Changes in the fair value of the investment are recorded in the consolidated statement of operations.

3.2 Investments Held to Maturity

Investments held to maturity are accounted for at amortized cost using the effective interest rate method.

Interest accruals are recorded as interest income on investment securities.

3.3 Investments Available for Sale

3.3.1 Debt Securities

Changes in the fair value of the investment are recorded in stockholders' equity in the account denominated "surplus gross unrealized gains or loss on investments available for sale".

Interest accruals are recorded as interest income on investment securities in the statement of operations.

3.3.2 Equity Investments

Changes in the fair value of the investments are recorded in accordance with the trading of the investment as follows:

Investments in high or medium volume trading securities, quoted on a stock exchange, are recorded in the investment account, with a charge or credit in stockholders' equity in the account "surplus from unrealized gains or loss on available for sale investment".

Changes in the fair value of investments in securities with little or low liquidity on the exchange or not listed on stock exchanges are recorded as other assets in a special account "reappraisal of assets" with a charge or credit in the stockholders' equity in the account "surplus of revaluations of assets". A decrease in the fair value of the investment below the purchase cost is recorded as a provision with a charge in the statement of operations. This provision could be reversed in the future if the fair value increases above the investment cost.

Dividends received in cash or shares on investment equity securities are recorded as income on an accrual basis.

4. Impairment Test on Investment Securities

Debt securities, with the exception of 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, and equity securities with low liquidity or not listed on stock exchanges must be tested for impairment on a quarterly basis as follows:

4.1 Securities with External Ratings

Securities that are rated by a rating firm approved by the Superintendency of Finance may not be recorded for an amount that exceeds the following percentages of their nominal value, net of amortization for debt securities, or purchase cost for equity securities, as of the valuation date:

Long Term Rating	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)		

However, for debt securities classified as held to maturity, with known fair value, impairment is recorded for the difference between its carrying value and such fair value.

4.2 Securities without any External Credit Rating

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

Rating	Max. Registered Amount % (1)	Investment Characteristics
B Acceptable risk, greater than normal	Eighty (80)	Current factors of uncertainty that could affect the capacity to continue adequately fulfilling debt service and weaknesses that could affect financial situation.
C Appreciable risk	Sixty (60)	Current medium-high probabilities of non-fulfillment of timely payments of capital and interest that may compromise the recovery of the investment.
D Significant risk	Forty (40)	Current 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.

In assessing investment securities for impairment, the Bank reviews the ratings issued by ratings agencies and verifies its internal rating model and calculates the percentages in accordance with those credit ratings. If the resulting amount is less than its carrying amount, the carrying amount of the investment is reduced to the face value, net of the amortizations recorded, multiplying by that percentage. An impairment loss is recognized immediately in the consolidated statement of operations for trading and held to maturity securities, for investments available for sale an impairment loss is recognized in the consolidated statement of operations, unless the investment is carried at a revalued amount.

5. Reclassification of Investment securities

The Bank reclassifies investments from available for sale to trading when its main purpose is to obtain gains on short-term price fluctuations.

An investment reclassified from available for sale to trading is subject to accounting and valuation rules and regulations applicable to the trading category. As a result, unrealized gains or losses must be accounted for as either income or expense on the date on which the investment is reclassified.

In 2009 the Bank and its subsidiary Banca de Inversión Bancolombia S.A., reclassified certain investments pursuant to the aforementioned provision. This reclassification resulted in an increase in income totaling COP$ 80,398. No reclassifications were performed in 2010.

(i) Loans and Financial Leases

The Bank grants loans to customers in the following segments: residential mortgage, commercial, consumer and small business loans. A substantial portion of the Bank’s loan portfolio is represented by commercial loans throughout Colombia.

Loans are recorded at the principal outstanding less allowance for impairment. Accrued interest is recorded in account receivables and unearned income is recorded as a liability.

Financial leasing operations are initially recorded as loans for an amount equal to the book value of the asset to be leased to the customer and subsequently, the loan is amortized when the rental payments are due in the amount of the payment corresponding to principal.

Suspension Interest Accruals

The Superintendency of Finance requires that interest, income, lease payments and other items of income cease to be accrued in the statement of operations after a loan is in arrears for more than two months for mortgage and consumer loans, three months for commercial loans and one month for small business loans. However, the Bank adopted a policy, in which commercial, consumer and small business loans that are past due more than 30 days and mortgages that are past due more than 60 days will stop accruing interest in the statement of operations. Instead, interest and principal payments are reflected in memorandum accounts until such time that the customer proceeds to pay amounts due or overdue. After that, the interest collected is recorded as income on a cash basis. The Bank has recorded an allowance for 100% of any accrued interest, after the suspension of accruals.

Credit Risk Evaluation

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 historical performance data, particular characteristics of the borrower, collateral, debt service with other entities, macroeconomic factors, financial information, etc. For consumer, mortgage and small business loans the analysis is performed only on the basis of the past due days of the loans.

For commercial loans, the following minimum credit risk ratings 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:

Rating	Qualitative Factors
A - Normal Risk	Loans and financial leases in this category are appropriately serviced. The debtor's financial statements or its projected cash flows, as well as all other credit information available to the Bank, reflect adequate paying capacity.
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.
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.
E – Unrecoverable	Loans and financial leases in this category are considered default loans.

Allowance for Loan Losses

Commercial and consumer loans

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

The Bank has adopted the Reference's Models for Commercial and Consumer loans, MRC and MRCO, respectively, issued by the Superintendency of Finance, whose application became mandatory for commercial loans in July 2007 and for consumer loans in July 2008.

Based on these models, the individual provision for loan portfolios is calculated as a sum of the following individual components:

(a) The individual current credit risk (counter-cycle): corresponding to the portion of the individual provision on the loan portfolio that reflects the current credit risk for each debtor.

(b) The individual future credit risk: corresponding to the portion of the individual provision on the loan portfolio, reflecting future possible changes in the debtor's credit risk. This portion is included to reduce the impact on the income statement when such a situation occurs. The internal reference models must take into account and calculate this component based on all available information reflecting such changes.

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Under no circumstance may the individual future credit risk component for each obligation be less than zero and neither may it exceed the expected loss calculated using matrix B included below; also, the sum of both components may not exceed the total value of the exposure of the loan.

According to the reference models, the allowance for loan losses is calculated as follows:

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

Probability of Default (PD)

Probability of Default is defined as the probability of the debtor within a specific loan portfolio or segment and rating, defaulting on its obligations within the next twelve (12) months. This probability of default is established by the Superintendency of Finance.

Banco Agricola S.A. uses an internal model to calculate the Probability of Default (PD), duly authorized by the Superintendency of Finance.

Probability of Default is calculated based on the following matrixes authorized by the Superintendency of Finance according to the type of portfolio:

The following classification is needed to apply the Reference´s Models for Commercial loans, MRC issued by the Superintendency of Finance:

Classification of commercial loans for level of assets

Size of the Corporation	Level of assets in SMMLV	COP
Large Corporations	More than 15,000	More than 7,725
Medium Corporations	Between 5,000 and 15,000	Between 2,575 and 7,725
Small Corporations	Less than 5,000	Less than 2,575

SMMLV: refers to Salario Mínimo Mensual Legal Vigente. In 2010, the effective legal minimum monthly salary in Colombia was COP 515.000 (in pesos)

Commercial loans

MATRIX A

Rating	Large Corporations		Medium Corporations		Small entities		Natural persons	
AA	1.53	%	1.51	%	4.18	%	5.27	%
A	2.24	%	2.40	%	5.30	%	6.39	%
BB	9.55	%	11.65	%	18.56	%	18.72	%
B	12.24	%	14.64	%	22.73	%	22.00	%
CC	19.77	%	23.09	%	32.50	%	32.21	%
Default	100.00	%	100.00	%	100.00	%	100.00	%

MATRIX B

Rating	Large Corporations	Medium Corporations	Small entibies	Natural persons

AA	2.19	%	4.19	%	7.52	%	8.22	%
A	3.54	%	6.32	%	8.64	%	9.41	%
BB	14.13	%	18.49	%	20.26	%	22.36	%
B	15.22	%	21.45	%	24.15	%	25.81	%
CC	23.35	%	26.70	%	33.57	%	37.01	%
Default	100.00	%	100.00	%	100.00	%	100.00	%

Consumer loans

MATRIX A

Rating	Vehicles		Others		Credit Cards	
AA	0.97	%	2.10	%	1.58	%
A	3.12	%	3.88	%	5.35	%
BB	7.48	%	12.68	%	9.53	%
B	15.76	%	14.16	%	14.17	%
CC	31.01	%	22.57	%	17.06	%
Default	100.00	%	100.00	%	100.00	%

MATRIX B

Rating	Vehicles		Others		Credit Cards	
AA	2.75	%	3.36	%	3.88	%
A	4.91	%	7.13	%	5.67	%
BB	16.53	%	18.57	%	21.72	%
B	24.80	%	23.21	%	23.20	%
CC	44.84	%	30.89	%	36.40	%
Default	100.00	%	100.00	%	100.00	%

Exposure at Default

Exposure at default is defined as the current loan balance of the principal, plus interest receivable accounts and other receivables of the customer.

Loss Given Default (LGD)

Loss Given Default is the economic loss incurred by the Bank when events of default occur. The LGD for debtors classified in the default rating depends on the type of collateral and gradually increases the provision according to the amount of days lapsing after being classified in such rating. For this purposes 100% of the collateral value is considered to cover the principal amount. Loss Given Default is calculated based on the following matrixes authorized by the Superintendency of Finance according to the type of loan portfolio:

Commercial loans

Collateral	LGD Initial		Days After Default	LGD		Days After Default	LGD		Days After Default	LGD		Days After Default
Financial collateral not adequate	55	%	0	100	%	1 onwards						
Financial collateral: FNG y FAG (*)	12	%	0-359	70	%	360-539	100	%	540 onwards			
Real estate – commercial and residential	40	%	0	60	%	1-89	80	%	90-209	100	%	210 onwards
Assets leased in leasing agreements	45	%	0	90	%	1-89	100	%	90 onwards			
Other collaterals	50	%	0	90	%	1-89	100	%				

								90 onwards			
Rights	45	%	0	60	%	1-89	80	%	90-209	100	% 210 onwards
Without collateral or not accepted for local purposes	55	%	0	100	%	1 onwards					

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Consumer loans

Collateral	LGD Initial		Days After Default	LGD		Days After Default	LGD		Days After Default	LGD		Days After Default
Financial collateral not adequate	65	%	0	90	%	1-29	90	%	30-89	100	%	90 onwards
Financial collateral: FNG y FAG (*)	12	%	0- 359	70	%	360-539	100	%	540 onwards			
Real estate – commercial and residential	40	%	0	80	%	1-29	90	%	30-89	100	%	90 onwards
Assets leased in leasing agreements-real estate	35	%	0	80	%	1-29	90	%	30-89	100	%	90 onwards
Assets leased in leasing agreements – other than real estate	45	%	0	85	%	1-29	90	%	30-89	100	%	90 onwards
Other collaterals	50	%	0	85	%	1-29	90	%	30-89	100	%	90 onwards
Rights	45	%	0	80	%	1-29	90	%	30-89	100	%	90 onwards
Without collateral or not accepted for local purposes	65	%	0	90	%	1-29	90	%	30-89	100	%	90 onwards

(*) Collateral provided to the clients by local government entities named:
FNG = Fondo Nacional de Garantías. The Fondo Nacional de Garantías, guarantees credit operations up to 70% to financial intermediaries, supporting activities of all economic sectors (except agriculture). The fund guarantees credits destined for working capital, acquisition of fixed assets and in general, financial resources needed by medium and small corporations, only if these resources are invested in productive activities.
FNA = Fondo Nacional Agropecuario.

For sovereign collateral, letter credits and deposits the LGD is zero (0).

The Bank and its subsidiaries Factoring Bancolombia S.A., Leasing Bancolombia S.A. and Tuya S.A. also record 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, industry and any other factors that could indicate early impairment. At December 31, 2010, and 2009 additional provisions were recorded totaling COP 344,597 and COP 374,433, respectively.

Mortgage Residential Loans and Small Business Loans

In compliance with instructions issued by the Superintendency of Finance for mortgage residential loans and small business loans, 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 percent (70%) of the collateral value is considered to cover the principal). There are no reference models issued for this type of loans.

Similar to the commercial and consumer portfolio, for mortgage residential loans and small business loans, 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. Allowances are calculated based on the following matrix authorized by the Superintendency of Finance:

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Risk Rating	Mortgage Residential Loans Principal outstanding With Collateral		Without Collateral		Accounts receivables	
A – Normal	1	%	1	%	1	%
B – Acceptable	2.20	%	3.20	%	100	%
C – Appreciable	60	%	60	%	100	%
D – Significant	100	%	100	%	100	%
E – Unrecoverable	100	%	100	%	100	%

Valuation of Mortgage Collateral for Allowance Purposes

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

- In the case of mortgage collateral consisting of residential real estate, the fair value shall be the appraisal established when the loan was disbursed and subsequently adjusted on a quarterly basis according to the residential price index published by the National Planning Department.

- In the case of mortgage collateral consisting of premises different from residential real estate, the fair value is updated on a periodic basis when the loan is renewed or impaired.

General Allowance

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

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

Charge-Offs

Biannually in June and December, the Bank writes off in full debtors classified as "unrecoverable", based on the following criteria: (i) provision of 100% of all amounts past due (capital, interest and other items); (ii) One hundred eighty (180) days past due for consumer and micro loans; (iii) Three hundred sixty (360) days past due for commercial loans and (iv) Fifty four (54) months for mortgage loans.

The recovery of charged-off loans is accounted for as income in statements of operations.

Sale of loan portfolios under securitizations process

Portfolio loans sold under securitization processes are derecognized at their net book value. Any difference arising between the proceeds of the sale and its book value is recorded as an income or expense, as applicable, in the statement of operations.

Loans that are securitized are derecognized as non recourse credit providing the following conditions are fulfilled:

- Loans are transferred exclusively to a special purpose entity (SPE).

- The disposal or transfer of securitized assets shall not be subject to any type of restriction by the transferor.

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- The risks and returns of the loans must also have been totally transferred to the SPE.

- Under no circumstance shall the transferor conserve discretionary rights to dispose of, control, limit, encumber, substitute, reacquire, or use the assets thus transferred or disposed of.

After 2008, according to Superitendency regulations any residual beneficial interest retained by the Bank in a securitization process must be recorded as a trading investment in an amount equal to the value established for the beneficial interest in the balance sheet of the special purpose entity created for such purpose. Before this date residual beneficial interests were not recognized. As a result, the Bank recognized residual beneficial interests in 2010 and 2009 in investment securities increasing income amounting to COP 19,699 and COP 57,358, respectively.

Troubled 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.

Troubled restructured loans are accounted for according to the restructuring agreement rules, including income accruals. When the agreement includes the capitalization of non-accrual interest previously recorded in memorandum accounts that interest is recorded by increasing the loan balance with a credit to deferred income in other liabilities and amortized with a credit to income on a cash receipts basis.

In order to calculate the corresponding provisions, the ratings for these loans may be upgraded only when the Bank collects the principal of the loan on a regular basis.

For this purpose, the Bank has defined the following policy:

- Restructured loans rated either B or C, remain in this rating for two months following the date of the restructuring agreement; thereafter, the rating may be improved by one grade when the Bank collects four timely payments.

- Restructured loans rated D or E remain in this rating for four months following the date of the restructuring agreement; thereafter, the rating may be improved to a C rating when the Bank collects two timely payments, to B when the Bank collects four additional consecutive timely payments, and then to A when the Bank collects an additional four timely payments.

(j) Derivatives

Under Colombian Banking GAAP, derivatives are defined as agreements between two or more parties to purchase or sell financial instruments at a future date or agreements where the underlying is an index in a stock exchange. The Bank performs derivatives operations for trading or hedging purposes but not for speculation in forwards, options or swaps where the underlying assets are only foreign currency and financial instruments.

In 2010, the Bank recognized all of its derivatives instruments on its balance sheet as either assets or obligations depending on the rights or obligations under the derivatives contracts. Before 2010, all derivatives were recognized as assets on a net basis. This change in accounting principle does not have a material effect on the balance sheet. All derivatives shall be measured at fair value; changes in the fair value are recognized currently in the statement of operations, except that premium received or paid in option contracts and changes in the fair value of swap contracts on their first day are deferred and recognized in the statement of operations on a straight line basis during the life of the contract. Accounting Superintendency rules permit hedge accounting, but the Bank does not use it.

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Derivative fair value measurements are established as follows:

Forward Contracts

The fair value of forward contracts is determined using the standardized methodology issued by the Colombian Superintendency of Finance, using the quoted forward price points published by authorized pricing providers and/or authorized brokerage firms that represent a major portion of market liquidity.

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 based on information provided by Bloomberg and Infoval. Counterparty credit risk on the swap is not included in the valuation process.

The change in the fair value of swap contracts on the first day is recorded as deferred income.

Option Contracts

The fair value of option contracts is determined using the Black-Scholes/Merton method.

Spot Transactions

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

(k) Foreclosed Assets

The Bank records foreclosed assets using the following criteria:

- Foreclosed real estate is recognized at the amount specified in the foreclosure award or at the price that both parties have agreed on the basis of a valuation by reference to market evidence of transaction prices for similar properties.
- If the amount recognized in the contract for the foreclosed asset is more than the balance of the loan outstanding, that difference is recorded as accounts payable to the debtor. If such amount is insufficient to cover the outstanding loan, the difference must be immediately recorded on the statement of operations as a non-operating expense.
- Other assets received in payment corresponding to investment securities are valued by applying the criteria indicated in the investment securities accounting policy.
- Profits on credit sales of foreclosed assets are deferred over the life of the credit and are recognized on a cash basis; losses are recognized in the statement of operations.
- When the fair value of the asset is lower than its book value, a provision is recorded for the difference.
- Reappraisals of foreclosed assets are recorded as memorandum accounts.

Legal Term for the Sale of Foreclosed Assets

Financial Institutions must sell the foreclosed assets, by a date no later than two years after the foreclosure 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.

Impairment of Foreclosed Assets

The Superintendency of Finance requires that a Bank record a provision equal to 60% for real estate and 70%, for other foreclosed assets, of the carrying value of the asset at the time of receipt, which must be recorded in proportional monthly installments within the two years following its receipt. Once the legal term for sale has expired, the provision must be increased to 80% and 100%, respectively. If the term extension to sell the asset is granted by the Superintendency, this increase may be recorded on a monthly basis within the new term.

Also, it is the Bank's policy, in the case of foreclosed assets that remain for more than five years in the Bank's possession to increase the provision up to 100% of its book value. Foreclosed assets under commitment agreements to sell 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 earned as incurred.

(m) Premises and Equipment

Premises and equipment are recorded at the cost of acquisition, including direct and indirect costs and expenses incurred in their construction plus the inflation adjustment recorded until 2001 for premises and equipment purchased before that year.

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 net book value of land and 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 a credit to the "Surplus for Reappraisal of Assets" in Stockholders' Equity; otherwise, the difference is charged to expenses as provision for other assets of the period. This provision could be reversed in the future if the fair value of the asset increases. Appraisals must be made at least every three years.

(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.

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Deferred Charges

- Software is amortized over a maximum of three years.
- Stationery is expensed when consumed.
- The discount on the issuance of long-term debt is amortized over the term of the debt on a straight-line basis.
- Contributions and affiliations are amortized over the period prepaid.
- The Bank has been developing a major project to renew its technological infrastructure, named Innova. Accounting guidelines in the case of the Innova project are as follows:
- The fees that are not directly related to software development and other indirect costs (gap analysis, training, replacing internal resources, etc) are recorded as an expense on an accrual basis.
- Software licenses and fees and other payments that directly relate to software development are deferred and then amortized over a period of 36 months, from the date when the software begins to be used in the Bank's operations.

(o) Premises and Equipment Held under Operating Leases

The subsidiaries Leasing Bancolombia S. A. and Renting Colombia S. A. lease assets under operating leasing arrangements. Assets under operating leases are recorded at cost. Equipment other than vehicles is fully depreciated over the shorter of the lease term or its useful life.

Since 2010, depreciation on vehicles under operating leasing arrangements is as follows:

1. Residual values of vehicles are established on a technical basis.

2. For vehicles purchased before December 31, 2009, their cost less their residual value is depreciated over a useful life of five years.

3. For vehicles purchased since January 1, 2010, their cost less their residual value is depreciated over the lease term.

4. When the lease agreement is renewed or the vehicle is received and placed under a new lease agreement, the new residual value is established and this book value less the new residual value is depreciated over the new lease term.

Before 2010, all vehicles were depreciated on a straight-line basis in a five year term, based on their cost less their residual values. The effect of the change was not material.

According to the rules of the Colombian Superintendencey of Finance, a general provision of 1% of the book value of premises and equipment under operating leases is established and is charged to the statement of operations.

(p) Goodwill

Goodwill value acquired is determined once the Bank effectively obtains control over the acquired entity in an amount equal to the difference between the price paid and the net book value of the assets and liabilities acquired. Goodwill must be allocated to each of the business segments acquired, which must be fully identified in the accounting records.

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Since January 2008, goodwill recorded in the Group Banagrícola acquisition, is amortized on a straight-line basis over 20 years since the Bank considers this method reflecting the pattern in which the asset's future economic benefits are expected to be received from the business acquired.

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

In the case of goodwill acquired by the Bank and its subsidiaries before 2008 when the new regulation came into full force, the amortization term was maintained in ten years and three years for goodwill recorded in the subsidiaries Banagrícola S.A. and Inversiones Financieras Banagrícola S.A., respectively. Goodwill from the acquisition of Renting Colombia is being amortized by Leasing Bancolombia S.A. over a period of five years on a straight-line basis.

(q) Reappraisals of assets

This account records the excess over net book value of real estate properties and available for sale investments with a low volume trading on the market or non-listed investments.

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

(r) Trusteeships

Net assets put in trust under trust agreements are recorded in other assets at their book value. This account is adjusted periodically by the equity share of the Bank in the trust.

(s) 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 foreclosed assets on credit agreements.

The capitalization of yields on restructured loans that have been recorded in memorandum accounts or as charged off loan balances are included in this category as indicated in this note under loans and financial leases.

(t) Deferred Tax

Deferred income taxes in Colombia (both assets and liabilities) are generally recognized for timing differences. However, for financial companies, the Superintendency of Finance has restricted the inclusion of deferred income tax assets and accordingly, the Bank has recorded no such assets.

(u) Legal Retirement Pensions

Under Colombian laws, employees' pension obligations are managed as a defined contribution plan since 1990. The Bank's legal retirement benefit obligation as of December 31, 2010 and 2009 essentially relates to retired employees who rendered services to the Bank before the current regulations took effect. Under Colombian GAAP, retirement pension liabilities are calculated on an actuarial basis. The actuarial liability is amortized on a straight line basis over periods defined by local rules. The Bank's pension liability as of December 31, 2009 was fully amortized, but during 2010 the Government implemented a new mortality table to calculate the liability. For this reason, the increase in the Bank's retirement pension liability as of December 31, 2010 will be amortized over a period ending in 2029.

(v) Estimated Labor Liabilities

Other legal estimated labor liabilities are recorded based on applicable legislation and current labor agreements.

In addition to legal benefits, the Bank granted to its employees other benefits such as retirement and seniority bonuses. The liability for retirement bonuses is calculated on an actuarial basis and fully recognized in the statement of operations. Liability for seniority bonuses is accrued and recorded on a straight-line basis during the collective agreement term of the Bank with its employees.

(w) 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 liability is probable, justifiable, quantifiable and verifiable.

This account also records estimates for taxes and labor expenses.

(x) Other Income, Costs and Expenses

Other income and expenses are recognized on an accrual basis.

Loan origination costs are recorded in the statement of operations when incurred and the corresponding revenues when collected. The Bank has not implemented a policy of collecting commissions on the origination of the loans, and the commissions that it collects from credit cards are recorded in the income accounts using the accrual method.

Profits in leaseback transactions of real estate with a real estate investment fund, after duly evaluating the legal and economic aspects of the transaction under Colombian GAAP, are duly recorded in the income statement. Other income for 2010 includes amounts in respect of a gain on sale of property, plant and equipment as a result of a sale leaseback transaction under which the Bank sold certain real estate to a real estate investment fund and leased back such property. See Note 28.

(y) Memorandum Accounts

Contingent accounts record operations in which the Bank acquires rights or assumes obligations conditioned by possible or remote future events. They also include financial income accrued on nonaccrued assets inthe 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, or 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 not disclosed.

Memorandum accounts also 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, as well as all those internal control or management information accounts and reciprocal transactions carried out between the Bank and its Subsidiaries.

(z) Net Income per Share

Under Colombian GAAP, in order to determine net income per share, the Bank uses the weighted average of Preferred and Common Shares outstanding during the accounting period. During the last two years ended on December 31, the Bank's weighted average of Preferred and Common Shares outstanding was 787,827,003.

(aa) Insurance Liabilities

Actuarial liabilities

Actuarial liability for long term individual life insurance is calculated based on mortality tables, interest rate and actuarial formulas for each type of insurance.

The interest rate used in calculating the liability is the rate used to calculate the premium of the insurance life according to each type of insurance.

Premiums

Premiums on short-duration insurance contracts are deferred and amortized against income on a straight-line basis during the insurance contract life.

Liability for incurred but not reported claims

The liability for incurred but not reported claims ("IBNR") is calculated as the average value of payments made by claims over the last three years but not reported in the year they occurred.

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.

(ab) Business Combinations

Business combinations under Colombian GAAP are recorded as follows: (i) the assets acquired and the liabilities assumed are recorded at book value, (ii) the statement of income of the acquiring company for the period in which a business combination occurs includes 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 are not considered as a cost of the acquisition, but deferred and amortized over a reasonable period as determined by Bank management.

However, the Conavi and Corfinsura acquisition which occurred in 2004, was accounted for using the pooling of interests method due to the combination was between entities under common control.

(3) Transactions in Foreign Currency

The Colombian regulations define limits on the amount of foreign-currency assets and liabilities. As of December 31, 2010 and 2009, the Bank was in compliance with these regulations.

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, 2010 and 2009 were as follows:

		2010		2009
Assets:				
Cash and due from banks	USD	851,919	USD	853,373
Overnight funds		173,309		215,111
Investment securities		1,026,669		1,086,060
Loans, net		6,308,184		4,835,742
Customers' acceptances and derivatives		(522,527)		(258,251)
Accounts receivable		93,263		78,298
Premises and equipment, net		90,527		70,958
Other assets		721,287		647,983
Total foreign currency assets	USD	8,742,631	USD	7,529,274
Liabilities:				
Deposits		5,614,625		5,400,168
Bank acceptances outstanding and derivatives		(138,967)		23,290
Borrowings from development and other domestic banks		37,549		104,431
Interbank borrowings		1,410,120		563,986
Other liabilities		1,545,002		912,574
Total foreign currency liabilities		8,468,329		7,004,449
Net foreign currency asset position	USD	274,302	USD	524,825

At December 31, 2010 and 2009, the Bank net foreign exchange propietary trading amounted to USD 56,370 and USD 287,911 respectively; which meet the legal requirements.

At December 31, 2010 and 2009, foreign currency of foreign subsidiaries represents 73.02% and 85.75%, respectively, of the consolidated assets in foreign currency and 68.40% and 81.67% 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:

		2010		2009
Colombian peso denominated:				
Cash	COP	2,229,095	COP	2,119,221
Due from the Colombian Central Bank		1,384,728		1,058,186
Due from domestic banks		61,129		51,042
Remittances of domestic negotiated checks in transit		7,327		11,160
Allowance for cash and due from banks		(436)		(531)
Total local currency		3,681,843		3,239,078
Foreign currency:				
Cash		127,756		185,578

Due from the Colombian and El Salvador Central Bank		621,138		619,151
Due from foreign banks		812,428		857,259
Remittances of foreign negotiated checks in transit		69,233		82,526
Allowance for cash and due from banks		-		(23)
Total foreign currency		1,630,555		1,744,491
Total cash and due from banks	COP	5,312,398	COP	4,983,569

(5) Investment Securities

Investments in trading securities consisted of the following:

	2010	2009
Trading Securities		
Colombian peso denominated:		
Colombian government	COP 1,599,651	COP 2,569,359
Government entities	34,493	27,306
Financial institutions	455,791	297,645
Corporate bonds	110,176	57,331
Equity securities	246,972	324,717
Total local currency denominated	2,447,083	3,276,358
Foreign currency denominated:		
Colombian government	22,214	39,473
Foreign governments	2,401	10,534
Government entities	4,800	-
Financial institutions	147	16,435
Corporate bonds	860	19,736
Equity securities	19,163	6,123
Total foreign currency denominated	49,585	92,301
Total trading securities	2,496,668	3,368,659
Allowance for trading securities	(9,067)	(9,835)
Total trading securities, net	COP 2,487,601	COP 3,358,824

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 3.67% and 3.94% for 2010 and 2009, respectively.

As of December 31, 2010 and 2009, the Bank pledged investment securities amounting to COP 1,292,211 and COP 660,902, respectively, as collateral to secure lines of credit at international banks, domestic development banks and other financial institutions.

Investments in available for sale securities consisted of the following:

Available for sale - Debt securities	2010	2009
Colombian peso denominated:		
Colombian government	COP 78,107	COP 106,067
Financial institutions	1,048,193	823,104
Other	3,192	6,483
Total local currency denominated	1,129,492	935,654
Foreign currency denominated:		
Colombian government	89,268	167,333
El Salvador Central Bank	164,493	190,744

Government entities(1)	86,802	116,570
Foreign governments	509,335	656,694
Financial institutions	147,493	23,310
Corporate bonds	56,186	79,932
Other	62,882	5,257
Total foreign currency denominated	1,116,459	1,239,840
Total Available for sale - Debt securities	2,245,951	2,175,494
Valuation allowance for available for sale securities	(34,983)	(32,396)
Total available for sale securities, net	COP 2,210,968	COP 2,143,098

(1) This amount includes investments in fiduciary certificates of participation. These certificates were issued for the Environmental Trust for the conservation of the Coffee Forest (Fideicomiso Ambiental para la Conservación del Bosque Cafetero "FICAFE"). This trust was formed with the transfer of the coffee sector's loan portfolio by a number of banks in El Salvador, including Banco Agrícola. The purpose of this transaction was to carry out the restructuring of those loans, promoted by the government of El Salvador.

The Bank sold COP 2,198,192 and COP 1,297,458 of available for sale securities during the years ended December 31, 2010 and 2009, respectively.

	Participation Percentage at December 31, 2010	2010	Participation Percentage at December31,2009	2009
Available for sale - equity securities				
EPSA S.A. ESP	1.96 %	COP 62,343	1.96 %	COP 62,343
Todo Uno Services	47.72 %	45,597	47.72 %	48,700
Bolsa de Valores de Colombia	8.38 %	41,194	10.00 %	31,018
Sociedad Administradora de Fondos de Pensiones y de Cesantías Protección S.A.	23.44 %	22,102	23.44 %	19,481
Inversiones Inmobiliaria Arauco Almeda(1)	45.00 %	20,657	-	-
Titularizadora Colombiana S.A.	21.25 %	17,308	21.25 %	17,308
Promotora La Alborada	3.33 %	14,001	3.33 %	14,001
Metrotel Redes(2)	0.00 %	-	28.42 %	10,568
Urbanización Chico Oriental No. 2 Ltda.(3)	86.45 %	7,848	86.45 %	7,848
Concesiones CCFC S.A.	25.50 %	7,223	25.50 %	4,358
Concesiones Urbanas S.A.	33.33 %	5,591	33.33 %	5,591
Cadenalco S.A. Titularización	3.33 %	5,106	3.33 %	4,912
Deposito Centralizado de valores de Colombia Deceval S.A.	13.59 %	4,738	15.78 %	4,738
Redeban Red Multicolor	20.36 %	4,396	20.36 %	4,396
Banco Latinoamericano de exportaciones BLADEX S.A.	0.27 %	1,786	0.27 %	1,841
Other		13,293		12,271
Total equity securities		273,183		249,374
Valuation allowance for equity securities		(44,640)		(47,245)
Total equity securities, net		COP 228,543		COP 202,129

(1) During the period ended in December 2010, the payments in advance that Banca de Inversión, the Bank's investment banking unit, made to Inversiones Inmobiliarias Arauco Alameda S.A. for COP 20,657 were formalized, with the corresponding stock issuance.

(2) In 2010, Banca de Inversión, the Bank's investment banking unit had a divestiture in its Metrotel Redes investment. As a result of that transaction, the Bank recorded gains on sales of investment securities for COP 19,432.

(3) Urbanización Chico Oriental No.2 Ltda is not consolidated as indicated in Note 2(a).

Dividends received from equity investments amounted to COP 34,699, COP 24,045 and COP 39,586 for the years ended December 31, 2010, 2009 and 2008, respectively.

The following equity securities are impaired under Colombian GAAP and the Bank has recognized the impairment amounts:

	2010		2009	
	Category	Valuation Allowance	Category	Valuation Allowance
Todo Uno Services	B	COP 26,325	B	COP 28,503
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	367	E	367
Sociedad Promotora Siderúrgica Colombiana E.U.	D	-	D	427
Promotora La Alborada	E	9,897	E	9,897
		COP 44,640		COP 47,245

Investments in held to maturity securities consisted of the following:

	2010	2009
Held to Maturity Securities		
Colombian peso denominated:		
Colombian government	COP 479,404	COP 507,848
Government entities	976,891	827,314
Financial institutions	1,475,318	1,032,354
Corporate bonds	5,883	30,238
Total Colombian-Peso denominated	2,937,496	2,397,754
Foreign currency denominated:		
El Salvador Central Bank	587,196	620,267
Government entities	195	1,247
Foreign governments	45,845	82,807
Financial institutions	114,721	53,626
Other	64,874	67,230
Total foreign currency denominated	812,831	825,177
	3,750,327	3,222,931
Valuation allowance for Held to Maturity securities	(1,677)	(12,069)
Total Held to Maturity securities, net	COP 3,748,650	COP 3,210,862

The following table summarizes the maturities and weighted average yields of the Bank's investment securities as of December 31, 2010:

	As of December 31, 2010									
	Maturing in less than 1 year		Maturing between 1 and 5 years		Maturing between 5 and 10 years		Maturing in more than 10 years		Total	
	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)
	(in millions of pesos (COP), except yields)									
Securities issued or secured by:										

Foreign currency.-denominated:										
Colombian government	3,425	3.57%	103,385	3.55%	3,909	6.36%	763	6.23%	111,482	3.67%
El Salvador Central Bank	616,534	0.20%	135,155	2.43%	-	-	-	-	751,689	0.60%
Other government entities	-	-	19,837	3.98%	22,655	4.75%	49,305	4.25%	91,797	4.31%
Other financial entities	5,480	3.91%	183,618	1.74%	73,264	5.53%	-	-	262,362	2.84%
Foreign governments	265,903	2.74%	118,163	1.09%	60,649	2.38%	77,884	6.41%	522,599	2.87%
Others	17,472	5.30%	120,303	7.52%	47,026	4.59%	-	-	184,801	6.57%
Subtotal	908,814	1.08%	680,461	3.13%	207,503	4.33%	127,952	5.57%	1,924,730	2.45%

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As of December 31, 2010

	Maturing in less than 1 year		Maturing between 1 and 5 years		Maturing between 5 and 10 years		Maturing in more than 10 years		Total	
	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)
	(in millions of pesos (COP), except yields)									
Securities issued or secured by:										
Peso-denominated										
Colombian government	606,974	3.40%	880,380	5.00%	17,091	8.77%	1,026	8.15 %	1,505,471	4.40%
Government entities	1,001,713	0.81%	9,672	5.58%	-	-	-	-	1,011,385	0.86%
Other financial entities	161,777	4.67%	434,157	7.06%	1,044,957	6.10%	782,551	11.46%	2,423,442	7.91%
Others	16,091	5.70%	90,782	6.63%	11,035	8.09%	-	-	117,908	6.64%
Subtotal	1,786,555	2.08%	1,414,991	5.74%	1,073,083	6.16%	783,577	11.46%	5,058,206	5.42%
Securities issued or secured by:										
UVR-denominated										
Colombian government	103,609	0.34%	544,107	0.65%	-	-	814	3.97 %	648,530	0.61%
Other financial entities	-	-	131,327	4.48%	320,689	3.54%	88,922	8.18 %	540,938	4.53%
Subtotal	103,609	0.34%	675,434	1.40%	320,689	3.54%	89,736	8.14 %	1,189,468	2.39%
Total (COP)	2,798,978		2,770,886		1,601,275		1,001,265		8,172,404	

(1)Amounts are net of allowances for decline in value which amounted to COP 45,727 million in 2010.
(2)Yield was calculated using the internal return rate (IRR) as of December 31, 2010.

(6) Loans and Financial Leases

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

December 31, 2010

Rating	Mortgage	Commercial	Consumer	Small loans	Financial leases	Total
"A" Normal	COP3,070,146	COP28,873,068	COP7,391,320	COP222,455	COP5,357,198	COP44,914,187
"B" Acceptable	97,124	929,599	313,562	8,198	240,315	1,588,798
"C" Appreciable	62,126	337,637	131,836	5,519	69,783	606,901
"D" Significant	40,002	594,824	232,909	6,034	140,520	1,014,289
"E" Unrecoverable	73,483	257,275	107,548	12,876	25,733	476,915

Total loans and financial leases	COP3,342,881	COP30,992,403	COP8,177,175	COP255,082	COP5,833,549	COP48,601,090

December 31, 2009

Rating	Mortgage	Commercial	Consumer	Small loans	Financial leases	Total
"A" Normal	COP3,179,350	COP23,818,672	COP5,987,880	COP174,026	COP5,020,700	COP38,180,628
"B" Acceptable	119,099	926,077	436,897	7,656	221,932	1,711,661
"C" Appreciable	68,753	362,110	169,940	5,622	96,628	703,053
"D" Significant	47,498	695,820	231,374	5,940	124,810	1,105,442
"E" Unrecoverable	54,724	209,236	62,524	8,775	5,931	341,190
Total loans and financial leases	COP3,469,424	COP26,011,915	COP6,888,615	COP202,019	COP5,470,001	COP42,041,974

Promissory notes documenting loans amounting to COP 998,775 and COP 1,329,570 at December 31, 2010 and 2009, respectively, have been duly endorsed to development banks, as required by applicable laws.

The following table represents a summary of troubled loans restructured:

	2010	2009
Performed by the Bank	COP 1,533,596	COP 1,232,281
Performed under local regulations	223,166	191,624
Interest and other receivables items	18,073	17,613
Trouble loans restructured	1,774,835	1,441,518
Allowances for loan losses	(627,068)	(575,017)
Troubled loans restructured net	COP 1,147,767	COP 866,501

(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:

	2010	2009	2008
Balance at beginning of year	COP 2,431,667	COP 2,134,360	COP 1,457,151
Provision for loan losses	1,842,406	2,448,581	1,986,710
Reversals of provision	(1,085,211)	(1,186,674)	(807,245)
Charge-offs	(658,151)	(925,592)	(547,860)
Effect of changes in foreign exchange rates	(21,498)	(39,008)	45,604
Balance at end of year	COP 2,509,213	COP 2,431,667	COP 2,134,360
Ratio of charge-offs to average outstanding loans	1.49 %	2.10 %	1.36 %
Recovery of charged-off loans	COP 276,209	COP 214,251	COP 108,143

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:

	2010	2009	2008
Balance at beginning of year	COP 45,937	COP 54,323	COP 33,303
Provision	33,540	46,840	58,721
Charge-offs	(18,057)	(25,707)	(12,782)
Reversal of provisions	(22,118)	(28,980)	(25,581)
Effect of changes in foreign exchange rates	(350)	(539)	662
Balance at end of year	COP 38,952	COP 45,937	COP 54,323

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(8) Customers' Acceptances and Derivatives

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

	2010	2009
Assets		
Customer Acceptances	COP 47,486	COP 47,610
Assets Derivatives		
Spot Transactions	44	108
Forward Contracts	136,593	52,154
Swaps	569,262	109,792
Options	31,503	(4,297)
Total Assets Derivatives	737,402	157,757
Total Customer Acceptances and Derivative Assets	784,888	205,367
Liabilities		
Customers Acceptances	47,486	47,610
Liabilities Derivatives		
Forward contracts	104,634	-
Swaps	457,944	-
Options	35,310	-
Total Liabilities Derivatives	597,888	-
Total Customers Acceptances and Derivative liabilities	COP 645,374	COP 47,610

The effective annual interest rates and the average maturity of forward contracts for the year ended December 31, 2010 and 2009 were:

	Purchases		Sales	
	Yield	Maturity(days)	Yield	Maturity(days)
Financial instruments	4.56 %	3	4.54 %	4
Foreign currency	7.31 %	256	13.78 %	244

(9) Accounts Receivable

Accounts receivable consisted of the following:

	2010(1)	2009(1)
Balance in favor on credit card clearing house	COP 342,095	COP 312,638
Advances to suppliers	224,580	238,191
Insurance premium receivables	65,211	51,210
Commissions	49,252	50,737
Other accrued interest receivable	10,067	27,899

Advances on commitments to purchase assets	3,688	27,717
Services and properties sold	14,261	24,848
Advance for investment capitalization purposes	5,877	20,657
Recoveries of insurance on deposits ("Fogafin")	9,874	16,177
Treasury operations pending payment by counterparties	903	13,615
Other credit card receivable (joint venture Tuya S.A.)	10,028	8,031
Sale of goods and services	7,159	11,407
Accounts receivables in branches	18,179	6,869
Advances to employees	1,253	6,546
Sierras del Chicó and Chicó Oriental	4,761	4,701
Fees on international wire transfers	13,199	3,986
Insurance on securitization process	6,872	3,705
Dividends	2,187	2,101
Overnight funds sold	34	128
Other receivables	71,994	48,341
Total accounts receivable	861,474	879,504
Allowance for accounts receivable losses	(63,759)	(72,619)
Accounts receivable, net	COP 797,715	COP 806,885

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

The changes in allowance for accounts receivable losses are as follows:

	2010	2009	2008
Balance at beginning of year	COP 72,619	COP 56,318	COP 34,404
Provision for uncollectible amounts	63,224	86,165	68,997
Charge-offs	(24,920)	(29,456)	(16,481)
Effect of Charges in foreign exchange rates	(2,170)	(910)	1,247
Release of provisions	(44,994)	(39,498)	(31,849)
Balance at end of year	COP 63,759	COP 72,619	COP 56,318

(10) Premises and Equipment

At December 31, 2010 and 2009 Property, Plant and Equipment consisted of the following:

	2010	2009
Premises and Equipment		
Land	COP 121,640	COP 129,170
Buildings	650,900	689,723
Furniture, equipment and fixtures	247,773	257,958
Computer equipment	422,980	483,321
Vehicles	9,799	10,461
Construction in progress	61,525	30,791
Equipment in transit	370,223	138,757
Total	1,884,840	1,740,181
Less Accumulated depreciation	(707,111)	(743,595)
Allowance for impairment	(3,104)	(4,545)
Premises and equipment, net	COP 1,174,625	COP 992,041

Property and equipment depreciation expense for the years ended December 31, 2010, December 31, 2009 and December 31, 2008, amounted to COP 106,974, COP 114,844, and COP 98,301, respectively.

(11) Premises and equipment under Operating Leases

Premises and equipment under operating leases where the Bank or any of its subsidiaries act as lessor consisted of the following:

	2010	2009
Machinery and equipment	COP 110,381	COP 67,100
Vehicles	717,959	592,761
Furniture, equipment and fixtures	23,234	17,159
Computer equipment	248,298	212,468
Real estate	253,974	197,414
Total	1,353,846	1,086,902
Lease payments receivables under lease contracts	24,535	24,519
Less accumulated depreciation	(357,888)	(257,999)
Allowance for impairment	(14,385)	(10,368)

Operating Leases, net	COP 1,006,108	COP 843,054

Operating lease depreciation expense for the years ended December 31, 2010, 2009 and 2008, amounted to COP 88,770, COP 70,183 and COP 42,832, respectively.

(12) Prepaid Expenses and Deferred Charges

At December 31, 2010 and 2009 prepaid expenses and deferred charges consisted of the following:

	2010	2009
Prepaid expenses:		
Insurance premiums	COP 13,143	COP 8,890
Software licenses	4,504	8,504
Other	2,631	2,413
Total prepaid expenses	20,278	19,807
Deferred charges:		
Studies and projects	-	2,084
Software other than under the Innova project	67,786	60,046
Leasehold improvements	3,735	2,246
Stationery and supplies	1,257	1,743
Discounts on issuance of bonds	31,863	10,169
Software purchased and related capitalized costs under INNOVA project	172,982	80,390
Banagrícola acquisition costs	-	6,138
Commisions	1,728	1,984
Swaps fair value adjustment originated on their first contract day	18,021	-
Other	2,214	1,204
Total deferred charges	299,586	166,004
Total prepaid expenses and deferred charges	COP 319,864	COP 185,811

(13) Other Assets

At December 31, 2010 and 2009 other assets consisted of the following:

	2010	2009
Other assets:		
Value added tax deductible and withholding taxes	COP 41,533	COP 46,540
Investment in Trust	9,551	2,773
Deposits in derivative operations	268,119	172,714
Assets to place in lease contracts	826,071	650,010
Inventory	1,807	1,826
Joint Ventures	13,484	10,057
Other	25,412	38,345
Total other assets	COP 1,185,977	COP 922,265

(14) Goodwill

The activities in goodwill are as follows:

	2010	2009	2008

Balance at beginning of the year	COP 855,724	COP 1,008,639	COP 977,095
Additions derived from the acquisition of Banagrícola by Bancolombia Panamá	27	279	1,786
Additions derived from the Purchase to noncontrolling interest of Renting Colombia by Leasing Bancolombia(1)	6,038	-	-
Reclassifications	-	-	(1,325)
Other Additions	137	1,996	3,329
Amortization	(55,966)	(69,231)	(73,009)
Effect of change in foreign exchange rates	(54,992)	(85,959)	100,763
Balance at end of the year	COP 750,968	COP 855,724	COP 1,008,639

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(1) In March, 2010, Leasing Bancolombia increased its equity interest participation in Renting Colombia, by buying the shares that the foreign partners, Mitsubishi International Corparation and Mitsubishi Corporation, held in Renting Colombia. As of December 31, 2010, the Bank had a participation of 100 % in Renting Colombia.

Goodwill derived from the acquisition of Banagrícola S.A. is allocated by segments at December 31, 2010 as follows:

Segments	Gross	Net of amortization
Banking El Salvador	COP 833,669	COP 623,455
Insurance	25,739	19,249
Pensions	30,308	22,666
	COP 889,716	COP 665,370

At December 31, 2010, Goodwill derived from the acquisition of Banagricola S.A. was tested for impairment by external advisors, using the discounted cash flow methodology. The Bank concluded that there is no impairment of goodwill under Colombian GAAP.

(15) Foreclosed Assets

Foreclosed assets consisted of the following:

	2010	2009
Equity securities	COP 53,206	COP 56,104
Real estate	180,083	167,340
Machinery and Equipment	2,242	5,481
Vehicles	12,814	9,875
Other assets	9,258	12,176
Total	257,603	250,976
Allowance for impairment	(187,326)	(170,308)
Total foreclosed assets, net	COP 70,277	COP 80,668

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

	2010	2009
Chicó Oriental Número 2 Ltda.	COP 14,202	COP 14,202
Urbanización Sierras del Chicó Ltda.	11,703	11,703
Procampo trust	7,044	7,044
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
BIMA trust	675	675
Clinica Shaio trust	456	456
Líneas Agromar trust	209	209
Mercantil Nilo	4,785	7,564

Loan portfolio shares	714	1,004
Acciones Promotora La Alborada	436	436
Other	3,041	2,870
Total	COP53,206	COP56,104

The activity in the allowance for foreclosed assets is as follows:

	2010	2009	2008
Balance at beginning of year	COP 170,308	COP 179,827	COP 201,822
Provision	45,077	36,521	19,725
Charge - offs	(502)	-	(128)
Recoveries	(23,057)	(39,451)	(48,717)
Reclassifications	-	26	133
Effect of changes in foreign exchange rates	(4,500)	(6,615)	6,992
Balance at the end of year	COP 187,326	COP 170,308	COP 179,827

(16) Reappraisal of Assets and surplus for Reappraisal of Assets

The following table describes reappraisals of assets:

	2010	2009
Reappraisal of Assets, net	COP 764,529	COP 736,366
Less: proportional assets revaluation purchased under business combination process (1)	(110,903)	(116,052)
Less: minority interests	(31,399)	(37,936)
Total surplus for Reappraisal of Assets	COP 622,227	COP 582,378

(1) Refer to the business combination process with Banca Inversión Bancolombia S.A., Leasing Bancolombia S.A., Fiduciaria Bancolombia S.A., Tuya S.A. (before Compañia de Sufinanciamiento S.A), Valores Bancolombia S.A., Factoring Bancolombia S.A., Inversiones Financieras Banco Agrícola S.A., calculated on the acquisition date. Consolidation rules require this value to be unchanged while the investment is held.

(17) Interbank Borrowings

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

	2010	2009
Foreign banks		
Short-term	COP 2,584	COP 320,378
Long-term	2,696,358	832,540
Total	COP 2,698,942	COP 1,152,918

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, 2010 and 2009, the average interest rates on U.S. dollar denominated short-term borrowings from foreign banks were 1.13% and 1.04%, respectively.

For long-term interbank borrowings, the weighted average interest rate was 1.20% and 2.81% in 2010 and 2009, respectively.

Maturities of interbank borrowings at the end of the year 2010 were as follows:

	2010
2011	COP 2,431,095
2012	26,751
2013	147,812
2014	46,104
2015 and thereafter	47,180
	COP 2,698,942

The unused credit lines of interbank borrowings at the end of the year 2010 and 2009 were USD 428,490 and USD 1,227,000 respectively.

The maximum amount of borrowing at any month-end during 2010 and 2009 was COP 2,698,941 and COP 2,102,719, respectively.

The minimum amount of borrowing at any month-end during 2010 and 2009 was COP 938,735 and COP 744,030, respectively.

(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.

Loans under these programs 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 reminder being provided by the respective government agencies. Loans to customers are in the same currency and maturities as the borrowings from the agencies.

As of December 31, 2010 and 2009, borrowings from domestic development banks received from certain Colombian Goverment Agencies consisted of the following:

	2010	2009
Banco de Comercio Exterior de Colombia (“Bancoldex”)	COP 721,632	COP 1,053,562
Fondo para el Financiamiento del Sector Agropecuario (“Finagro”)	648,011	729,495
Findeter	1,033,604	1,007,250
Other	148,399	95,925
Total	COP 2,551,646	COP 2,886,232

Interest rates on borrowings from development and other domestic banks averaged 5.3% and 8.5% in 2010 and 2009, respectively, in local currency and 4.2% and 1.9% in 2010 and 2009, respectively, in foreign currency. Maturities at December 31, 2010 were as follows:

2011	COP 303,780
2012	338,486
2013	408,182

2014	360,007
2015	282,908
2016 and thereafter	858,283
Total	COP2,551,646

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(19) Other Liabilities

Other liabilities consisted of the following:

	2010	2009
Unearned income(1)	COP 42,674	COP 36,144
Accrued severance Law 50, net of advances	31,990	26,774
Accrued severance before Law 50, net of advances to employees	15,904	16,572
Accrued payroll and other severance benefits	101,216	101,989
Accrued pension obligations net of deferred cost	112,595	112,595
Deferred interest on troubled loans restructured	69,563	59,546
Deferred tax liability	108,440	114,071
Advances	60,751	77,463
Insurance liabilities	80,797	80,876
Deferred profit on sales of assets	3,252	3,290
Deferred commissions on standby letters	3,664	1,258
Other	58,580	35,315
Total	COP 689,426	COP 665,893

(1) Unearned income principally 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:

	Projected pension liability	Deferred cost	Net
Balance at december 31, 2007	COP 110,669	COP -	COP 110,669
Adjustment per actuarial valuation	12,261	(12,261)	-
Benefits paid	(11,171)	-	(11,171)
Pension expense	-	12,261	12,261
Balance at December 31, 2008	COP 111,759	COP -	COP 111,759
Adjustment per actuarial valuation	11,883	(11,883)	-
Benefits paid	(11,047)	-	(11,047)
Pension expense	-	11,883	11,883
Balance at December 31, 2009	112,595	-	112,595
Adjustment per actuarial valuation	10,824	-	10,824
Benefits paid	(10,824)	-	(10,824)
Pension expense	-	-	-
	11,752	11,752	-

Liability adjusment for changes in actuarial assumptions						
Balance at December 31, 2010	COP	124,347	COP	11,752	COP	112,595

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:

	2010	2009	2008
Discount rate	4.80 %	4.80 %	12.43 %
Future pension increases	4.51 %	6.48 %	7.63 %

(20) Long-Term Debt

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

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

		2010		
Issuer	Currency	Issued	Balance	Rate
Bancolombia S.A.	Local	COP 3,498,860	COP 2,110,627	4.3% - 10.7%
Bancolombia S.A.	Foreign	USD 1,020,000	1,952,260	6.2% - 6.9 %
Leasing Bancolombia S.A.	Local	COP 1,352,969	967,803	4.7% - 9.4 %
Banco Agricola S.A.	Foreign	USD 490,000	434,048	3.2% - 5.0 %
Renting Colombia S.A.	Local	COP 235,190	199,138	6.5% - 10.0%
Tuya S.A.	Local	COP 54,500	54,500	5.10 %
Total Long term debt			COP 5,718,376	

		2009		
Issuer	Currency	Issued	Balance	Rate
Bancolombia S.A.	Local	COP 3,089,404	COP 1,752,153	4.9% - 14.6%
Bancolombia S.A.	Foreign	USD 400,000	817,692	6.90 %
Leasing Bancolombia S.A.	Local	COP 912,969	657,094	5.5% - 10.9%
Banco Agricola S.A.	Foreign	USD 520,000	656,365	4.3% - 5.8 %
Renting Colombia S.A.	Local	COP 259,540	237,818	5.5% - 9.5 %
Tuya S.A.	Local	COP 52,500	52,500	5.10 %
Total Long term debt			COP 4,173,622	

The scheduled maturities of long term-debt at December 31, 2010 are as follows:

2011	COP746,914