BANCOLOMBIA SA
Form 20-F
April 29, 2014

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON April 29, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 20-F

(Mark One)

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

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013
OR

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

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

Commission file number: 001 - 32535

BANCOLOMBIA S.A.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Republic of Colombia

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

Alejandro Mejia Jaramillo, Investor Relations Manager

Carrera 48 # 26-85, Medellín, Colombia

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

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

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

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

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

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

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

Common Shares **509,704,584**

Preferred Shares **342,122,416**

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

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to
Section 13 of 15(d) of the Securities Exchange Act of 1934.
Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports),
and (2) has been subject to such filing requirements for the past 90 days.
Yes x No¨

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

Yes ¨ No¨

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

(Do not check if a smaller reporting company)

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

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

If “Other” has been checked in response to the previous question indicate by check mark which financial statement item the registrant has elected to follow.
Item 17 ¨   Item 18 x

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No x

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

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

Yes ¨ No ¨

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CERTAIN DEFINED TERMS

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

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

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

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

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

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

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

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

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

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

References to "Colombia" refer to the Republic of Colombia.

References to "Colombian GAAP" refer to the generally accepted accounting principles in Colombia.

References to "Colombian banking GAAP" refer to Colombian GAAP as supplemented by the applicable regulations of the SFC.

References to "Conavi" refer to Conavi Banco Comercial y de Ahorros S.A. as it existed immediately before the Conavi/Corfinsura merger.

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

References to "Congress" refer to the national congress of Colombia.

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

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

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

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

References to “Grupo Agromercantil” refer to Grupo Agromercantil Holding S.A., a company organized under the laws of the Republic of Panama, of which Bancolombia has 40% of its voting shares, and is the parent company of Banco Agromercantil of Guatemala, and its subsidiaries.

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

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

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

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

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

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

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

References to “SMEs” refer to Small and Medium Enterprises

References to “SMMLV” refer to *Salario Mínimo Mensual Legal Vigente.*

The effective legal minimum monthly salary in Colombia. In 2013, the effective legal minimum monthly salary in Colombia was COP 589,500.

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

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

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

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

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

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

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

Our fiscal year ends on December 31, and references in this Annual Report to any specific fiscal year are to the twelve-month period ended December 31 of such year. CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Accounting Principles

The Bank's audited Consolidated Financial Statements are prepared following the accounting practices and the special regulations of the SFC, or, in the absence of such regulations, Colombian banking GAAP. Together, these requirements differ in certain significant respects from generally accepted accounting principles in the United States ("U.S. GAAP"). Note 31 to the Bank's audited Consolidated Financial Statements included in this Annual Report provides a description of the principal differences between Colombian banking GAAP and U.S. GAAP as they relate to the Bank's audited Consolidated Financial Statements and provides a reconciliation of consolidated net income and consolidated stockholders' equity for the years and dates indicated herein. References to Colombian banking GAAP in this Annual Report are to Colombian banking GAAP as supplemented by the applicable regulations of the SFC.

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

For 2013, the Bank's Consolidated Financial Statements include entities in which it holds, directly or indirectly,a majority of the outstanding voting rights. The Bank consolidates directly Leasing Bancolombia S.A., Fiduciaria Bancolombia S.A., Banca de Inversión, Compañía de Financiamiento Tuya S.A., Bancolombia Puerto Rico Internacional Inc., Bancolombia Panama S.A., Valores Bancolombia S.A. Comisionista de Bolsa, Factoring Bancolombia S.A. Compañía de Financiamiento, FCP Fondo Colombia Inmobiliario S.A., Patrimonio Autónomo Cartera LBC and Banistmo S.A. Some of the Bank's Subsidiaries also consolidate their own subsidiaries. Bancolombia Panama consolidates Bancolombia Cayman S.A., Sistema de Inversiones y Negocios S.A. Sinesa, Suleasing International USA, Inc. and Banagrícola (which, in turn, consolidates Inversiones Financieras Banco Agrícola S.A. IFBA, Banco Agrícola, Arrendadora Financiera S.A. Arfinsa, Credibac S.A. de C.V., Valores Banagrícola S.A. de C.V., Banagrícola Guatemala S.A., and Bagrícola Costa Rica). Banca de Inversión consolidates BIBA Inmobiliaria S.A.S., Valores Simesa S.A., Inversiones CFNS S.A.S. (which, in turn, consolidates CFNS Infraestructura S.A.S., Vivayco S.A.S. and Uff Móvil S.A.S.). Leasing Bancolombia consolidates Leasing Perú S.A., Renting Colombia (which, in turn, consolidates Arrendamiento Operativo CIB S.A.C., Fondo de Inversión en Arrendamiento Operativo Renting Perú, Capital Investments SAFI S.A., and Transportempo S.A.S.). Valores Bancolombia consolidates Valores Bancolombia Panama S.A. and Suvalor Panama Fondo de Inversión S.A. Fiduciaria Bancolombia consolidates FiduPerú S.A. Sociedad Fiduciaria and Banistmo consolidates Banistmo Investment Corporation S.A., Financiera Flash S.A., Grupo Financomer S.A., Financomer S.A., Leasing Banistmo S.A., Seguros Banistmo S.A., Securities Banistmo S.A., Banistmo Capital Markets Group Inc., Banistmo Asset Management Inc., Anavi Investment Corporation S.A., Williamsburg International Corp., Van Dyke Overseas Corp., M.R.C. Investment Corp., Inmobiliaria Bickford S.A., Desarrollo del Oriente S.A., Bien Raices Armuelles S.A. , Steens Enterpresies S.A., Ordway Holdings S.A. and Inversiones Castan S.A. See "Item 4. Information on the Company – C. Selected

Organizational Structure" for an organizational chart depicting Bancolombia and its subsidiaries.

Currencies

The Bank maintains accounting records in pesos. The audited Consolidated Financial Statements of Bancolombia as of December 31, 2013, and 2012 and for the three years ended December 31, 2013 (collectively, including the notes thereto, the "Financial Statements") contained in this Annual Report are expressed in pesos.

This Annual Report translates certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, such peso amounts have been translated at the rate of COP 1,926.83 per USD 1.00, which corresponds to the Representative Market Rate calculated on December 31, 2013 the last business day of the year. The Representative Market Rate is computed and certified by the SFC, on a daily basis and represents the weighted average of the buy/sell foreign exchange rates negotiated on the previous day by certain financial institutions authorized to engage in foreign exchange transactions (including Bancolombia). The SFC also calculates and certifies the average Representative Market Rate for each month for purposes of preparing financial statements and converting amounts in foreign currency to pesos. Such conversion should not be construed as a representation that the peso amounts correspond to, or have been or could be converted into, U.S. dollars at that rate or any other rate. On April 28, 2014, the Representative Market Rate was COP 1,942.37 per USD 1.00.

Rounding Comparability of Data

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

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

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The selected consolidated financial data as of December 31, 2013 and 2012, and for each of the three fiscal years in the period ended December 31, 2013 set forth below has been derived from the Bank's audited Consolidated Financial Statements included in this Annual Report. The selected consolidated financial data as of December 31, 2011, 2010 and 2009, and for each of the two fiscal years in the period ended December 31, 2010 set forth below have been derived from the Bank's audited Consolidated Financial Statements for the respective periods, which are not included herein.

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

Differences Between Colombian banking GAAP and U.S. GAAP Results

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

Consolidated net income attributable to the controlling interest under U.S. GAAP for the year ended December 31, 2013 was COP 1,415,635 million (compared with COP 1,633,563 million for fiscal year 2012 and COP 1,043,636 million for fiscal year 2011). A reconciliation of consolidated net income and consolidated stockholders' equity under U.S. GAAP is included in "Note 31. Differences between Colombian Accounting Principles for Banks and U.S. GAAP" to the Consolidated Financial Statements included in this Annual Report.

	As of and for the year ended December 31,					
	2013[1]	2013	2012	2011	2010	200
	(in millions of COP and thousands of USD [1], except per share and per American Depositary Share ("ADS					
CONSOLIDATED STATEMENT OF OPERATIONS:						
Colombian banking GAAP:						
Interest income	USD 4,219,721	COP 8,130,684	COP 7,661,883	COP 5,945,594	COP 4,960,640	CO
Interest expense	(1,620,342)	(3,122,126)	(2,894,860)	(2,042,006)	(1,571,581)	
Net interest income	2,599,379	5,008,558	4,767,023	3,903,588	3,389,059	
Provisions for loans, finance leases and accrued interest losses, net of recoveries [2]	(603,415)	(1,162,679)	(1,072,520)	(596,417)	(512,585)	
Provision for foreclosed assets and other assets, net of recoveries	(35,250)	(67,921)	(38,353)	(2,288)	(35,130)	
Net interest income after provisions	1,960,714	3,777,958	3,656,150	3,304,883	2,841,344	
Fees and income from services and other operating income, net	1,430,578	2,756,481	2,640,137	2,359,821	2,115,970	
Operating expenses	(2,407,726)	(4,639,280)	(4,162,382)	(3,606,348)	(3,098,479)	
Net operating income	983,566	1,895,159	2,133,905	2,058,356	1,858,835	
Net non-operating income excluding minority interest	28,247	54,427	40,938	87,406	99,293	
Minority interest (loss)	(9,012)	(17,364)	(5,723)	(11,351)	(13,217)	
Income before income taxes	1,002,801	1,932,222	2,169,120	2,134,411	1,944,911	
Income taxes	(216,467)	(417,095)	(467,074)	(470,517)	(508,417)	
Net income	**USD 786,334**	**COP 1,515,127**	**COP 1,702,046**	**COP 1,663,894**	**COP 1,436,494**	**CO**
Weighted average of Preferred and		851,827,000	845,531,918	787,827,003	787,827,003	

Common Shares outstanding(3)						
Basic and Diluted net income per share(3)	USD 0.92	COP 1,779	COP 2,013	COP 2,112	COP 1,823	CC
Basic and Diluted net income per ADS	3.69	7,116	8,052	8,448	7,292	
Cash dividends declared per share		776	754	708	669	
Cash dividends declared per share (stated in U.S. dollars)		0.40	0.43	0.36	0.35	
Cash dividends declared per ADS		3,104	3,016	2,832	2,675	
Cash dividends declared per ADS (stated in U.S. dollars)		1.61	1.71	1.46	1.40	
U.S. GAAP:(4)						
Net income attributable to the controlling interest	USD 734,696	COP 1,415,635 (6)	COP 1,633,563 (6)	COP 1,043,636 (6)	COP 1,544,761 (6)	CC
Basic and Diluted net income per common share (5)	0.86	1,662	1,932	1,325	1,961	
Basic and Diluted net income per ADS (5) (6)	3.45	6,648	7,728	5,300	7,844	

(1) Amounts stated in U.S. dollars have been converted at the rate of COP 1,926.83 per USD 1.00, which is the Representative Market Rate calculated on December 31, 2013 (the last business day of 2013), as reported by the SFC. Such translation should not be construed as representations that the Colombian pesos amount represent, or have been or could be converted into, United States dollars at that or any other rate.

(2) Represents the provision for loans, accrued interest losses and other receivables, net and recovery of charged-off loans. Includes a provision for accrued interest losses amounting to COP 51,774 million, COP 48,085 million, COP 31,852 million, COP 33,540 million and COP 46,840 for the years ended December 31, 2013, 2012, 2011, 2010 and 2009 respectively.

(3) The weighted average of preferred and common shares outstanding for fiscal year 2013 includes 342,122,416 preferred shares and 509,704,584 common shares, for fiscal year 2012 includes 335,827,334 preferred shares and 509,704,584 common shares, and for fiscal years 2011, 2010 and 2009, includes 278,122,419 preferred shares and 509,704,584 common shares.

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

(5) Net income per share under U.S. GAAP is presented on the basis of net income available to common stockholders divided by the weighted average number of common shares outstanding (509,704,584 for 2013, 2012, 2011, 2010 and 2009). See "Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP".

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

CONSOLIDATED BALANCE SHEET

	As of the year ended December 31,										
	2013[(1)]		2013		2012		2011		2010		2009
	(in millions of COP and thousands of USD [(1)]*, except per share and per American Depositary Share ("AD*										
CONSOLIDATED BALANCE SHEET											
Colombian banking GAAP:											
Assets:											
Cash and due from banks	USD	5,930,695	COP	11,427,441	COP	7,144,015	COP	6,818,307	COP	5,312,398	COP
Funds sold and securities purchased under		2,066,194		3,981,205		1,025,082		910,690		842,636	

agreements to resell													
Investment securities, net		7,165,028		13,805,790			12,554,311			9,958,191		8,675,762	
Loans and financial leases, net		44,318,393		85,394,012			66,739,040			58,575,846		46,091,877	
Accrued interest receivable on loans and financial leases, net		290,929		560,572			524,041			439,189		317,532	
Customers' acceptances and derivatives		312,643		602,409			783,014			741,296		784,888	
Accounts receivable, net		797,796		1,537,218			1,243,263			1,016,985		797,715	
Premises and equipment, net		1,137,452		2,191,677			1,341,698			1,622,311		1,174,625	
Premises and equipment under operating leases, net		1,515,017		2,919,181			2,191,928			1,380,057		1,006,108	
Foreclosed assets, net		53,749		103,565			84,818			53,194		70,277	
Prepaid expenses and deferred charges, net		358,585		690,932			772,930			785,456		319,864	
Goodwill, net		1,862,750		3,589,203			571,373			679,861		750,968	
Other assets		1,344,234		2,590,110			2,088,947			1,697,648		1,185,977	
Reappraisal of assets		738,480		1,422,926			851,920			783,989		764,529	
Total assets	USD	67,891,945	COP	130,816,241		COP	97,916,380		COP	85,463,020	COP	68,095,156	COP
Liabilities and stockholders' equity:													
Deposits	USD	44,921,752	COP	86,556,579		COP	64,158,720		COP	52,434,492	COP	43,538,967	COP
Borrowings[3]		6,491,539		12,508,092			5,271,508			7,458,926		5,250,587	
Other liabilities		9,995,028		19,258,724			16,879,197			16,576,242		11,358,462	
Stockholder' equity		6,483,626		12,492,846			11,606,955			8,993,360		7,947,140	
Total liabilities and stockholders' equity	USD	67,891,945	COP	130,816,241		COP	97,916,380		COP	85,463,020	COP	68,095,156	COP
U.S. GAAP:													
Stockholders' equity attributable to the controlling interest	USD	6,303,905	COP	12,146,554	(2)	COP	11,145,490	(2)	COP	8,589,202	COP	8,069,346	COP
Stockholders' equity per share[4]		7,400		14,259			13,182			10,902		10,243	

Stockholders' equity per ADS[4]	29,601	57,036	52,728	43,608	40,972

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(1) Amounts stated in U.S. dollars have been converted at the rate of COP 1,926.83 per USD 1.00, which is the Representative Market Rate calculated on December 31, 2013 (the last business day of 2013), as reported by the SFC. Such translation should not be construed as representations that the Colombian pesos amount represent, or have been or could be converted into, United States dollars at that or any other rate.

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

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

(4) The weighted average (rounded to the nearest million) of preferred and common shares outstanding was 852 million for the fiscal year ended December 31 2013, 845 million for the fiscal year ended December 31 2012 and 788 million for the fiscal year ended December 31, 2011, 2010 and 2009. Stockholders' equity per share is equal to stockholders' equity under U.S. GAAP divided by the weighted average of preferred and common shares outstanding, stockholders' equity per ADS is equal to stockholders' equity per share multiplied by four preferred shares of Bancolombia (Each ADS is equivalent to four preferred shares of Bancolombia). Stockholders' equity per share and stockholders' equity per ADS should not be considered in isolation, or as a substitute for net income, as a measure of operating performance or as a substitute for cash flows from operations or as a measure of liquidity. The non-GAAP financial measures described in this footnote are not a substitute for the GAAP measures of financial performance and should not be considered as an alternate measure of stockholders' equity as determined on a consolidated basis using amounts derived from the consolidated balance sheet prepared in accordance with Colombian banking GAAP.

See "Item 8. Financial Information – A. Consolidated Statements and Other Financial Information – A.3. Dividend Policy", for information about the dividends declared per share in both pesos and U.S. dollars during the fiscal years ended December 31, 2013, 2012, 2011, 2010 and 2009.

SELECTED RATIOS

	As of and for the year ended December 31,				
	2013	2012	2011	2010	2009
	(Percentages, except for operating data)				
SELECTED RATIOS:[1]					
Colombian banking GAAP:					
Profitability ratios:					
Net interest margin[2]	5.48	6.49	6.17	6.38	7.22
Return on average total assets[3]	1.37	1.92	2.20	2.27	2.01
Return on average stockholders' equity[4]	12.76	15.97	20.22	19.71	19.59
Efficiency Ratio:					
Operating expenses as a percentage of interest, fees, services and other operating income	59.75	56.19	57.58	56.28	50.89

Capital ratios:					
Period-end stockholders' equity as a percentage of period-end total assets	9.55	11.85	10.52	11.67	11.37
Period-end regulatory capital as a percentage of period-end risk-weighted assets(5)	10.61	15.77	12.46	14.67	13.23
Credit quality data:					
Non-performing loans as a percentage of total loans(6)	1.82	1.76	1.52	1.91	2.44
"C", "D" and "E" loans as a percentage of total loans	4.11	3.96	3.82	4.32	5.11
Allowance for loan and accrued interest losses as a percentage of non-performing loans	253.33	268.96	306.94	274.36	241.08
Allowance for loan and accrued interest losses as a percentage of "C", "D" and "E" loans(7)	112.27	119.30	121.69	121.45	115.25
Allowance for loan and accrued interest losses as a percentage of total loans	4.62	4.72	4.65	5.24	5.89
OPERATING DATA:					
Number of branches(8)	1,090	993	952	921	889
Number of employees(9)	28,759	24,820	24,126	22,992	21,201

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

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

(3) Net income divided by average total assets.

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

(5) For an explanation of risk-weighted assets and Technical Capital, see "Item 4. Information on the Company – B. Business Overview – B.8. Supervision and Regulation – Capital Adequacy Requirements".

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

(7) The decrease in this coverage ratio is explained by the formation of PDLs during the year, which was faster than the pace of increase in allowances in the balance sheet. See "Item 4. Information on the Company – E. Selected Statistical Information – E.3. Loan Portfolio – Classification of the loan portfolio and Credit Categories for a description of "C", "D" and "E" Loans".

(8) Number of branches includes branches of the Consolidated Financial Statements.

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

Exchange Rates

On March 31, 2014, the Representative Market Rate was COP 1,969.45 per USD 1.00. The Federal Reserve Bank of New York does not report a rate for pesos; the SFC calculates the Representative Market Rate based on the weighted average of the buy/sell foreign exchange rates quoted daily by certain financial institutions, including Bancolombia, for the purchase and sale of U.S. dollars.

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

Recent exchange rates of pesos per U.S. dollars

Month	Low	High	Period-End
March 2014	1,965.32	2,052.51	1,969.45
February 2014	2,022.68	2,054.90	2,046.75
January 2014	1,924.79	2,021.10	2,021.10
December 2013	1,921.22	1,948.48	1,926.83
November 2013	1,901.22	1,932.77	1,931.88
October 2013	1,879.46	1.894.06	1,889.16

Source: SFC.

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

Peso/USD 1.00
Representative Market Rate

Period	Period-End	Average
2013	1,926.83	1,881.04
2012	1,768.23	1,798.08
2011	1,942.70	1,852.83
2010	1,913.98	1,901.67
2009	2,044.23	2,179.64

Source: SFC.

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

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

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

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

The Bank's financial condition, results of operations and asset quality are significantly dependent on the macroeconomic and political conditions prevailing in Colombia, El Salvador, Panama and the other jurisdictions in which the Bank operates. Accordingly, decreases in the growth rate, periods of negative growth, increases in inflation, changes in policy, or future judicial interpretations of policies involving exchange controls and other matters such as among others, currency depreciation, inflation, interest rates, taxation, banking laws and regulations and other political or economic developments in such jurisdictions may affect the overall business environment and may in turn impact the Bank's financial condition and results of operations.

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

The economies of the countries in which the Bank operates are vulnerable to external effects that could be caused by significant economic difficulties experienced by their major regional trading partners or by more general contagion effects, which could have a material adverse effect on such countries economic growth and ability to service their public debt.

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

Deterioration in the economic and political situation of neighboring countries could affect the national stability of Colombia or the Colombian economy by disrupting Colombia’s diplomatic or commercial relationships with these countries. Although relations with other countries have improved significantly with the current government, the possibility of any further tensions may cause political and economic uncertainty, instability, market volatility, low confidence levels and higher risk aversion by investors and market participants that may negatively affect economic activity in Colombia, El Salvador and Panama.

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

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

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

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

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

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

Colombia has experienced several periods of criminal violence over the past four decades, primarily due to the activities of guerilla groups and drug cartels. In response, the Colombian government has implemented various security measures and has strengthened its military and police forces by creating specialized units, and currently is in the process of negotiating a peace treaty with the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*) ("FARC"). In addition, in late 2012, the Colombian government commenced a new peace process with the FARC in Colombia. Despite these efforts, drug-related crime and guerilla activity continue to exist in Colombia. These activities, their possible escalation and the violence associated with them may have a negative impact on the Colombian economy or on the Bank in the future. The Bank's business or financial condition and the market value of the Bank's securities and any dividends distributed by it, could be adversely affected by rapidly changing economic and social conditions in Colombia and by the Colombian government's response to such conditions.

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

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

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

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In August 2013 the regulation relating to capital adequacy requirements (Decree 1771 of 2012) was implemented and Bancolombia currently complies with applicable capital requirements. However, there can be no assurance that future regulation will not change or require Bancolombia or its subsidiaries to seek additional capital.

Moreover, regulators in other jurisdictions have not reached consensus as to the appropriate level of capitalization for financial services institutions. Regulators in the jurisdictions in which Bancolombia operates may alter the current regulatory capital requirements to which Bancolombia is subject and thereby require equity increases that could dilute existing stockholders, lead to required asset sales or adversely impact the return on stockholders' equity and/or the market price of the Bank's common and preferred shares.

Furthermore, the Colombian government has presented to Congress an initiative to create a new type of financial institution that will have the sole purpose of offering electronic deposits and payments in order to promote financial inclusion. If the law is enacted this could create a new competitive environment that could adversely affect the Bank's business and profitability.

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

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

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

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

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

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

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

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

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

Furthermore, pursuant to article 62 of Law 1430 of 2010, Congress granted the Colombian government power and authority to establish criteria and formulas applicable to the calculation of banking fees and charges and define maximum limits to banking fees and charges. On December 20, 2011 the government used the authority granted by Law 1430 of 2010 and enacted Decree 4809 of 2011 in which it set forth caps tothe bank fees that may be charged on ATM withdrawals outside of each bank's respective networks.

As of the date of this Annual Report, an initiative regarding banking fees is being discussed in Congress, and has been approved in its second debate out of four needed for it to become a law. If the law is enacted in its current form, however banks would be required cease charging transactional and service fees from those individuals whose income is equal or under two SMMLV, provided that this benefit would only apply to one savings account per individual. The likelihood of this initiative becoming a law is uncertain given that there have been two similar unsuccessful initiatives discussed in Congress in recent years and the two pending debates would have to be completed before June 2014.

In addition, Law 1555 of 2012 prohibits prepayment penalties for loans worth less than 880 SMMLV (mortgage loans are excluded).

Further limits or regulations regarding banking fees, could have a negative effect on our results of operations and financial condition.

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

Decree 2193 of 2013 designates 44 jurisdictions as tax havens for Colombian tax purposes. It also excludes temporarily seven countries, including Panama while the colombian government negotiates tax information exchange agreements with each of them. If Panama and Colombia do not sign a tax information exchange agreement before August 2014, Panama would be considered as a tax haven under Colombian tax regulations. As a result, the Bank's clients in Panama who are residents in such jurisdiction would be subject to the following regulations: (i) higher withholding tax rates including a higher withholding rates over financial yields derived from investments in the Colombian securities market), (iii) the transfer pricing regime and its reporting duties, (iii) residing in a tax haven serves as an assumption for Colombian authorities to qualify a conduct as abusive under tax regulations, (iv) payments made to residents or entities located in tax havens are not considered as costs or deduction, unless the respective withholding tax has been applied, and (v) other additional information disclosure requirements, which could have a negative impact on Bancolombia's business and financial results.

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

Bancolombia and most of its subsidiaries are considered foreign financial institutions ("FFIs") under the Foreign Account Tax Compliance Act of 2010 (the "FATCA") (see "Item 4. Information on the Company – B. Business Overview – B.8. Supervision and Regulation – International regulations applicable to Bancolombia and its subsidiaries"). Given the size and the scope of the Bank´s international operations, we intend to take all necessary steps to comply with FATCA (including entering into agreements with the U.S. tax authorities). However, if the Bank cannot enter into such agreements or satisfy the requirements thereunder, certain payments to Bancolombia or its Subsidiaries may be subject to withholding under the FATCA. The possibility of such withholding and the need for accountholders and investors to provide certain information may adversely affect our results of operations and financial condition. In addition, entering into agreements with the Internal Revenue Service ("IRS"), compliance with the terms of such agreements and with the FATCA, any regulations or other guidance promulgated thereunder or any legislation promulgated under an intergovernmental agreement ("IGA") may increase our compliance costs. We are currently in the process of implementing FATCA compliance on a group wide level. Because legislation and regulations implementing the FATCA in the countries in which we operate and the IGAs remain under development, the future impact of this law on the Bank is still uncertain.

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

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

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

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

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

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

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

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

Bancolombia is a leader in the Colombian mortgage loan market. Colombia's mortgage loan market is highly regulated and has historically been affected by various macroeconomic factors. Although interest rates have decreased, during recent years, periods of sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased defaults in outstanding loans and deterioration in the quality of assets.

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

As of December 31, 2013, the aggregate outstanding principal amount of the Bank's 20 largest credit exposures, on a consolidated basis, represented approximately 7.3% of the loan portfolio, of the Bank and no single exposure represented more than 1% of the loan book. Also, 100% of those loans were corporate loans and 100% of these relationships were classified as "A". However, problems with one or more of the Bank's largest borrowers could materially and adversely affect its results of operations and financial position, see "Item 4. Information on the Company – E. Selected Statistical Information – E.3. Loan Portfolio – Borrowing Relationships".

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

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

The Bank is subject to market risk.

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

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

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

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

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

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

The Bank’s debt securities portfolio is primarily composed of sovereign debt securities, including securities issued or guaranteed by the Colombian government. Therefore, the Bank’s results are exposed to credit, market, and liquidity risk associated with sovereign debt. As of December 31, 2013, the Bank’s total debt securities represented 9.27% of its total assets, and 49.85% of these securities were issued or backed by the Colombian government. A significant decline in the value of the securities issued or guaranteed by the Colombian government could adversely affect the Bank’s debt securities portfolio and consequently the Bank’s results of operations and financial position. In addition, a downgrade in Colombia’s credit ratings could result in downgrades of the Bank’s ratings.

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

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

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

The Bank is subject to operational risks and losses.

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

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

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

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

The Bank is subject to cyber security risk.

The Bank is subject to cyber security risk which includes the unauthorized access to privileged information, technological assaults on the infrastructure of the Bank with the aim of stealing information, committing fraud or interfering with regular service and the interruption of the Bank’s services to some of its clients or users due to the exploitation and materialization of these vulnerabilities.

The controls that the Bank has implemented in order to anticipate, identify and offset those threats, such as perimeter defenses, security backups, special 24/7 teams and ongoing security tests have been effective in maintaining cyber security risk at a low level. However, any failure by the Bank to detect cyber security risk in a timely manner could result in a negative impact on the Bank’s results of operations and financial condition.

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

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

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

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

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

An element of the Bank's business strategy is to identify and pursue growth-enhancing strategic opportunities. The Bank may base assessments of potential acquisitions and partnerships on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. recent acquisitions, including the acquisition of a minority interest in Grupo Agromercantil and the acquisition of Banistmo (see "Item 4. Information on the Company. – A. History and development of the Company – Recent Developments"), and any future acquisitions, investments and alliances may not produce the anticipated synergies or perform in accordance with the Bank's expectations and could adversely affect its operations and profitability.

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

The Bank's principal source of funds is short-term deposits, which on a consolidated basis represented 73.2% of total liabilities at the end of 2013 compared to 74.3% and 68.6% at the end of 2012 and 2011, respectively. Because the Bank relies primarily on short-term deposits for its funding, in the event of a sudden or unexpected shortage of funds in the banking systems and money markets in which the Bank operates, the Bank may not be able to maintain its current level of funding without incurring higher costs or selling assets at prices below their prevailing market value.

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

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

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

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

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

Our credit ratings are an important component of our liquidity profile. A downgrade in our credit ratings would increase our cost of raising funds in the capital markets or of borrowing funds. Due to regulatory or internal policies, certain Colombian institutional investors are only permitted to purchase debt securities that are rated "AAA" by Colombian credit rating agencies. Purchase of our securities by these investors could be prohibited if we suffer a decline in our local credit rating. Our ability to renew maturing debt could be restricted and more expensive if our credit rating were to decline. Our lenders and counterparties in derivative transactions are sensitive to the risk of a credit rating downgrade. A downgrade in our credit rating may adversely affect perception of our financial stability and our ability to raise deposits, which could make us less successful when competing for deposits and loans in the market place. Our ability to successfully compete depends on various factors, including our financial stability as reflected by our credit ratings.

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

The Central Bank may impose certain mandatory deposit requirements in connection with foreign currency denominated loans obtained by Colombian residents, including the Bank, although no such mandatory deposit requirement is currently in effect. We cannot predict or control future actions by the Central Bank in respect of deposit requirements, which may involve the establishment of a mandatory deposit percentage, and the use of such measures by the Central Bank may be a disincentive for the Bank and our clients to obtain loans denominated in a foreign currency.

Risks Relating to the Preferred Shares and the American Depositary Shares ("ADSs").

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

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

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

The Bank's preferred shares have limited voting rights.

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

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

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

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

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

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

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

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

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

Bancolombia is a stock company (*sociedad comercial por acciones, de la especie anónima)* domiciled in Medellín, Colombia and operates under Colombian laws and regulations, mainly the Colombian Code of Commerce, the Financial Statute - Decree 663 of 1993 and Decree 2555 of 2010. Bancolombia was incorporated in Colombia in 1945, under the name Banco Industrial Colombiano S.A. or "BIC", and is incorporated until 2044. In 1998, the Bank merged with Banco de Colombia S.A., and changed its legal name to Bancolombia S.A. On July 30, 2005, Conavi and Corfinsura merged with and into Bancolombia, with Bancolombia as the surviving entity. Through this merger, Bancolombia gained important competitive advantages, as Conavi and Corfinsura were two of the top financial institutions in the Colombian market at the time. Conavi, a mortgage bank in Colombia and one of the strongest in retail operations, significantly increased the Bank's participation and know-how in these specific markets. On the other hand, Corfinsura, then the largest financial corporation in Colombia and highly regarded for its expertise in handling large and mid-sized corporate credit and financial services, its investment bank and its modern and diversified treasury department, materially strengthened Bancolombia's multi-banking franchise.

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

In October 2013, Bancolombia Panama paid approximately USD 217 million to acquire a 40% interest in Grupo Agromercantil Holding S.A., the parent company of Banco Agromercantil de Guatemala, and certain other companies dedicated to securities brokerage, insurance, and other financial businesses. Additionally, in the same month, Bancolombia acquired a 100% percent interest in the ordinary voting shares, and 1,325,780 preferred shares of Banistmo, a Panamanian banking entity and its subsidiaries involved in the securities brokerage, trust, consumer finance, leasing, and insurance businesses. Bancolombia paid a purchase price of USD 2,234 million. Since 1995, Bancolombia has maintained a listing on the NYSE, where its ADSs are traded under the symbol "CIB", and on the Colombian Stock Exchange, where its preferred shares are traded under the symbol "PFBCOLOM". Since 1981 Bancolombia's common shares have been traded on the Colombian Stock Exchange under the symbol "BCOLOMBIA". See "Item 9. The Offer and Listing".

Bancolombia has grown substantially over the years, both through organic growth and acquisitions. As of December 31, 2013, Bancolombia had, on a consolidated basis:

COP 130,816 billion in total asset;

COP 85,394 billion in total net loans and financial leases;

COP 86,557 billion in total deposits; and

COP 12,493 billion in stockholders' equity.

Bancolombia's consolidated net income for the year ended December 31, 2013 was COP 1,515 billion, representing a return on average equity of 12.76% and return on average assets of 1.37%.

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

RECENT DEVELOPMENTS

Wind-down of Bancolombia's Miami Agency

On March 5, 2013, Bancolombia announced its decision to wind-down the business and operations of its agency in Miami, Florida. This decision was mainly based on the strategy to focus the Bank's international operations on other markets. The wind-down process wascompleted on August 30, 2013.

Offer to exchange notes

On July 24, 2013, Bancolombia announced the results of its offer to exchange (the "Exchange Offer") all of its outstanding unregistered 5.125% Subordinated Notes due 2022 issued under the indenture dated September 25, 2012 (the "Old Notes") for new 5.125% Subordinated Notes due 2022 issued under the indenture dated September 11, 2012 (the "New Notes"), which are registered under the U.S. Securities Act of 1933, as amended.

In total, USD 224,513,000 aggregate principal amount of the Old Notes, representing approximately 98.70% of the aggregate principal amount outstanding of the Old Notes, were validly tendered and not validly withdrawn prior to the expiration of the Exchange Offer. All of the Old Notes validly tendered and not validly withdrawn were accepted for exchange pursuant to the terms of the Exchange Offer.

A total of USD 2,945,000 aggregate principal amount of the Old Notes remain outstanding.

Acquisition of Grupo Agromercantil

On October 1, 2013, after having obtained the required regulatory authorizations, Bancolombia Panama completed the acquisition of 40% of the commom shares of Grupo Agromercantil Holding S.A. a Panamanian company, and paid an approximate purchase price of USD 217 million. As part of this transaction, Bancolombia Panama and Bam Financial Corporation entered into a shareholders agreement, which provides, among other things, for the acquisition by Bancolombia Panama of control of Grupo Agromercantil Holding S.A. in the medium term.

Grupo Agromercantil Holding owns the Guatemalan financial conglomerate Agromercantil, which includes, among others, Banco Agromercantil BAM of Guatemala, Mercom Bank Ltd, an offshore bank based in Barbados, and Seguros Agromercantil of Guatemala.

Acquisition of Banistmo

On October 28, 2013, Bancolombia completed the acquisition of 100% of the common shares, and 1,325,780 of preferred shares of Banistmo representing 90.1%. After having obtained the required regulatory approvals and satisfied certain other conditions for completion of the transaction.

Bancolombia paid a consideration amount of USD 2,234 million to HSBC Latin America Holdings (UK) Limited, a subsidiary of HSBC Holdings plc. The consideration amount included customary adjustments in accordance with the share purchase agreement.

The transaction included Banistmo’s Panamanian subsidiaries, which are involved in the securities, brokerage, trust, consumer finance and leasing, businesses, as well as an insurance company, and certain other companies.

Dematerialization of issued and outstanding shares

On December 17, 2013, Bancolombia’s shareholders, in their extraordinary meeting, approved the decision to dematerialize the issued and outstanding shares of the Bank. The dematerialization was completed on January 20, 2014.

Consequently, the Bank's shares are held and traded exclusively in dematerialized form and all transfers are made through book-entry records made by the *Deposito Centralizado de Valores* – Deceval and registered in the shareholders' registry, in accordance with the Bank's by-laws and applicable Colombian law.

Preferred shares public offering

On March 12, 2014, the Bank completed an offering of 110 million preferred shares offered to the public in Colombia at a subscription price of COP 24,200 per preferred share. The net proceeds amounted to approximately COP 2,656 billion.

PUBLIC TAKEOVER OFFERS

In 2013, and as of the date of this Annual Report, there have been no public takeover offers by third parties with respect to the Bank's shares or by the Bank in respect to another company's shares.

CAPITAL EXPENDITURES AND DIVESTITURES

During 2013, total capital expenditures amounted to COP 80 billion. Such investments were mainly focused on an IT Platform renewal project (COP 665 million), the expansion of the Bank's branch and ATM network (COP 198 million), the purchase of hardware for the expansion, updating and replacing current IT equipment (COP 9 billion), and other investments, such as an anti-fraud system and fixed assets (COP 70 billion).

In October 2013, Bancolombia completed the acquisition of HSBC Panama's operation and paid USD 2,234 million for it.

In 2013, Bancolombia funded its capital expenditures with its own resources and plans to continue to fund those currently in progress in the same manner.

During 2012, total capital expenditures excluding interest in other companies amounted to COP 154 billion. Such investments were mainly focused on an IT Platform renewal project (COP 97 billion), the expansion of the Bank's branch and ATM network (COP 12 billion), the purchase of hardware for the expansion, updating and replacing current IT equipment (COP 25 billion), and other investments, such as an anti-fraud system and fixed assets (COP 20 billion).

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

During 2014, the Bank expects to invest approximately COP 84 billion as follows: COP 4 billion in connection with the expansion of the Bank's branch and ATM network, COP 25 billion in connection with the purchase of hardware for the expansion, updating and replacement of the current IT equipment and COP 55 billion in connection with other investments, such as an anti-fraud system and fixed assets. These figures represent only an estimate and may change according to the continuing assessment of the Bank's project portfolio. No assurance can be given, however, that all such capital expenditures will be made and, if made, that such expenditures will be in the amounts currently expected.

The following table summarizes the Bank's capital expenditures and divestitures in interests in other companies for the years ending December 31, 2013, 2012 and 2011:

	As of December 31,			
Capital Expenditures (COP million)	2013	2012	2011	Total
Banistmo y Filiales[1]	COP4,204,801	COP-	COP-	COP4,204,801
Grupo Agromercanril Holding S.A [2]	411,110	-	-	411,110
Sura Asset Management España S.L.	-	266,772	-	266,772
Inversiones Inmobiliaria Arauco Alameda S.A.	10,755	27,645	3,479	41,879
Uff Móvil S.A.S	5,100	21,000	-	26,100
Avefarma S.A.S.	-	20,423	-	20,423
Panamerican Farmaceutical Holding INC	-	6,846	-	6,846
Glassfarma Tech S.A.S.	-	4,360	-	4,360
Construcciones El Cóndor S.A.	-	3,469	-	3,469
Grupo Odinsa S.A.	-	562	190,516	191,078
Fondos de Pensiones y de Cesantías Protección S.A.	-	-	64,891	64,891
Enka de Colombia S.A.	-	-	9,523	9,523
Others	16	861	2,034	2,911
Total Expenditures	COP4,631,782	COP351,938	COP270,443	COP5,254,163

(1) The amount of USD 2,234 million has been converted at the rate of COP 1,882.34 per USD 1.00, which is the Representative Market Rate calculated on October 28, 2013, as reported by the SFC.

(2) The amount of USD 217 million has been converted at the rate of COP 1,893.77 per USD 1.00, which is the Representative Market Rate calculated on October 2, 2013, as reported by the SFC.

Capital Divestitures (COP million)	2013	2012	2011	Total
Erecos S.A. y Materiales Industriales S.A.	COP 2,650	COP -	COP -	COP 2,650
Prosicol S.A.S. " liquidation "	565	-	-	565
Asesuisa S.A.(1)	-	173,285	-	173,285
Todo Uno Services Inc. (1)	-	3,161	-	3,161
Todo Uno Colombia S.A.(1)	-	228	-	228
AFP Crecer S.A.(1)	-	-	203,072	203,072
Promotora La Alborada S.A.(1)	-	-	1,124	1,124
Promotora de Hoteles Medellín S.A.	-	-	145	145
Others (1)	-	-	57	57
Total Divestitures	COP 3,215	COP 176,674	COP 204,398	COP 384,287

(1) Investments sold

B. BUSINESS OVERVIEW

B.1. GENERAL

COMPANY DESCRIPTION, PRODUCTS AND SERVICES

Bancolombia is a full service financial institution that offers a wide range of banking products and services to a diversified individual and corporate customer base of more than 9 million customers. Bancolombia delivers its products and services through its regional network comprising Colombia's largest non-Government owned banking network, El Salvador's leading financial conglomerate, Panama's second bank by market share and off-shore banking subsidiaries in Panama, Cayman and Puerto Rico, as well as subsidiaries in Peru.

Bancolombia and its subsidiaries offer the following products and services:

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

· **Debit cards:** A product designed for people to manage their cash, deposited in a savings account. ATM's and electronic payment channels are widely available in Colombia for both traditional and paypass cards. Different savings accounts are designed for several profiles of customers: "Young" segment, payroll savings, programmed savings, and preferential segment.

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

- **Checking accounts:** Deposits can be made in cash or checks. This account grants overdraft protection for eventual cash flow needs. All Bancolombia's ATMs and electronic payment systems are available to checking account customers.

- **Fixed term certificates of deposit: (CDT) Certificados de Depósito a Término.** An investment option for individual clients seeking to deposit their capital at a fixed or variable interest rate; the variable interest rate depends on the term of the deposit. Interest can be reinvested in the CDT or disbursed to the owner of the capital at agreed intervals.

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

- **Personal Loan:** Is a credit line of free investment destination that allows an individual earning an income greater than two times the minimum wage to obtain credit from the bank without use limitations

- **Prestanómina:** Is a credit line attached to an authorized individual payrollamount**.**

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- **Prestanómina FOPEP:** Is a credit line attached to an authorized individual payroll figure for retired employees in the FOPEP (Public Pension Fund).
- **Auto Loans (new cars):** Loan designed for clients interested in purchasing a new car for private or public use. The vehicle financed is used as collateral for the loan.
- **Auto Loans (used cars):** Loan designed for clients interested in purchasing a used car for private or public use. The vehicle financed is used as collateral for the loan.
- **Motorcycle Loans (high cylindered):** Loan designed for clients interested in purchasing a new motorcycle for private use. The motorcycle financed is used as collateral for the loan.
- **Credit Cards:** Bancolombia offers several credit cards with three different franchises as well as private brands: MasterCard, Visa, and American Express (American Express is an exclusive franchise in Colombia for Bancolombia). These products are divided in different segments of the market, personal and corporate, designed to satisfy the needs of different customers with different purchase habits and income levels. All the traditional classifications are commercialized: Black, Platinum, Gold, Traditional, among others.
- **Credit line for Environmental Sustainability:** Designed for customers who support new processes to optimize energy efficiency, use renewable energy and implement clean production in their businesses. This line of credit offers technical assistance, where experts evaluate and identify projects for the customer, and give advice regarding applicable tax benefits.
- **Student Loan:** Designed for clients willing to finance graduate and undergraduate education programs in certified universities. The minimum withdrawal amount under the facility is COP 1,000,000, and a maximum of 250 SMMLV. Credit possibilities vary depending on the client's debt capacity.

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

- **Housing Loan:** Is a loan designed for individuals interested in purchasing homes. The loan uses a mortgage on the purchased property as collateral.
- **Commercial Property Loan:** This loan is specialized in providing funds for purchase of properties, the use of which is not related to habitation; such as, commercial properties, offices, lands for construction (restrictions may apply), warehouses, and others.
- **Private General Construction Loan:** This is a general construction loan for individuals and businesses for new construction of properties, the use of which is not related to habitation. Periodic disbursements are given to the client as the project advances. These loans are granted depending on the solicitor's periodic income or cash flow.

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

- **Factoring for Suppliers:** For corporate clients, this product provides the funds to pay debt with suppliers at a fixed interest rate and with frequent periodic payments.

- **Discount of Account Receivables:** Financing line for corporate customers known as "massive holders of account receivables". The line of credit is based on a contract where the Bank ties several receivables in just one obligation, and acts as factor between the seller and the buyer, doing all the operational process.

- **Export and Import Factoring:** Acquire cash flow based on invoices related to international trade at a specific asking price.

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

- **Home Leases:** Bancolombia provides an alternative to its clients to acquire their own real estate property. With a low initial payment, clients of the lease pay periodic fees, leaving a portion of the total capital to the end of the term as a possible purchase option.

- **Vehicle Leases:** Bancolombia provides an alternative to its clients to purchase an automobile. With a low initial payment, clients of the lease pay periodic fees, leaving a portion of the total capital to the end of the term as a possible purchase option. It can also help companies, whose activity is connected to the transportation of goods and people, to acquire new vehicles for their operations.

- **Infrastructure Leases:** Bancolombia provides an alternative to its clients to invest in infrastructure projects needed for the corporate and industrial segment. With a low initial payment, clients of the lease pay periodic fees, leaving a portion of the total capital to the end of the term as a possible purchase option.

Capital Markets: Bancolombia assists its clients in mitigating market risk through hedging instruments such as:

- **Foreign exchange forwards**
- **Interest rate swaps**
- **Cross currency swaps**
- **Forward Novado**
- **European style options**
- **Arithmetic Asian Options**

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

Valores Bancolombia and Valores Bancolombia Panamá offer direct access to local and international capital markets, through a full range of Brokerage and Investment Advisory Services that cover:

- **Equities**
- **Fixed income**
- **IBR and IPC BVC Futures**
- **Foreign currencies**
- **Futures**

- **Third party asset management vehicles**
- **Structured products.**

Fiduciaria Bancolombia and Valores Bancolombia also offer a wide range of proprietary asset management products, such as Mutual Funds, Private Equity Funds, and Privately Managed Investment Accounts for institutional, corporate and private bank clients.

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

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

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

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

Trust and Fiduciary Services: Bancolombia, through its subsidiary Fiduciaria Bancolombia, offers a broad and diversified portfolio of services for companies and individuals, meeting their needs with tailored services.

NEW PRODUCTS OR SERVICES

Bancolombia continues its efforts to diversify and improve its product portfolio. Below is a brief description of the new products and services introduced in 2013:

Prepaid Card: This product allows companies to make payments to their employees without the need of a savings account. It can be used for payroll payments, third party payments, travel expenses, treasury or gifts; allowing the cardholder to make purchases and ATM withdrawals.

E-prepaid Card: Digital prepaid card that allows users to charge money from a savings account. As a result, the client is able to purchase goods and services using the web without the need of a physical card.

E-Banking Colombia Demo: This is an interactive tool addressed especially to corporate customers to teach them how to use the Bank's e-banking services, in a simple way. This tool also helps improve the commercial team's knowledge of the E-Banking tool in order to provide a better service to the Bank customers.

Exclusive call center for premium clients: This is a service designed for Bancolombia´s premium clients where just one person is able to meet all customer requirements either in English or Spanish.

Ahorro a la Mano: This is a mobile phone based savings account specially designed to attend low income clients and unbanked people.

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

Non Deliverable TES Forwards: Cash settled OTC traded forwards available on COP and UVR denominated Colombian treasury bonds. This product offers flexibility to offshore participants interested in gaining exposure to Colombia´s sovereign risk without the need for a local investment vehicle.

LIBOR-IBR Basis Swaps: The IBR-LIBOR basis swap allows Bancolombia and its clients to effectively transfer, hedge or mitigate risks associated to foreign exchange debt and diversify their exposure on emerging markets rates.

TES Specific References BVC Futures: Non deliverable bond future on COP denominated Colombian treasury bonds as traded on the Colombian Stock Exchange.

US Treasuries CME Bond Future: Deliverable future on US treasury bonds as traded on the Chicago Mercantile Exchange (CME).

Bonds EUREX Bond Future: Deliverable future on German treasury bonds as traded on the EUREX Exchange.

MAIN LINES OF BUSINESS

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

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

B.2. OPERATIONS

See Note 31 – section (y) to the Bank’s Consolidated Financial Statements as of December 31, 2013 included in this Annual Report for a description of the principal markets in which the company competes, including a breakdown of total revenues by category of activity and geographic market for each of the last three financial years.

B.3. SEASONALITY OF DEPOSITS

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

B.4. RAW MATERIALS

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

B.5. DISTRIBUTION NETWORK

Bancolombia provides its products and services through a traditional branch network, sales and customer representatives as well as through mobile branches (“*Puntos de Atención Móviles*"), banking correspondents, an ATM network, online and computer banking, telephone banking, mobile phone banking services, and EFTPOS, among others. In addition, as of December 31, 2013, Bancolombia had a sales force of approximately 14,000 employees and transactions performed through electronic channels represented more than 91.3% of all transactions in 2013.

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The following are the distribution channels offered by Bancolombia as of December 31, 2013.

Branch Network

As of December 31, 2013, Bancolombia's consolidated branch network consisted of 1.090 offices which included 850 from Bancolombia, 98 from Banco Agrícola, 50 from Banistmo and 92 from other subsidiaries.

Company*	Number of branches 2013	Number of branches 2012	Number of branches 2011	Number of branches 2010
Bancolombia S.A.(unconsolidated)	850	822	779	736
Bancolombia Panama S.A.	1	1	1	1
Bancolombia Miami (Agency) (1)	-	1	1	1
Bancolombia Panama (Branch)	1	1	-	-
Leasing Bancolombia S.A.	21	20	16	17
Renting Colombia S.A.	17	17	16	16
Valores Bancolombia S.A.	11	5	8	9
Valores Bancolombia Panama S.A.	1	1	1	1
Banca de Inversión Bancolombia S.A.	2	2	2	2
Fiduciaria Bancolombia S.A.	7	4	6	6
Tuya S.A, Compañía de Financiamiento (previously Sufinanciamiento S.A.)	6	5	5	6
Bancolombia Puerto Rico International Inc.	1	1	1	1
Factoring Bancolombia S.A.	1	1	1	1
Arrendamiento Operativo CIB S.A.C. (2)	1	1	2	5
Fondo Inversión Arrend.Operativo Renting Perú I	1	1	1	1
Inversiones CFNS S.A.S.	2	2	2	1
Banco Agrícola S.A.	98	101	101	102
Arrendadora Financiera S.A.	1	1	1	1
Credibac S.A. de C.V	-	-	1	1
Valores Banagricola, S.A. de C.V.(3)	1	1	1	1
AFP Crecer S.A.(4)	-	-	-	6
Aseguradora Suiza Salvadoreña S.A.(5)	-	-	1	1
Asesuisa Vida S.A.(5)	-	-	1	1
Uff Móvil S.A.S.	1	1	-	-
Capital Investments SAFI S.A.	1	1	1	1
Transportempo S.A.S	1	1	1	1
Leasing Perú S.A.	1	1	1	1
FiduPerú S.A. Sociedad Fiduciaria (previously Fiduciaria GBC S.A.)	1	1	1	1
Banistmo S.A.	50	-	-	-
Financomer S.A.	8	-	-	-
Seguros Banistmo S.A.	4	-	-	-

Total	1,090	993	952	921

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

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

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

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

(4) AFP Crecer S.A. was sold on November 21, 2011, and is no longer part of the Bancolombia group.

(5) Aseguradora Suiza Salvadoreña S.A. and Asesuisa Vida S.A. were sold on September 27, 2012, and are no longer part of the organization.

Banking Correspondents

A banking correspondent is a platform which allows non-financial institutions, such as stores open to the public, to provide financial services and transactions in towns where banks and financial institutions have limited or no presence. As of December 31, 2013, Bancolombia has a total of 2,162 banking correspondents, including 2,105 in Colombia and 57 in El Salvador.

Mobile Branches (Puntos de Atención Móviles, “PAM”)

PAMs consist of commercial advisors who visit small towns periodically to offer Bancolombia’s products and services. As of December 31, 2013, there were a total of 594 PAMs.

Kiosks

Kiosks, used in El Salvador, are located inside the Bank's agencies, malls, and other public places and are used to provide the Bank's clients the possibility of conducting a variety of self-service transactions. As of December 31, 2013, there were a total of 206 kiosks.

Automatic Teller Machines ("ATM")

Bancolombia has a total of 4,310 ATMs, including 3,538 in Colombia, 498 in El Salvador and 274 in Panama.

Online/Computer Banking

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

Telephone Banking

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

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

Through our own network of 7,933 PACs our customers may carry out a variety of transactions including transfer of funds, bill payments, and changes to credit and credit card PINs.

Mobile Phone Banking Service

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

B.6. PATENTS, LICENSES AND CONTRACTS

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

However, the contracts with service providers described below have significant relevance to the Bank's business:

As a result of the disposal of Todo1 Services, Inc. in August, 2012, the online banking platform of the Bank is no longer provided by an affiliate, and is currently provided by Todo1 Services Inc., now a third party with whom the Bank has entered into a service-level agreement. As of December 31, 2013, Todo 1 Services, Inc. is the sole service provider for the Bank's online banking platform in the event it ceased to provide such service, the Bank would need to engage a new service provider with whom it would have to negotiate a new service-level agreement.

The Bank's call center and telephone banking services are rendered by Allus Global BPO Center, a company specialized in providing business process outsourcing, or BPO solutions. If Allus Global BPO Center ceased to provide such services, the Bank would need to engage a new service provider with whom it would have to negotiate a new service-level agreement.

The Bank's check processing and settlement service is provided by IQ Outsourcing S.A., a Colombian company specialized in processing checks issued by customers of the Colombian financial institutions, through the Central Bank. If IQ Outsourcing S.A. ceased to provide such service, the Central Bank could impose fines to the Bank, and the Bank would need to engage a new service provider for such services.

The replacement of Todo1 Services Inc., Allus Global BPO Center or IQ Outsourcing S.A. as service providers of the Bank could be delayed or result in a variation of the costs associated with such services due to negotiations with potential new providers.

Finally, as a result of the acquisition of Banistmo by the bank, Banistmo, as customer, entered into a transitional services agreement with HSBC Servicios S.A. de C.V., for the provision of certain key technological services necessary to day-to-day operation of Banistmo and its subsidiaries for an estimated period of 18 months after closing of the transaction.

B.7. COMPETITION

Description of the Colombian Financial System

Overview

In recent years, the Colombian banking system has been undergoing a period of consolidation, given the series of mergers and acquisitions that have taken place within the sector. More specifically, several mergers and acquisitions took place in 2007, mainly due to the global economic situation. Colombian banks made several investments allowing some entities to become big players in the Latin American market; this is the case of HSBC, which acquired Banistmo; and Bancolombia, which completed the acquisition of Banagrícola in El Salvador (For more information on the acquisition of Banagrícola, see "Item 4. Information on the Company – 4.A. History and Development of the Company"). In 2008 the Royal Bank of Scotland (RBS) acquired the Colombian arm of ABN Amro Bank in October of 2011, Canadian Scotiabank purchased a stake in Colpatria . In addition, in 2010, Banco de Bogotá acquired BAC-Credomatic, which operates in several countries in Central America. In 2012, the most relevant events regarding the presence of foreign banks in Colombia were the acquisition of Banco Santander Colombia S.A. in July 2012and Helm Bankby Corpbanca (Chile). Davivienda acquired the subsidiaries of HSBC in Costa Rica, Honduras and El Salvador.

During 2013, Bancolombia continued its internationalization process with the acquisition of the banking and insurance operations of HSBC in Panama for USD 2,234 million becoming the largest financial group of Central America. In addition, Bancolombia Panama S.A., acquired 40% of the common shares of Agromercantil Group Holding SA for USD 217 million. In 2013 Grupo Aval acquired 100% of the Reformador Financial Group, from Guatemala (the transaction was valued at USD 411 million) and acquired BBVA Panama for USD 490 million. In addition, in 2013 some competitors started operations in Colombia. Itau BBA entered the market with an investment bank, BNP Paribas with a trust company, Credicorp with the acquisition of Correval (a local brokerage firm), Brazilian broker-dealer BTG Pactual acquired Bolsa y Renta, Banco Santander returned to the Colombian arena with an investment bank and the Chilean Larrain Vial started operations with a brokerage firm.

As of December 31, 2013, according to the SFC, the main participants in the Colombian financial system were the Central Bank, 24 commercial banks (13 domestic private banks, 10 foreign banks, and 1 domestic state-owned bank), 5 financial corporations and 22 financing companies (6 leasing companies and 16 traditional financing companies). In addition, trust companies, cooperatives, insurance companies, insurance brokerage firms, bonded warehouse, special state-owned institutions, pension and severance pay funds also participate in the Colombian financial system.

Financial System Evolution in 2013

During 2013, the Colombian economy showed a greater dynamism despite the difficulties in the industrial sector, the unemployment rate was among the lowest in the last years and inflation was below the target range of the Central Bank at historically low levels. The GDP growth in 2013 was 4.3%. The credit expansion throughout 2013 was lower than 2012. The financial system's loan growth for 2013 was 13.53 % according to SFC, compared to 14.87% and 23.39% for 2012 and 2011, respectively. Monetary policy during the year was expasionist, and the rate of intervention decreased over 75bp, ending the year in 3.25%. The growth of commercial loans was 11.91% in 2013, compared to 12.07% in the previous year. The rising confidence drove up consumer loans, which grew by 12.07% in 2013, lower than the 17.54% in 2012. Mortgage and small business loans continued to perform well, with increases of 28.26% and 17.53%, respectively, for 2013.

The financial system's level of past-due loans as a percentage of the total loan portfolio decreased from 2.83% in December 2012 to 2.82% in December 2013. In addition, the coverage, measured by the ratio of allowances for loans losses (principal) to PDLs (overdue 30 days), ended 2013 at 161.22%, compared to 162.21% at the end of 2012.

During 2013, lending decreased its percentage of financial system's structure. Loans declined from 63.4% of total assets at the end of 2012 to 62.8% at the end of 2013. The securities portfolio, as a percentage of total assets, increased from 19.6% at the end of 2012 to 19.7% at the end of 2013.

As of December 31, 2013, the Colombian financial system recorded COP 425 trillion in total assets, representing a 14.75% increase as compared to the same period in 2012. The Colombian financial system's total composition of assets shows banks with a market share of 91.43%, followed by financing companies with 5.75% and financial corporations with 2.82%.

The capital adequacy ratio (Tier 1 + Tier 2) for credit institutions was 14.7% in December 2013 (including banks, financial corporations and financing companies), which is well above the minimum legal requirement of 9%. With the entry into force of Decree 1771 of 2012 and the external cirlular 20 of 2013 of the SFC, was structured a new capital regime for credit institutions in order to strengthen the quality of equity of financial institutuions to ensure they have the capacity to absorb losses in the development of its activities.

Bancolombia and its Competitors

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

	ROE(1)		ROA(2)		Past-due loans/ Total loans		Allowances/ Past-due loans		Capital Adequacy	
	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12	Dec-13	Dec-12
Bancolombia[3] (unconsolidated)	11.81%	11.17 %	1.63%	1.71 %	2.31%	2.16 %	202.02%	208.21%	13.36 %	17.85 %
Banco de Bogota	12.28%	14.37 %	2.47%	2.72 %	2.20%	2.11 %	152.93%	155.97%	18.50 %	15.86 %
Davivienda	12.17%	13.13 %	1.56%	1.79 %	2.87%	3.27 %	161.51%	158.03%	12.62 %	17.52 %
BBVA	16.23%	15.55 %	1.51%	1.45 %	1.89%	1.88 %	179.72%	208.03%	11.37 %	11.27 %
Banco de Occidente	11.99%	14.69 %	1.65%	2.16 %	2.26%	2.33 %	171.33%	172.08%	13.33 %	11.15 %
Banco Popular	16.61%	17.21 %	2.40%	2.46 %	2.05%	2.11 %	179.03%	175.18%	11.40 %	11.22 %
Citibank	9.12 %	12.35 %	1.63%	2.33 %	3.81%	4.34 %	144.19%	127.30%	14.64 %	16.24 %

Source: SFC.

(1) ROE is return on average stockholders' equity.
(2) ROA is return on average assets.
(3) All figures are on an unconsolidated basis.

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In 2013, Bancolombia ranked first in Colombia and El Salvador in terms of amount of assets, deposits, stockholders' equity and net income.

The following tables illustrate the market share of Bancolombia on an unconsolidated basis and its main competitors with respect to various key products, based on figures published by the SFC for the years ended December 31, 2013, 2012 and 2011:

Total Net Loans
Market Share

Total Net Loans – Market Share %	2013	2012	2011
Bancolombia	22.65	23.05	21.93
Banco de Bogotá	13.76	13.71	13.63
Davivienda	12.98	12.39	12.75
BBVA	9.95	9.23	9.44
Banco de Occidente	7.45	7.33	7.31
Banco Popular	4.61	5.10	5.11
Citibank	2.20	2.45	2.53

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

Checking Accounts
Market Share

Checking Accounts – Market Share %	2013	2012	2011
Bancolombia	25.16	24.00	22.51
Banco de Bogotá	18.79	19.50	19.66
Banco de Occidente	11.94	11.39	12.77
BBVA	10.03	9.14	9.12
Davivienda	9.76	8.96	9.54
Banco Popular	3.31	3.84	4.13
Citibank	3.13	3.15	3.67

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

Time Deposits
Market Share

Time Deposits – Market Share %	2013	2012	2011
Bancolombia	17.93	18.22	13.31
Banco de Bogotá	14.61	14.36	15.85
Davivienda	12.35	10.00	11.18
BBVA	10.27	9.66	7.71
Citibank	2.00	2.67	3.60
Banco Popular	1.56	2.87	3.76
Banco de Occidente	5.09	5.18	3.66

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

Saving Accounts
Market Share

Saving Accounts – Market Share %	2013	2012	2011
Bancolombia	22.95	22.92	22.27
Banco de Bogotá	14.09	14.39	12.97
Davivienda	11.35	12.23	12.86
BBVA	11.96	12.61	11.66
Banco Popular	6.48	5.37	6.03
Banco de Occidente	6.41	5.75	5.92
Citibank	2.49	2.18	2.19

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

Description of the Salvadorian Financial System

As of December 31, 2013, the Salvadorian financial system was comprised of 13 institutions (10 commercial banks, 2 state-owned banks and 1 foreign bank).

The total assets of the Salvadorian financial system amounted to USD 14.0 billion in 2013, increasing 5.2% as compared to the previous year. As of December 31, 2013, loans represented 66.2% of total assets in the Salvadorian financial system, while investments represented 12.9% and cash and due from banks represented 14.3%. As of December 31, 2012, loans represented 64.9% of total assets in the Salvadorian financial system, while investments represented 14.3% and cash and due from banks represented 13.9%.

Banco Agrícola and its Competitors

In 2013, Banco Agrícola continued to lead the Salvadorian financial system and ranked first in terms of assets, loans, deposits, stockholders equity and profits. The following table illustrates the market share for the main institutions of the Salvadorian financial system for the year ended December 31, 2013:

MARKET SHARE

	Assets	Stockholders' Equity	Loans	Deposits	Profits
Banco Agrícola	28.9 %	30.6 %	29.3 %	29.0 %	42.6 %
Citibank	13.0 %	18.4 %	11.7 %	13.4 %	10.3 %
Davivienda	15.4 %	16.0 %	15.3 %	14.1 %	11.5 %
Scotiabank	15.0 %	13.7 %	15.9 %	13.5 %	12.0 %
BAC	11.2 %	9.9 %	11.2 %	11.6 %	12.2 %
Others	16.5 %	11.3 %	16.7 %	18.4 %	11.4 %

Source: ABANSA (*Asociación Bancaria Salvadoreña*).

The following tables illustrate the market share of Banco Agrícola and its main competitors with respect to various key products, based on figures published by the Salvadorian Banking Association (ABANSA) for the years ended December 31, 2013, 2012 and 2011:

Total Loans
Market Share

Total Loans - Market Share%	2013	2012	2011
Banco Agrícola	29.3%	30.1%	29.7%
Citibank	11.7%	13.1%	14.4%
Davivienda	15.3%	14.4%	14.6%
Scotiabank	15.9%	16.6%	17.1%
BAC	11.2%	10.4%	9.9 %
Others	16.7%	15.4%	14.2%

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

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Checking Accounts
Market Share

Checking Accounts - Market Share%	2013	2012	2011
Banco Agrícola	25.7%	23.9%	24.2%
Citibank	21.0%	23.5%	23.6%
Davivienda	11.4%	11.5%	11.4%
Scotiabank	8.6 %	9.1 %	10.5%
BAC	16.9%	16.2%	15.6%
Others	16.3%	15.8%	14.7%

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

Time Deposits
Market Share

Time Deposits - Market Share%	2013	2012	2011
Banco Agrícola	24.0%	24.2%	25.4%
Citibank	6.9 %	8.2 %	11.2%
Davivienda	15.4%	15.1%	16.8%
Scotiabank	16.4%	17.6%	16.2%
BAC	12.0%	12.0%	10.4%
Others	25.3%	23.0%	20.0%

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

Saving Accounts
Market Share

Saving Account - Market Share%	2013	2012	2011
Banco Agrícola	38.9%	38.7%	34.7%
Citibank	14.9%	15.7%	19.9%
Davivienda	14.9%	15.1%	15.2%
Scotiabank	14.3%	15.1%	15.0%
BAC	6.0 %	5.9 %	5.8 %
Others	11.1%	9.5 %	9.4 %

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

B.8. SUPERVISION AND REGULATION

Colombian Banking Regulators

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

Central Bank

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

Ministry of Finance and Public Credit

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

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

Superintendency of Finance

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

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

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

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

Other Colombian regulators

Self- Regulatory Organization

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

All capital market intermediaries, including the Bank, must become members of the Self-Regulatory Organization and are subject to its regulations.

Superintendency of Industry and Commerce

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

Regulatory Framework for Colombian Banking Institutions

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

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

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

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

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

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

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

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

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

Key interest rates

Colombian commercial banks, finance corporations and consumer financing companies are required to provide the Central Bank, on a weekly basis, with data regarding the total volume (in pesos) of certificates of deposit issued during the prior week and the average interest rates paid for certificates of deposit with maturities of 90 days. Based on such reports, the Central Bank computes the *Tasa de Captaciones de Corporaciones Financieras* ("TCC") and the *Depósitos a Término Fijo* ("DTF") rates, which are published at the beginning of the following week, for use in calculating interest rates payable by financial institutions. The TCC is the weighted average interest rate paid by finance corporations for deposits with maturities of 90 days. The DTF is the weighted average interest rate paid by finance corporations, commercial banks and consumer financing companies for certificates of deposit with maturities of 90 days. For the week of April 21, 2014, the DTF was 3.78% and the TCC was 3.04%.

Article 884 of the Colombian Code of Commerce provides for a limit on the amount of interest that may be charged in commercial transactions. The limit is 1.5 times the current banking interest rate, or *Interés Bancario Corriente*, calculated as the average of the interest ordinarily charged by banks within a set period of time. The current banking interest rate for small business loans and for all other loans is certified by the SFC. As of December 31, 2013, the banking interest rate for small business loans was 34.12% and for all other loans was 19.85%.

Capital adequacy requirements

Capital adequacy requirements for Colombian financial institutions (as set forth in Decree 2555 of 2010, as amended) are based on applicable Basel Committee standards. Decree 2555 of 2010 establishes four categories of assets, which are each assigned different risk weights, and requires that a credit institution's Technical Capital (as defined below) for Tier I be at least 4.5% and Tier I + Tier II be at least 9% of that institution's total risk-weighted assets. As of the date of this Annual Report, the Technical Capital for the purposes of the regulations consists of the sum of Tier I Capital (basic capital) and Tier II Capital (additional capital) (Tier I Capital and Tier II Capital, collectively, "Technical Capital"). Tier II Capital may not exceed the total amount of Tier I Capital.

However, on August 23, 2012 the Ministry of Finance issued a new regulation (Decree 1771 of 2012) amending the capital adequacy requirements set forth in Decree 2555. Under this new regulation, financial institutions (such as the Bank) remained subject to the capital adequacy requirements previously in place until August 1, 2013. Some of the highlights of this new regulation are:

- Beginning on August 1, 2013, the technical capital must be calculated as the sum of Ordinary Basic Capital (common equity tier one), Additional Basic Capital (additional tier one), and Additional Capital (tier two capital).
- New criteria for debt and equity instruments to be considered basic capital, additional basic capital, and additional capital was established. Additionally, the SFC must review whether a given instrument adequately complies with these criteria in order for an instrument to be considered tier one or tier two capital, upon request of the issuer. Debt and equity instruments that have not been classified by the SFC as basic or additional capital will not be considered tier one or tier two capital for purposes of capital adequacy requirements.
- The total solvency ratio remains at a minimum of 9% of the financial institution's total risk-weighted assets; however, from August 1, 2013, each entity must comply with a minimum basic solvency ratio of 4.5%, which is defined as the Ordinary Basic Capital after deductions divided by the financial institution's total risk-weighted assets.

The following chart includes a summary of the items that are considered in the definition of the Technical Capital as set forth in Decree 2555 of 2010, as amended:

PriorDefinition of Technical Capital	**New Definition of Technical Capital (Effective August 1, 2013)**
Basic Capital	**Ordinary Basic Capital**
• Outstanding and paid-in capital stock.	• Outstanding and paid-in capital stock classified as Ordinary Basic Capital by the SFC subject to the conditions set forth in the regulation.
• Legal and other reserves.	• Legal reserves.
• Profits retained from previous fiscal years.	• Shares held as a guarantee by Fogafin when the entity is in compliance with a recovery program aimed at bringing the financial entity back into compliance with capital adequacy requirements.
• Net positive result of the cumulative translation adjustment account.	• Non-controlling interests registered in the Consolidated Financial Statements, subject to the conditions set forth in the regulations.
• The total value of the revaluation of equity account *(revalorización del patrimonio)* (if positive) and of the foreign currency translation adjustment account *(ajuste por conversion de estados financieros)*.	• The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Ordinary Basic Capital by the SFC.
• Current fiscal year profits in a proportion equal to the percentage of prior fiscal year profits that were capitalized, or allocated to increase the legal reserve, or all profits that must be used to cover accrued losses.	• Capital surplus. • Irrevocable donations. • Net positive result of the cumulative translation adjustment account.
• Shares held as a guarantee by Fogafin when the entity is in compliance with the recovery program aimed at bringing the bank back into compliance with capital adequacy requirements.	• Capital stock paid in prior to its issuance by the entity, provided however, that the stock remains unissued for a maximum term of four (4) months. After such time frame, it will no longer be considered ordinary basic capital.
• Subordinated bonds held by Fogafin when they comply with certain requirements stated	• Subordinated bonds held by Fogafin when they comply with certain requirements stated in the regulations.

in the regulations. • Non-controlling interests registered in the consolidated financial statements. • The total value of paid-in stock dividends. • The part of the surplus capital account from donations that complies with the requirements set forth in the applicable regulation.	• Any other financial instrument issued by the entity and held by Fogafin, when the subscription is intended to strengthen the financial condition of the financial entity.
Deductions from Basic Capital	**Deductions from Ordinary Basic Capital**
• Any prior or current period losses. • The total value of the capital revaluation account (*revalorización del patrimonio*) (if negative). • Accumulated inflation adjustments on non-monetary assets (provided that the respective assets have not been transferred). • Investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by other entities (excluding subsidiaries) subject to the supervision of the SFC, excluding appraisals and investments in Finagro credit establishments and investments undertaken pursuant to Article 63 of Decree 663 of 1993, subject to the conditions set forth in the regulation. • Investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by foreign financial institutions where the investor directly or indirectly holds at least 20% of the capital of said institution (excluding subsidiaries). This amount includes cumulative translation adjustments and excludes appraisals.	• Any prior or current period losses. • Investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by other Colombian or foreign financial institutions (excluding subsidiaries), including cumulative translation adjustments and excluding appraisals, subject to the conditions set forth in the regulation. • Deferred income taxes, if positive. • Intangible assets registered after August 23, 2012. • Reacquired stock, subject to the conditions set forth in the regulations. • Unamortized amount of the actuarial calculation of the pension obligations of the entity.

	Additional Basic Capital • Outstanding and paid-in capital stock classified as Additional Basic Capital by the SFC subject to the conditions set forth in the regulation. • The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Additional Basic Capital by the SFC. • Non-controlling interests registered in the Consolidated Financial Statements, subject to the conditions set forth in the regulation.
Additional Capital • Fifty percent (50%) of the accumulated inflation adjustment of non-monetary assets (provided that such assets have not been disposed of). • Fifty percent (50%) of asset reappraisal (excluding revaluations of foreclosed assets or assets received as payment of credits). • Mandatory convertible bonds effectively subscribed and paid, with maturities of up to 5 years, provided that the terms and conditions of their issuance were approved by the SFC and subject to the conditions set forth by the SFC. • Subordinated payment obligations as long as said obligations do not exceed 50% of Tier One Capital and comply with additional requirements stated in the regulations. • The part of the surplus capital account from donations that complies with the requirements set forth in the applicable regulation. • General allowances made in accordance with the instructions issued by the SFC.	**Additional Capital** • Fifty percent (50%) of the reappraisal or unrealized profits derived from investments in equity and debt instruments with high or medium trading volumes, subject to conditions set forth in the regulation. • Mandatory convertible bonds effectively subscribed and paid, subject to the conditions set forth in the regulation. • Subordinated payment obligations that the SFC classifies as part of the Additional Capital. • Current period profits, in the amount that the shareholders irrevocably resolve to capitalize or assign to increase the legal reserves once the fiscal year is ended, subject to approval by the SFC. • Voluntary reserves (reservas ocasionales) with more than five years in the balance sheet and up to an amount no greater than ten percent (10%) of the Technical Capital of the entity. • Non-controlling interests registered in the consolidated financial statements, subject to the conditions set forth in the regulation. • Fifty percent (50%) of the tax reserve, as defined by law. • Thirty percent (30%) of the reappraisal or unrealized profits derived from investments in equity instruments with low or non-existing trading volumes, or not listed in trading platforms, subject to an appraisal by an independent expert, according to the regulations expected to be issued by the SFC, and to conditions set forth in the regulation. • The value of the general provisions made by the financial entity, in an amount no greater than 1.25% of the risk-weighted assets.

Deductions from Additional Capital

- 50% of the direct or indirect capital investments (in entities subject to the supervision of the SFC, excluding subsidiaries) and mandatory convertible bonds reappraisal that complies with the requirements set forth in the applicable regulation.

- 50% of the direct or indirect capital investments (excluding subsidiaries) and mandatory convertible bonds reappraisal of foreign financial entities with respect to which the bank's share is or exceeds 20% of the entity's subscribed capital.

- The value of the devaluation of equity investments with low exchange volume or which are unquoted.

The following table sets forth certain information regarding the Bank's consolidated capital adequacy as of December 31, 2013 and 2012:

	As of December 31, 2013 (In millions of COP, except percentages)		
Long-term senior indebtedness	COP	7,637,316	
Subscribed capital		425,914	
Legal reserve		9,237,594	
Unappropriated retained earnings		-	
Minority interest		223,201	
Net Income		-	
Less:			
Long-term investments		(586,952	)
Intangible assets acquired after August 23, 2012		(3,013,899	)
Treasury stock		(36,570	)
Deferred Income Taxes		(42,238	)
Non - monetary inflation adjustmet		-	
Primary capital (Tier I)		6,207,050	
Provisions for loans		77,935	
Subordinated bonds		4,690,959	
Reappraisal of assets		(37,975	)
Minority interest		222,247	
Non-monetary inflation adjustment		-	
Legal reserve		171,398	
Computed secondary capital (Tier II)		5,124,564	
Technical Capital	COP	11,331,614	
Capital Ratios			
Primary capital to risk-weighted assets (Tier I)		5.81	%
Secondary capital to risk-weighted assets (Tier II)		4.80	%
Risk- weighted assets including market risk		106,826,579	
Technical capital to risk-weighted assets		10.61	%

	As of December 31, 2012 (In millions of COP, except percentages)	
Long-term senior indebtedness	COP	7,674,213
Subscribed capital		425,914
Legal reserve and other reserves		7,413,379
Unappropriated retained earnings		1,348,530
Minority interest		81,394

Net Income		-	
Less:			
Long-term investments		(147,267	)
Non-monetary inflation adjustment		(51,463	)
Primary capital (Tier I)	COP	9,070,487	
Provisions for loans		62,129	
Subordinated bonds		4,385,006	
Reappraisal of assets		216,642	
Non-monetary inflation adjustment		30,426	
Computed secondary capital (Tier II)		4,694,203	
Technical Capital	COP	13,764,690	
Capital Ratios			
Primary capital to risk-weighted assets (Tier I)		10.39	%
Secondary capital to risk-weighted assets (Tier II)		5.38	%
Risk- weighted assets including market risk		87,262,916	
Technical capital to risk-weighted assets		15.77	%

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As of December 31, 2013, the Bank's technical capital ratio was 10.61%, exceeding the requirements of the Colombian government and the SFC by 161 basis points. As of December 31, 2012, the Bank's technical capital ratio was 15.77%.

On March 12, 2014, the Bank completed an offering of 110 million preferred shares offered to the public in Colombia at a subscription price of COP 24,200 per preferred share. The net proceeds amounted to approximately COP 2,656 billion.

The reduction in the technical capital ratio in 2013 is explained by the acquisition of Banistmo, which created a significant goodwill balance and a new capital regulation implemented in Colombia in August 2013, which among other things, eliminates the goodwill from the capital calculation.

Minimum Capital Requirements

The minimum capital requirement for banks on an unconsolidated basis is established in Article 80 of Decree 633 of 1993, as amended. The minimum capital requirement for 2013 is COP 75,550 million. Failure to meet such requirement can result in the Taking of Possession (*toma de posesión*) of the Bank by the SFC (see "Colombian Banking Regulations — Bankruptcy Considerations").

Capital Investment Limit

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

Mandatory Investments

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

Foreign Currency Position Requirements

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

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

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

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

Reserve Requirements

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

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

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

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

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

Foreign Currency Loans

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

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

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

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

Non-Performing Loan Allowance

The SFC maintains guidelines on non-performing loan allowances for financial institutions.

Lending Activities

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

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

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

Ownership and Management Restrictions

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

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

Bankruptcy Considerations

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

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

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

The SFC may decide to order a taking possession subject to the prior opinion of its advisory council (*Consejo Asesor del Superintendente*) and with the prior approval of the Ministry of Finance.

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

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

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

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

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

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

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

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

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

Deposit insurance—Troubled Financial Institutions

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

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

Anti-Money Laundering Provisions

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

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

Risk management systems

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

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

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

With respect to liquidity risks, each financial entity is required to have liquid assets greater than the contractual liquidity accumulative one-month-gap. This contractual gap includes the maturity of assets and liabilities of the current positions and does not include projections of future transactions. The loan portfolio is affected by the historical default indicator and the maturity of deposits is modeled according to the regulation. All of Bancolombia's Colombian banking subsidiaries met this regulatory limit throughout the year.

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

Regulatory Framework for Subsidiaries Non Participants in the Financial Sector

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

International regulations applicable to Bancolombia and its subsidiaries

FATCA

The FATCA U.S. federal tax legislation enacted in 2010, imposes a 30% withholding tax on 'withholdable payments' made to non-U.S. financial institutions that do not participate in the FATCA program or that fail (or, in some case, that have affiliates in which they hold an interest of more than 50% and which are also non-U.S. financial institutions that fail) to provide certain information regarding their U.S. accountholders and/or certain U.S. investors (such U.S. accountholders and U.S. investors, "U.S. accountholders") to the U.S. Internal Revenue Service (the "IRS"). The FATCA also requires participating foreign financial institutions ("FFIs") to withhold on "passthru payments" (which include both "withholdable payments" and certain non-U.S.-source payments) made to account holders who do not provide information to the FFIs to determine their U.S. accountholder's status – "recalcitrant accountholders" - and to FFIs that do not sign an FFI Agreement with the IRS (such FFIs, "nonparticipating FFIs"). "Withholdable payments" generally include, among other items, payments of U.S.-source interest and dividends and the gross proceeds from the sale or other disposition of property that may produce U.S.-source interest and dividends. This withholding will take effect on a "phased" schedule, starting in July 2014 with withholding on non-U.S. source payments by non-U.S. financial institutions to start no earlier than 2017.

Some countries have entered into, and other countries are expected to enter into, ‘intergovernmental agreements’ (“IGAs”) with the United States to facilitate the type of information reporting required under FATCA. These agreements are expected to reduce that risk for financial institutions and investors in countries that have entered into IGAs. None of the countries where Bancolombia operates have signed IGAs and, other than Colombia, we do not expect that these countries will sign IGAs before July 2014. We are currently in the process of implementing FATCA compliance on a group wide level.

Financial Regulation of El Salvador

On January 26, 2011, the legislature of El Salvador approved Decree 592 entitled “Supervision and Regulation of the Financial System” (*Ley de Supervisión y Regulación del Sistema Financiero*) (“Decree 592”) in order to fortify the State’s organization, adapting all supervision and regulatory institutions to the economic reality of the financial system. Pursuant to Decree 592, the Superintendency of Pensions and the Superintendency of Securities into the Superintendency of the Financial System, consolidating the technical experience and management that the regulatory institutions have accumulated over the years in every segment of the financial system, in coordination with the macroeconomic and financial experience of the Central Reserve Bank of El Salvador (*Banco Central de Reserva de El Salvador*), to bring stability, efficiency and development to the financial system.

Decree 592 states that the Superintendency of the Financial System and the Central Reserve Bank of El Salvador are obligated to supervise all members of the financial system and to approve the necessary regulation for the Law’s adequate application of Decree 592.

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

The Superintendency of the Financial System is responsible for the surpervision of the individual and consolidated activities of all the members in the system, as well as, the people, operations and entities that applicable law requires it to regulate. Article 3 of the Decree 592 establishes all the competences of the Superintendency, some of which are detailed below: (i) to fulfill and enforce the laws, regulations and other legal provisions applicable to the entities subject to its supervision and issue all the necessary instructions for compliance of the laws applicable to the system; (ii) to authorize the establishment, function, operation, intervention, suspension, modification, revocation of authorizations and closure of all members of the system, in accordance with laws and regulations. In the event of closure, the Superintendency will coordinate with the entities involved the actions established by the law; (iii) risk prevention through the monitoring and management of the members within the system with view toward the prudential management of liquidity and solvency; (iv) facilitation of an efficient, transparent and organized financial system; (v) to require that all supervised entities and institutions be managed in accordance with the best international practices of risk management and corporate governance; and (vi) all other legal requirements.

Banking Law of El Salvador

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

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

According to the Salvadorian Superintendency of Financial System's regulations, the reserve requirements[(1)] for Salvadorian banks as of December 31, 2013 are:

	Ordinary Reserve Requirements %
Checking Accounts	25.0%
Saving Accounts	20.0%
Time Deposits	20.0%
Borrowings from foreign banks	5.0%
Long-term debt[(2)]	15.0%-20.0%

(1) An extraordinary reserve requirement of 3.0% over the total amount of deposits applicable to banks is in place as of December 31, 2013. Additionally, in June, 2013 Central Bank of Reserve of El Salvador approved a second extraordinary reserve requirement of 2% on all liabilities with ordinary reserve, which shall be valid for a period of a year (said period might be extended by the regulator).

(2) 15% for long-term debt with maturity above one year and 20% for long-term debt with maturity less than one year.

Monetary Integration Law of El Salvador

Since November 2000, El Salvador has used the U.S. dollar as its legal currency. The transition from the colón (former currency) to the U.S. dollar was enacted by the Monetary Integration Law. This law established a fixed exchange rate of 8.75 Colones per USD 1.00. The colón continues to have unrestricted legal circulation, but the Central Reserve Bank has been replacing it with the U.S. dollar any time colón bills and coins are presented for transactions.

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

Financial Regulation of Panama

Since the 1970s, Panama has been a major international banking center. There are approximately 71 domestic and foreign banks in Panama. The absence of currency controls, the use of the U.S. dollar as legal tender, a territorial system of income tax, and a stable and adequate banking legislation and regulation are among the country-specific factors that have contributed to this development. The Superintendency of Banks of the Republic of Panama (Superitendencia de Bancos de Panama) is the banking supervisor in Panama.

The banking business in Panama, defined as the fundraising of resources from the public or financial institutions, through the acceptance of money deposits or other means, and the use of such resources on the bank´s own account and risk, to provide credits and loans, make investments or carry any other authorized operations, is regulated by the Law Decree No.9 of 1998, subsequently amended by Law- Decree No.2 of 2008. In accordance with the Law Decree as amended, the Superintendency of Banks of the Republic of Panama has the power to issue Agreements and Resolutions to develop the banking regime. The principal aspects of the banking business covered by these Law-Decree, Agreements and Resolutions are the licensing of banks, corporate governance, banking supervision (consolidated and individual or sub consolidated), capital requirements, capital adequacy, liquidity requirements, risk management (credit, market, liquidity, country, asset and liability, operational, information technology, electronic banking), external audit, on-site inspections, reporting, compliance, change of control, mergers and acquisitions, confidentiality, money laundering, voluntary wind up, administrative and operational control, reorganization, bankruptcy, penalties, customers protection and dispute resolution.

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

On the other hand, the activities related to the securities market in Panama, such as the registration of securities and funds, the authorization for the public offering of securities, securities investment advisory, securities brokerage, the opening and management of investment and custody accounts, fund administration, the administration of securities trading systems, clearing and settling of securities, are subject to the supervision, control and oversight of the Superintendency of the Securities Market of the Republic of Panama. The activities related to the securities market are primarily regulated by Law Decree No.1 of 1999, subsequently amended by several laws, and most recently amended by Law No.67 of 2011, Law No.12 of 2012 and law No.56 of 2012, which established important changes in order to strengthen the regulatory frame of the Panamanian securities market and increase investors' confidence, for its further development. Amongst the most important changes introduced by these recent amendments are the following:

1. The establishment of a coordination and cooperation system between the financial supervisors in order to promote and facilitate the harmonization within the regulation of financial activities, reducing risks of asymmetries between regulations, therefore preventing arbitrages. This system also enables a more comprehensive supervision of financial conglomerates operating in multiple areas of the financial industry.

2. The establishment of the Superintendency of the Securities Market, as the supervising entity replacing the previous National Securities Commission. As opposed to the National Securities Commission, which operated through a single governing instance integrated by three commissioners, the Superintendency of the Securities Market operates through two levels of governance, a board of directors with administrative powers, and a superintendent with executive powers.

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

4. The regulation of foreign exchange as an activity reserved to the securities brokers, as well as the regulation of certain actors of the securities market not contemplated in previous regulations, such as securities price suppliers, risk rating agencies and Administrative Service Suppliers of the securities market.

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

The insurance activities are subject to the control, supervision, oversight and regulation of the Superintendency of Insurance and Reinsurance of the Republic of Panama. The insurance and reinsurance activities are governed by Law No.12 of 2012, and the agreements and resolutions issued by the Superintendency in accordance with such law, which cover the following principal aspects: licensing requirements for insurance companies, distributions channels, insurance companies tax regime, voluntary wind up, administrative and operational control, reorganization and bankruptcy of insurance companies, minimum requisites of insurance agreements, licensing of insurance brokers, risk management, internal control, technical reserves, authorized investments, reporting and on-site inspection of insurance companies, rights and responsibilities of insurance companies, insurance brokers and customers, customer protection, dispute resolution and penalties.

C. ORGANIZATIONAL STRUCTURE

The following are the subsidiaries of Bancolombia:

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The following is a list of subsidiaries of Bancolombia as of December 31, 2013:

SUBSIDIARIES

Entity	Jurisdiction of Incorporation	Business	Shareholding directly and indirectly	
Leasing Bancolombia S.A. Compañía de Financiamiento	Colombia	Leasing	100.00	%
Fiduciaria Bancolombia S.A.	Colombia	Trust	98.81	%
Banca de Inversión Bancolombia S.A. Corporación Financiera	Colombia	Investment banking	100.00	%
Valores Bancolombia S.A. Comisionista de Bolsa	Colombia	Securities brokerage	100.00	%
Compañía de Financiamiento Tuya S.A.	Colombia	Financial services	99.99	%
Factoring Bancolombia S.A. Compañía de Financiamiento [(1)]	Colombia	Financial services	100.00	%
Patrimonio Autónomo Cartera LBC	Colombia	Loan management	100.00	%
Renting Colombia S.A.	Colombia	Operating leasing	100.00	%
Transportempo S.A.S.	Colombia	Transportation	100.00	%
Valores Simesa S.A.	Colombia	Investments	67.54	%
Inversiones CFNS S.A.S.	Colombia	Investments	99.94	%
CFNS Infraestructura S.A.S.	Colombia	Investments	99.94	%
BIBA Inmobiliaria S.A.S. (Formerly Inmobiliaria Bancol S.A.)	Colombia	Real estate broker	100.00	%
Vivayco S.A.S.	Colombia	Portfolio Purchase	74.95	%
Uff Móvil S.A.S.	Colombia	Mobile network operator	74.95	%
FCP Fondo Colombia Inmobiliario S.A. [(1)]	Colombia	Real estate broker	50.28	%
Bancolombia Panama S.A. [(1)]	Panama	Banking	100.00	%
Valores Bancolombia Panama S.A.	Panama	Securities brokerage	100.00	%
Suvalor Panama Fondo de Inversión S.A.	Panama	Holding	100.00	%
Suvalor Renta Variable Colombia S.A.	Panama	Collective investment fund	100.00	%
Suvalor Renta Fija Internacional Corto Plazo S.A.	Panama	Collective investment fund	100.00	%
Suvalor Renta Fija Internacional Largo Plazo S.A.	Panama	Collective investment fund	100.00	%
Sistema de Inversiones y Negocios S.A. Sinesa	Panama	Investments	100.00	%
Banagrícola S.A.	Panama	Investments	99.16	%
Banistmo S.A. [(1)]	Panama	Banking	98.12	%
Banistmo Investment Corporation S.A. [(1)]	Panama	Trust	98.12	%
Financiera Flash S.A. [(1)]	Panama	Financial services	98.12	%
Grupo Financomer S.A. [(1)]	Panama	Financial services	98.12	%
Leasing Banistmo S.A. [(1)]	Panama	Leasing	98.12	%
Seguros Banistmo S.A. [(1)]	Panama	Insurance company	98.12	%
Securities Banistmo S.A. [(1)]	Panama	Purchase and sale of securities	98.12	%
Banistmo Capital Markets Group Inc [(1)]	Panama		98.12	%

		Purchase and sale of securities		
Anavi Investment Corporation S.A. [1]	Panama	Real estate broker	98.12	%
Williamsburg International Corp. [1]	Panama	Real estate broker	98.12	%
Van Dyke Overseas Corp. [1]	Panama	Real estate broker	98.12	%
Desarrollo de Oriente S.A. [1]	Panama	Real estate broker	98.12	%
Bien Raices Armuelles S.A. [1]	Panama	Real estate broker	98.12	%
Steens Enterpresies S.A. [1]	Panama	Portfolio holder	98.12	%
Ordway Holdings S.A. [1]	Panama	Real estate broker	98.12	%
Inversiones Castan S.A. [1]	Panama	Real estate broker	98.12	%
Financomer S.A. [1]	Panama	Financial services	98.12	%
Banistmo Asset Management Inc [1]	Panama	Purchase and sale of securities	98.12	%
M.R. C Investment Corp. [1]	Panama	Real estate broker	98.12	%
Inmobiliaria Bickford S.A. [1]	Panama	Real estate broker	98.12	%
Banco Agrícola S.A.	El Salvador	Banking	97.35	%
Arrendadora Financiera S.A. Arfinsa	El Salvador	Leasing	97.36	%
Credibac S.A. de C.V.	El Salvador	Credit card services	97.35	%
Valores Banagricola S.A. de C.V.	El Salvador	Securities brokerage	98.89	%
Inversiones Financieras Banco Agrícola S.A. IFBA	El Salvador	Investments	98.89	%
Arrendamiento Operativo CIB S.A.C.	Peru	Operating leasing	100.00	%

Entity	*Jurisdiction of Incorporation*	*Business*	*Shareholding directly and indirectly*	
Capital Investments SAFI S.A.	Peru	Trust	100.00	%
Fondo de Inversión en Arrendamiento Operativo Renting Perú	Peru	Car Rental	100.00	%
Leasing Perú S.A.	Peru	Leasing	100.00	%
FiduPerú S.A. Sociedad Fiduciaria	Peru	Trust	98.81	%
Bancolombia Puerto Rico Internacional, Inc.	Puerto Rico	Banking	100.00	%
Suleasing International USA, Inc.	USA	Leasing	100.00	%
Bancolombia Caymán S.A.	Cayman Islands	Banking	100.00	%
Banagrícola Guatemala S.A.	Guatemala	Outsourcing	99.16	%
Bagrícola Costa Rica S.A.	Costa Rica	Outsourcing	99.16	%

(1) See Item 18,"Consolidated Financial Statements, note 1 "Organization of Background"".

D. PREMISES AND EQUIPMENT

As of December 31, 2013, the Bank owned COP 5,075 billion in premises and equipment (not including assets that are part of our operating leasing business)[1]. COP 2,065 billion correspond to land and buildings, of which approximately 59% are used for administrative offices and branches in 63 municipalities in Colombia, 39 municipalities in El Salvador and 4 municipalities in Panama. COP 339 billion correspond to computer equipment, of which 20.78% relate to the central computer and servers of the Bank and the rest relates to personal computers, ATMs, telecommunications equipment and other equipment.

In addition to its own branches, the Bank occupies 745 rented offices.

The Bank does not have any liens on its property.

(1) As of December 31, 2013, the Bank consolidated FCP Colombia Inmobiliario andBanistmo (formerly HSBC Bank Panama). As result, the Bank's premises and equipment amount was increased by COP 597 billion with respect to 2012.

E. SELECTED STATISTICAL INFORMATION

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

The consolidated selected statistical information for the years ended December 31, 2012, 2011, 2010 and 2009 includes the selected statistical information of Bancolombia and its subsidiaries, without reflecting any pro-forma calculation of the effect of the acquisition of Banistmo, while consolidated selected statistical information for the year ended December 31, 2013 corresponds to the Bank and its Subsidiaries, including all additional subsidiaries acquired as a result of the Banistmo acquisition.

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

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

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

Average balance sheet

The following tables show for the years ended December 31, 2013, 2012 and 2011, respectively: (i) average balances for all of the Bank's assets and liabilities; (ii) interest earned and interest paid amounts; and (iii) average nominal interest rates/yield for the Bank's interest-earning assets and interest-bearing liabilities.

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

	2013			*2012*			*2011*		
	Average Balance	*Interest Earned*	*Average Yield / Rate*	*Average Balance*	*Interest Earned*	*Average Yield / Rate*	*Average Balance*	*Interest Earned*	*Average Yield / Rate*
	(in millions of COP, except percentages)								
ASSETS									
Interest-earning assets									
Funds sold and securities purchased under agreements to resell									
Domestic-activities	794,441	18,910	2.4 %	314,406	20,341	6.5 %	197,731	9,253	4.7
Foreign-activities	1,978,847	7,990	0.4 %	837,221	3,837	0.5 %	555,502	9,567	1.7
Total	2,773,288	26,900	1.0 %	1,151,627	24,178	2.1 %	753,233	18,820	2.5
Investment securities[1]									
Domestic-activities	9,272,294	328,640	3.5 %	7,393,673	752,081	10.2%	7,292,601	638,401	8.8
Foreign-activities	3,195,398	160,888	5.0 %	2,480,742	7,432	0.3 %	2,170,386	(12,842)	(0.6)
Total	12,467,692	489,528	3.9 %	9,874,415	759,513	7.7 %	9,462,987	625,559	6.6
Loans and Financial Leases [2]									
Domestic-activities	56,672,928	6,558,299	11.6%	47,397,959	6,029,349	12.7%	39,020,268	4,495,779	11.5
Foreign-activities	19,524,770	1,055,957	5.4 %	14,982,937	848,843	5.7 %	14,053,540	805,436	5.7
Total	76,197,698	7,614,256	10.0%	62,380,896	6,878,192	11.0%	53,073,808	5,301,215	10.0
Total interest-earning assets									
Domestic-activities	66,739,663	6,905,849	10.3%	55,106,038	6,801,771	12.3%	46,510,600	5,143,433	11.1
Foreign-activities	24,699,015	1,224,835	5.0 %	18,300,900	860,112	4.7 %	16,779,428	802,161	4.8
Total	91,438,678	8,130,684	8.9 %	73,406,938	7,661,883	10.4%	63,290,028	5,945,594	9.4

Total non-interest-earning assets						
Domestic-activities	13,350,698		14,789,995		10,794,960	
Foreign-activities	5,988,108		459,680		1,674,836	
Total	19,338,806		15,249,675		12,469,796	
Total interest and non-interest-earning assets						
Domestic-activities	80,090,361	6,905,849	69,896,033	6,801,771	57,305,560	5,143,433
Foreign-activities [3]	30,687,123	1,224,835	18,760,580	860,112	18,454,264	802,161
Total Assets (COP)	110,777,484	8,130,684	88,656,613	7,661,883	75,759,824	5,945,594

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

(2) Includes performing loans only.

(3) The percentage of total average assets attributable to foreign activities was 27.7%, 21.2% and 24.4%, respectively, for the fiscal years ended December 31, 2013, 2012 and 2011.

	Average Balance Sheet and Interest Paid on Interest-Bearing Liabilities for the Fiscal Year Ended December 31,								
	2013			***2012***			***2011***		
	Average Balance	***Interest Paid***	***Average Yield / Rate***[1]	***Average Balance***	***Interest Paid***	***Average Yield / Rate***[1]	***Average Balance***	***Interest Paid***	***Average Yield / Rate***[1]
	(in millions of COP, except percentages)								
LIABILITIES AND STOCKHOLDERS' EQUITY									
Interest-bearing liabilities:									
Checking deposits									
Domestic-activities	1,348,965	19,282	1.4%	815,018	14,854	1.8%	1,133,887	27,648	2.4%
Foreign-activities	1,606,145	10,121	0.6%	1,552,101	10,077	0.6%	1,761,949	12,278	0.7%
Total	2,955,110	29,403	1.0%	2,367,119	24,931	1.1%	2,895,836	39,926	1.4%
Savings deposits									
Domestic-activities	25,963,044	622,093	2.4%	20,523,024	645,429	3.1%	17,804,695	465,477	2.6%
Foreign-activities	3,670,815	20,523	0.6%	2,516,804	13,926	0.6%	2,423,260	13,965	0.6%
Total	29,633,859	642,616	2.2%	23,039,828	659,355	2.9%	20,227,955	479,442	2.4%
Time deposits									
Domestic-activities	20,622,641	1,114,775	5.4%	15,434,855	948,569	6.1%	11,069,415	547,775	4.9%
Foreign-activities	8,354,777	215,664	2.6%	6,254,808	168,866	2.7%	5,720,138	142,682	2.5%
Total	28,977,418	1,330,439	4.6%	21,689,663	1,117,435	5.2%	16,789,553	690,457	4.1%
Funds purchased and securities sold under agreements to repurchase									
Domestic-activities	1,407,385	58,559	4.2%	1,783,698	95,984	5.4%	2,055,858	82,757	4.0%
Foreign-activities	70,009	2,545	3.6%	85,580	1,636	1.9%	171,464	2,503	1.5%
Total	1,477,394	61,104	4.1%	1,869,278	97,620	5.2%	2,227,322	85,260	3.8%
Borrowings from development and other domestic banks[2]									
Domestic-activities	3,722,785	221,097	5.9%	3,114,989	216,746	7.0%	2,746,976	157,471	5.7%
Foreign-activities	56,472	2,096	3.7%	62,503	3,350	5.4%	61,949	2,438	3.9%
Total	3,779,257	223,193	5.9%	3,177,492	220,096	6.9%	2,808,925	159,909	5.7%
Interbank borrowings[2] [3]									
Domestic-activities	-	-		-	-		-	-	-
Foreign-activities	4,764,809	77,995	1.6%	2,488,285	50,209	2.0%	2,949,935	45,840	1.6%
Total	4,764,809	77,995	1.6%	2,488,285	50,209	2.0%	2,949,935	45,840	1.6%
Long-term debt									
Domestic-activities	4,876,452	338,078	6.9%	5,113,227	405,946	7.9%	3,849,149	298,847	7.8%

Foreign-activities	7,493,170	419,298	5.6%	5,674,347	319,268	5.6%	4,175,142	242,325	5.8%
Total	12,369,622	757,376	6.1%	10,787,574	725,214	6.7%	8,024,291	541,172	6.7%
Total interest-bearing liabilities									
Domestic-activities	57,941,272	2,373,884	4.1%	46,784,811	2,327,528	5.0%	38,659,980	1,579,975	4.1%
Foreign-activites	26,016,197	748,242	2.9%	18,634,428	567,332	3.0%	17,263,837	462,031	2.7%
Total	83,957,469	3,122,126	3.7%	65,419,239	2,894,860	4.4%	55,923,817	2,042,006	3.7%
Total interest and non-interest bearing liabilities and stockholders' equity									
Domestic-activities	79,325,965	2,373,884		69,753,379	2,327,528		57,205,647	1,579,975	
Foreign-activities(4)	31,451,519	748,242		18,903,234	567,332		18,554,177	462,031	
Total Liabilities and Stockholders' Equity (COP)	110,777,484	3,122,126		88,656,613	2,894,860		75,759,824	2,042,006	

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

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

(3) Includes borrowings from banks located outside Colombia.

(4) The percentage of total average liabilities attributable to foreign activities was 29.9%, 22.9% and 26.5%, respectively, for the fiscal years ended December 31, 2013, 2012 and 2011.

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

The following table allocates, separately from domestic and foreign activities, changes in the Bank's net interest income to changes in average volume, changes in nominal rates and the net variance caused by changes in both average volume and nominal rate for the fiscal year ended December 31, 2013 compared to the fiscal year ended December 31, 2012; and the fiscal year ended December 31, 2012 compared to the fiscal year ended December 31, 2011. Volume and rate variances have been calculated based on movements in average balances over the period and changes in nominal interest rates on average interest-earning assets and average interest-bearing liabilities. Net changes attributable to changes in both volume and interest rate have been allocated to the change due to changes in volume.

	2012-2013 Increase (Decrease) Due To Changes in:			2011-2012 Increase (Decrease) Due To Changes in:		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(in millions of COP)					
Interest-earning assets:						
Funds sold and securities purchased under agreements to resell						
Domestic-activities	11,426	(12,857)	(1,431)	7,548	3,540	11,088
Foreign-activities	4,610	(457)	4,153	1,291	(7,021)	(5,730)
Total	16,036	(13,314)	2,722	8,839	(3,481)	5,358
Investment securities[1]						
Domestic-activities	66,584	(490,025)	(423,441)	10,281	103,399	113,680
Foreign-activities	35,983	117,473	153,456	930	19,344	20,274
Total	102,567	(372,552)	(269,985)	11,211	122,743	133,954
Loans and financial leases						
Domestic-activities	1,073,317	(544,367)	528,950	1,065,700	467,870	1,533,570
Foreign-activities	245,636	(38,522)	207,114	52,654	(9,247)	43,407
Total	1,318,953	(582,889)	736,064	1,118,354	458,623	1,576,977
Total interest-earning assets						
Domestic-activities	1,151,327	(1,047,249)	104,078	1,083,529	574,809	1,658,338
Foreign-activities	286,229	78,494	364,723	54,875	3,076	57,951
Total	1,437,556	(968,755)	468,801	1,138,404	577,885	1,716,289
Interest-bearing liabilities:						
Checking deposits						
Domestic-activities	7,632	(3,204)	4,428	(5,812)	(6,982)	(12,794)
Foreign-activities	341	(297)	44	(1,362)	(839)	(2,201)
Total	7,973	(3,501)	4,472	(7,174)	(7,821)	(14,995)
Savings deposits						
Domestic-activities	130,347	(153,683)	(23,336)	85,489	94,463	179,952
Foreign-activities	6,452	145	6,597	518	(557)	(39)

Total	136,799	(153,538)	(16,739)	86,007	93,906	179,913
Time deposits						
Domestic-activities	280,430	(114,224)	166,206	268,284	132,510	400,794
Foreign-activities	54,207	(7,409)	46,798	14,435	11,749	26,184
Total	334,637	(121,633)	213,004	282,719	144,259	426,978
Funds purchased and securities sold under agreements to repurchase						
Domestic-activities	(15,658)	(21,767)	(37,425)	(14,645)	27,872	13,227
Foreign-activities	(566)	1,475	909	(1,642)	775	(867)
Total	(16,224)	(20,292)	(36,516)	(16,287)	28,647	12,360
Borrowings from development and other domestic banks						
Domestic-activities	36,097	(31,746)	4,351	25,607	33,668	59,275
Foreign-activities	(224)	(1,030)	(1,254)	30	882	912
Total	35,873	(32,776)	3,097	25,637	34,550	60,187

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	2012-2013 Increase (Decrease) Due To Changes in:			2011-2012 Increase (Decrease) Due To Changes in:		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(in millions of COP)					
Interbank borrowings						
Domestic-activities	-	-	-	-	-	-
Foreign-activities	37,264	(9,478)	27,786	(9,315)	13,684	4,369
Total	37,264	(9,478)	27,786	(9,315)	13,684	4,369
Long-term debt						
Domestic-activities	(16,415)	(51,453)	(67,868)	100,357	6,742	107,099
Foreign-activities	101,777	(1,747)	100,030	84,353	(7,410)	76,943
Total	85,362	(53,200)	32,162	184,710	(668)	184,042
Total interest-bearing liabilities						
Domestic-activities	422,433	(376,077)	46,356	459,280	288,273	747,553
Foreign-activities	199,251	(18,341)	180,910	87,017	18,284	105,301
Total (COP)	621,684	(394,418)	227,266	546,297	306,557	852,854

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

INTEREST-EARNING ASSETS — NET INTEREST MARGIN AND SPREAD

The following table presents the levels of average interest-earning assets and net interest income of the Bank and illustrates the comparative net interest margin and interest spread obtained for the fiscal years ended December 31, 2013, 2012 and 2011, respectively.

	Interest-Earning Assets Yield For the Fiscal Year Ended December 31,		
	2013	2012	2011
	(*in million of COP, except percentage*s)		
Total average interest-earning assets			
Domestic-activities	66,739,663	55,106,038	46,510,600
Foreign-activities	24,699,015	18,300,900	16,779,428
Total	91,438,678	73,406,938	63,290,028
Net interest income[1]			
Domestic-activities	4,531,965	4,474,243	3,563,458
Foreign-activities	476,593	292,780	340,130

Total	5,008,558		4,767,023		3,903,588	
Average yield on interest-earning assets						
Domestic-activities	10.3	%	12.3	%	11.1	%
Foreign-activities	5.0	%	4.7	%	4.8	%
Total	8.9	%	10.4	%	9.4	%
Net interest margin(2)						
Domestic-activities	6.8	%	8.1	%	7.7	%
Foreign-activities	1.9	%	1.6	%	2.0	%
Total	5.5	%	6.5	%	6.2	%
Interest spread(3)						
Domestic-activities	6.3	%	7.4	%	7.0	%
Foreign-activities	2.1	%	1.7	%	2.1	%
Total	5.2	%	6.0	%	5.7	%

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

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

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

E.2. INVESTMENT PORTFOLIO

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

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

As of December 31, 2013, Bancolombia’s debt securities investment portfolio net of allowances had a value of COP 12,127 billion.

In accordance with Chapter 1 of Circular 100 of 1995 issued by the Superintendency of Finance, investments in debt securities are fully reviewed for impairment in June and December and partially reviewed for impairment every three months; in each case taking into account the related solvency risk, market exposure, currency exchange and country risk.

Investments in securities with market prices or defined by agencies recognized by the Superintendency of Finance like “Price Vendors” no adjustment is required for Credit Risk.

Investments in securities with no market price but rated by external agencies recognized by the Superintendency of Finance cannot be recorded on the balance sheet of the Bank for an amount higher than a certain percentage of the face value (as shown in the table below), net of the amortizations recorded as of the valuation date.

Long-Term Rating	***Maximum Face Value (%)***
BB+, BB, BB-	Ninety (90)
B+, B, B-	Seventy (70)
CCC	Fifty (50)
DD, EE	Zero (0)

Short-Term Rating	***Maximum Face Value (%)***
3	Ninety (90)
4	Fifty (50)
5 and 6	Zero (0)

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

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

	As of December 31,					
	2013[2][3]		***2012[2][3]***		***2011[2][3]***	
	(in millions of COP)					
Foreign currency-denominated						
Securities issued or secured by the Colombian Government	COP	166,180	COP	236,890	COP	200,600
Securities issued or secured by the El Salvador Central Bank	605,036		582,418		685,853	
Securities issued or secured by Government entities[4]	59,276		58,513		72,275	
Securities issued or secured by other financial institutions	209,439		341,302		321,765	
Securities issued by foreign Governments[5]	1,632,921		693,751		484,272	
Others[6]	87,555		205,749		212,259	
Subtotal	2,760,407		2,118,623		1,977,024	

	As of December 31,		
	2013[(2)(3)]	***2012***[(2)(3)]	***2011***[(2)(3)]
	(in millions of COP)		
Colombian peso-denominated			
Securities issued or secured by the Colombian Government	5,878,685	5,959,277	3,405,746
Securities issued or secured by Government entities	1,788,336	1,278,576	1,191,753
Securities issued or secured by financial institutions	1,606,328	1,997,260	2,534,782
Others[(6)]	93,478	64,319	75,051
Subtotal	9,366,827	9,299,432	7,207,332
Total, net	**COP 12,127,234**	**COP 11,418,055**	**COP 9,184,356**

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(1) For further information about the disclosures required by ASC 320, see note 31, i) Investment securities, derivatives and "REPOS".

(2) Includes debt securities only.Net investments in equity securities were COP 1,678,556 million, COP 1,136,256 million and COP 773,835 million for 2013, 2012 and 2011, respectively.

(3) These amounts are net of allowances for decline in value which were COP 8,945 million for 2013, COP 14,159 million for 2012 and COP 16,854 million for 2011.

(4) 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* or “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 has recognized an allowance related to probable losses inherent in the FICAFE investment in an amount of COP 28,841 million and COP 32,297 million at December 31, 2013 and 2012, respectively.

(5) Due to the recent acquisition of Banistmo, the Bank has increased significantly its position in securities issued by the Republic of Panama, which reached COP 781,964 million for the year 2013.

(6) Includes debt securities in corporate bonds.

As of December 31, 2013, 2012 and 2011 Bancolombia held securities issued by foreign Governments in the following amounts:

As of December 31,	Issuer	***Investment Amount–Book Value (in millions ofCOP)***[(1)]		***Investment Amount–Book Value (thousands of U.S. dollars)***[(1) (2)]	
2013	Republic of Panama	COP	781,964	USD	405,829
	Republic of El Salvador	COP	347,470	USD	180,333
	Republic of Mexico	COP	313,037	USD	162,462
	Republic of Costa Rica	COP	76,001	USD	39,443
	U.S. Treasury	COP	64,816	USD	33,639
	Republic of Brazil	COP	45,736	USD	23,736
	Republic of Chile	COP	6,912	USD	3,587
2012	Republic of El Salvador	COP	403,541	USD	228,218
	Republic of Chile	COP	76,235	USD	43,114

	Republic of Brazil	COP	74,601	USD	42,189
	U.S. Treasury	COP	52,985	USD	29,965
	Republic of Mexico	COP	48,629	USD	27,501
	Republic of Costa Rica	COP	31,133	USD	17,607
	Republic of Panama	COP	10,761	USD	6,086
	Republic of Peru	COP	6,496	USD	3,674
2011	Republic of El Salvador	COP	310,088	USD	159,617
	U.S. Treasury	COP	113,335	USD	58,339
	Republic of Brazil	COP	46,063	USD	23,711
	Republic of Panama	COP	11,193	USD	5,761
	Republic of Peru	COP	10,406	USD	5,357
	Republic of Chile	COP	171	USD	88

(1) These amonunts are not net of allowances for decline in value which were COP 3,014 million (USD 1.6 million) for 2013, COP 10,630 million (USD 6 million) for 2012 and COP 6,983 million (USD 3.6 million) for 2011.

(2) These amounts have been translated at the rate of COP 1,926.83 per USD 1.00 at December 2013, COP 1,768.23 per USD 1.00 at December 2012 and COP 1,942.70 per USD 1.00 at December 2011, which corresponds to the Representative Market Rate calculated on December 31, the last business day of the year.

As of December 31, 2013, the Bank's peso-denominated debt securities portfolio amounted to COP 9,366 billion, reflecting a 0.72% increase compared to December 31, 2012. The increase resulted mainly from an increase in holdings of Securities issued or secured by Government entities. Peso-denominated debt securities issued by the Colombian government represented 63% of the Bank's peso-denominated debt securities portfolio in 2013.

On the other hand, as of December 31, 2013, Bancolombia's held securities issued by foreign governments amounted to COP 1.632 billion (net of allowances for decline in value), increasing in 135% compared to December 31,2012. This variation is primarily explained by an increase in the Bank's position in Panamanian and Mexican sovereign bonds.

INVESTMENT SECURITIES PORTFOLIO MATURITY

The following table summarizes the maturities and weighted average nominal yields of the Bank's investment securities as of December 31, 2013:

	As of December 31, 2013								
	Maturity of less than 1 year		Maturity of 1 to5 years		Maturity of 5 to 10 years		Maturity of more than 10 years		Total
	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)
	(COP million, except yields)								
Securities issued or secured by:									
Foreign currency-denominated(3):									
Colombian Government	87,041	2.04%	3,855	6.72%	75,262	3.46%	22	6.93 %	166,180
El Salvador Central Bank	605,036	0.14%	-	-	-	-	-	-	605,036
Other Government entities	-	-	8,650	4.99%	12,815	5.46%	37,811	3.52 %	59,276
Other financial entities	15,795	3.93%	144,473	3.04%	49,171	4.45%	-	-	209,439
Foreign Governments	844,797	2.99%	451,871	2.70%	256,582	3.79%	79,671	5.49 %	1,632,921
Others	2,927	3.37%	49,126	5.49%	35,502	5.01%	-	-	87,555
Subtotal	1,555,596	1.84%	657,975	3.04%	429,332	3.96%	117,504	4.85 %	2,760,407
Securities issued or secured by:									
Peso-denominated(3)									
Colombian Government	1,434,384	4.11%	3,832,147	4.68%	170,235	6.70%	156,724	7.12 %	5,593,490
Other Government entities	1,774,720	1.69%	8,338	8.41%	5,278	5.86%	-	-	1,778,336
Other financial entities	185,665	4.17%	232,051	5.34%	550,073	8.05%	423,330	12.60%	1,391,119
Others	10,627	5.07%	16,902	5.30%	32,675	6.04%	33,273	7.21 %	93,477
Subtotal	3,405,396	2.86%	4,089,438	4.73%	758,261	7.65%	613,327	10.90%	8,866,422
Securities issued or secured by:									
UVR-denominated(3)									

Colombian Government.	117,052	0.04%	164,697	0.10%	3,446	3.43%	-	-	285,195
Other financial entities	-	-	13,551	6.06%	152,114	4.72%	49,545	9.70%	215,210
Subtotal	117,052	0.04%	178,248	0.55%	155,560	4.69%	49,545	9.70%	500,405
Total (COP)	5,078,044		4,925,661		1,343,153		780,376		12,127,234

(1) Amounts are net of allowances for decline in value which amounted to COP 8,945 million in 2013.

(2) Yield was calculated using the internal return rate as of December 31, 2013.

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

As of December 31, 2013, the Bank had the following investments in securities of issuers that exceeded 10% of the Bank's stockholders' equity:

	Issuer	Book Value	Fair value
	(in millions of COP)		
Securities issued or secured by:			
Colombian Government	Ministry of Finance	COP 6,040,548	COP 6,034,511
Government entities	FINAGRO	1,774,720	1,775,297
Total		**COP 7,815,268**	**COP 7,809,808**

E.3. LOAN PORTFOLIO

Types of loans

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

	As of December 31,				
	2013	2012	2011	2010	2009
	(in millions of COP)				
Domestic					
Corporate					
Trade financing	2,152,173	1,994,779	2,338,728	1,704,673	623,084
Loans funded by development banks	481,862	245,241	252,891	300,459	485,754
Working capital loans	28,450,758	26,274,367	22,234,866	18,360,582	15,003,979
Credit cards	35,102	30,008	30,552	31,297	26,947
Overdrafts	77,171	82,981	66,454	38,563	45,072
Total corporate	31,197,066	28,627,376	24,923,491	20,435,574	16,184,836
Retail[(1)]					
Credit cards	4,012,940	3,488,787	3,161,273	2,477,808	2,198,127
Personal loans	6,169,273	5,209,423	4,222,015	2,890,095	2,060,776
Vehicle loans	2,335,860	2,154,121	1,991,909	1,332,175	1,218,299
Overdrafts	205,865	210,653	168,865	156,244	168,760
Loans funded by development banks	1,290,747	843,146	676,985	667,299	792,437
Trade financing	135,370	99,596	69,210	27,547	48,955
Working capital loans	9,620,582	8,380,095	6,330,371	4,702,240	4,346,213
Total retail	23,770,637	20,385,821	16,620,628	12,253,408	10,833,567
Financial Leases	9,290,115	8,405,497	6,977,454	5,737,473	5,390,937
Mortgage	6,564,929	5,164,514	4,017,855	2,516,376	2,556,810

Total loans and leases	70,822,747	62,583,208	52,539,428	40,942,831	34,966,150
Allowance for loan losses	(3,415,728)	(2,975,616)	(2,455,141)	(2,160,119)	(2,115,161)
Total domestic loans, net (COP)	67,407,019	59,607,592	50,084,287	38,782,712	32,850,989
Foreign					
Corporate					
Trade financing	4,554,142	220,834	1,889,668	1,192,349	551,211
Loans funded by development banks	7,936	16,460	11,104	18,874	41,969
Working capital loans	5,542,013	4,219,310	4,001,695	3,644,287	3,509,893
Credit cards	7,304	5,611	16,817	6,712	8,462
Overdrafts	2,852	20,453	29,380	5,190	5,530
Total corporate	10,114,247	4,482,668	5,948,664	4,867,412	4,117,065
Retail(1)					
Credit cards	535,730	183,979	168,061	156,895	190,932
Personal loans	3,403,868	1,611,499	1,597,624	1,649,853	1,713,992
Vehicle loans	241,844	1,426	1,905	2,705	3,718
Overdrafts	45,859	12,897	18,248	18,449	19,853
Loans funded by development banks	28,498	19,879	16,718	12,143	9,410
Trade financing	98,775	8,767	17,585	7,516	4,343
Working capital loans	45,652	46,600	63,025	20,705	24,833
Total retail	4,400,226	1,885,047	1,883,166	1,868,266	1,967,081
Financial Leases	391,321	244,446	194,357	96,076	79,064
Mortgage	3,731,001	793,310	822,813	826,505	912,614
Total loans and leases	18,636,795	7,405,471	8,849,000	7,658,259	7,075,824
Allowance for loan losses	(649,802)	(274,023)	(357,441)	(349,094)	(316,506)
Total foreign loans, net (COP)	17,986,993	7,131,448	8,491,559	7,309,165	6,759,318
Total Foreign and Domestic Loans (COP)	85,394,012	66,739,040	58,575,846	46,091,877	39,610,307

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

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

As of December 31, 2013, the Bank's total loan portfolio amounted to COP 89,460 billion, up 28% as compared to COP 69,989 billion in 2012, and 46% higher than the COP 61,388 billion at the end of 2011. Loan volume performance during 2013 is explained by a significant growth ineconomic activity in Colombia, which led individuals and corporations to request more credit and by the acquisition of Banistmo in October 2013. 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, 2013, corporate loans amounted to COP 41,311 billion, or 46% of loans, and increased 25% from COP 33,110 billion at the end of 2012.

Retail loans totaled COP 28,171 billion, or 31% of total loans, of which COP 16,951 billion were consumer loans (19% of total loans). Retail loans increased 26% over the year.

Financial leases totaled COP 9,681 billion as of December 31, 2013, up 12% from COP 8,650 billion in 2012.

Mortgage lending activity was dynamic during 2013, 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. Mortgage loans increased 73% over the year.

Borrowing Relationships

As of December 31, 2013, the aggregate outstanding principal amount of the Bank's 20 largest credit exposures, on a consolidated basis, represented approximately 7.3% of the loan portfolio, and no single exposure represented more than 1% 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, 2013:

	Maturity of one year or less (COP million)	Maturity of one to five years	Maturity of more than five years	Total
Domestic loans and financial leases:				
Corporate				
Trade financing	2,013,822	62,163	76,188	2,152,173
Loans funded by development banks	17,763	170,243	293,856	481,862
Working capital loans	9,729,287	10,510,416	8,211,055	28,450,758
Credit cards	9,391	25,539	172	35,102
Overdrafts	77,171	-	-	77,171
Total corporate	11,847,434	10,768,361	8,581,271	31,197,066
Retail				
Credit cards	540,012	3,463,494	9,434	4,012,940
Personal loans	766,545	5,157,848	244,880	6,169,273
Vehicle loans	532,898	1,684,477	118,485	2,335,860
Overdrafts	205,865	-	-	205,865
Loans funded by development banks	118,055	846,000	326,692	1,290,747
Trade financing	133,207	2,163	-	135,370
Working capital loans	2,744,043	5,875,866	1,000,673	9,620,582
Total retail	5,040,625	17,029,848	1,700,164	23,770,637
Financial leases	341,801	3,988,706	4,959,608	9,290,115
Mortgage	136,070	280,267	6,148,592	6,564,929
Total domestic loans and financial leases	17,365,930	32,067,182	21,389,635	70,822,747
Foreign loans and financial leases:				
Corporate				
Trade financing	1,301,121	2,398,245	854,776	4,554,142
Loans funded by development banks	80	2,149	5,707	7,936
Working capital loans	2,076,552	1,878,169	1,587,292	5,542,013
Credit cards	8	7,296	-	7,304
Overdrafts	2,852	-	-	2,852
Total corporate	3,380,613	4,285,859	2,447,775	10,114,247
Retail				
Credit cards	10,273	524,725	732	535,730
Personal loans	131,365	736,933	2,535,570	3,403,868
Vehicle loans	2,482	62,858	176,504	241,844
Overdrafts	44,206	1,653	-	45,859

Loans funded by development banks	48	3,916	24,534	28,498
Trade financing	29,845	20,376	48,554	98,775
Working capital loans	16,052	19,801	9,799	45,652
Total retail	234,271	1,370,262	2,795,693	4,400,226
Financial leases	65,250	291,254	34,817	391,321
Mortgage	8,813	74,987	3,647,201	3,731,001
Total foreign loans and financial leases	3,688,947	6,022,362	8,925,486	18,636,795
Total loans (COP million)	21,054,877	38,089,544	30,315,121	89,459,542