

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

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

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

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2008
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report _____
Commission file number: 001-32535
BANCOLOMBIA S.A.
(Exact name of Registrant as specified in its charter)
N/A
(Translation of Registrant's name into English)
Republic of Colombia
(Jurisdiction of incorporation or organization)
Carrera 48 # 26-85, Avenida Los Industriales
Medellín, Colombia
(Address of principal executive offices)
Juan Esteban Toro Valencia, Investor Relations Manager
Carrera 48 # 26-85, Medellín, Colombia
Tel. +5744041837, Fax. + 574 4045146, e-mail: juatoro@bancolombia.com
(Name, Telephone, E-Mail and/or Facsimile number and Address of Company Contact Person)
Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each Class
American Depositary Shares
Preferred Shares

Name of each exchange on which registered
New York Stock Exchange
New York Stock Exchange*

* Bancolombia's preferred shares are not listed for trading directly, but only in connection with its American Depositary Shares, which are evidenced by American Depositary Receipts, each representing 4 preferred shares.

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

Not applicable
(Title of Class)

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

Not applicable
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

| | |
|------------------|--------------------|
| Common Shares | 509,704,584 |
| Preferred Shares | 278,122,419 |

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
 Yes No

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

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

(Do not check if a smaller reporting company)

Edgar Filing: BANCOLOMBIA SA - Form 20-F/A

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

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

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

Item 17 Item 18

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the precedent 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

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

Yes No

EXPLANATORY NOTE

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

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

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

ITEM 18. FINANCIAL STATEMENTS

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

ITEM 19. EXHIBITS

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

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

PART III

FINANCIAL STATEMENTS

ITEM 18. FINANCIAL STATEMENTS

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

ITEM 19. EXHIBITS

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

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

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

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

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

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

SIGNATURE

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

Dated: July 24, 2009

BANCOLOMBIA S.A.

By: /s/ JAIME ALBERTO VELÁSQUEZ BOTERO
Name: Jaime Alberto Velásquez Botero
Title: Chief Financial Officer

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

| | Page |
|--|------|
| <i>Reports of Independent Registered Public Accounting Firms</i> | F-2 |
| <u><i>Consolidated Balance Sheets</i></u> <u>As of December 31, 2007 and 2008</u> | F-6 |
| <u><i>Consolidated Statements of Operations</i></u> <u>As of December 31, 2006, 2007 and 2008</u> | F-8 |
| <u><i>Consolidated Statements of Stockholders' Equity</i></u> <u>As of December 31, 2006, 2007 and 2008</u> | F-10 |
| <u><i>Consolidated Statements of Cash Flows</i></u> <u>As of December 31, 2006, 2007 and 2008</u> | F-11 |
| <u><i>Notes to Consolidated Financial Statements</i></u> | F-13 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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

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

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

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

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

Deloitte & Touche Ltda.
Edificio Corficolombiana
Calle 16 Sur No 43 A-49 Pisos 9 y 10
A.A 404
Nit 860.005.813-4
Medellin
Colombia
Tel: 57(4) 313 56 54
Fax: 57(4) 313 93 43
www.deloitte.com/co

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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

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

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

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

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

/s/ Deloitte & Touche Ltda.

Medellin, Colombia

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

the consolidated financial statements)

F-4

PRICEWATERHOUSECOOPERS

Ave Samuel Lewis y

Calle 55 E

Apartado 0819-05710

El Dorado Panamá R. P.

Teléfono (507) 206-9200

Fax (507) 264-5527

Report of Independent Registered Public Accounting Firm

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

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

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

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

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

/s/ PriceWaterhouseCoopers

June 28, 2008

Panama, Republic of Panama

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2007 and 2008

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

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

Edgar Filing: BANCOLOMBIA SA - Form 20-F/A

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

F-6

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2007 and 2008

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

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

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

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

(1) See note 2 (c).

F-7

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2006, 2007 and 2008

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2006, 2007 and 2008

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

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

Edgar Filing: BANCOLOMBIA SA - Form 20-F/A

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

Years ended December 31, 2006, 2007 and 2008

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2006, 2007 and 2008

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

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

Cash flows from investing activities:

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

F-11

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2006, 2007 and 2008

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

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

See accompanying notes to consolidated financial statements.

(1) See note 2 (c).

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(1) Organization and Background

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

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

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

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

(1) Company created in 2008.

(2) Company liquidated in 2008.

(3) Company sold in 2008.

(4) Company acquired in 2008.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(2) Summary of significant accounting Policies

(a) Basis of Presentation

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

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

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

Intercompany operations and balances are eliminated upon consolidation.

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

(b) Translation of Foreign Currency Transactions and Balances

Translation of financial statements in foreign currency

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(c) Convenience Translation to U.S. Dollars

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

(d) Cash and Cash Equivalents

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

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

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

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

(f) Real Value Unit Rate (UVR)

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(g) Money Market Operations

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

Repos

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

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

Simultaneous Operations

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

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

(h) Investment Securities

1. Classification

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

Trading Securities

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

Held to Maturity

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

Available for Sale

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

2. Recognition

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

2.1. Debt Securities

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

2.2 Equity Securities

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

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

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

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

2.3 Securities Denominated in Foreign Currency or in UVR

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

3. Recording

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

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

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

3.1 Trading Investments

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

3.2 Investments Held to Maturity

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

Interest accruals are recorded as interest income on investment securities.

3.3 Investments Available for Sale

3.3.1 Debt Securities

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

3.3.2 Equity Investments

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

3.3.2.1 Investments in Securities with Low Volume or Unquoted Securities

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

3.3.2.2 Investment in Securities with High or Medium Volume

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

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

4. Impairment test

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

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

4.1 Securities Issued Abroad or with External Ranking

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(i) Loans and Financial Lease

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

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

Suspension of Accruals

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

Evaluation by credit risk categories

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

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

Category

A *Normal Risk*

Qualitative factors

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

B *Acceptable Risk, Above Normal*

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Category

Qualitative factors

C *Appreciable Risk*

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

D *Significant Risk*

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

E *Unrecoverability*

Allowance for loan losses

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

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

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

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

Probability of Default (PD)

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

Exposition to default

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

The Loss Given Default (LGD)

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

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

Valuation of mortgage collateral for allowance purposes

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

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

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

General Allowance

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Charge-Offs

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

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

Restructured Loans

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

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

(j) Derivatives

Derivatives

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

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

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

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

Forward Contracts

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

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

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

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

Swap Contracts

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

Option Contracts

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

Spot Transactions

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

(k) Foreclosed Assets

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

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

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

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

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

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

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

Reappraisals of foreclosed assets are recorded as memorandum accounts.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Legal term for the sale of Foreclosed Assets

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

Provisions for Foreclosed Assets

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

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

(l) Loan Fees

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

(m) Property, Plant and Equipment

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(n) Prepaid Expenses, Deferred Charges

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

Prepaid Expenses

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

Deferred Charges

Software is amortized over a maximum of three years.

Stationery is expensed when consumed.

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

Contributions and affiliations are amortized over the period prepaid.

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

(o) Intangible Assets

Goodwill

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

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

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

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

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

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

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

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

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

(p) Operating Leases

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

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

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

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

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

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

(q) Reappraisals

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

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

(r) Deferred Income

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

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

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

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

(s) Deferred Tax

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

(t) Retirement Pensions

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

(u) Estimated labor liabilities

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

(v) Other Accrued Expenses

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

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

The provision is probable, justifiable, quantifiable and verifiable.

This account also records estimates for taxes and labor expenses.

(w) Recognizing financial income, costs and expenses

Financial income and expenses are recognized on an accrual basis.

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(x) Memorandum Accounts

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

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

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

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

(y) Net Income per Share

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

(z) Insurance reserves

Mathematical reserves

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

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

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

Deferred premiums

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Reserves for incurred but not reported claims

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

Underwriter costs

Underwriter costs on premiums are recorded when are incurred.

Salvage and recovery

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

(aa) Business Combination

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

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

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

(ab) Reclassifications

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

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

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

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

(3) Transactions in Foreign Currency

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

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

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

Edgar Filing: BANCOLOMBIA SA - Form 20-F/A

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

F-32

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

(4) Cash and Due From Banks

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(5) Investment Securities

Investment in trading securities consisted of the following:

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

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

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

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

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

Investment available for sale securities consisted of the following:

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

(1) These securities were sold during 2008.

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

Investment in held to maturity securities consisted of the following:

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

Total Held to Maturity securities, net

Ps 1,711,639

Ps 2,442,626

F-36

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

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

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

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

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

(6) Loans and Financial Leases

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

December 31, 2007

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

December 31, 2008

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

**Total loans and
financial leases**

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

F-37

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

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

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

The following table represents a summary of restructured loans:

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

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

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

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

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

Financiera,
Credibac,
Aseguradora
Suiza
Salvadoreña and
Asesuisa Vida.

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(8) Customers Acceptances and Derivatives

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

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

Edgar Filing: BANCOLOMBIA SA - Form 20-F/A

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

F-39

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

(1) Includes forward contracts known in Colombia as operaciones

carrusel .

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

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

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(9) Accounts Receivable

Accounts receivable consisted of the following:

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

The changes in allowance for accounts receivable are as follows:

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

(1)

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

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

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

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

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

(10) Property, Plant and Equipment

Property, Plant and equipment consisted of the following:

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

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

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

(11) Operating Leases

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

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

Operating Leases, net

Ps 488,333

Ps 726,262

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

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

F-42

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(12) Prepaid Expenses and Deferred Charges

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

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

(13) Other Assets

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

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

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

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

(14) Goodwill

The movements in goodwill are as follows:

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

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

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

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

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

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

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

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

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

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

(15) Foreclosed Assets

Foreclosed assets consisted of the following:

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

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

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

The changes in allowance for foreclosed assets are as follows:

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

Edgar Filing: BANCOLOMBIA SA - Form 20-F/A

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

F-45

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

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

(16) Reappraisal of Assets

The following table describes reappraisals of assets:

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

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

(17) Interbank Borrowings

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

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

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

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(18) Borrowings from Development and other domestic banks

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

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

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

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

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

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

(19) Other Liabilities

Other liabilities consisted of the following:

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

Edgar Filing: BANCOLOMBIA SA - Form 20-F/A

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

F-47

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

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

Unearned income fundamentally consists of prepayments of interest by customers.

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

Pension obligation

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

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

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

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

(20) Long-Term Debt

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

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

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

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

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

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

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

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

(21) Accrued Expenses

Accrued expenses consisted of the following:

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

(1) See Note 26(d).

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

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

Income tax

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2013
With no
maximum
expiry date

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

F-51

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

(22) Subscribed and Paid-in Capital

Subscribed and paid-in capital consisted of the following:

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

Issued and outstanding:

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

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

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

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

(23) Appropriated Retained Earnings

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

Appropriated retained earnings consist of the following:

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

Total

Ps 2,313,607

Ps 3,359,604

Ps 3,975,021

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

F-52

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Reserve for Country Risk

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

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

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

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

(24) Dividends Declared

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(25) Memorandum Accounts

Memorandum accounts were composed of the following:

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

Other memorandum accounts:

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

Memorandum accounts payable:

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

Edgar Filing: BANCOLOMBIA SA - Form 20-F/A

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

F-54

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(26) Commitments and Contingencies⁽¹⁾

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

The Bank

a) Contingencies Covered by FOGAFIN:

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

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

b) Legal Processes

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

Inversiones C.B. S.A.

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

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

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

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

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

F-56

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

Sale of Almacénar

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

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

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

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

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

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

The Gilinski Case

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

Arbitration Proceedings HSBC Fiduciary

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

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

d) National Tax and Customs Agency (DIAN)

Special Requirement

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

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

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

Industry and Commerce Tax corresponding to 2006

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Pro Senior Citizen Stamp Tax for fiscal years 2005 and 2006

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

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

Pro Senior Citizen Stamp Tax for fiscal years 2005 and 2007

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

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

Fiduciaria Bancolombia S.A.

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

Leasing Bancolombia S.A.

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

Compañía de Financiamiento Comercial Sufinanciamiento S.A.

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

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

Valores Bancolombia S.A.

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

Factoring Bancolombia S.A.

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

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

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

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

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

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

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

AFP Crecer S.A

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

Banco Agrícola S.A

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

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

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

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

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

F-64

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

(27) Administrative and Other Expenses

Administrative and other expenses consisted of the following:

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

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

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

(28) Non-Operating Income (Expenses)

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

reclassified as
discussed in
Note 2(ab).

(29) Related Party Transactions

Significant balances and transactions with related parties were as follows:

2006

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

2008

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

F-67

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

(30) Subsequent Events

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

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

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

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

Edgar Filing: BANCOLOMBIA SA - Form 20-F/A

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

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

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

F-68

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Bancolombia S.A. announces mortgage securization

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

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

a) Reconciliation of consolidated net income:

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

b) Reconciliation of Stockholders Equity:

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

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

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

Supplemental Consolidated Condensed Balance Sheets

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

Edgar Filing: BANCOLOMBIA SA - Form 20-F/A

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

F-71

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

Supplemental Consolidated Condensed Statements of Operations

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

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

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

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

Supplemental Consolidated Condensed Statements of Cash Flows ⁽¹⁾

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

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

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

F-72

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Supplemental Consolidated Condensed Changes in Stockholders' Equity

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

Supplemental Consolidated Statement of Comprehensive Income

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

Other comprehensive income (loss)**2006**

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

2007

| | Before-Tax Amount | (Tax Expense) or Benefit | Net-of-tax Amount |
|--|------------------------------|---|------------------------------|
|--|------------------------------|---|------------------------------|

Edgar Filing: BANCOLOMBIA SA - Form 20-F/A

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

F-73

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

2008

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

Accumulated other comprehensive income

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

(1) It represents continuing operation and discontinued operation.

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

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

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

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

FIN 48

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

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

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

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

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

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

b) Employee benefit plans:

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

There are not plan assets under the employee benefit plan.

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

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

Pension Plan

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

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

Severance obligation

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

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

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

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

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

Retirement Premium Pension Plan

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Disclosure and calculation of differences under U.S. GAAP

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Estimated Future Benefit Payments

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

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

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

c) Fixed assets:

The following table shows the adjustments for each item:

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

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

Inflation adjustment

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

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

Capitalization of Interest Cost

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

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

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

Real estate in use and for sale

- Real Estate In Use

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

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

- Real estate held for sale

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

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

d) Revaluation of assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

Edgar Filing: BANCOLOMBIA SA - Form 20-F/A

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

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

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

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

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

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Foreclosed assets

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

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

In case the term extension is granted, the remaining 30% of the provision may be constituted within said term.

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

f) Loan origination fees and costs

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

g) Interest recognition non-accrual loans

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

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

h) Deferred charges

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

i) Investment securities and Derivatives

Investment Securities:

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

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

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

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

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

Foreign Exchange Gains and Losses on Debt Securities Available For Sale

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

*Gross
unrealized* *Gross
unrealized* *Cost*

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

Unrealized Losses Disclosure

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

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

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

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

Edgar Filing: BANCOLOMBIA SA - Form 20-F/A

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

F-88

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

Unrealized Losses Disclosure for derivative instruments:

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

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

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

Balance sheet classification:

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

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

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

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

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

j) Investment in unaffiliated companies.

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

k) Investments in affiliates.

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

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

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

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

l) Lessor accounting

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

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

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

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

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

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

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

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

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

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

m) Business combinations

Purchase method of accounting

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

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

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

Banagrícola S.A.

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

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

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

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

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

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

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

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

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

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

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

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

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

Factoring Bancolombia acquisition

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

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

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

F-93

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

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

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

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

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

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

m.i) Goodwill

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

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

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

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

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

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

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

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

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

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

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

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

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

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

F-95

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

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

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

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

m.ii) Intangible Assets

m.ii.1) Banagrícola S.A

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

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

Customer relationships and contractual agreements

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

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

Brands

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

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

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

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

Capital costs and rates of return can be properly estimated.

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

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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

Core Deposit Intangibles (CDI)

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

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

- Retail banking
- Commercial banking
- Offshore commercial banking.

m.ii.2) Factoring Bancolombia acquisition

The excess of purchase price amounted to Ps 15,054 and Ps 7,267 was assigned to customers relationships intangible asset (the triangular line), while the remaining Ps 7,787 was assigned to goodwill. The resulting goodwill was allocated to the retail segment.

The activity of the Bank's intangible assets during the years ended December 31, 2007 and 2008 is as follows:

| | <i>2007</i> | <i>2008</i> |
|--|-------------|-------------|
| <i>Intangible Assets</i> | | |
| Balance at beginning of year | Ps 142,099 | Ps 487,691 |
| Additions | 365,849 | |
| Reclassifications ⁽¹⁾ | | 45,951 |
| Amortization | (42,063) | (79,578) |
| Impairment | | (26,555) |
| Foreign currency translation adjustment ^{(2) (3)} | 21,806 | 41,037 |
| Balance at end of year | Ps 487,691 | Ps 468,546 |

- (1) It corresponds to the recognition of the brand of Banco Agrícola from goodwill to intangible of finite life as a result of the initial decision of the Bank's management.

- (2)

The foreign
currency
translation
adjustment for
the amortization
expense
amounts Ps
4,858.

- (3) The foreign
currency
translation
adjustment
related to the
carrying amount
is Ps 45,620.

F-97

BANCOLOMBIA S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

Intangible assets were as follows:

| | <i>December 31, 2007</i> | | | <i>December 31, 2008</i> | | |
|-----------------------------------|--------------------------------------|-------------------------------------|-------------------|--------------------------------------|-------------------------------------|-------------------|
| | <i>Gross carrying amount</i> | <i>Accumulated amortization</i> | <i>Impairment</i> | <i>Gross carrying amount</i> | <i>Accumulated amortization</i> | <i>Impairment</i> |
| Non-Amortizable intangible assets | Ps 30,407 | | | Ps 26,555 | | 26,555 |
| Amortizable intangible assets | Ps 520,781 | Ps 63,222 | | Ps 616,204 | Ps 147,658 | |

The following table shows the intangible assets gross carrying amount, detailed with their respective useful lives:

| | <i>December 31, 2008</i> | <i>Weight useful life (months)</i> |
|--|------------------------------|--|
| Brands | Ps 79,813 | 60 |
| Service asset | 6,206 | 169 |
| Asset management | 30,004 | 125 |
| Benefit associated to Loans | 77,354 | 201 |
| Core Deposits | 135,587 | 151 |
| Customer relationship Conavi and Corfinsura | 22,400 | 105 |
| Customer relationship Factoring Bancolombia | 7,267 | 48 |
| Customer relationship Conglomerado Banagrícola | 199,134 | 159 |
| Value of business acquired | 80,115 | 120 |
| Others | 4,879 | 105 |
| TOTAL | Ps 642,759 | |

The estimated aggregate amortization expense for intangible assets for the next five fiscal years is as follows:

| <i>Fiscal year ending December 31,</i> | <i>Aggregate amortization expense</i> |
|--|---|
| 2009 | Ps 71,798 |
| 2010 | 66,392 |
| 2011 | 61,712 |
| 2012 | 49,040 |
| 2013 | 39,172 |
| Total | Ps 288,114 |

The Bank has performed the required impairment test of intangible assets, concluding that except for the brands of Asesuisa Vida and Asesuisa S.A., AFP Crecer and Bursabac S.A. de C.V., there was no impairment in the remaining

intangible assets.

F-98

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

As of December 31, 2008, the Bank has tested for impairment the brands that were no subject to amortization the prior fiscal year (Asesuisa Vida and Asesuisa S.A., AFP Crecer and Bursabac S.A. de C.V.) using the methodology to be applied to indefinite-lived intangible and concluded that was necessary change the estimated useful life of the above mentioned brands from indefinite to finite, because at the end of the fiscal year did not exist the causes and circumstances that support the brands like lived intangible. As a result of this change, the brands registered an impairment loss of Ps 26,555.

m.iii) Fair value of assets and liabilities acquired

Under U.S. GAAP the primary financial statements allocate the fair value adjustments to each of the respective assets and liabilities.

The following is a detail of the adjustments to the Stockholders Equity related to Banagrícola S.A. and Factoring Bancolombia business combination:

Fair value of fixed and foreclosed assets

The difference between the fair value of fixed and foreclosed assets and their book value is adjusted by the effect of the depreciation and by the effect of sales and written - offs.

Fair value of Time Deposits, long- term debt and loans

The difference between the fair value of loans, Time Deposits and long term debt and their book value is adjusted by the effect of the amortization of the discount or the premium during the estimated average life of these assets and liabilities.

Securitization of non-performing loans

Under U.S. GAAP securitization of non performing loans carried out by Banco Agrícola S.A., does not meets the definition criteria of transfers of financial assets by sale. The adjustment corresponds to the recognition of a secured borrowing under U.S. GAAP which under Colombian GAAP is not accounted for.

n) Securitization

Transfers of financial assets

The Bank securitizes performing and non-performing mortgages loans using different securitization vehicle.

Under Colombian GAAP, the securitization of performing and non-performing mortgage loans, is recorded as sales of financial assets and therefore, securitized loans have been removed from the Bank's balance sheet. Additionally, the Bank recognizes in the income statement at the moment of the operation the difference between the book value of the securitized portfolio and the value received.

Under U.S. GAAP, there are two key accounting determinations that must be made relating to securitizations. A decision must be made as to whether a transfer would be considered a sale under U.S. GAAP, resulting in the transferred assets being removed from our consolidated balance sheet with a gain or loss recognized. Alternatively, the transfer would be considered a secured borrowing, resulting in recognition of a liability in our consolidated balance sheet. The second key determination to be made is whether the securitization vehicle must be consolidated and included in our consolidated balance sheet or whether such securitization vehicle is sufficiently independent that it does not need to be consolidated.

BANCOLOMBIA S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

If the trust's activities are sufficiently restricted to meet certain accounting requirements in order to be considered a qualifying special-purpose entity (QSPE), the trust is not consolidated by the seller of the transferred assets. Additionally, under FASB Interpretation No. 46(R), if trusts other than QSPEs meet the definition of a variable interest entity (VIE), we must evaluate whether we are the primary beneficiary of the trust and, if so, must consolidate it.

For U.S. GAAP purposes, since the activities of these vehicles are not sufficiently restricted to meet certain accounting requirements in order to be considered a QSPE, these vehicles were deemed variable interest entities in accordance with FIN 46(R) and therefore, in those cases where the Bank holds the majority of the residual interests in these vehicles, the Bank concluded to be the primary beneficiary, as the party that expects to absorb the majority of the expected losses of such vehicles.

The Bank had no significant transfers of loans in securitization transactions accounted for as sales in accordance with U.S. GAAP as of the fiscal years ended December 31, 2007 and 2008, and did not retain any significant interests associated with loans transferred in securitizations for those years.

The table below presents the assets and liabilities of VIEs which have been consolidated on the Bank's balance sheet at December 31, 2008, and the Bank's allowance for loan losses resulting from its involvement with consolidated VIEs as of December 31, 2008.

The allowance for loan losses represents the management's estimate of probable losses inherent in the portfolio.

| <i>Assets</i> | <i>Liabilities</i> | <i>Allowance for loan losses</i> |
|----------------------|---------------------------|---|
| Ps 1,882,256 | Ps 873,056 | Ps 16,045 |

The Bank did not provide any additional financial support to these VIEs or others during 2008. Further, the Bank does not have any contractual commitments or obligations to provide additional financial support to these VIEs or others.

BANCOLOMBIA S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

Retained Interests in the Securitization vehicles

Under Colombian GAAP retained interests in the securitization vehicles are not recognized.

For U.S. GAAP purposes, retained interests in those securitization vehicles that are not subject to consolidation during the fiscal year ended December 31, 2008, as the Bank was not considered to be the primary beneficiary in accordance with FIN 46(R), should be recognized and recorded at fair value, as available-for-sale or trading securities in accordance with FAS 115. To determine their fair values of these securities, the Bank discounted the estimated future cash flows of these securities.

For securities classified as available-for-sale, unrealized gains or losses over the amortized cost basis are charged to equity through Other Comprehensive Income, unless unrealized losses are deemed to be other than temporary, in which case they are charged to the Statement of Operations.

Securities held for the purpose of selling them in the short term are classified as trading and are reported at fair value, with gains and losses included in earnings.

For U.S. GAAP purposes, the amortized cost, unrealized gain/loss and fair value of financial trusts qualifying for sale treatment but are not subject to consolidation as of December 31, 2008, are as follows:

| | <i>Amortized Cost</i> | <i>Net Unrealized Gain/(Loss)</i> | <i>Fair Value</i> |
|--------------------------------------|-----------------------|---------------------------------------|-----------------------|
| <i>Available for Sale Securities</i> | Ps 243,502 | Ps 14,864 | Ps 258,366 |
| <i>Trading Securities</i> | | | Ps 30,179 |

As of December 31, 2007, all the securitization vehicles were consolidated for U.S. GAAP purposes.

o) Foreign currency translation adjustment

For Colombian GAAP purposes, the translation adjustments resulting in the conversion of foreign currency statements was included in the determination of net income.

Under U.S. GAAP, according to SFAS No. 52 and SFAS No. 130, the translation adjustments shall be reported as a component of stockholders' equity, in other comprehensive income.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

p) Minority Interest

The minority interest corresponds to the proportional adjustments to the shareholders equity and net income originated by the subsidiaries where the Bank holds less than 100% of participation.

q) Discontinued Operations

On February 26, 2007, in a transaction duly authorized by the Superintendency of Finance, Bancolombia sold to LAB Investment & Logistics S.A. and Portal de Inversiones S.A. 91.08% of its direct interest and 3.79% of its indirect interest, held through Banca de Inversión Bancolombia S.A. Corporación Financiera, in Almacénar S.A. The transaction price amounted to approximately Ps 11,719.

On April 30, 2007, in a transaction duly authorized by the Superintendency of Finance, Bancolombia sold to LAB Investment & Logistics S.A. and Portal de Inversiones S.A., 3.57% of its direct interest in Almacénar S.A. The transaction price amounted to approximately Ps 2,050. The Bank registered in 2007 a loss on sale of this investment for Ps 14,064.

On June 9, 2008, Bancolombia sold to Stratton Spain S.L 94.90% of its direct interest and 3.32% of its direct interest held through Banca de Inversión Bancolombia S.A. and Fiduciaria Bancolombia S.A. in Multienlace S.A. The transaction price amounted to Ps 105,882.

On July 24, 2008, Bancolombia liquidated 100% of its direct interest held through Suleasing Internacional USA Inc. and Bancolombia Panamá S.A. in Suinternal Do Brasil Locacao de Bens S.A. The Bank registered in 2008 a loss on sale of this investment for Ps 11.

On September 18, 2008, Bancolombia liquidated 71.75% of its direct interest held through Banca de Inversión Bancolombia S.A. in Inversiones Valsimesa S.A. The Bank registered in 2008 a gain on sale of this investment for Ps 5,310.

On November 19, 2008, Bancolombia sold to Mitsubishi Corporation 100% of its direct interest held through Banca de Inversión Bancolombia S.A. in P.A. Renting Colombia. The Bank registered in 2008 a gain on sale of this investment for Ps 2,988.

On December 22, 2008, Bancolombia sold to Corporation Delta Codelta. 80% of its direct interest held through Banca de Inversión Bancolombia S.A., Inmobiliaria Bancol S.A. and Valores Simesa S.A. in Fundiciones y Componentes Automotores. The Bank registered in 2008 a gain on sale of this investment for Ps 13,692.

The results of the discontinued operations under U.S. GAAP were as follows:

| | 2006 | 2007 | 2008 |
|--|-------------|-------------|-------------|
| Profit (losses) from discontinued operations before income taxes | Ps (39,522) | Ps (51,868) | Ps 105,919 |
| Income taxes (benefit) expense | 8,221 | 3,519 | 28,683 |
| Profit (losses) from discontinued operations | Ps (47,743) | Ps (55,387) | Ps 77,236 |

r) Guarantees

In order to meet the needs of its customers, the Bank issues financial standby letters of credit and bank guarantees. At December 31, 2007 and 2008, outstanding letters of credit and bank guarantees issued by the Bank totaled Ps 2,613,369 and Ps 3,524,631, respectively.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

The table below summarizes, at December 31, 2007 and 2008, all of the Bank's guarantees where the Bank is the guarantor. The maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collateral held or pledged. Such amounts bear no relationship to the anticipated losses on these guarantees and greatly exceed anticipated losses.

| | <i>Expire within one year</i> | | <i>Expire after one year</i> | | <i>Total amount outstanding</i> | | <i>Maximum potential amount of future payments</i> | |
|-------------------------------------|-------------------------------|---------------------|------------------------------|-------------------|---------------------------------|---------------------|--|---------------------|
| | <i>2007</i> | <i>2008</i> | <i>2007</i> | <i>2008</i> | <i>2007</i> | <i>2008</i> | <i>2007</i> | <i>2008</i> |
| Financial standby letters of credit | Ps 1,007,038 | Ps 1,577,231 | Ps 347,883 | Ps 313,343 | Ps 1,354,921 | Ps 1,890,574 | Ps 1,354,921 | Ps 1,890,574 |
| Bank guarantees | 992,467 | 1,106,968 | 265,981 | 527,089 | 1,258,448 | 1,634,057 | 1,258,448 | 1,634,057 |
| Total | Ps 1,999,505 | Ps 2,684,199 | Ps 613,864 | Ps 840,432 | Ps 2,613,369 | Ps 3,524,631 | Ps 2,613,369 | Ps 3,524,631 |

Financial standby letters of credit include guarantees of payment of credit facilities, promissory notes and trade acceptances.

Bank guarantees are performance guarantees that are issued to guarantee a customer's tender bid on a construction or systems installation project or to guarantee completion of such projects in accordance with contract terms. They are also issued to support a customer's obligation to supply specified products, commodities, or maintenance or warranty services to a third party.

The maximum potential payments represent a worse-case scenario, and do not necessarily reflect expected results. The Bank does not hold collaterals over the guarantees issued.

Under U.S. GAAP, effective January 1, 2003, the Bank adopted FASB interpretation No. 45 Guarantor's Accounting and Disclosures Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others. As of December 31, 2007 and 2008, the Bank recognized Ps 12,736, and Ps 10,895 as a liability for the fair value of the obligations assumed at its reception. Such liabilities are being amortized over the expected term of the guarantee.

s) Insurance contracts

Under U.S. GAAP reserves for individual and group Life insurance are computed on the basis of interest rates, mortality tables, including a margin for adverse deviations. For the year 2008 and 2007, reserve discount rate was 4.5%, based on the Bank's own profitability experience.

Under Colombian GAAP, there are no reserves for adverse deviations.

t) Estimated Fair Value of Financial Instruments

Fair value of financial instruments

Effective January 1, 2008, the Bank adopted SFAS 157 Fair Value Measurements (SFAS 157). SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair-value measurements. As a result of the adoption of SFAS 157, the Bank has made some amendments to the techniques applied in measuring the fair value in order to include considerations about own credit and counterparty risk.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

The framework for measuring fair value under Colombian GAAP is substantially consistent with SFAS 157, except for considerations about own credit risk, counterparty risk and valuation of collaterals.

Fair-Value Hierarchy

SFAS 157 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair-value hierarchy:

Level 1 Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes certain bonds issued by government or its entities, corporate debt securities and derivative contracts.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain retained residual interests in securitizations, asset-backed securities (ABS), highly structured or long term derivative contracts and certain collateralized debt obligations (CDO) where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

The Bank considers relevant and observable market prices in its valuations where possible. The frequency of transactions, the size of the bid-ask spread and the amount of adjustment necessary when comparing similar transactions are all factors in determining the liquidity of markets and the relevance of observed prices in those markets.

Determination of Fair Value

For assets and liabilities carried at fair value, the Bank measures such value using the procedures set out below. The Bank did not choose to measure financial instruments and certain other items at fair value based on the SFAS 159,

The Fair Value Option for Financial Assets and Financial Liabilities .

When available, the Bank generally uses quoted market prices to determine fair value and classifies such items in Level 1. In some cases where a market price is available, the Bank will make use of acceptable practical expedients (mid-market pricing or other pricing conventions) to calculate fair value.

Where available, the Bank may also make use of quoted prices for recent trading activity in positions with the same or similar characteristics to that being valued. The frequency and size of transactions and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the relevance of observed prices from those markets. If relevant and observable prices are available, those valuations would be classified as Level 2.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

If quoted market prices are not available, fair value is based upon internally developed valuation techniques such as discounted cash flows, pricing models and similar methodologies that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, option volatilities, etc. Items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

Fair-value estimates from internal valuation techniques are verified, where possible, to prices obtained from independent price providers or non-bidding brokers. Price providers and non-bidding brokers' valuations may be based on a variety of inputs ranging from observed prices to proprietary valuation models.

The estimated fair value based upon internally developed valuation techniques could vary if other valuation methods or assumptions were used. The bank believes its valuation methods are appropriate and consistent with other market participants. Nevertheless, the use of different valuation methods or assumptions, including imprecision in estimating unobservable market inputs, to determine the fair value of certain financial instruments could result in different estimates of fair value at the reporting date and the amount of gain or loss recorded for a particular instrument. Most of the valuation models are not significantly subjective, because they can be tested and, if necessary, recalibrated by the internal calculation of and subsequent comparison to market prices of actively traded securities, where available.

Financial instruments that are classified as trading, or available-for-sale, and all derivatives, are stated at fair value. The fair value of such financial instruments is the estimated amount at which an asset could be sold or a liability transferred in a current transaction between willing parties, other than in a forced or liquidation sale.

The following section describes the valuation methodologies used by the Bank, including an indication of the level in the fair-value hierarchy in which each instrument is generally classified. Where appropriate, the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

1. Fair value measurement on a recurring and non-recurring basis (SFAS 157)

Investment securities

a) *Debt securities:*

When available, the Bank uses quoted market prices to determine the fair value and such items are classified in Level 1 of the fair value hierarchy. For securities not traded or over the counter, the Bank generally determines fair value utilizing internal valuation and standard techniques. These techniques include determination of expected future cash flows which are discounted using curves of the applicable currencies and interest. The interest and foreign exchange curves are generally observable market data and reference yield and exchange curves derived from quoted interest and exchange rates in appropriate time bandings, which match the timings of the cash flows and maturities of the instruments. Fair-value estimates from internal valuation techniques are verified and tested by independent personnel. Price providers compile prices from various sources and may apply matrix pricing for similar securities where no price is observable. If available, the Bank may also use quoted prices for recent trading activity of assets with similar characteristics to the security. These securities priced using such methods are generally classified as Level 2. However, when less liquidity exists for a security, a quoted price is stale or prices from independent sources vary, a security is generally classified as Level 3.

The Bank has credit linked notes issued by financial institution including embedded derivatives to credit risks relating to the Colombian Government. The Bank has elected to measure these credit linked notes at fair value through income statement based on SFAS 155. The Bank determines the fair value using the appropriate derivative valuation methodology (described below) given the nature of the embedded risk profile. Such instruments are classified in Level 3.

BANCOLOMBIA S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

b) Equity securities

When available, the Bank uses quoted market prices to determine the fair value and such items are classified in Level 1 of the fair value hierarchy and in trading category.

Derivatives

Derivatives entered into by the Bank are executed over the counter and so are valued using internal valuation techniques as no quoted market prices exist for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instrument. For over the counter derivatives those trades in liquid markets are valued using industry standard valuation models. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-base observable inputs including interest rate curves, foreign exchange rates, and forward and spot prices for currencies. In addition, these estimates consider assumptions for our own credit risk and the respective counterparty credit risk.

The key inputs depend upon the type of derivative and the nature of the underlying instrument and include interest rate yield curves, foreign exchange rates, the spot price of the underlying volatility, credit curves and correlation of such inputs. The item is placed in either Level 2 or Level 3 depending on the observability of the significant inputs to the model. Correlation and items with longer tenors are generally less observable.

When appropriate, valuations are adjusted for various factors such as liquidity, bid / offer spreads and credit considerations.

Credit Valuation Adjustment

Under Colombian GAAP, the measurement of the fair value of derivatives does not include the credit valuation adjustment CVA. Under US GAAP, beginning January 1, 2008 with the adoptions of FAS 157 the Bank is measuring the effects of the credit risk of its counterparties and its own creditworthiness in determining fair value of the swap derivatives.

Counterparty credit-risk adjustments are applied to derivatives when the Bank's position is an active and own credit risk is incorporated when the position is a liability. The Bank attempts to mitigate credit risk to third parties which are international banks by entering into netting master agreements. When assessing the impact of credit exposure, only the net counterparty exposure is considered at risk; due to the offsetting of certain same-counterparty positions and the application of cash and other collateral. The Bank generally calculates the asset's credit risk adjustment for derivatives transacted with international financial institutions by incorporating indicative credit related pricing that is generally observable in the market (CDS). The credit risk adjustment for derivatives transacted with non-public counterparties is calculated by incorporating unobservable credit data derived from internal credit qualifications to the financial institutions and corporate companies located in Colombia. The Bank has recognised Ps 4,050 earning as an increase of the associated asset as a result of counterparty credit-risk.

A hundred basis points reduction in our own credit spreads when determining the fair value of the liabilities associated with derivative contracts, could result in an increase of the associated liability of approximately Ps 4,599. These sensitivity analyses do not represent management's expectations of the changes in our own credit risk, but are provided as hypothetical scenarios to assess the sensitivity of the fair value of those liabilities to changes in credit spreads.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

A hundred basis points increase in the counterparty credit spreads when determining the fair value of the assets associated with derivative contracts, could result in a reduction of the associated asset of approximately Ps 4,942. These sensitivity analyses do not represent management's expectations of the changes in the counterparties credit risk, but are provided as hypothetical scenarios to assess the sensitivity of the fair value of those liabilities to changes in credit spreads.

The process of determining credit risk spreads requires a high degree of judgment. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions.

Impaired loans measured at fair value

The Bank, as a practical expedient, measured certain impaired loan based on the fair values of the collaterals. The fair values were determined using internal valuation techniques. These techniques include basically a matrix pricing using recent activities of collaterals with similar characteristics. The key inputs to the matrix depend upon the type of collateral and include property price index (per region, size, type etc.), physical conditions and expected selling costs. In certain cases, the Bank may also use experts to validate the prices obtained using the matrix.

Asset-backed securities

The Bank invests in asset-backed securities which the underlying assets correspond to mortgages issued by financial institutions. The Bank does not have a significant exposure to sub-prime securities. The asset-backed securities are denominated Debt Investment Portfolio (TIPS) and can be classified either as trading or available for sale. These asset-backed securities have different vintages and are generally classified as AA+ by credit ratings. The Bank does not expect significant changes in those ratings.

Fair values were estimated using discounted cash flow using models which the main key economic assumptions used are estimates of prepayment rates and resultant weighted average lives of the securitised mortgage portfolio, probability of default and interest rate curves. These items are classified as Level 3.

2. Fair value disclosures

FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments (SFAS 107) requires entities to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized in the statement of financial position, for which it is practicable to estimate fair value. The financial instruments below are not recorded at fair value on a recurring and nonrecurring basis:

Short-term financial instruments

Short-term financial instruments are valued at their carrying amounts included in the consolidated balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments. This approach was used for cash and cash equivalents, accrued interest receivable, customers' acceptances, accounts receivable, accounts payable, accrued interest payable and bank acceptances outstanding. These instruments would generally be classified as Level 1 or 2 if required.

Deposits

The fair value of Time Deposits was estimated based on the discounted value of cash flows using the appropriate discount rate for the applicable maturity. Fair value of deposits with undefined maturities represents the amount payable on demand as of the balance sheet date. These instruments would generally be classified as Level 2 if required.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

Interbank borrowings and borrowings from development and other domestic banks

Short-term interbank borrowings and borrowings from domestic development banks have been valued at their carrying amounts because of their relatively short-term nature. Long-term and domestic development bank borrowings have also been valued at their carrying amount because they bear interest at variable rates. These instruments would generally be classified as Level 1 or 2 if required.

Long term debt

The fair value of long-term debt, which comprises bonds issued by Bancolombia and its subsidiaries, was estimated substantially based on quoted market prices. Certain bonds which are nonpublic trading, issued basically by Sufinanciamiento S.A., were determined based on the discounted value of cash flows using the rates currently offered for deposits of similar remaining maturities and its own creditworthiness. These instruments would generally be classified as Level 1 or 2 if required.

Items Measured at Fair Value on a Recurring Basis

The following table present for each of the fair-value hierarchy levels the Bank's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2008 based on the supplemental consolidated condensed balance sheets.

Fair value measurements using

| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Gross inventory</i> | <i>Net balance</i> |
|-----------------------|----------------|----------------|----------------|------------------------|--------------------|
| Assets | | | | | |
| Trading account | Ps 1,098,091 | Ps 1,437,272 | Ps 79,391 | Ps 2,614,754 | Ps 2,614,754 |
| Investment securities | | | | | |
| Debt securities | 891,755 | 1,215,553 | 967,517 | 3,074,825 | 3,074,825 |
| Equity securities | 16,082 | 4,552 | | 20,634 | 20,634 |
| Derivatives | | 303,680 | 4,518,725 | 4,822,405 | 4,822,405 |
| Liabilities | | | | | |
| Derivatives | | (271,972) | (4,498,747) | (4,770,719) | (4,770,719) |
| | Ps 2,005,928 | Ps 2,689,085 | Ps 1,066,886 | Ps 5,761,899 | Ps 5,761,899 |
| % total | 34.81% | 46.67% | 18.52% | | |

The Bank's derivative instruments classified in level 3 grouped and presented net, amounts to Ps 19,978.

The table below presents reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2008.

| | <i>Trading account</i> | <i>Available for sale</i> | <i>Derivatives</i> |
|--|------------------------|---------------------------|--------------------|
| Balance as of January 1, 2008 | Ps 112,541 | Ps 626,356 | Ps 208,874 |
| Total gain or losses (realised / unrealised): | | | |
| Included in earnings | 12,987 | 70,979 | 5,298 |
| Included in other comprehensive income | | (1,013) | |
| Purchase, issuance and settlements | (46,137) | 271,195 | (192,833) |
| Transfer in to/(out) of Level 3 | | | (1,361) |

Edgar Filing: BANCOLOMBIA SA - Form 20-F/A

| | | | | | | |
|---------------------------------|-----------|---------------|-----------|----------------|-----------|---------------|
| Balance as of December 31, 2008 | Ps | 79,391 | Ps | 967,517 | Ps | 19,978 |
|---------------------------------|-----------|---------------|-----------|----------------|-----------|---------------|

F-108

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

The following table present for each of the fair-value hierarchy levels the bank's assets and liabilities that are measured at fair value on a nonrecurring basis at December 31, 2008 based on the supplemental consolidated condensed balance sheets.

| | <i>Year end 31/12/2008</i> | <i>Fair value measurements using</i> | | | <i>Total gain (losses)</i> |
|----------------------|--------------------------------|--------------------------------------|----------------|----------------|--------------------------------|
| | | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | |
| Collateralized loans | | | | 200,730 | (79,054) |

SFAS 107 Disclosures

The table below presents the disclosures required by SFAS 107 to all assets and liabilities based on the supplemental consolidated condensed balance sheets:

| | <i>December 31, 2007</i> | | <i>December 31, 2008</i> | |
|--|--------------------------------------|---------------------------------|--------------------------------------|---------------------------------|
| | <i>Colombian GAAP Amount</i> | <i>Estimated Fair Value</i> | <i>Colombian GAAP Amount</i> | <i>Estimated Fair Value</i> |
| Financial assets | | | | |
| Cash and due from banks | Ps 5,228,387 | Ps 5,228,387 | Ps 5,619,575 | Ps 5,619,575 |
| Investment securities, net | 5,774,251 | 4,562,689 | 7,278,276 | 7,203,517 |
| Loans and accrued interest receivable on loans, net | 36,644,033 | 38,954,179 | 43,013,868 | 41,499,564 |
| Customers' acceptances | 55,208 | 55,208 | 56,935 | 56,935 |
| Derivatives, net ⁽¹⁾ | 140,797 | 139,015 | 215,523 | 51,686 |
| Financial liabilities: | | | | |
| Deposits | Ps 34,558,995 | Ps 34,654,832 | Ps 18,652,738 | Ps 18,872,980 |
| Overnight funds | 2,020,366 | 2,020,366 | 2,573,591 | 2,573,591 |
| Bank acceptances outstanding | 55,208 | 55,208 | 56,935 | 56,935 |
| Interbank borrowings | 1,525,894 | 1,525,894 | 2,100,428 | 2,100,428 |
| Borrowings from development and other domestic banks | 3,371,003 | 3,371,003 | 3,905,021 | 3,905,021 |
| Long term debt | 2,866,462 | 3,675,395 | 3,675,613 | 3,665,997 |

(1) Under Colombian GAAP, the Bank's derivative instruments are grouped and presented net. For U.S. GAAP

purposes, the amount presented includes derivative assets for Ps 4,822,405 and Ps 282,953, derivative liabilities Ps. (4,770,719) and (143,398) for years ended in 2008 and 2007, respectively.

u) Paid-in capital

In accordance with Colombian GAAP, paid-in capital in excess of par value of shares issued is credited to a legal reserve. Under U.S. GAAP, capital in excess of par value is credited to paid-in capital.

v) Equity tax

Pursuant the Law 1111 of 2006, for the years 2007 through 2010, companies and individuals, who the January 1, 2007 hereinafter possess liquidity equity over Ps 3,000, are subject to equity tax.

Under Colombian GAAP, equity tax is allowed to be recorded as a decrease of Appropriated retained earnings.

Under U.S. GAAP, equity tax is recorded directly on statements of operations.

w) Earnings per share

Under Colombian GAAP, earnings per share (EPS) are computed by dividing net income by the weighted average number of both common and preference shares outstanding for each period presented.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

U.S. GAAP requires dual presentation of basic and diluted EPS for entities with complex capital structures, as well as a reconciliation of the basic EPS computation to the diluted EPS computation. Basic EPS is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding. Diluted EPS assumes the issuance of common shares for all dilutive potential common shares outstanding during the reporting period. For the years ended December 31, 2006, 2007 and 2008, the Bank had a simple capital structure. Therefore, there was no difference between basic or diluted EPS for these years.

The following table summarizes information related to the computation of basic EPS for the years ended December 31, 2006, 2007 and 2008 (in millions of pesos, except per share data):

| | 2006 | 2007 | 2008 |
|--|-------------|--------------|-------------|
| U.S. GAAP consolidated net income | Ps 941,183 | Ps 1,015,644 | Ps 849,920 |
| Less preferred share dividends | 116,041 | 157,974 | 173,548 |
| Income attributable to common stockholders | 825,142 | 857,670 | 676,372 |
| Income from continuing operations attributable to common shareholders | 872,885 | 913,057 | 599,135 |
| Income (loss) from operations and disposal of discontinued operations | (47,743) | (55,387) | 77,236 |
| Income attributable to common shareholders | 825,142 | 857,670 | 676,372 |
| Weighted average number of common shares outstanding used in basic EPS calculation (in millions) | 510 | 510 | 510 |
| Basic and Diluted earnings per share (U.S. GAAP): | | | |
| Income from continuing operations | 1,712.53 | 1,791.35 | 1,174.77 |
| Income (loss) from operations and disposal of discontinued operations | (93.66) | (108.67) | 151.44 |
| Income attributable to common shareholders | Ps 1,618.87 | Ps 1,682.68 | Ps 1,326.21 |

x) Segments Disclosure

Operating segments are defined as components of an enterprise about which separate financial information is available that is regularly used by the finance vice president (the chief operating decision maker) in deciding how to allocate resources and assessing performance.

The Bank has strategically organized its operations into six major business segments based on its market segmentation, customer's needs and trading partners. Additionally, the Bank manages and measures the performance of its operations through these business segments using an internal profitability reporting system.

The Bank does not have any individual external customer which represents 10% or more of the enterprise's revenues. For this Annual Report, the Bank performed a review of its business segments and has changed the presentation of segment information. According to The Chief Operating Decision Maker, the major changes correspond to the aggregation of construction banking, corporate headquarters, brokerage and manufacturing segments into a category called All other Segments. The information for 2007 and 2006 has been restated to reflect these changes.

Banagrícola and its subsidiaries were allocated to each segment based on market segmentation, customer's needs and trading partners. The segments retail banking, commercial banking and off-shore commercial banking include most of the operations of Banagrícola and its subsidiaries.

F-110

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

The following presents information on reported operating segment profit or loss, and segment assets:

| | 2006 ⁽²⁾ | | | | | | | Total | | | | | |
|---|-----------------------------------|-----------|------------------------------------|-----------|----------|-----------------------------|-----------|-------|--------------------|----|----------|----|-----------|
| | Retail and Small Business Banking | | Corporate and Governmental Banking | | Treasury | Offshore Commercial Banking | Leasing | | All other Segments | | | | |
| Revenues from external customers | Ps | 547,311 | Ps | 169,871 | | Ps | 130 | Ps | 38,515 | Ps | 222,699 | Ps | 978,526 |
| Revenues (expenses) from transactions with other operating segments of the Bank | | | | 60,861 | | | 12,493 | | 12,691 | | 73,058 | | 159,103 |
| Interest income | | 1,201,392 | | 864,665 | | 343,496 | 495,222 | | 437,977 | | 274,651 | | 3,617,403 |
| Interest expense | | 265,393 | | 339,072 | | 246,058 | 123,286 | | 254,752 | | 123,645 | | 1,352,206 |
| Net interest revenue | | 935,999 | | 525,593 | | 97,438 | 371,936 | | 183,225 | | 151,006 | | 2,265,197 |
| Depreciation and amortization expense | | 26,888 | | 29,804 | | 8,956 | 988 | | 10,237 | | 57,044 | | 133,917 |
| Provision for loan losses | | 130,613 | | (50,742) | | (30,134) | 13,316 | | 51,741 | | 87,978 | | 202,772 |
| Administrative and other expense | | 1,029,375 | | 286,855 | | 65,064 | 9,099 | | 68,689 | | 280,414 | | 1,739,496 |
| Income tax expense or benefit | | 33,707 | | 36,694 | | 6,629 | | | 36,475 | | 61,373 | | 174,878 |
| Other income or expense, net | | (568) | | (116,209) | | | (223,056) | | 12,138 | | 84,564 | | (243,131) |
| Segment profit before distribution of income | | | | | | | | | | | | | |
| (expense) for treasury funds | | 262,159 | | 337,505 | | 46,923 | 138,100 | | 79,427 | | 44,518 | | 908,632 |
| Distribution of income (expense) for treasury funds ⁽¹⁾ | | 77,399 | | (40,964) | | (8,089) | | | | | (28,346) | | |

Edgar Filing: BANCOLOMBIA SA - Form 20-F/A

| | | | | | | | |
|-----------------|---------------|---------------|--------------|--------------|--------------|--------------|---------------|
| Segment profit | Ps 339,558 | Ps 296,541 | Ps 38,834 | Ps 138,100 | Ps 79,427 | Ps 16,172 | Ps 908,632 |
| Segments assets | Ps 10,142,901 | Ps 10,858,235 | Ps 3,090,780 | Ps 4,216,594 | Ps 4,528,718 | Ps 5,418,802 | Ps 38,256,030 |

F-111

BANCOLOMBIA S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

| | <i>2007</i> ^{(2) (3)} | | | | | | | <i>Total</i> |
|---|--|---|-----------------|--|----------------|-------------------------------|--------------|--------------|
| | <i>Retail and Small Business Banking</i> | <i>Corporate and Governmental Banking</i> | <i>Treasury</i> | <i>Offshore Commercial Banking</i> | <i>Leasing</i> | <i>All other Segments</i> | | |
| Revenues from external customers | Ps 801,924 | Ps 179,491 | Ps (2,302) | Ps 11,858 | Ps 84,086 | Ps 261,692 | Ps 1,336,749 | |
| Revenues (expenses) from transactions with other operating segments of the Bank | (10,844) | 25,309 | 10,655 | 148,783 | 1,345 | 317,738 | 492,986 | |
| Interest income | 2,019,666 | 1,385,482 | 507,934 | 299,067 | 624,606 | 424,687 | 5,261,442 | |
| Interest expense | 501,024 | 449,711 | 552,969 | 205,806 | 392,740 | 42,497 | 2,144,747 | |
| Net interest revenue | 1,518,642 | 935,771 | (45,035) | 93,261 | 231,866 | 382,190 | 3,116,695 | |
| Depreciation and amortization expense | 52,538 | 41,949 | 10,083 | 20,819 | 24,369 | 85,421 | 235,179 | |
| Provision for loan losses | 421,576 | 187,766 | (14,634) | 19,271 | 108,538 | 26,111 | 748,628 | |
| Administrative and other expense | 1,351,951 | 313,805 | 35,186 | 10,786 | 77,778 | 309,496 | 2,099,002 | |
| Income tax expense or benefit | 109,999 | 89,947 | 52,370 | | 35,990 | 73,577 | 361,883 | |
| Other income or expense, net | 43,610 | 14,313 | 21 | 18,067 | 61,258 | (59,098) | 78,171 | |
| Segment profit before distribution of income | | | | | | | | |
| (expense) for treasury funds | 417,268 | 521,417 | (119,666) | 221,093 | 131,880 | 407,917 | 1,579,909 | |
| Distribution of income (expense) for treasury funds ⁽¹⁾ | (102,762) | (188,467) | 362,750 | | | (71,521) | | |
| Segment profit | Ps 314,506 | Ps 332,950 | Ps 243,084 | Ps 221,093 | Ps 131,880 | Ps 336,396 | Ps 1,579,909 | |

Segment assets Ps 18,453,289 Ps 16,412,411 Ps 3,806,189 Ps 6,847,345 Ps 5,898,303 Ps 7,745,272 Ps 59,162,809

F-112

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

| | 2008 ⁽²⁾ | | | | | | | Total |
|---|--|---|-----------------|------------------------------------|----------------|---------------------------|--------------|-------|
| | <i>Retail and Small Business Banking</i> | <i>Corporate and Governmental Banking</i> | <i>Treasury</i> | <i>Offshore Commercial Banking</i> | <i>Leasing</i> | <i>All other Segments</i> | | |
| Revenues from external customers | Ps 913,333 | Ps 206,529 | Ps 14,244 | Ps 5,303 | Ps 245,739 | Ps 318,071 | Ps 1,703,219 | |
| Revenues (expenses) from transactions with other operating segments of the Bank | (11,117) | 57,992 | (5,175) | 38,642 | 8,427 | 167,611 | 256,380 | |
| Interest income | 2,730,204 | 1,839,523 | 602,931 | 260,652 | 848,623 | 1,024,001 | 7,305,934 | |
| Interest expense | 602,384 | 674,548 | 779,047 | 214,825 | 561,778 | 119,748 | 2,952,330 | |
| Net interest revenue | 2,127,820 | 1,164,975 | (176,116) | 45,827 | 286,845 | 904,253 | 4,353,604 | |
| Depreciation and amortization expense | 51,882 | 43,625 | 8,565 | 57,415 | 99,022 | 52,134 | 312,643 | |
| Provision for loan losses | 802,255 | 330,148 | (11,261) | 16,001 | 143,234 | 38,352 | 1,318,729 | |
| Administrative and other expense | 1,595,323 | 370,408 | 67,334 | 12,035 | 157,656 | 369,750 | 2,572,506 | |
| Income tax expense or benefit | 125,978 | 118,522 | 74,679 | | 35,553 | 118,561 | 473,293 | |
| Other income or expense, net | 67,372 | 27,171 | (123) | 19,464 | 54,975 | (257,868) | (89,009) | |
| Segment profit before distribution of income | | | | | | | | |
| (expense) for treasury funds | 521,970 | 593,964 | (306,487) | 23,785 | 160,521 | 553,270 | 1,547,023 | |
| Distribution of income (expense) for treasury funds ⁽¹⁾ | (140,439) | (227,935) | 532,594 | | | (164,220) | | |
| Segment profit | Ps 381,531 | Ps 366,029 | Ps 226,107 | Ps 23,785 | Ps 160,521 | Ps 389,050 | Ps 1,547,023 | |

Segment assets Ps 20,533,592 Ps 20,968,208 Ps 3,285,957 Ps 7,508,606 Ps 7,131,928 Ps 10,674,799 Ps 70,103,090

- (1) These costs are calculated based on the funds that segments use or provide. Those do not have an impact in the final result.
- (2) The methodology used for segment disclosure was changed for purposes of comparability. The segments Retail and Small Business Banking were combined in a single segment. The segments Corporate Banking and Governmental Banking were also combined in a single segment.
- (3) The segment disclosure was modified to reflect certain reclassifications made in commissions from banking services and other services, administrative and other expenses and other income that conform to

the presentation of 2008 figures, in order to provide a better basis of comparison with respect to 2008 figures regarding the gains on the sale of mortgage loans. No such changes were made for 2006, as the reclassifications would not have a material impact on the figures for that period, and accordingly, would not be material for comparative purposes.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

The following is a reconciliation of reportable segment s revenues, profit or loss and assets, to the Banks consolidated totals:

| | 2006 | 2007⁽⁴⁾ | 2008 |
|--|----------------------|---------------------------|----------------------|
| Revenues | | | |
| Revenues for reportable segments ⁽¹⁾ | Ps 4,755,032 | Ps 7,091,177 | Ps 9,265,533 |
| Non-operating income ⁽²⁾ | (372,237) | (161,201) | (596,387) |
| Elimination of intersegment revenues | (159,103) | (492,986) | (256,380) |
| Total revenues for reportable segments ⁽³⁾ | Ps 4,223,692 | Ps 6,436,990 | Ps 8,412,766 |
| Profit or Loss | | | |
| Segment Profit | Ps 908,632 | Ps 1,579,909 | Ps 1,547,023 |
| Elimination of inter-segment profits | (159,103) | (492,986) | (256,380) |
| Net income | Ps 749,529 | Ps 1,086,923 | Ps 1,290,643 |
| Assets | | | |
| Segments Assets | Ps 38,256,030 | Ps 59,162,809 | Ps 70,103,090 |
| Elimination of inter-segment assets | (3,767,334) | (7,011,160) | (8,320,011) |
| Consolidated total | Ps 34,488,696 | Ps 52,151,649 | Ps 61,783,079 |

(1) Total revenues for reportable segments includes Revenues from external customers, revenues and expenses from transactions with other operating segments of the same enterprise and interest income.

(2)

Non-operating income represents other income classified as revenue for segment reporting purposes.

- (3) Total revenues for reportable segments include interest, fees, other services and other operating income.
- (4) The segment disclosure for the year ended 2007 was modified to reflect certain reclassifications made in commissions from banking services and other services, administrative and other expenses and other income that conform to the presentation of 2008 figures, in order to provide a better basis of comparison with respect to 2008 figures regarding the gains on the sale of mortgage loans. No such changes were made for 2006, as the

reclassifications would not have a material impact on the figures for that period, and accordingly, would not be material for comparative purposes.

The following summarizes the Bank's revenues and long-lived assets attributable to Colombia and other foreign countries:

| <i>Geographic Information</i> | <i>As of December 31,</i> | | | |
|---|---------------------------|---|---------------------|---|
| | <i>2007⁽²⁾</i> | <i>2007⁽²⁾</i> | <i>2008</i> | <i>2008</i> |
| | <i>Revenues</i> | <i>Long Term - Assets⁽¹⁾</i> | <i>Revenues</i> | <i>Long Term - Assets⁽¹⁾</i> |
| Colombia | Ps 5,540,069 | Ps 1,202,108 | Ps 7,558,997 | Ps 1,718,190 |
| Panama and Cayman Islands | 515,749 | 10,242 | 260,282 | 10,476 |
| Puerto Rico | 51,765 | 164 | 39,191 | 238 |
| Perú | 357 | 6,706 | 8,319 | 22,453 |
| El Salvador | 774,026 | 143,658 | 759,587 | 148,422 |
| USA | 48,010 | 115 | 42,770 | 199 |
| Total | 6,929,976 | 1,362,993 | 8,669,146 | 1,899,978 |
| Eliminations of intersegment operations | (492,986) | 11 | (256,380) | 2,674 |
| Total, net | Ps 6,436,990 | Ps 1,363,004 | Ps 8,412,766 | Ps 1,902,652 |

(1) Included foreclosed assets, net, and property, plant and equipment, net.

(2) The segment disclosure for the year ended 2007 was modified to reflect certain reclassifications made in commissions from banking

services and other services, administrative and other expenses and other income that conform to the presentation of 2008 figures, in order to provide a better basis of comparison with respect to 2008 figures regarding the gains on the sale of mortgage loans. No such changes were made for 2006, as the reclassifications would not have a material impact on the figures for that period, and accordingly, would not be material for comparative purposes.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

The segments reported embrace the following activities:

Corporate and governmental Banking: This segment provides commercial banking products and services to local and international companies, from both the public and private sectors with annual sales of more than Ps15,000 million. They lead their own respective markets, which makes them highly sophisticated in terms of processes, operations and projects. The Chief Operating Decision Maker defined Corporate and Governmental banking as operating segment.

Retail and small business banking: The Bank's Retail Banking segment provides a wide range of financial products and services to individuals and SMEs. (firms that are not part of the Corporate and governmental segment) in Colombia and El Salvador. Bancolombia's Personal and SME Banking Division attends a wide range of clients with different needs, goals and lifestyles. The Chief Operating Decision Maker defined Retail and Small business banking as operating segment.

Treasury: This segment is responsible for the management of the Bank's proprietary trading activities, liquidity, and distribution of products and services to its client base in Colombia. In addition, Bancolombia's Economic Research Department makes part of this division. Additional information on Bancolombia's treasury products can be found in section Item 4. Information on the Company B.5 Products and services .

Offshore Commercial Banking: This segment summarizes the operations of the following Bancolombia subsidiaries: Bancolombia Panama S.A., Bancolombia Cayman, Bancolombia Puerto Rico Internacional Inc. and Banco Agrícola (Panama) S.A. provide a complete line of offshore banking services to Colombian and Salvadorian customers, including loans to private sector companies, trade financing, lease financing, financing for industrial projects as well as a complete portfolio of cash management products, such as checking accounts, international collections and payments, and PC Banking. Through these Subsidiaries, the Bank also offers investment opportunities in U.S. Dollars, savings and checking accounts, time deposits, and investment funds to its high net worth clients and private banking customers.

Leasing: This segment summarizes the operations of the following Bancolombia subsidiaries offer financial and operational leases: Leasing Bancolombia S.A., Renting Colombia S.A., Renting Perú S.A., Tempo Rent a Car, Capital Investment Safi S.A, Suleasing Internacional Inc, and Arrendadora Financiera S.A.

With our cross border or international leasing operations we provide financial leasing services from abroad offering very special features to our clients in Colombia as well as in Central America, Mexico and Brazil.

All other segments: This segment summarizes the following operations:

Investment Banking. Banca de Inversión Bancolombia specializes in providing investment banking services to corporate customers in areas such as mergers and acquisitions, project finance, issuances of debt and equity securities and syndicated loan transactions.

Brokerage and Asset Management. Valores Bancolombia, Suvalor Panama and Bursabac provide brokerage and asset management services. It provides its customers with domestic and international investment alternatives.

Trust, Pension Fund and Insurance. The Bank offers, through its subsidiaries Fiduciaria Bancolombia S.A., Fiduciara GBC S.A, funds designed to provide customers with the opportunity to diversify their investments.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

Through its branch network, Bancolombia and Banco Agrícola offer various insurance products (Bancassurance). On the other hand, Asesuisa and Asesuisa Vida offer insurance products for individuals and corporations, covering a wide range of risks and exposures in El Salvador.

AFP Crecer S.A. is a pension fund manager that manages both voluntary and mandatory contributions through individual savings accounts for the elderly, common disability and surviving pensions, as established under the SAP. The SAP and other regulations issued by the Superintendency of Pensions of El Salvador regulate the products and services that AFP Crecer S.A. provides.

In addition, the operations of the following subsidiaries are part of the other segment: Sistema de Inversiones y negocios S.A., Sinesa Holding Company Limited, Future Net, Inmobiliaria Bancolombia, Valores Simesa, Todo1 Colombia, Inversiones CFNS, Tempo LTDA, Inversiones IVL, Banagricola (The holding), Inversiones Financieras Bancoagricola S.A. and Transportes Empresariales de Occidente Ltda.

y) Restatement of US GAAP Condensed Financial Information

On June 29, 2009, the Bank filed an amendment on Form 20-F/A to its annual report on Form 20-F for the year ended December 31, 2007, filed with the SEC on July 8, 2008 to reflect the restatements described below. For the years ended 2006 and 2007, the Bank reviewed certain of its service agreements with vehicles used to securitize the Bank's performing loans and reconsidered the analysis under SFAS 140 and concluded that such vehicles did not meet the definition of a qualified special-purpose entity under SFAS 140. Consequently, the Bank restated the Supplemental Consolidated Condensed Balance Sheets, Supplemental Consolidated Condensed Statements of Operations and the Supplemental Consolidated Condensed Statements of Cash Flows in order to consolidate the vehicles in which the Bank is the primary beneficiary under FIN 46R Consolidation of Variable Interest Entities (Revised). In addition, the Bank restated the Supplemental Consolidated Condensed Statements of Cash Flows to correct errors related to (i) for the fiscal years ended on December 31, 2005, 2006 and 2007, the inappropriate classification of the changes in the loan portfolio as operating activities rather than investing activities, (ii) for the years ended December 31, 2005 and 2007, clerical errors in the elimination and reclassification of cash flows related to the different accounting treatment for business combinations under Colombian GAAP and U.S. GAAP, (iii) for the fiscal years ended on December 31, 2006 and 2007, the presentation of the effects of exchange rate changes on cash and cash equivalents. In addition, as noted above, the restatement relating to the treatment of vehicles used to securitize the Bank's performing loans also affected the Supplemental Consolidated Condensed Statements of Cash Flows for the years ended December 31, 2006 and 2007.

z) Recent U.S. GAAP Pronouncements

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 166, Accounting for Transfers of Financial Assets (an amendment of FAS 140) (SFAS 166). SFAS 166 amends the guidance on transfers of financial assets in order to address practice issues highlighted most recently by events related to the economic downturn. The amendments include: (1) eliminating the qualifying special-purpose entity concept, (2) a new unit of account definition that must be met for transfers of portions of financial assets to be eligible for sale accounting, (3) clarifications and changes to the derecognition criteria for a transfer to be accounted for as a sale, (4) a change to the amount of recognized gain or loss on a transfer of financial assets accounted for as a sale when beneficial interests are received by the transferor, and (5) extensive new disclosures. Calendar year-end companies will have to apply SFAS 166 to new transfers of financial assets occurring from January 1, 2010. The Bank is currently analyzing the effect that SFAS No.166 will have on its U.S.GAAP disclosures and financial information.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS 167). SFAS 167 represents a significant change to the previous accounting rules. The standard include: (1) Eliminates the scope exception for qualifying special-purpose entities, (2) eliminates the quantitative model for determining which party should consolidate and replaces it with a qualitative model focusing on decision-making for an entity's significant economic activities, (3) requires a company to continually reassess whether it should consolidate an entity subject to FIN 46(R), (4) requires an assessment of whether an entity is subject

to the standard due to a troubled debt restructuring, and (5) requires extensive new disclosures. SFAS 167 is effective for the Bank's first reporting period beginning after November 15, 2009. The Bank is currently analyzing the effect that SFAS No.167 will have on its U.S.GAAP disclosures and financial information.

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, Subsequent Events (SFAS No.165). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, SFAS 165 provides (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009 and shall be applied prospectively. The Bank is currently analyzing the effect that SFAS No.165 will have on its U.S.GAAP disclosures and financial information.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

In April 2009, the FASB issued FASB Staff Position (FSP) No. 141R-1 Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies . FSP 141R-1 addresses application issues regarding initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This FSP applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Bank will apply FSP 141R-1 for acquisitions consummated on or after January 1, 2009.

In April 2009, the FASB issued FSP No. FAS 157-4 Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP FAS 157-4). FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP 157-4 is effective for the financial statements for interim and annual periods ending after June 15, 2009. The Bank is currently analyzing the effect that FSP FAS 157-4 will have on its U.S.GAAP disclosures and financial information.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2 Recognition and Presentation of Other-Than-Temporary Impairments (FSP FAS 115-2 and FAS 124-2). FSP FAS 115-2 and FAS 124-2 amend the other-than-temporary impairment guidance for investments in debt securities to make the guidance more operational and also to improve the presentation and disclosure of other-than-temporary impairments on both debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. FSP FAS 115-2 and FAS 124-2 are effective for the Bank s financial statements for the year ending December 31, 2009. The Bank is currently analyzing the effect that FSP FAS 115-2 and FAS 124-2 will have on its U.S.GAAP disclosures and financial information.

In February 2009, the FASB issued SFAS No. 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 . This FSP amends SFAS 157 to exclude FASB Statement No. 13, Accounting for Leases (SFAS 13), and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS 13. This FSP is effective upon the initial adoption of SFAS 157. The adoption of SFAS 157-1 did not have a material impact on the consolidated statements of income and consolidated balance sheets.

In December 2008, the FASB issued FSP No. FAS 132(R)-1 Employers Disclosures about Postretirement Benefit Plan Assets (FSP FAS 132(R)-1). FSP FAS 132(R)-1 provides guidance on an employer s disclosures about plan assets of a defined benefit pension or other postretirement plan. FSP FAS 132(R)-1 is effective for the financial statements for the year ending December 15, 2009. Management is currently evaluating the impact the FSP FAS 132(R)-1 would have on the Bank s financial statement and U.S.GAAP disclosures.

In December 2008, the FASB issued FSP No. SFAS 140-4 and FIN 46(R)-8, Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities (FSP SFAS 140-4 and FIN 46(R)-8). FSP SFAS 140-4 and FIN 46(R)-8 amends Statement of Financial Accounting Standards (SFAS) No. 140 Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities a replacement of FASB Statement No. 125 (SFAS 140) to require public entities to provide additional disclosures about transferors continuing involvements with transferred financial assets. It also amends FASB Interpretation (FIN) No. 46 (revised December 2003) Consolidation of Variable Interest Entities an interpretation of ARB No. 51 (FIN 46R) to require public enterprises, including sponsors that have a variable interest in a VIE, to provide additional disclosures about their involvement with VIEs. The expanded disclosure requirements for FSP FAS 140-4 and FIN 46(R)-8 are effective for the Bank s financial statements for the year ending December 31, 2008. The adoption of FSP FAS 140-4 and FIN 46(R)-8 did not impact the Bank s financial condition and results of operations.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

In October 2008, the FASB issued FSP No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* (FSP 157-3). FSP 157-3 clarifies how SFAS No. 157 *Fair Value Measurements* (SFAS 157) should be applied when valuing securities in markets that are not active. The results of adoption of FSP 157-3, effective September 30, 2008, were included in Note 31 (t) *Estimated Fair Value of Financial Instruments*.

In September 2008, the FASB issued FSP No. 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161* (FSP 133-1). FSP 133-1 requires expanded disclosures about credit derivatives and guarantees. The expanded disclosure requirements for FSP 133-1 were effective for the Bank's financial statements for the year ending December 31, 2008 and are included in Note 31 (i) *Investment securities and derivatives* and in Note 31 (r) *Guarantees*. The adoption of FSP 133-1 did not impact the Bank's financial condition and results of operations.

In May 2008, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). The new standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. GAAP for nongovernmental entities. SFAS 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board Auditing amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles* . The adoption of SFAS 162 did not have a material impact on the consolidated statements of income and consolidated balance sheets.

In April 2008, the FASB issued FSP No. SFAS 142-3, *Determination of the Useful Life of Intangible Assets* . (FSP SFAS 142-3) amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets*. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under Statement 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141 (revised 2007), *Business Combinations*. This Statement is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years; early adoption is prohibited. The Bank is currently analyzing the effect that FSP SFAS 142-3 will have on its U.S.GAAP disclosures and financial information, for acquisitions consummated on or after January 1, 2009.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161) which requires expanded qualitative, quantitative and credit-risk disclosures about derivatives and hedging activities and their effects on the Bank's financial position, financial performance and cash flows. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption. The Bank is currently analyzing the effect that SFAS 161 will have on its U.S.GAAP disclosures and financial information.

In February 2008, the FASB issued FSP No. FAS 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions* (FSP 140-3). FSP 140-3 requires that an initial transfer of a financial asset and a repurchase financing that was entered into contemporaneously with, or in contemplation of, the initial transfer be evaluated together as a linked transaction under SFAS 140, unless certain criteria are met. FSP 140-3 is effective financial statements issued for fiscal years beginning after November 15, 2008 (for the Bank's financial statements for the year beginning on January 1, 2009). The Bank is currently analyzing the effect that FSP No. FAS 140-3 will have on its U.S.GAAP disclosures and financial information.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

In December 2007, the FASB issued Statement No. 141 R (SFAS 141 R) Business Combination Revised 2007. SFAS 141 R replaces FASB Statement No. 141, Business Combinations. SFAS 141 R retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. It requires an acquirer to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions specified in the Statement. SFAS 141 R also requires the acquirer in a business combination achieved in stages (sometimes referred to as a step acquisition) to recognize the identifiable assets and liabilities, as well as the non-controlling interest in the acquiree, at the full amounts of their fair values (or other amounts determined in accordance with this Statement). This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Bank is currently analyzing the effect that SFAS 141 R will have on its U.S.GAAP disclosures and financial information.

In December 2007, the FASB issued Statement No. 160 (SFAS 160) Non-controlling Interests in Consolidated Financial Statements an amendment of ARB No. 51, which amends ARB 51 to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This Statement also changes the way the consolidated income statement is presented. It requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. SFAS 160 establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation and treats all of those transactions as equity transactions if the parent retains its controlling financial interest in the subsidiary. A parent recognizes a gain or loss in net income when a subsidiary is deconsolidated. A parent deconsolidates a subsidiary as of the date the parent ceases to have a controlling financial interest in the subsidiary. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends) and earlier adoption is prohibited. The Bank is currently analyzing the effect that SFAS 160 will have on the Bank's U.S.GAAP disclosures and financial information.

In November 2007, the SEC issued Staff Accounting Bulletin (SAB) No. 109 Written loan commitments recorded at fair value through earnings (SAB 109). SAB 109 clarifies that consistent with the guidance in SFAS 156 Accounting for Servicing of Financial Assets and SFAS 159 The Fair Value Option for Financial Assets and Liabilities, the expected net future cash flows related to the associated servicing of the loan should be included in the measurement of all written loan commitments that accounted for at fair value through earnings. SAB 109 is effective from January 1, 2008. The adoption of SAB 109 did not impact the Bank's financial condition and results of operations.

In February 2007, the FASB issued Statement No. 159 (SFAS 159) The Fair Value Option for Financial Assets and Financial Liabilities. SFAS 159 creates a fair value option under which an entity may irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities on a contract-by-contract basis, with changes in fair value recognized in earnings as these changes occur. SFAS 159 is effective as of the beginning of the first fiscal year beginning after November 15, 2007. The Bank did not elect to measure eligible items at fair value under SFAS 159 and therefore it did not impact the Bank's financial condition and results of operations.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Stated in millions of Colombian pesos and thousands of U.S. dollars. Except for the Representative Market Rate)

Recent Colombian GAAP Pronouncements:

On June 03, 2009, at its last session, bill 203/2008 (initially bill 165/2007, approved by the same commission but in the House of Representative of Colombian Congress) was duly approved, by means of which the accounting, reporting and information assurance principles and standards that are generally accepted in Colombia were regulated, indicating the competent authorities, the procedure by which said principles and standards are to be issued and determining the corresponding oversight authorities. This bill, which is about to be passed, brings the currently generally accepted accounting principles in Colombia in line with International Financial Reporting Standards.

In June 2008, the Colombian Superintendency of Finance published External Circular No. 025 titled Subrogation of instructions regarding derivatives and structured products as contained in Chapter 18 of the Basic Accounting and Financial Circular as well as the issuance of the transition regime applying to said instruments and products, for the purpose of adjusting its rules and regulations as well as issuing instructions as a result of the integral reform made to the rules and regulations governing operations carried out with derivatives and structured products, as promulgated by the National Government by means of Decrees 1796, 1797 and 1121 of 2008. That contained in the External Circular No. 025 is used on a prospective basis for purpose of appraising the value of derivatives and structured products occurring or traded as of July 23, 2008 and all the other rules and regulations therein contained that shall come into full force and effect as of July 1, 2008. The stipulations contained in External Circular 025 affect the appraisal of derivatives and structured products on the Bank's financial statements for the year ending December 31, 2008, and are included in Note 31 (t) Estimated Fair Value of Financial Instruments.

EXHIBIT INDEX

- 12.1 CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated July 24, 2009.
- 12.2 CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated July 24, 2009.
- 13.1 CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated July 24, 2009.
- 13.2 CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated July 24, 2009.
- 15.1 Consent of PriceWaterhouseCoopers Ltda.
- 15.2 Consent of Deloitte & Touche Ltda.
- 15.3 Consent of PriceWaterhouseCoopers, S.A.