

BANCOLOMBIA SA  
Form 424B2  
September 04, 2012  
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Filed Pursuant to Rule 424(b)(2)  
Registration No. 333-168077

**The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale of these securities is not permitted.**

**SUBJECT TO COMPLETION**

**PRELIMINARY PROSPECTUS SUPPLEMENT, DATED SEPTEMBER 4, 2012**

PROSPECTUS SUPPLEMENT

(To the Prospectus dated July 13, 2010)

**US\$**

**Bancolombia S.A.**

**% Subordinated Notes due 2022**

We are offering US\$ \_\_\_\_\_ of our \_\_\_\_\_ % subordinated notes due 2022. The notes will mature on \_\_\_\_\_, 2022. Interest is fixed at an annual rate of \_\_\_\_\_ % and is payable semi-annually on March \_\_\_\_\_ and September \_\_\_\_\_ of each year, beginning March \_\_\_\_\_, 2013. The notes will not be subject to any redemption prior to the maturity date.

The notes will be our unsecured subordinated obligations and will rank junior to all of our existing and future senior obligations and will rank senior only to our capital stock and any other instrument that may qualify as Tier One Capital for purposes of Colombian banking laws, if any, and which is expressly or effectively subordinated to the notes. The notes will not be guaranteed by our subsidiaries and will not be entitled to any sinking fund.

We have applied to list the notes on the New York Stock Exchange (the "NYSE"). Currently, there is no public market for the notes.

**Investment in the notes involves risks. See Risk Factors beginning on page S-12 of this prospectus supplement to read about certain risk factors you should consider before investing in the notes.**

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement and accompanying prospectus. Any representation to the contrary is a criminal offense.

## Edgar Filing: BANCOLOMBIA SA - Form 424B2

THE INFORMATION CONTAINED IN THIS PROSPECTUS SUPPLEMENT IS CONSIDERED ESSENTIAL IN ORDER TO ALLOW AN ADEQUATE EVALUATION OF THE INVESTMENT BY POTENTIAL INVESTORS. THE NOTES HAVE BEEN AUTOMATICALLY REGISTERED IN THE *REGISTRO NACIONAL DE VALORES Y EMISORES* (THE COLOMBIAN NATIONAL REGISTRY OF SECURITIES AND ISSUERS). SUCH REGISTRATION DOES NOT CONSTITUTE AN OPINION OF THE *SUPERINTENDENCIA FINANCIERA DE COLOMBIA* (THE COLOMBIAN SUPERINTENDENCY OF FINANCE) WITH RESPECT TO APPROVAL OF THE QUALITY OF THE NOTES OR OUR SOLVENCY. THE NOTES MAY NOT BE PUBLICLY OFFERED OR SOLD IN THE REPUBLIC OF COLOMBIA.

	<b>Per note</b>	<b>Total</b>
Public offering price(1)(2)	%	US\$
Underwriting discount	%	US\$
Proceeds, before expenses, to us	%	US\$

- (1) Plus accrued interest, from September , 2012, if settlement occurs after that date.
- (2) Subject to market conditions, we reserve the right to increase the aggregate principal amount of the notes by up to % of the notes offered by this prospectus supplement, or \$ , during Asian market hours on September , 2012. Such additional notes may be sold at a price to the public that is higher than or equal to (but not less than) the price offered to the public in the United States.

We expect that delivery of the notes will be made to purchasers in book-entry form through The Depository Trust Company ( DTC ) for the benefit of its participants, including Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme*, on or about September , 2012.

### *Joint Book-Running Managers*

**BofA Merrill Lynch**

**Citigroup**  
*Co-Manager*

**Morgan Stanley**

**Valores Bancolombia**

The date of this prospectus supplement is September , 2012

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### **ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is divided in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which describes more general information, some of which may not apply to this offering.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus and in any free writing prospectus filed with the U.S. Securities and Exchange Commission (the SEC). This prospectus supplement contains the terms of this offering. This prospectus supplement, or the information incorporated by reference in the accompanying prospectus, may add, update or change information in the accompanying prospectus. If information in this prospectus supplement, or the information incorporated by reference in the accompanying prospectus, is inconsistent with the accompanying prospectus, this prospectus supplement, or the information incorporated by reference in the accompanying prospectus, will apply and will supersede that information in the accompanying prospectus.

In this prospectus supplement and the accompanying prospectus, unless the context otherwise requires, references to Bancolombia, the Bank, we, us or our mean Bancolombia S.A. and its consolidated subsidiaries taken as a whole. References to Valores Bancolombia mean Valores Bancolombia S.A. and its consolidated subsidiaries taken as a whole. In addition, all references in this prospectus supplement and the accompanying prospectus to pesos, Ps and COP are to the currency of Colombia and references to U.S. dollars and US\$ are to the currency of the United States of America. Also, as used herein, the term billion means one thousand million, or 1,000,000,000.

No dealer, salesperson or other individual has been authorized to give any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement or the accompanying prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by us, the underwriters, Valores Bancolombia or any other person. Neither the delivery of this prospectus supplement and the accompanying prospectus nor any sale made hereunder or thereunder shall under any circumstances create an implication that there has been no change in the affairs of the Bank since the date hereof or thereof or that the information contained herein or therein is correct as of any time subsequent to its date. Our business, financial condition, results of operation and/or prospects may have changed since those dates.

The distribution of this prospectus supplement and the accompanying prospectus and the offer or sale of the notes in some jurisdictions may be restricted by law. Persons into whose possession this prospectus supplement and the accompanying prospectus come are required by us, the underwriters and Valores Bancolombia to inform themselves about and to observe any applicable restrictions. This prospectus supplement and the accompanying prospectus do not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

### **AVAILABLE INFORMATION**

This prospectus supplement and the accompanying prospectus are part of a registration statement on Form F-3 filed by us with the SEC under the U.S. Securities Act of 1933, as amended (the Securities Act). We are also subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), applicable to a foreign private issuer and, accordingly, file or furnish reports, including annual reports on Form 20-F, reports on Form 6-K and other information with the SEC. You may read and copy any documents filed by us at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our filings with the SEC are also available to the public through the SEC's Internet site at <http://www.sec.gov> and through the NYSE located at 20 Broad Street, New York, New York 10005.

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**INCORPORATION OF CERTAIN INFORMATION BY REFERENCE**

The SEC's rules allow us to incorporate by reference information into this prospectus supplement. This means that we can disclose important information to you by referring you to another document that has also been filed with the SEC. Any information referred to in this way is considered part of this prospectus supplement from the date we file the document incorporated by reference with the SEC. Any reports filed by us with the SEC after the date of this prospectus supplement and before the date that the offering of the securities by means of this prospectus supplement is completed or terminated will be incorporated by reference into this prospectus supplement and will automatically update and, where applicable, supersede any information contained in this prospectus supplement or incorporated by reference in this prospectus supplement (other than, in each case, documents or information deemed to have been furnished and not filed in accordance with SEC rules).

We incorporate by reference into this prospectus supplement our Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on April 17, 2012 (the "Annual Report").

The preceding document supersedes and replaces the documents listed in the accompanying prospectus under the heading "Incorporation of Certain Information by Reference."

We will provide without charge to each person, including any beneficial owner, to whom this prospectus supplement is delivered, upon his or her written or oral request, a copy of any or all documents referred to above which have been or may be incorporated by reference into this prospectus supplement.

You may request a copy of these filings by writing or telephoning us at our principal executive offices at the following address:

**Bancolombia S.A.**

Carrera 48 # 26-85, Avenida Los Industriales

Medellín, Colombia

Attention: General Secretary

Telephone Number: (574) 404-1837

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This prospectus supplement converts certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. The Federal Reserve Bank of New York does not report a rate for pesos. Unless otherwise indicated, such peso amounts have been converted at the rate of COP 1,942.70 per US\$1.00, which corresponds to the *tasa representativa del mercado* ( representative market rate ) calculated on December 31, 2011. The representative market rate is computed and certified by the *Superintendencia Financiera de Colombia*, the Colombian Superintendency of Finance (the SFC ), on a daily basis and represents the weighted average of the buy/sell foreign exchange rates negotiated on the previous day by certain financial institutions authorized to engage in foreign exchange transactions (including us). The SFC also calculates and certifies the average representative market rate for each month for purposes of preparing financial statements and converting amounts in foreign currency to pesos. You should not construe these convenience conversions as a representation that the peso amounts correspond to, or have been or could be converted into, U.S. dollars at the representative market rate or any other rate.

On June 30, 2012 and June 30, 2011, the representative market rate was COP 1,784.60 and 1,772.32 per US\$1.00, respectively, as published on July 1, 2012 and July 1, 2011, respectively. On August 31, 2012, the representative market rate was COP 1,825.21 per US\$1.00, as published on September 1, 2012.

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

**Recent exchange rates of U.S. Dollars per Peso**

Month	Low	High	Period End
August 2012	1,785.29	1,833.14	1,825.21
July 2012	1,771.53	1,799.48	1,790.74
June 2012	1,766.91	1,834.71	1,784.60
May 2012	1,754.89	1,845.17	1,833.80
April 2012	1,761.20	1,793.30	1,764.00
March 2012	1,758.03	1,792.07	1,792.07

Source: SFC.

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

**Peso/U.S.\$1.00 representative market rate**

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

Source: SFC.

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**FORWARD-LOOKING STATEMENTS**

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

Information regarding important factors that could cause our actual results to differ, perhaps materially, from those in our forward-looking statements appear in a number of places in this prospectus supplement and the documents incorporated in this prospectus supplement by reference and include, but are not limited to:

changes in general economic, business, political, social, fiscal or other conditions in Colombia, or in any of the other countries where we operate;

changes in capital markets or in markets in general that may affect policies or attitudes towards lending;

unanticipated increases in our financing and other costs, or our inability to obtain additional debt or equity financing on attractive terms;

inflation, changes in foreign exchange rates and/or interest rates;

sovereign risks;

liquidity risks;

increases in defaults by our borrowers and other loan delinquencies;

lack of acceptance of new products or services by our targeted customers;

competition in the banking, financial services, credit card services, insurance, asset management, remittances, business and other industries in which we operate;

adverse determination of legal or regulatory disputes or proceedings;

changes in official regulations and governmental banking policy as well as other changes in laws, regulations or policies in the jurisdictions in which we do business;

regulatory issues relating to acquisitions;

changes in business strategy; and

other factors identified or discussed under **Risk Factors** in this prospectus supplement and elsewhere in the Annual Report, which is incorporated in this prospectus supplement by reference.

Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or revise any forward-looking statements after the date on which they are made in light of new information, future events and other factors.



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**ENFORCEMENT OF CIVIL LIABILITIES AGAINST FOREIGN PERSONS**

We are a Colombian company, a majority of our directors and management and certain of the experts named in this prospectus supplement are residents of Colombia, and a substantial portion of their respective assets are located in Colombia.

We have been advised by Gómez-Pinzón Zuleta Abogados S.A. that the Colombian Supreme Court determines whether to enforce a U.S. judgment predicated on the U.S. securities laws through a procedural system known under Colombian law as *exequatur*. The Colombian Supreme Court will enforce a foreign judgment, without reconsideration of the merits, only if the judgment satisfies the requirements of Articles 693 and 694 of Colombia's *Código de Procedimiento Civil* (the Code of Civil Procedure), which provide that the foreign judgment will only be enforced if:

a treaty providing for reciprocal recognition of foreign judgments exists between Colombia and the country where the judgment was granted or there is reciprocity in the recognition of foreign judgments between the courts of the relevant jurisdiction and the courts of Colombia;

the foreign judgment does not relate to *in rem* rights over assets that were located in Colombia at the time the suit was filed;

the foreign judgment does not contravene or conflict with Colombian laws relating to public order other than those governing judicial procedures;

the foreign judgment, in accordance with the laws of the country where it was rendered, is final and is not subject to appeal and a duly certified and authenticated copy of the judgment has been presented to a competent court in Colombia;

the foreign judgment does not refer to any matter upon which Colombian courts have exclusive jurisdiction;

no proceeding is pending in Colombia with respect to the same cause of action, and no final judgment has been awarded in any proceeding in Colombia on the same subject matter and between the same parties; and

in the proceeding commenced in the foreign court that issued the judgment, the defendant was served in accordance with the law of such jurisdiction and in a manner reasonably designated to give the defendant an opportunity to defend against the action.

The United States and Colombia do not have a bilateral treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. However, the Colombian Supreme Court has generally accepted that reciprocity exists when it has been proven that either a U.S. court has enforced a Colombian judgment or that a U.S. court would enforce a foreign judgment, including a judgment issued by a Colombian court. In brief, reciprocity may be granted by treaty (the so-called *diplomatic reciprocity*) or by virtue of the laws of the country where the decision was rendered (the so-called *legislative reciprocity*). Enforceability decisions are considered by the Colombian courts on a case-by-case basis.

Articles 693 and 694 of the Code of Civil Procedure are currently in force. However, a new *Código General del Proceso* (the General Code of Procedure) was recently approved, which will be fully in force in the coming years. The General Code of Procedure does not contain substantial changes as to *exequatur* proceedings of foreign judicial judgments.

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**SUMMARY**

*This summary highlights selected information from, or incorporated by reference in, this prospectus supplement or the accompanying prospectus, but does not contain all the information that may be important to you. You should read carefully this entire prospectus supplement, the accompanying prospectus and those documents incorporated by reference into this document, including the Risk Factors and the financial statements and the related notes thereto, before making an investment decision.*

**Company Overview**

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

We have grown substantially in recent years, through organic growth as well as through acquisitions. Since 2008, our assets, net loans and financial leases, deposits and stockholders' equity have grown at compound annual growth rates of 12.3%, 11.6%, 9.6% and 13.9%, respectively. As of June 30, 2012, we had, on a consolidated basis:

COP 87,215 billion in total assets;

COP 59,213 billion in total net loans and financial leases;

COP 54,476 billion in total deposits; and

COP 10,717 billion in stockholders' equity.

Our consolidated net income for the year ended December 31, 2011 and for the six months ended June 30, 2012 was COP 1,664 billion and COP 800 billion, respectively, representing an average return on equity of 20.22% and 15.73%, respectively, and an average return on assets of 2.20% and 1.88%, respectively.

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

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

Since 1995, we have maintained a listing on the NYSE, where our ADSs are traded under the symbol "CIB", and on the Colombian Stock Exchange, where our preferred shares are traded under the symbol "PFBCOLOM". Since 1981, our common shares have been traded on Colombian exchange under the symbol "BCOLOMBIA".



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### **Strategy**

Our goal is to maintain our position as a leading provider of financial services in Colombia and El Salvador while increasing our profitability. The key elements of our strategy are:

#### *Maintaining our Leading Position in the Colombian and Salvadorian Financial Services Markets*

We continue to capitalize on our strong brand name recognition and leading market positions in Colombia and El Salvador in order to grow our business. We believe that the Colombian financial services market offers new and attractive growth potential. In particular, banking penetration in Colombia, as measured by loans to gross domestic product, is lower than in many of the countries in the region. We believe that this low penetration in combination with strong expected growth in the Colombian economy will support growth in the banking market, particularly in retail and mortgage loans. We intend to maintain our relationships with our corporate clients, while focusing additional resources on under-served segments, which include retail and small businesses by tailoring innovative banking products targeted at these clients.

With respect to El Salvador, our focus is to achieve strategic growth, enhance customer service and improve efficiency in order to grow our business and improve performance results. We strive to provide comprehensive solutions for our customers by continuing to develop and refine our electronic services platform and offering personalized service, especially in credit processes, to our customers. We are committed to increasing our geographic presence in El Salvador through more efficient channels and branches.

#### *Actively Pursuing Cross-Selling Opportunities*

We intend to increase our market share and profitability by cross-selling our products and services. We believe that our existing customer base represents a significant opportunity to sell additional banking products and services. We believe that there are particularly attractive opportunities with our corporate banking clients. Within the corporate banking segment, we intend to focus on lower risk, higher margin products and services, such as international trade finance, leasing and factoring.

#### *Focus on Improving Operating Efficiency*

We are committed to improving our operating efficiency and profitability. By focusing on investments in and development of an information technology infrastructure and on the use of electronic distribution channels, we aim to increase our customers' use of electronic transactions, thereby addressing our customers' evolving needs and potentially increasing the transactions conducted by our customers. We also continue to implement technological solutions aimed at identifying means of improving our pricing processes and assessing the profitability of our business segments. Through these initiatives, we will continue to strive to improve our efficiency ratio.

#### *Increasing our Profitability by More Effectively Deploying our Assets*

We continue to seek the most attractive opportunities to improve our profitability. Our acquisition and successful integration of Banagrícola S.A. illustrates our decision to strategically use our capital to increase our profitability. We will continue to seek other investment opportunities that we believe will enhance our profitability and support our growth strategy.

### **Recent Developments**

#### *Management Appointments*

On June 25, 2012, the Bank's Board of Directors appointed Mr. Jaime Alberto Villegas Gutierrez as Vice President of Operations. Mr. Villegas, an industrial engineer, has a graduate degree in Finance from the Universidad de los Andes in Bogotá, Colombia. He served from 2007 to 2012 as Director of the Finance Systems

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Group at Standard Chartered Bank in Singapore and previously as Chief Financial Officer at Standard Chartered Bank in Dubai and Chief Operating Officer at Standard Chartered Bank in Colombia, among other positions.

On April 23, 2012, the Bank's Board of Directors appointed:

Mr. Andrés Felipe Ochoa Gomez as a member of the Risk Committee of the Bank. Mr. Ochoa is the Vice President of Compliance and Risk of certain entities of Grupo Suramericana and has professional and academic experience in risk management, holds a degree in electrical engineering, a master's degree in actuarial science from Georgia State University and a master's degree in electrical engineering from the University of Texas.

Mr. Jaime Velásquez Botero was appointed Vice President of Strategy and Finance. As part of the reorganization of the Bank's corporate management structure, the Bank's Board of Directors created the Vice-presidency of Strategy and Finance, which is responsible for the synchronization of strategy and financial management of the Bank, leveraging resources in connection with organic and inorganic growth of the bank using optimal debt and capital structures, and maintaining financial information in accordance with international standards, to ensure planning and efficiency. The position of Vice President of Corporate Development was eliminated. Mr. Velásquez, who recently served as Chief Financial Officer and Vice President of Corporate Development, also served in several management positions in the Economic Department and Investor Relations Department of the Bank from 1989 to 1997. Mr. Velasquez holds a degree in Economics from the Universidad de Antioquia in Medellín, Colombia.

Mr. Jose Humberto Acosta Martin was appointed Chief Financial Officer. Mr. Acosta previously served as Director of International Banking and as International Division Manager of Corfinsura, and he held various managerial positions in the same corporation, including Methods and Organization Division Manager and General Manager of Mergers, among others. Mr. Acosta holds a Business Administration degree from the Universidad Externado de Colombia and an MBA from the Universidad de la Sabana.

On March 6, 2012, the Bank's Board of Directors appointed Mr. Fuad Velasco Juri as Vice President of Corporate and Government Banking Bogotá. As part of the reorganization of the Bank's corporate management structure, the Bank's Board of Directors created the Vice-presidency of Corporate and Government Banking Bogotá, which will report to the Vice President of Corporate and Government Banking and will be responsible for development of corporate, government and institutional segment developments in the city of Bogotá, Colombia. Mr. Velasco had been the President of Fiduciaria Bancolombia since 2005 and holds a degree in Economics from the United States Air Force Academy and a Master in Business Administration with an emphasis in finance from the University of Maryland. Mr. Velasco also participated in the CEO Management Program at Kellogg School of Management and the Strategic Thinking and Management for Competitive Advantage Program at the University of Pennsylvania.

***Equity Offering***

On February 6, 2012, the Bank announced the completion of its public offering of preferred shares. The preferred shares were initially offered to the Bank's shareholders in a preemptive rights offering conducted in Colombia, and subsequently offered exclusively outside of Colombia in the form of ADSs.

Of the total 64 million preferred shares that were offered, 43,543,793 preferred shares were subscribed in the local preemptive rights offering at a price of COP 26,000 per share, resulting in aggregate net proceeds of approximately COP 1,132,138 million (US\$634.3 million). In the public offering outside of Colombia, 5,114,051 ADSs, representing 20,456,204 preferred shares, were sold at a price of US\$60 per ADS. The aggregate net proceeds for the sale of ADSs amounted to approximately US\$299.2 million. As a result of the issuance of a total of 63,999,997 preferred shares, the subscribed and paid in equity of the Bank amounts to approximately COP 425,913.5 million.

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### ***Co-investment with Grupo de Inversiones Suramericana of Certain ING Assets***

On April 19, 2012, the Bank announced that its subsidiary Banagrícola S.A. subscribed for 4,129 shares representing 4.13% of the capital stock of Grupo de Inversiones Suramericana España S.L., a company organized and existing under the laws of Spain and the indirect owner of the ING Latin American pension and insurance assets purchased by Grupo de Inversiones Suramericana in late 2011. The subscription price for the shares was US\$36,539 per share, for a total purchase price of approximately US\$150 million.

### ***Disposition of Todo 1 Services Inc. and Todo 1 Colombia S.A.***

On August 10, 2012, the Bank announced that, in the context of a management buy-out transaction, Sistema de Inversiones y Negocios S.A., a Panamanian subsidiary of the Bank, sold its 47.72% ownership stake in Todo 1 Services Inc., a corporation domiciled in Delaware and dedicated to providing technology solutions to banks in Latin America. The total sale price received in cash amounted to US\$1,787,786. Before the sale, Sistema de Inversiones y Negocios S.A. held 50% of the voting shares of Todo 1 Services Inc., which represented 47.72% of its outstanding shares.

On the same date, Banca de Inversión Bancolombia S.A. (directly and through its subsidiaries) sold its 90% stake in Todo 1 Colombia S.A. to Todo 1 Services Inc. and certain members of management. On August 29, 2012, the total sale price was received in cash, amounting to COP 228,021,325.

Pursuant to both transactions, the current beneficial owners of Todo 1 Services Inc. and Todo 1 Colombia S.A. are a group of members of Todo 1 Services Inc.'s management team, led by Felipe Uribe, the company's chief executive officer. Neither the Bank nor any of its subsidiaries provided financing in connection with these transactions. Todo 1 Services Inc. and Todo 1 Colombia S.A. will continue to provide services to the Bank on arm's length terms.

### ***Acquisition of UFF! Móvil S.A.S.***

On August 30, 2012, the Bank announced that its subsidiary Banagrícola S.A. acquired 70% of UFF! Móvil S.A.S. (UFF!), a Colombian telecommunications services operator. The shares were acquired from investment companies linked to the Carlos Julio Ardila's family and a group of investors, including Santiago Aldana Sanín, chief executive officer of UFF. Both investment groups will continue as shareholders of UFF, each with 15% of the shares. The transaction price was COP 21,000,000,000 (approximately US\$11,481,746).

### ***Legal Proceeding against Banco Agrícola in El Salvador***

The discovery stage in a lawsuit against Banco Agrícola requesting damages in the amount of US\$366,469,000 has been completed. In this lawsuit, the plaintiff is seeking damages it allegedly suffered as a consequence of an alleged failure of Banco Agrícola to return certain assets that were attached in a debt collection lawsuit. A final judgment is expected to be delivered soon. If such judgment is adverse to Banco Agrícola's interests, Banco Agrícola's external legal counsel's expectations are that it would be overturned in an appellate proceeding and any contingency derived from this lawsuit is remote. See Note (10) in the Bank's unaudited condensed consolidated financial statements as of June 30, 2012 and for the six months ended June 30, 2012 and 2011 included elsewhere in this prospectus supplement for more information.

Our headquarters is located at Carrera 48 # 26-85, Avenida Los Industriales, Medellín, Colombia, and our telephone number is + (574) 404-1837. Our web address is [www.grupobancolombia.com](http://www.grupobancolombia.com); however, the information found on our website is not considered part of this prospectus supplement.

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**Exchange Offer for Outstanding Securities**

Following this offering, we may issue additional notes having substantially the same terms and conditions as the notes offered hereby in connection with a contemplated exchange offer for certain of our outstanding subordinated debt securities. Whether any such additional notes will be fungible for U.S. federal income tax purposes with the notes offered hereby will depend on a number of factors, and no assurance can be given that any such additional notes will be fungible for such purposes with the notes offered hereby. If any such additional notes are not fungible for U.S. federal income tax purposes with the notes offered hereby, the applicable additional notes will be assigned separate CUSIP and ISIN numbers from the notes offered hereby. Even if such additional notes are fungible for such purposes with the notes offered hereby, the additional notes may be assigned different CUSIP and ISIN numbers, and therefore may not be completely fungible for trading purposes with the notes offered hereby. If we launch such an exchange offer, we cannot predict whether or to what extent holders of our outstanding subordinated debt will participate in any such exchange offer or whether any such exchange offer will be successfully consummated.

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**The Offering**

*The following summary is not intended to be complete. For a more detailed description of the notes, see Description of the Notes.*

Issuer	Bancolombia S.A.
Securities offered	US\$      million in aggregate principal amount of      % subordinated notes due 2022. Subject to market conditions, we reserve the right to increase the aggregate principal amount of the notes by up to      % of the aggregate principal amount of notes offered hereby, or US\$      , during Asian market hours on September      , 2012. During this extended offering period, the notes will initially be offered at a price that is not less than the price set forth on the cover of this prospectus supplement.
Issue Price	% of the principal amount of the notes, plus accrued interest, if any from September      , 2012.
Maturity	The notes will mature on September      , 2022.
Interest	% payable semi-annually on March      and September      of each year, beginning on March      , 2013.
Form and Denomination	The notes will be issued in registered form, without coupons, and in minimum denominations of US\$2,000 and integral multiples of US\$1,000 in excess thereof.
Payment Currency	All amounts due in respect of principal, interest or the additional amounts, if any, will be paid in U.S. dollars.
Ranking	The notes will be our unsecured subordinated obligations. In the event of our liquidation under Colombian law, the notes will rank: <p style="margin-left: 40px;">junior in right of payment to the payment of all our Senior External Liabilities (as defined in Description of the Notes ) with or without legal preference, including, without limitation, senior indebtedness. As of June 30, 2012, we have COP 74,203 billion of Senior External Liabilities;</p> <p style="margin-left: 40px;"><i>pari passu</i> with all our other present or future Tier II subordinated indebtedness, including, without limitation, any subordinated bonds subscribed by the Fondo de Garantías de Instituciones Financieras. As of June 30, 2012, we have COP 2,296 billion of outstanding Tier II subordinated indebtedness, of which COP 72 billion has been issued by our subsidiary Compañía de Financiamiento Tuya S.A. (formerly, Sufinanciamiento S.A.); and</p>



senior in right of payment only to our capital stock and to any other instruments that may qualify as Tier One Capital for

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purposes of Colombian banking laws other than subordinated bonds subscribed by the Fondo de Garantías de Instituciones Financieras.

Optional Redemption

None.

Merger and Sales of Assets

The indenture governing the notes will contain a covenant that limits our ability to merge or consolidate with another entity or sell, lease or transfer substantially all of our properties or assets to another entity. See Description of the Notes Certain Covenants Mergers, Consolidations, Etc.

No Acceleration of Notes

If we fail to make payment of principal, interest or the additional amounts, if any, on the notes (and, in the case of payment of principal, such failure to pay continues for seven days or, in the case of payment of interest or additional amounts, such failure to pay continues for 30 days), each holder of the notes has the right to demand and collect under the indenture, and we will pay to the holders of the notes the applicable amount of such due and payable principal, accrued interest and any additional amounts on the notes; provided, however, that to the extent that the SFC has taken possession of us in order to administer or liquidate us, under the Colombian bankruptcy laws, the holders of the notes would not be able to commence independent collection proceedings to recover amounts owed. There is no right of acceleration in the case of a default in any payment on the notes (whether when due or otherwise) or the performance of any of our other obligations under the indenture or the notes. Notwithstanding the immediately preceding sentence, the holders of the notes shall have the right to accelerate the payments due under the notes during the occurrence of an Event of a Default (as defined herein), provided that there shall have been a change, amendment or modification to the Colombian banking laws that would permit such right without disqualifying the notes from Tier Two Capital status and the holders exercise such right in accordance with applicable Colombian banking law. Subject to the subordination provisions of the notes, if any Event of Default occurs and is continuing, the Trustee may pursue any available remedy (excluding acceleration, except as provided herein) to collect the payment of principal and interest on the notes or to enforce the performance of any provision under the indenture. See Colombian Banking Regulations Bankruptcy Considerations.

Listing

We have applied to list the notes on the New York Stock Exchange. Currently, there is no public market for the notes.

Use of Proceeds

The net proceeds from the offering will be available to strengthen our capital structure, for regulatory compliance and for general corporate purposes. See Use of Proceeds.

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Exchange Offer for Outstanding Securities

Following this offering, we may issue additional notes having substantially the same terms and conditions as the notes offered hereby in connection with a contemplated exchange offer for certain of our outstanding subordinated debt. Whether any such additional notes will be fungible for U.S. federal income tax purposes with the notes offered hereby will depend on a number of factors, and no assurance can be given that any such additional notes will be fungible for such purposes with the notes offered hereby. If any such additional notes are not fungible for U.S. federal income tax purposes with the notes offered hereby, the applicable additional notes will be assigned separate CUSIP and ISIN numbers from the notes offered hereby. Even if such additional notes are fungible for such purposes with the notes offered hereby the additional notes may be assigned different CUSIP and ISIN numbers, and therefore may not be completely fungible for trading purposes with the notes offered hereby. If we launch such an exchange offer, we cannot predict whether or to what extent holders of our outstanding subordinated debt will participate in any such exchange offer or whether any such exchange offer will be successfully consummated.

Trustee

The Bank of New York Mellon.

Governing Law

New York.

**Risk Factors**

See Risk Factors beginning on page S-12 of this prospectus supplement for a discussion of certain factors you should consider carefully before deciding to invest in the notes.

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**SUMMARY CONSOLIDATED FINANCIAL DATA**

The following table presents the Bank's summary consolidated financial information and other data as of and for each of the periods indicated. The financial information and other data as of December 31, 2011 and 2010 and for the three years ended December 31, 2011 have been derived from the Bank's audited consolidated financial statements as of December 31, 2011 and 2010 and for the three years ended December 31, 2011 and the notes related thereto included in the Annual Report. The financial information and other data as of and for the six months ended June 30, 2012 and 2011 have been derived from the Bank's unaudited condensed consolidated financial statements as of June 30, 2012 and for the six months ended June 30, 2012 and 2011 and the notes related thereto included elsewhere in this prospectus supplement. The unaudited summary consolidated financial information as of and for the six months ended June 30, 2012 and 2011 includes all adjustments, consisting of only normal recurring adjustments, which in the opinion of management are necessary for the fair presentation of such information. Interim results are not necessarily indicative of the results to be expected for the entire fiscal year.

The Bank's consolidated financial statements for each period were prepared in accordance with Colombian GAAP, which differs in certain important respects from U.S. GAAP. See Item 3. Key Information A. Selected Financial Data Differences between Colombian and U.S. GAAP Results and Note 31 to the Bank's consolidated financial statements as of December 31, 2011 and 2010 and for the three years ended December 31, 2011 in the Annual Report. The summary consolidated financial data should be read in conjunction with Item 5. Operating and Financial Review and Prospects in the Annual Report and our consolidated financial statements and the notes related thereto included in the Annual Report and elsewhere in this prospectus supplement.

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(In Millions of COP and Thousands of US\$) <sup>(1)</sup>	For the Year Ended				For the Six Months Ended			
	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2011	June 30, 2011	June 30, 2012	June 30, 2012	
<b>CONSOLIDATED STATEMENT OF OPERATIONS:</b>								
Net interest income	COP 3,802,282	COP 3,389,059	COP 3,903,588	US\$ 2,009,362	COP 1,877,540	COP 2,298,274	US\$ 1,287,837	
Net interest income after provisions	2,648,908	2,841,344	3,304,883	1,701,180	1,693,908	1,789,898	1,002,969	
Net operating income	1,640,712	1,858,835	2,058,356	1,059,536	962,602	1,030,844	577,633	
Income before income taxes	1,718,863	1,944,911	2,134,411	1,098,686	986,447	1,062,586	595,419	
Net income	COP 1,256,850	COP 1,436,494	COP 1,663,894	US\$ 856,489	COP 735,610	COP 800,068	US\$ 448,318	
<b>OTHER DATA <sup>(2)</sup></b>								
<b>Profitability ratios:</b>								
Net interest margin <sup>(3)</sup>	7.22%	6.38%	6.17%	6.17%	6.03%	6.19%	6.19%	
Return on average total assets <sup>(4)</sup>	2.01	2.27	2.20	2.20	2.06	1.88	1.88	
Return on average stockholders equity <sup>(5)</sup>	19.59	19.71	20.22	20.22	18.54	15.73	15.73	
<b>Efficiency ratio:</b>								
Operating expenses as a percentage of interest, fees, services and other operating income	50.89%	56.28%	57.58%	57.58%	60.51%	56.64%	56.64%	
<b>Capital ratios:</b>								
Period-end stockholders equity as a percentage of period-end total assets	11.37	11.67	10.52	10.52	10.65	12.29	12.29	
Period-end regulatory capital as a percentage of period-end risk-weighted assets <sup>(6)</sup>	13.23	14.67	12.46	12.46	13.69	14.89	14.89	
<b>Credit quality data:</b>								
Non-performing loans as a percentage of total loans <sup>(7)</sup>	2.44%	1.91%	1.52%	1.52%	1.59%	1.88%	1.88%	
C, D and E loans as a percentage of total loans <sup>(8)</sup>	5.11	4.32	3.82	3.82	4.12	4.10	4.10	
Allowance for loan and accrued interest losses as a percentage of nonperforming loans	241.08	274.36	306.94	306.94	304.25	263.40	263.40	
Allowance for loan and accrued interest losses as a percentage of C, D and E loans <sup>(8)</sup>	115.25	121.45	121.69	121.69	117.53	121.02	121.02	
Allowance for loan and accrued interest losses as a percentage of total loans	5.89	5.24	4.65	4.65	4.85	4.96	4.96	
<b>Operating Data:</b>								
Number of branches (at period end) <sup>(9)</sup>	713	736	779	779	760	796	796	
	As of the Year Ended				As of the Six Months Ended			
	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2011	June 30, 2011	June 30, 2012	June 30, 2012	
<b>CONSOLIDATED BALANCE SHEET DATA</b>								
<b>Assets:</b>								
Loans and financial leases, net <sup>(10)</sup>	COP 39,610,307	COP 46,091,877	COP 58,575,846	US\$ 30,151,771	COP 50,709,728	COP 59,212,566	US\$ 33,179,741	

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Investment securities, net (11)	8,914,913	8,675,762	9,958,191	5,125,954	10,231,243	10,468,940	5,866,267
Other assets	13,339,145	13,327,517	16,928,983	8,714,152	14,215,941	17,533,567	9,824,928
<b>Total Assets</b>	<b>61,864,365</b>	<b>68,095,156</b>	<b>85,463,020</b>	<b>43,991,877</b>	<b>75,156,912</b>	<b>87,215,073</b>	<b>48,870,936</b>
<b>Liabilities And</b>							
<b>Shareholders Equity:</b>							
Deposits	COP 42,149,330	COP 43,538,967	COP 52,434,492	US\$ 26,990,525	COP 46,237,745	COP 54,475,937	US\$ 30,525,573
Non-interest bearing	6,307,780	7,632,216	8,814,173	4,537,074	6,972,139	7,545,059	4,227,871
Interest bearing	35,841,550	35,906,751	43,620,319	22,453,451	39,265,606	46,930,878	26,297,702
<b>Other liabilities</b>	<b>12,682,206</b>	<b>16,609,049</b>	<b>24,035,168</b>	<b>12,372,043</b>	<b>20,911,566</b>	<b>22,022,593</b>	<b>12,340,352</b>
Total liabilities	54,831,536	60,148,016	76,469,660	39,362,568	67,149,311	76,498,530	42,865,925
<b>Stockholders equity</b>	<b>7,032,829</b>	<b>7,947,140</b>	<b>8,993,360</b>	<b>4,629,309</b>	<b>8,007,601</b>	<b>10,716,543</b>	<b>6,005,011</b>
<b>Total liabilities and stockholders equity</b>	<b>61,864,365</b>	<b>68,095,156</b>	<b>85,463,020</b>	<b>43,991,877</b>	<b>75,156,912</b>	<b>87,215,073</b>	<b>48,870,936</b>

- (1) Amounts stated in U.S. dollars have been converted at the rate of COP 1,942.70 per US\$1.00, which is the representative market rate calculated on December 31, 2011 or at the rate of COP 1,784.60 per US\$1.00, which is the representative market rate calculated on June 30, 2012, as applicable, both as reported by the SFC. Such conversions should not be construed as representations that the peso amounts represent, or have been or could be converted into, United States dollars at the representative market rate or any other rate.
- (2) Ratios were calculated on the basis of monthly averages.
- (3) Net interest income divided by average interest-earning assets.
- (4) Net income divided by average total assets.
- (5) Net income divided by average stockholders equity.
- (6) For an explanation of risk-weighted assets and Technical Capital, see Item 4. Information on the Company B. Business Overview B.8. Supervision and Regulation Capital Adequacy Requirements in the Annual Report.
- (7) Non-performing loans are micro-credit loans that are past due 30 days or more, mortgage and consumer loans that are past due 60 days or more and commercial loans that are past due 90 days or more. (Each category includes financial leases).
- (8) See Item 4. Information on the Company E. Selected Statistical Information E.3. Loan Portfolio-Risk Categories in the Annual Report for a description of C , D and E Loans.
- (9) Number of branches does not include branches of the Bank s subsidiaries.

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- (10) Includes financial leases for COP 5,470 billion, COP 5,834 billion, COP 7,172 billion, COP 6,315 billion and COP 7,722 billion as of December 31, 2009, 2010 and 2011 and June 30, 2011 and 2012, respectively.
- (11) In 2009, the SFC issued External Circular 047. This new regulation provided that, in cases where the Bank has a positive residual interest, the Bank, as beneficiary of the interest, may record it as an investment security recognized in income, subject to the conditions defined for this purpose in the rules and regulations of External Circular 047. The recorded value must be updated on the closing date of the fiscal period in question. As a result, the Bank recognized retained interest as an investment security held to maturity in the amount of COP 57,358 million, COP 77,057 million, COP 95,749 million and COP 127,697 million as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively. The impact on results as of June 30, 2012 was COP 31,876 million.

**Summary Financial Information (U.S. GAAP)**

(In Millions of COP and Thousands of US\$) <sup>(1)</sup>	For the Year Ended			
	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2011
<b>CONSOLIDATED INCOME STATEMENT DATA</b>				
Net income attributable to the controlling interest under U.S. GAAP	COP 1,172,524	COP 1,544,761	COP 1,043,636	US\$ 537,209
<b>CONSOLIDATED BALANCE SHEET DATA</b>				
Controlling Interest stockholders equity under U.S. GAAP	COP 7,095,266	COP 8,069,346	COP 8,589,202	US\$ 4,421,270

- (1) Amounts stated in U.S. dollars have been converted at the rate of COP 1,942.70 per US\$1.00, which is the representative market rate calculated on December 31, 2011, as reported by the SFC. Such conversions should not be construed as representations that the peso amounts represent, or have been or could be converted into, United States dollars at the representative market rate or any other rate.

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**RISK FACTORS**

*Investing in the notes involves risks. Before you invest in the notes, you should consider carefully the information set forth in this section and all the other information provided to you or incorporated by reference in this prospectus supplement and the accompanying prospectus, as the same may be updated from time to time by our future filings under the Exchange Act. In addition, new risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance or business operations.*

**RISKS RELATING TO COLOMBIA AND OTHER COUNTRIES WHERE THE BANK OPERATES**

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

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

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

Future developments in the government policies of Colombia and El Salvador could impair the Bank's business or financial condition or the market value of its securities, including the notes.

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

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

Deterioration in the economic and political situation of neighboring countries could affect national stability or the Colombian economy by disrupting Colombia's diplomatic or commercial relationships with these countries.

Political tensions between Colombia and Venezuela in recent years have produced lower trade levels that have adversely impacted economic activity. Although relations with Venezuela have improved significantly since President Juan Manuel Santos Calderon took office in August 2010, the possibility of any further resurgence in tensions between the two countries may cause political and economic uncertainty, instability, market volatility, lower confidence levels and higher risk aversion by investors and market participants that may negatively affect economic activity in Colombia.



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

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

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

Further, the Colombian Government has announced that it is working on a draft bill of law to reform the Colombian tax code, which was initially scheduled to be submitted to the Colombian Congress for its approval some time during 2012. As of September 3, 2012, a final draft of the tax bill has not been disclosed to the public. Therefore, it is difficult to predict if changes would substantially affect results of operation and financial conditions.

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

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

## **RISKS RELATING TO THE BANK'S BUSINESS AND THE BANKING INDUSTRY**

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

Changes in banking laws and regulations, or the manner in which they are interpreted or enforced, in Colombia and in other jurisdictions where the Bank operates, may have a material effect on our business and operations. Moreover, banking and financial services laws and regulations are subject to continuing review and changes, and any such changes in the future may have an adverse impact on the Bank's financial position and operations, including making and collecting loans and other extensions of credit.

Although the Bank complies with capital requirements, there can be no assurance that future regulations will not change or require the Bank or the Bank's subsidiaries to seek additional capital. On August 23, 2012, the Colombian government modified the capital adequacy regulations, and such modifications will be effective as of August 1, 2013. See *Colombian Banking Regulations Capital Adequacy Requirements*. The new regulations are more stringent than the current capital adequacy rules. See *Management's Discussion & Analysis of Financial Condition and Results of Operations as of and for the Six Months ended June 30, 2012 and 2011 Impact of New Capital Rules*. Moreover, the various regulators in the world have not reached consensus as to the appropriate level of capitalization for financial services institutions. Regulators in the jurisdictions where the Bank operates may change the current regulatory capital requirements to which the Bank is subject.

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

While many of the policies underlying Colombian banking regulations are similar to those underlying regulations applicable to banks in other countries, including those in the United States, Colombian regulations can differ in a number of material respects. For example, capital adequacy requirements for banks under Colombian regulations differ from those under U.S. regulations and may differ from those in effect in other countries. The Bank prepares its annual audited financial statements in accordance with Colombian GAAP, which differs in significant respects from U.S. GAAP and International Financial Reporting Standards ( IFRS ), as adopted by the International Accounting Standards Board ( IASB ). Thus, Colombian financial statements and reported earnings may differ substantially from those of companies in other countries in these and other respects. Some of the differences affecting earnings and stockholders' equity include, but are not limited to, the accounting treatment for restructuring, loan origination fees and costs, deferred income taxes, reappraisal of assets and the accounting treatment for business combinations. Moreover, under Colombian GAAP, allowances for non-performing loans are computed by establishing each non-performing loan's individual inherent risk using criteria established by the SFC that differ from those used under U.S. GAAP.

The Colombian government is currently undertaking a review of regulations relating to accounting, audit, and information disclosure, with the intention of seeking convergence with IFRS. Nevertheless, current regulations continue to differ in certain material respects from those in other countries, and any changes in those regulations would only become effective in 2014.

In addition, there may be less publicly available information about the Bank than is regularly published by or about U.S. issuers or issuers in other countries.

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

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

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

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

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

The Colombian Commerce Code limits the amount of interest that may be charged in commercial transactions. In the future, regulations in the jurisdictions where the Bank operates could impose limitations regarding interest rates or fees charged by the Bank. Any such limitations could materially and adversely affect the Bank's results of operations and financial position. In the past, there have been disputes in Colombia among merchants, payment services and banks regarding interchange fees. Although such disputes have been resolved, the Superintendency of Commerce and Industry may initiate new investigations relating to the interchange fees.

This possibility may lead to additional decreases in such fees, which in turn could adversely affect the Bank's financial results.

Furthermore, pursuant to article 62 of law 1430 of 2010, the Colombian Congress granted the government power and authority to establish and define criteria and formulas applicable to the calculation of banking fees and charges and the authority to define maximum limits to banking fees and charges. On December 20, 2011, the Colombian Government used the authority granted by law 1430 of 2010 and established in Decree 4809 of 2011 a cap on the fees banks can charge on withdrawals done from ATMs outside their own networks. Recently, law 1555 of 2012 prohibited prepayment penalties for loans worth less than 880 legal minimum monthly wages (mortgage loans are excluded). Further limits or regulations regarding banking fees, and uncertainties with respect thereto could have a negative effect on our results of operations and financial condition.

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

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

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

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

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

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

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

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

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

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

As of June 30, 2012, the aggregate outstanding principal amount of the Bank's 25 largest borrowing relationships, on a consolidated basis, represented approximately 12.8% of the loan portfolio, and no single relationship represented more than 1% of the portfolio. Also, 100% of those loans were corporate loans and 100% of these relationships were classified "A" by the Bank based on applicable Colombian regulations. However, problems with one or more of the Bank's largest borrowers could materially and adversely affect its results of operations and financial position. For more information, see Item 4. Information on the Company E. Selected Statistical Information E.3. Loan Portfolio Borrowing Relationships in the Annual Report.

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

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

**The Bank is subject to market risk.**

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

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

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

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

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

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

The Bank's debt securities portfolio is primarily composed of sovereign debt securities, including securities issued or guaranteed by the Colombian government. Therefore, the Bank's results are exposed to credit, market and liquidity risk associated with sovereign debt. As of June 30, 2012, the Bank's total debt securities represented 10.8% of its total assets, and 24% of these securities were issued or backed by the Colombian government. A significant decline in the value of the securities issued or guaranteed by the Colombian government could adversely affect the Bank's debt securities portfolio and, consequently, the Bank's results of operations and financial position.

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

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

In addition, the execution and performance of derivatives transactions depend on the Bank's ability to develop adequate control and administrative systems and to hire and retain qualified personnel. Moreover, the Bank's

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ability to adequately monitor, analyze and report these derivative transactions depends, to a great extent, on its information technology systems. These factors may further increase the risks associated with these transactions and could materially and adversely affect the Bank's results of operations and financial position.

### **The Bank is subject to operational risks.**

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

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

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

### **The Bank is subject to cyber security risks.**

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

The risk methodology used by the Bank allows for the evaluation of residual risk involving potential cyber attacks. The Bank has implemented controls/safeguards in order to anticipate, identify, and offset these threats, but any failure by the Bank to detect cyber security risks in a timely manner could materially and adversely affect the Bank's results of operations and financial condition.

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

The Bank's ability to remain competitive will depend, in part, on its ability to upgrade the Bank's information technology infrastructure on a timely and cost-effective basis. The information available to and received by the

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Bank's management through its existing information systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in its operations. The Bank is currently undertaking a project to update its information technology infrastructure. Any failure to effectively improve or upgrade the Bank's information technology infrastructure and information management systems in a timely manner could materially and adversely affect the Bank's competitiveness, financial condition and results of operations.

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

The Bank is exposed to the risk of natural disasters, such as earthquakes, floods, volcanic eruptions, tornadoes, tropical storms, wind and hurricanes in the regions where it operates. In the event of a natural disaster, unanticipated problems with the Bank's disaster recovery systems could have a material adverse effect on the Bank's ability to conduct business in the affected region, particularly if those problems affect its computer-based data processing, transmission, storage and retrieval systems and destroy valuable data. In addition, if a significant number of the Bank's local employees and managers were unavailable in the event of a disaster, its ability to effectively conduct business could be severely compromised. A natural disaster or multiple catastrophic events could have a material adverse effect on the Bank's business and results of operations in the affected region.

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

An element of the Bank's business strategy is to identify and pursue growth-enhancing strategic opportunities. The Bank may base assessments of potential acquisitions and partnerships on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. Future acquisitions, investments and alliances may not produce anticipated synergies or perform in accordance with the Bank's expectations and could adversely affect its operations and profitability.

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

The Bank's principal source of funds is short-term deposits, which together with certain long-term certificates of deposit represented 71.2% of total liabilities as of June 30, 2012 compared to 68.6% and 72.4% of total liabilities at the end of 2011 and 2010, respectively. Because the Bank relies primarily on short-term deposits for its funding, in the event of a sudden or unexpected shortage of funds in the banking systems and money markets where the Bank operates, the Bank may not be able to maintain its current level of funding without incurring higher costs or selling assets at prices below their prevailing market value.

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

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

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

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

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

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

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

On June 12, 2012, the Congress of Colombia enacted Law 1564 of 2012, which provides insolvency protection for non-merchant individuals. Under the new insolvency regulation, which comes into effect on October 1, 2012, once a non-merchant individual has ceased paying its debts, such individual can initiate a voluntary insolvency proceeding before a notary public or mediator to reach an agreement with its creditors. The terms of any agreement reached with a group (two or more) of creditors that represent more than 50% of the total amount of the claims will be mandatorily applicable to all relevant creditors. As a result of these agreements the Bank may not be able to recover the total amount of its claims. The increased debtor protections contemplated in the law, including an automatic stay for a maximum of 90 days, could also make it more difficult for us to enforce debt and other monetary obligations, which could have an adverse impact on our results of operations and financial condition.

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

The Banco de la República (the Central Bank) may impose certain mandatory deposit requirements in connection with foreign currency-denominated loans obtained by Colombian residents, including the Bank. Although no mandatory deposit requirement is currently in effect, a mandatory deposit requirement was set at 40% in 2008 after the Colombian peso appreciated against foreign currencies. We cannot predict or control future actions by the Central Bank in respect of such deposit requirements, which may involve the establishment of a different mandatory deposit percentage. The use of such measures by the Central Bank may be a disincentive for the Bank and our clients to obtain loans denominated in a foreign currency.



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**RISKS RELATING TO THE NOTES**

**It may be difficult to enforce your rights if we enter into a bankruptcy, liquidation or similar proceeding in Colombia.**

The insolvency laws of Colombia, particularly as they relate to the priority of creditors (secured or unsecured), the ability to obtain post-petition interest and the duration of insolvency proceedings, may be less favorable to your interests than the bankruptcy laws of the United States. Your ability to recover payments due on the notes may be more limited than would be the case under U.S. bankruptcy law. The following is a brief description of certain aspects of insolvency laws in Colombia.

Your ability to enforce your rights under the notes may be limited if we become subject to the proceedings principally set forth in Decree 663 of 1993 and Decree 2555 of 2010, as amended from time to time, which proceedings establish the events under which the SFC may initiate a Taking of Possession (*toma de posesión*) proceeding either to administer the Bank or to liquidate it.

Under Colombian banking laws, financial institutions are subject to a special administrative takeover by the SFC in the event that the financial institution becomes insolvent.

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

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

A takeover by the SFC may have one of two different purposes: (i) to manage the financial institution, in which case the financial institution will be allowed to continue its activities subject to the administration of the authorities; or (ii) to liquidate the financial institution. The SFC must decide if it will either manage or liquidate the financial institution within two months following the takeover in the event of a bankruptcy, liquidation or similar proceeding.

In view of the broad discretionary powers of the SFC it is impossible to predict how long payments under the notes could be delayed and whether or to what extent you would be compensated for any delay if any of the actions described above were to be taken with respect to us.

**Holders of notes will not have the right to accelerate the notes.**

The holders will have no right to accelerate any payment due under the notes during an Event of Default unless there has been a change, amendment or modification to the Colombian banking laws that would allow such right without disqualifying the notes from Tier Two Capital status. If any Event of Default occurs and is continuing,

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the Trustee may only pursue other available remedies, if any, excluding acceleration, to collect the payment of principal and interest on the notes or to enforce the performance of any provision under the indenture.

Except as described above, the holders of the notes have no right of acceleration in the case of the Bank's failure to perform its obligations under the Indenture.

### **Because the Bank is located in an emerging market country, any market for the notes may be adversely affected by economic and market conditions in other emerging market economies.**

Colombia is generally considered by investors to be an emerging market country, and securities of Colombian issuers have been, to varying degrees, influenced by economic and market conditions in other emerging market countries. Although economic conditions are different in each country, investors' reactions to developments in one country may materially affect the prices of securities of issuers in other countries, including Colombia. Events elsewhere that are unrelated to our financial performance, especially in other emerging market countries, could adversely affect any market for the notes that may develop.

### **An active trading market may not develop for the notes.**

Prior to this offering, there was no market for the notes. Although we have applied to list the notes on the NYSE, there is no guarantee that we will be able to list the notes. Even if the notes are listed, there may be a limited secondary market or none at all for the notes. Even if a secondary market for the notes develops, it may not provide significant liquidity, and we expect transaction costs would be high.

The underwriters have informed us that they intend to make a market in the notes after this offering is completed. The underwriters, however, may cease their market-making at any time without notice. The price at which the notes may trade will depend on many factors, including, but not limited to, prevailing interest rates, general economic conditions, our performance and financial results and markets for similar securities. Historically, the markets for debt such as the notes have been subject to disruptions that have caused substantial volatility in their prices. The market, if any, for the notes may be subject to similar disruptions, which may have an adverse effect on the holders of the notes.

### **There are no restrictive covenants in the indenture for the notes limiting our ability to incur future indebtedness or complete other transactions.**

The indenture governing the notes does not contain any financial or operating covenants or restrictions on the payment of dividends, the incurrence of indebtedness, change of control, transactions with affiliates, incurrence of liens or the issuance or repurchase of securities by us or any of our subsidiaries. We therefore may incur additional indebtedness, including senior indebtedness, and engage in other transactions that may not be in the interests of the noteholders.

### **The ratings of the notes may be lowered or withdrawn depending on various factors, including the rating agency's assessments of our financial strength and Colombian sovereign risk.**

One or more independent credit rating agencies may assign credit ratings to the notes. The ratings address the timely payment of principal and interest on each payment date. The ratings of the notes are not a recommendation to purchase, hold or sell the notes, and the ratings do not comment on market price or suitability for a particular investor. The ratings of the notes are subject to change and may be lowered or withdrawn. A downgrade in or withdrawal of the ratings of the notes will not be an event of default under the indenture. The assigned ratings may be raised or lowered depending, among other things, on the rating agency's assessment of our financial strength, as well as its assessment of Colombian sovereign risk generally.

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**USE OF PROCEEDS**

We estimate that our net proceeds from the sale of the notes in this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately US\$        million.

The net proceeds from the offering will be available to strengthen our capital structure, for regulatory compliance and for general corporate purposes.

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**Table of Contents****SELECTED CONSOLIDATED FINANCIAL DATA**

The following table presents the Bank's unaudited selected consolidated financial information and other data as of and for the six months ended June 30, 2012 and 2011. This section should be read in conjunction with the Bank's audited consolidated financial statements as of December 31, 2011 and 2010 and for the three years ended December 31, 2011 and the notes related thereto included in the Annual Report and the Bank's unaudited condensed consolidated financial statements as of June 30, 2012 and for the six months ended June 30, 2012 and 2011 and the notes related thereto included elsewhere in this prospectus supplement. The unaudited selected consolidated financial information as of and for the six months ended June 30, 2012 and 2011 includes all adjustments, consisting of only normal recurring adjustments, which in the opinion of management are necessary for the fair presentation of such information. Interim results are not necessarily indicative of the results to be expected for the entire fiscal year.

The Bank's unaudited selected consolidated financial information for each period was prepared in accordance with Colombian GAAP, which differs in certain important respects from U.S. GAAP. See Item 3. Key Information A. Selected Financial Data Differences between Colombian and U.S. GAAP Results and Note 31 to the Bank's consolidated financial statements as of December 31, 2011 and 2010 and for the three years ended December 31, 2011 in the Annual Report. The summary consolidated financial data should be read in conjunction with Item 5. Operating and Financial Review and Prospects in the Annual Report and our consolidated financial statements and the notes related thereto included in the Annual Report and elsewhere in this prospectus supplement.

**Selected Consolidated Financial Results****CONSOLIDATED BALANCE SHEET DATA**

	2011	As of June 30, 2012 (in millions of COP)	% Change
<b>ASSETS</b>			
Loans and financial leases, net	50,709,728	59,212,566	16.77%
Investment securities, net	10,231,243	10,468,940	2.32%
Other assets	14,215,941	17,533,567	23.34%
<b>Total assets</b>	<b>75,156,912</b>	<b>87,215,073</b>	<b>16.04%</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Deposits</b>	<b>46,237,745</b>	<b>54,475,937</b>	<b>17.82%</b>
Non-interest bearing	6,972,139	7,545,059	8.22%
Interest bearing	39,265,606	46,930,878	19.52%
<b>Other liabilities</b>	<b>20,911,566</b>	<b>22,022,593</b>	<b>5.31%</b>
<b>Total liabilities</b>	<b>67,149,311</b>	<b>76,498,530</b>	<b>13.92%</b>
Stockholders' equity	8,007,601	10,716,543	33.83%
<b>Total liabilities and stockholders' equity</b>	<b>75,156,912</b>	<b>87,215,073</b>	<b>16.04%</b>

**CONSOLIDATED STATEMENT OF OPERATIONS DATA**

	2011	For the six months ended June 30, 2012 (in millions of COP)	% Change
Interest income	2,749,725	3,648,573	32.69%
Interest expense	872,185	1,350,299	54.82%
<b>Net interest income</b>	<b>1,877,540</b>	<b>2,298,274</b>	<b>22.41%</b>
Net provisions	(183,632)	(508,376)	176.84%
Fees and income from services, net	792,399	863,462	8.97%
Other operating income	232,788	388,261	66.79%
Total operating expenses	1,731,989	1,987,740	14.77%
Goodwill amortization	24,504	23,037	(5.99)%

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Non-operating income, net	23,845	31,742	33.12%
Income tax expense	(250,837)	(262,518)	4.66%
<b>Net income</b>	<b>735,610</b>	<b>800,068</b>	<b>8.76%</b>

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**Table of Contents****PRINCIPAL RATIOS**

	As of and for the six months ended June 30,		
	2011	2012	% Change
<b>PROFITABILITY</b>			
Net interest margin <sup>(1)</sup>	6.03%	6.19%	2.65%
Return on average total assets <sup>(2)</sup>	2.06%	1.88%	(8.74)%
Return on average stockholders' equity <sup>(3)</sup>	18.54%	15.73%	(15.16)%
<b>EFFICIENCY</b>			
Operating expenses to net operating income	60.51%	56.64%	(6.40)%
Operating expenses to average total assets	4.93%	4.73%	(4.06)%
<b>CAPITAL ADEQUACY</b>			
Stockholders' equity to total assets	10.65%	12.29%	
Technical capital to risk weighted assets	13.69%	14.89%	
<b>KEY FINANCIAL HIGHLIGHTS</b>			
Net income per ADS (USD)	1.10	0.93	
Net income per share (COP)	489.35	416.16	
P/BV ADS <sup>(4)</sup>	2.91	2.19	
P/BV Local <sup>(5)(6)</sup>	2.86	2.14	
P/E <sup>(7)</sup>	14.94	16.35	
ADR price <sup>(8)</sup>	66.73	61.84	
Common share price (COP) <sup>(8)</sup>	29,060	26,980	
Shares outstanding <sup>(9)</sup>	787,827,003	851,827,000	
USD exchange rate (at period end)	1,772.32	1,784.60	

- (1) Defined as net interest income divided by monthly average interest-earning assets.
- (2) Net income divided by monthly average assets.
- (3) Net income divided by monthly average stockholders' equity.
- (4) Defined as ADS price divided by ADS book value.
- (5) Defined as share price divided by share book value.
- (6) Share prices on the Colombian Stock Exchange.
- (7) Defined as market capitalization at period end divided by annualized half-year results.
- (8) Prices at the end of the respective six month period.
- (9) Common and preferred.

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**MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2012**

**Summary**

For the six months ended June 30, 2012, net income totaled COP 800 billion, which represents an increase of 8.76% from net income of COP 736 billion for the comparable period in 2011.

Net interest margin increased slightly to 6.19% for the six months ended June 30, 2012 from 6.03% in the comparable period in 2011.

Provision charges, net of recoveries, totaled COP 508 billion for the six months ended June 30, 2012, up 176.8% from COP 184 billion in the comparable period for 2011.

Gross loans and financial leases totaled COP 62,249 billion as of June 30, 2012, up 16.9% from COP 53,249 billion as of June 30, 2011. This performance was driven primarily by an increase in consumer and commercial loans, in particular to retail and SME customers, while corporate loan levels were essentially unchanged over the 12 month period. Compared to the same period in 2011, there was higher demand for working capital by SMEs, personal loans and vehicle loans. The increase in loans also reflects implementation of the Bank's strategy to increase loan levels in these categories. Levels of mortgage loans in Colombia and financial leases also experienced healthy increases as a result of low interest rates and increased economic activity.

Reserves for loan losses represented 4.9% of total loans as of June 30, 2012, and 163% of past-due loans as of June 30, 2012, while capital adequacy was 14.89% as of June 30, 2012 (Tier I ratio of 11.59%), higher than the 13.69% (Tier I ratio of 9.95%) reported as of June 30, 2011. Equity issuances for proceeds of COP 1,680 billion bolstered the Bank's Tier I and overall capital levels.

Deposits for the six months ended June 30, 2012 increased 17.82% from the comparable period in 2011, while the ratio of net loans to deposits (including borrowings from development banks) was 103% as of June 30, 2012, down from 104% as of June 30, 2011, reflecting the Bank's plan to increase reliance upon deposits as opposed to loans to fund its assets.

**Revenue Performance**

***Net interest income***

For the six months ended June 30, 2012, net interest income totaled COP 2,298 billion, up 22.4% as compared to COP 1,878 billion for the comparable period in 2011. This performance is explained by the combined effect of significant growth in the loan portfolio and an increase in the net interest margin. The increase in the net interest margin resulted mainly from increases in Central Bank interest rates, which have allowed a faster pace of growth of returns from loans than the growth of funding costs, and in part from a planned shift in the mix of deposits toward savings and checking accounts and away from higher-yielding CDs. Funding costs rose in the second quarter of 2012 as interest paid on deposits reflected higher interest rates. Net interest income represented 45.9% of revenues (the sum of total interest income, fees and other service income and total other operating income) for the six months ended June 30, 2012, compared to 48.6% for the comparable period in 2011.

Interest income, which is the sum of interest on loans, financial leases, overnight funds and interest from investment securities, totaled COP 3,649 billion for the six months ended June 30, 2012, up 32.7% from COP 2,750 billion for the comparable period in 2011. This increase was primarily driven by the combined effect of growth in the loan portfolio and expanded net interest margin.

Interest on investment securities, which includes, among other items, the interest paid or accrued on debt securities and mark-to-market valuation adjustments, totaled COP 348 billion for the six months ended June 30, 2012, up 7.1% from COP 325 billion in the comparable period in 2011, as slightly increased investment levels were partially offset by lower interest rates and mark-to-market losses resulting from increased credit spreads.

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Interest expense incurred on liabilities totaled COP 1,350 billion for the six months ended June 30, 2012, up 54.8% as compared to COP 872 billion for the comparable period in 2011. The increase was driven primarily by increased interest expense on deposits and increased bond interest expenses from increased long-term debt outstanding. Overall, the average interest rate paid on interest-bearing liabilities increased to 3.7% for the six months ended June 30, 2012 from 2.9% for the comparable period in 2011.

The following table summarizes the Bank's annualized net interest margin for the periods indicated:

**Annualized interest margin**

	For the six months ended June 30,	
	2011	2012
Loans interest margin	6.36%	6.46%
Debt investments margin	4.16%	4.18%
<b>Net interest margin</b>	<b>6.03%</b>	<b>6.19%</b>

As noted above, the funding cost for deposits increased during the six months ended June 30, 2012 as the cost of deposits continued to reflect the increase in interest rates by the Central Bank. The annualized weighted average cost of deposits reached 3.12% during the 2012 period, up from 2.35% from the 2011 period.

**Deposits weighted average cost**

	For the six months ended June 30,	
	2011	2012
Checking accounts	0.36%	0.24%
Time deposits	3.83%	4.92%
Saving accounts	2.14%	2.87%
<b>Total deposits</b>	<b>2.35%</b>	<b>3.12%</b>

**Net fees and income from financial services**

For the six months ended June 30, 2012, net fees and income from services totaled COP 863 billion, up 9.0% from COP 792 billion for the comparable period in 2011. This increase was driven primarily by the performance of credit and debit card annual fees, commissions from banking services and other services and payment fees.

Fees from credit and debit cards for the six months ended June 30, 2012 increased 10.8% from the comparable period in 2011 due to a higher transactional volume in the Bank's distribution channels. Commissions from banking services and other services for the six months ended June 30, 2012 increased 13.7% versus the comparable period in 2011, and payment fees for the six months ended June 30, 2012 increased 10.8% from the comparable period in 2011, reflecting higher levels of economic activity in Colombia.



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The following table lists the main revenue-producing fees for the six months ended June 30, 2012 and 2011, together with the percentage change between these periods:

	For the six months ended June 30,		
	2011	2012	% Change
	(in millions of COP)		
<b>Main fees and commissions</b>			
Commissions from banking services	182,759	207,853	13.73%
Electronic services and ATM fees	30,633	35,675	16.46%
Branch network services	59,549	60,836	2.16%
Payments fees	108,800	120,546	10.80%
Credit card merchant fees	8,637	3,712	(57.02)%
Credit and debit card annual fees	297,099	329,146	10.79%
Checking fees	36,421	36,824	1.11%
Fiduciary activities	94,608	100,129	5.84%
Brokerage fees	20,363	32,556	59.88%
Check remittance	9,075	10,947	20.63%
International operations	34,668	30,135	(13.08)%
Fees and other service expenses	(90,213)	(104,897)	16.28%
<b>Total fees and income from services, net</b>	<b>792,399</b>	<b>863,462</b>	<b>8.97%</b>

**Other operating income**

For the six months ended June 30, 2012, total other operating income was COP 388 billion, 66.8% higher than the COP 233 billion reported for the comparable period in 2011. This increase was primarily due to net foreign exchange gains, derivatives denominated in foreign currencies and communication, postage, rent and others.

Revenues from communication, postage, rent and others totaled COP 149 billion for the six months ended June 30, 2012, a 46.7% increase from COP 102 billion for the comparable period in 2011. This line item includes revenues from factoring or discounting of commercial receivables and operating leases payments, which have grown as the value of assets rented under operating leasing contracts have increased.

**Operating expenses**

For the six months ended June 30, 2012, operating expenses totaled COP 1,988 billion, up 14.8% as compared to COP 1,732 billion for the comparable period in 2011.

Personnel expenses (the sum of salaries and employee benefits, bonus plan payments and severance compensation) totaled COP 821 billion during the six months ended June 30, 2012, up 17.7% from COP 698 billion for the comparable period in 2011. Salaries and employee benefits, bonus plan payments and severance compensation for the six months ended June 30, 2012 increased 11.7%, 74.4% and 20.2%, respectively, from the comparable period in 2011. The increase in the amount of bonus plan payments paid was due to the Bank's payment of bonuses resulting from the overall return on equity, which was above the cost of capital in 2011. The increase of salaries and employees benefits was due to the combined effect of an increased headcount and wage increases during such period.

Administrative and other expenses totaled COP 968 billion for the six months ended June 30, 2012, up 10.55% from COP 875 billion for the comparable period in 2011. This increase was driven primarily by higher rent expenses, increased taxes (other than income taxes) and higher expenses paid in connection with fixed assets.

Depreciation expenses totaled COP 147 billion for the six months ended June 30, 2012, increasing 44.1% as compared to COP 102 billion for the comparable period in 2011. This increase was driven by the growth in the Bank's operating lease business.

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The following table summarizes the principal components of the Bank's operating expenses for the six months ended June 30, 2012 and 2011:

	For the six months ended June 30,		
	2011	2012	% Change
	(in millions of COP)		
<b>Operating expenses</b>			
Salaries and employee benefits	618,335	690,392	11.65%
Bonus plan payments	64,791	113,013	74.43%
Compensation	14,417	17,323	20.16%
Administrative and other expenses	875,353	967,728	10.55%
Deposit insurance, net	43,332	50,591	16.75%
Donation expenses	13,609	1,463	(89.25)%
Depreciation	102,152	147,230	44.13%
<b>Total operating expenses</b>	<b>1,731,989</b>	<b>1,987,740</b>	<b>14.77%</b>

**Provision charges and credit quality**

For the six months ended June 30, 2012, provision charges (net of recoveries) totaled COP 508 billion (or 1.7% of average loans), which represents an increase of 176.8% as compared to COP 184 billion for the comparable period in 2011 (or 0.7% of average loans). This variation was due to an increase in deteriorated loans during the 2012 period, mainly in the retail and SME loans segment. This increased deterioration was not unexpected in light of the Bank's strategy to increase its penetration into these market segments, which has been reflected in the loan growth during 2011.

Net loan charge-offs totaled COP 273 billion for the six months ended June 30, 2012, up 15.2% from COP 237 billion from the comparable period in 2011. Past-due loans amounted to COP 1,858 billion as of June 30, 2012, up 36.6% as compared to COP 1,360 billion as of June 30, 2011. The delinquencies ratio (loans overdue more than 30 days divided by total loans) reached 3.0% as of June 30, 2012, up from 2.6% as of June 30, 2011.

The following tables present key metrics related to asset quality:

	2011	As of June 30,	
		2012	% Change
	(in millions of COP)		
<b>ASSET QUALITY</b>			
Total performing past due loans <sup>(1)</sup>	512,210	685,728	33.88%
Total non-performing past due loans	847,988	1,172,633	38.28%
Total past due loans	1,360,198	1,858,361	36.62%
Allowance for loans losses	2,539,101	3,036,907	19.61%
Past due loans to total loans	2.55%	2.99%	
Non-performing loans as a percentage of total loans	1.59%	1.88%	
C, D and E loans as a percentage of total loans	4.12%	4.10%	
Allowances to past due loans <sup>(2)</sup>	186.67%	163.42%	
Allowance for loan losses as a percentage of C, D and E loans	115.67%	118.99%	
Allowance for loan losses as a percentage of non-performing loans <sup>(2)</sup>	299.43%	258.98%	
Allowance for loan losses as a percentage of total loans	4.77%	4.88%	
Percentage of performing loans to total loans	98.41%	98.12%	

- (1) Performing past due loans are loans upon which the Bank continues to recognize income although interest in respect of such loans has not been received. Mortgage loans cease to accumulate interest on the statement of operations when they are more than 60 days past due. For all other loans and financial leasing operations of any type, interest is no longer accumulated after they are more than 30 days past due.

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- (2) Under Colombian Bank regulations, a loan is past due when it is at least 31 days past the actual due date.

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	As of June 30,		% of Total Loan Portfolio
	2011	2012	
<b>PDL PER CATEGORY (30 DAYS)</b>			
Commercial loans	1.71%	1.85%	59.93%
Consumer loans	3.27%	5.09%	19.00%
Small business loans	9.16%	8.87%	0.52%
Mortgage loans	7.16%	7.46%	8.15%
Finance lease	2.61%	2.06%	12.41%
<b>PDL Total</b>	<b>2.55%</b>	<b>2.99%</b>	<b>100.00%</b>
<b>PDL PER CATEGORY (90 DAYS)</b>			
Commercial loans	1.25%	1.16%	59.93%
Consumer loans	1.49%	2.01%	19.00%
Small business loans	5.39%	5.34%	0.52%
Mortgage loans	3.39%	3.02%	8.15%
Finance lease	1.26%	1.35%	12.41%
<b>Total Loan Portfolio</b>	<b>1.48%</b>	<b>1.52%</b>	<b>100.00%</b>

	2011	As of June 30,		%
		(in millions of COP)	2012	
<b>LOANS AND FINANCIAL LEASES CLASSIFICATION</b>				
A Normal Risk	49,789,864	93.5%	57,436,865	92.3%
B Acceptance Risk	1,263,852	2.4%	2,260,310	3.6%
C Appreciable Risk	772,764	1.5%	1,014,117	1.6%
D Significant Risk	892,671	1.7%	886,303	1.4%
E Unrecoverable	529,678	1.0%	651,878	1.0%
<b>Total</b>	<b>53,248,829</b>	<b>100%</b>	<b>62,249,473</b>	<b>100%</b>

**Loans and financial leases classified as C, D and E as a percentage of total loans and financial leases**

**4.12%**

**4.10%**

*Allowance for loan losses*

Allowances for loan losses totaled COP 3,037 billion, up 19.6% from COP 2,539 billion as of June 30, 2011. Allowances for loan losses represented 4.9% of gross loans as of June 30, 2012, up from 4.8% as of June 30, 2011. The coverage for loan losses, measured by the ratio of allowances for loan losses to past due loans (overdue 30 days), reached 163% as of June 30, 2012, down from 187% as of June 30, 2011. The coverage measured by the ratio of allowances for loan losses to loans classified as C, D and E, was 119% as of June 30, 2012, reflecting an increase compared to 116% as of June 30, 2011. The Bank's prudent approach toward risk management incorporates stricter parameters than those required by the SFC. The Bank's management considers that allowances for loan and financial leases losses adequately reflect the credit risk associated with its loan portfolio given the current economic environment and the available information upon which the credit assessments are made. Nonetheless, the methodology used in the allowance and provision charges determination is based on the existence and magnitude of determined factors that are not necessarily an indication of future losses, and accordingly current allowances and provision charges may not exactly reflect actual losses.

Loan loss allowances calculated following practices and special regulations of the Superintendency of Finance differ in certain significant respects from those determined in accordance with U.S. GAAP. Note 31, e)

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Allowance for loan losses, financial leases, foreclosed assets and other receivables to the Bank's audited consolidated financial statements included in the Annual Report incorporated by reference in this prospectus supplement provides a description of the significant differences between Colombian GAAP and U.S. GAAP in this respect and a reconciliation of allowances following U.S. GAAP.

**Merger expenses and Goodwill amortization**

For the six months ended June 30, 2012, goodwill amortization totaled COP 23 billion, down 6.0% from COP 24 billion from the corresponding period in 2011.

As of June 30, 2012, outstanding goodwill totaled COP 602 billion, mainly related to the acquisition of Banagrícola in 2007, which represents a 10.5% decrease from COP 672 billion as of June 30, 2011. This decrease is explained by the amortization of goodwill reported during the past year and by the appreciation of the Colombian peso versus the U.S. dollar, which resulted in lower amortization expense on dollar-denominated goodwill.

As of June 30, 2012, outstanding goodwill represented 0.8% of the Bank's total assets, primarily consisting of US\$331 million of goodwill related to the Banagrícola acquisition, which is being amortized over 20 years beginning as of May 2007.

**Non-operating income (expenses)**

Net non-operating income totaled COP 32 billion for the six months ended June 30, 2012, up 33.12% from COP 24 billion for the comparable period in 2011. This performance was primarily due to lower non-operating expenses during the 2012 period, which decreased 30.7% compared to the 2011 period.

The following table summarizes the components of the Bank's non-operating income and expenses for the six months ended June 30, 2012 and 2011:

	For the six months ended June 30,		
	2011	2012	% Change
	(in millions of COP)		
<b>NON-OPERATING INCOME (EXPENSES), NET</b>			
Other income <sup>(1)</sup>	88,900	77,219	(13.14)%
Minority interest	(5,136)	(3,924)	(23.60)%
Other expenses <sup>(2)</sup>	(59,919)	(41,553)	(30.65)%
<b>Total non-operating income (expenses), net</b>	<b>23,845</b>	<b>31,742</b>	<b>33.12%</b>

(1) Includes gains on sale of foreclosed assets, property, plant and equipment, reimbursement of the provisions, deferred tax recovery.

(2) Includes operational losses and losses from the sale of foreclosed assets, property, plant and equipment and payment of administrative processes.

**Income tax expenses**

Income tax expense for the six months ended June 30, 2012 totaled COP 262 billion, up 4.66% from COP 251 billion for the comparable period in 2011. The Bank's effective tax rate for the six month period in 2012 was 24.7%, down slightly from 25.4% for the comparable period in 2011. It is important to note that Bancolombia (unconsolidated), Leasing Bancolombia, Banca de Inversion Bancolombia and Fiduciaria Bancolombia signed an agreement with the Government of Colombia in order to be subject to the tax stability regime for ten years beginning on January 2001. Pursuant to the tax stability regime, those entities agreed to be taxed two percentage points above the applicable income tax rate in Colombia in exchange for an exemption with regard to any new national taxes or rates required after the date of the agreement. This agreement terminated in December 31, 2010.

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(in the case of Fiduciaria Bancolombia, the agreement was terminated in December 31, 2009). As a result of the expiration of the tax stability regime agreement, the Bank is subject to any new taxes or increases in tax rates implemented on or after January 1, 2011.

**Investments and Loan Portfolio**

The following table shows the composition of Bank's investments and loans by type and currency as of June 30, 2012 and the percentage change compared to amounts as of June 30, 2011:

(in millions of COP) (USD 1= COP 1,784.60)	Amounts in COP		Amounts in USD converted to COP		Amounts in USD (thousands)		Total	
		% Change		% Change		% Change		% Change
<b>Net investment securities</b>	<b>7,561,312</b>	<b>2.52%</b>	<b>2,907,628</b>	<b>1.81%</b>	<b>1,629,288</b>	<b>1.11%</b>	<b>10,468,940</b>	<b>2.32%</b>
Gross Loans	48,174,396	21.61%	14,075,077	3.22%	7,886,965	2.51%	62,249,473	16.90%
Commercial loans	26,670,087	17.32%	10,634,188	1.91%	5,958,864	1.21%	37,304,275	12.47%
Consumer loans	9,862,919	31.30%	1,966,284	6.62%	1,101,807	5.89%	11,829,203	26.43%
Small business loans	287,931	11.02%	33,451	334.32%	18,744	331.33%	321,382	20.34%
Mortgage loans	4,326,970	27.48%	745,401	(0.52)%	417,685	(1.21)%	5,072,371	22.41%
Finance lease	7,026,489	22.93%	695,753	16.06%	389,865	15.26%	7,722,242	22.28%
Allowance for loan losses	(2,679,794)	22.64%	(357,113)	0.90%	(200,108)	0.20%	(3,036,907)	19.61%
<b>Net total loans and fin. leases</b>	<b>45,494,602</b>	<b>21.55%</b>	<b>13,717,964</b>	<b>3.29%</b>	<b>7,686,856</b>	<b>2.57%</b>	<b>59,212,566</b>	<b>16.77%</b>
Operating leases, net	1,677,498	63.73%	93,865	(1.06)%	52,597	(1.74)%	1,771,363	58.24%
<b>Total assets</b>	<b>70,957,856</b>	<b>16.75%</b>	<b>16,257,217</b>	<b>13.06%</b>	<b>9,109,726</b>	<b>12.28%</b>	<b>87,215,073</b>	<b>16.04%</b>
Total deposits	42,849,488	19.89%	11,626,449	10.77%	6,514,877	10.00%	54,475,937	17.82%
<b>Total liabilities</b>	<b>61,062,728</b>	<b>14.15%</b>	<b>15,435,802</b>	<b>13.04%</b>	<b>8,649,446</b>	<b>12.27%</b>	<b>76,498,530</b>	<b>13.92%</b>

The following table summarizes the Bank's total loan portfolio:

	As of June 30,		%	% of	% of
	2011	2012	Change	Total Loans	Category
	(in millions of COP)				
<b>LOAN PORTFOLIO</b>					
<b>CORPORATE</b>					
Working capital loans	22,973,517	24,988,703	8.77%	40.14%	85.43%
Funded by domestic development banks	256,657	217,342	(15.32)%	0.35%	0.74%
Trade Financing	3,382,659	3,860,591	14.13%	6.20%	13.20%
Overdrafts	93,779	135,921	44.94%	0.22%	0.46%
Credit Cards	42,084	46,556	10.63%	0.07%	0.16%
<b>TOTAL CORPORATE</b>	<b>26,748,696</b>	<b>29,249,113</b>	<b>9.35%</b>	<b>46.99%</b>	<b>100.00%</b>
<b>RETAIL AND SMEs</b>					
Working capital loans	5,471,297	7,234,422	32.22%	11.62%	35.80%
Personal loans	5,024,114	6,470,386	28.79%	10.39%	32.02%
Loans funded by domestic development banks	626,738	759,471	21.18%	1.22%	3.76%
Credit Cards	2,962,531	3,539,529	19.48%	5.69%	17.52%
Overdrafts	256,508	291,629	13.69%	0.47%	1.44%
Automobile loans	1,653,102	1,817,377	9.94%	2.92%	8.99%
Trade Financing	46,981	92,933	97.81%	0.15%	0.46%
<b>TOTAL RETAIL AND SMEs</b>	<b>16,041,271</b>	<b>20,205,747</b>	<b>25.96%</b>	<b>32.46%</b>	<b>100.00%</b>
<b>MORTGAGE</b>	<b>4,143,652</b>	<b>5,072,371</b>	<b>22.41%</b>	<b>8.15%</b>	<b>100.00%</b>
<b>FINANCIAL LEASES</b>	<b>6,315,210</b>	<b>7,722,242</b>	<b>22.28%</b>	<b>12.41%</b>	<b>100.00%</b>
<b>Total loans and financial leases</b>	<b>53,248,829</b>	<b>62,249,473</b>	<b>16.90%</b>	<b>100.00%</b>	<b>100.00%</b>

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<b>Allowance for loan losses</b>	(2,539,101)	(3,036,907)	19.61%
<b>Total loans and financial leases, net</b>	<b>50,709,728</b>	<b>59,212,566</b>	<b>16.77%</b>

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**Table of Contents****Investment Portfolio**

As of June 30, 2012, the Bank's net investment portfolio totaled COP 10,469 billion, increasing 2.3% compared to June 30, 2011. The investment portfolio is mainly composed of debt investment securities, which represented 89% of total investments and 11% of assets as of June 30, 2012. Investments denominated in USD totaled USD 1,629 million and represented 28% of the investment portfolio. Additionally, the Bank has COP 1,729 billion in net mortgage backed securities, which represents 16% of the investment portfolio. The duration of the debt securities portfolio was 35.7 months with a yield to maturity of 4.6% as of June 30, 2012.

**Funding**

As of June 30, 2012, liabilities totaled COP 76.499 billion, increasing 13.9% compared to as of June 30, 2011. The ratio of net loans to deposits (including borrowings from domestic development banks) was 103% as of June 30, 2012, decreasing from 104% as of June 30, 2011.

Deposits totaled COP 54,476 billion (or 71.2% of liabilities) as of June 30, 2012, increasing 17.8% over the last 12 months. Certificates of deposits represented 39.8% of total deposits as of June 30, 2012, up from 36.8% as of June 30, 2011. The Bank's funding strategy is to encourage deposits into savings and checking accounts, which have a lower interest expense than other forms of funding. However, the cost of deposits has increased in 2012 as a result of rate increases by the Central Bank.

The following table summarizes the Bank's total deposits:

	2011		As of June 30, 2012	
	Amount	%	Amount	%
(in millions of COP)				
<b>DEPOSIT MIX</b>				
Checking accounts	9,242,949	19.99%	9,139,238	16.78%
Saving accounts	19,484,245	42.14%	22,955,925	42.14%
Time deposits	17,012,101	36.79%	21,692,273	39.82%
Other	498,450	1.08%	688,501	1.26%
<b>Total deposits</b>	<b>46,237,745</b>	<b>100.0%</b>	<b>54,475,937</b>	<b>100.0%</b>
<b>Regulatory Capital</b>				

The Bank's consolidated capital adequacy ratio was 14.89%, 120 bps above the 13.69% as of June 30, 2011. This increase in the capital adequacy ratio results principally from the COP 1,680 billion stock issuance in February 2012, offset in part by an increase in risk-weighted assets.



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The Bank's consolidated capital adequacy ratio of 14.89% was 589 basis points above the minimum level required by Colombia's regulator, while the basic capital ratio (Tier I), was 11.59% and the tangible capital ratio, defined as stockholders' equity minus goodwill and intangible assets divided by tangible assets, was 10.92% as of June 30, 2012.

	2011	As of June 30,		
		%	2012	%
	(in millions of COP)			
<b>TECHNICAL CAPITAL RISK WEIGHTED ASSETS (Consolidated)</b>				
Basic capital (Tier I)	6,717,062	9.95%	9,109,292	11.59%
Additional capital (Tier II)	2,526,745	3.74%	2,593,604	3.30%
Technical capital <sup>(1)</sup>	9,243,807		11,702,896	
Risk weighted assets included market risk	67,511,195		78,589,868	
<b>CAPITAL ADEQUACY <sup>(2)</sup></b>	<b>13.69%</b>		<b>14.89%</b>	

(1) Technical capital is the sum of basic and additional capital.

(2) Capital adequacy is technical capital divided by risk weighted assets.

**Impact of New Capital Rules**

The new capital adequacy requirements that will come into effect on August 1, 2013 as applied to the Bank are more stringent than the current capital adequacy rules. The Bank is required to submit an action plan before January 31, 2013, indicating the actions that will be implemented in order to comply with the new standards. The Bank is currently studying measures that it may take in response to the regulations. While it is likely that even after the implementation of any such measures the Bank's capital ratios will be lower under the new regulations than they would be under the current regime, the Bank will be in full compliance with the new capital adequacy standards when they become effective on August 1, 2013.

If the new requirements had been applied to the consolidated balance sheet of the Bank and its subsidiaries as of June 30, 2012, and excluding the impact of any changes the Bank may make in the future to its businesses or structure as a result of implementing the new rules, the Bank's preliminary estimates is that its consolidated capital adequacy ratio (Tier I plus Tier II) would have been in a range between 12.00% and 12.30%, compared with a minimum requirement of 9%, and that its consolidated Basic Capital ratio (basic ordinary capital net of deductions divided by risk weighted assets) would have been in a range between 7.60% and 7.90%, compared with a minimum requirement of 4.5%. The principal reasons for the decreases in the ratios are the treatment of voluntary reserves and retained earnings under the new requirements. The preliminary estimates given above are based on the Bank's current understanding of the new regulations, and the Bank continues to analyze the impact of these new regulations on its business. Furthermore, we expect the SFC will issue additional regulation in connection with the new capital adequacy requirements. For a more complete discussion of the new requirements, see Colombian Banking Regulation Capital Adequacy Requirements.

**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES**

Our ratios of earnings to fixed charges for the five years ended December 31, 2011 and the six months ended June 30, 2012, using financial information calculated in accordance with Colombian GAAP and adjusted to reflect U.S. GAAP, were:

	<b>For the Six Months Ended June 30, 2012</b>	<b>For the Year Ended December 31,</b>				
		<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Ratio in accordance with Colombian GAAP<sup>(1)</sup></b>						
Excluding interest on deposits	3.06	3.58	3.52	2.67	2.55	2.55
Including interest on deposits	1.79	2.05	2.01	1.56	1.55	1.60
<b>Ratios in accordance with U.S. GAAP<sup>(1)</sup></b>						
Excluding interest on deposits	N/A	2.62	2.61	2.27	1.85	2.81
Including interest on deposits	N/A	1.66	1.80	1.45	1.31	1.68

- (1) For purposes of computing the consolidated ratio of earnings to fixed charges, earnings consist of income before minority interest and income taxes. Fixed charges consist of total interest expense.

**Table of Contents****CAPITALIZATION**

The following table sets forth our consolidated Technical Capital (defined in Colombian Banking Regulations Capital Adequacy Requirements ) and long-term senior indebtedness as of June 30, 2012, and as adjusted to give effect to issuance of the US\$ of notes offered hereby as if it had occurred on June 30, 2012.

(In Millions of COP and Thousands of US\$)	As of June 30, 2012				
	Actual		As Adjusted for this offering <sup>(2)</sup>		
<sup>(1)</sup>					
<b>Long-term senior indebtedness</b>	COP	7,944,342	US\$ 4,451,609	COP 7,944,342	US\$ 4,451,609
Subscribed capital		425,914	238,661	425,914	238,661
Legal reserve and other reserves		7,566,313	4,239,781	7,566,313	4,239,781
Unappropriated retained earnings		1,235,889	692,530	1,235,889	692,530
Non-controlling interest		81,907	45,897	81,907	45,897
Net Income					
<b>Less:</b>					
Long-term investments		(148,348)	(83,127)		
Non-monetary inflation adjustment		(52,383)	(29,353)		
<b>Primary capital (Tier I)</b>		<b>9,109,292</b>	<b>5,104,389</b>	<b>9,109,292</b>	<b>5,104,389</b>
Provisions for loans		53,207	29,815	53,207	29,815
Subordinated bonds		2,295,635	1,286,358		
Others		244,762	137,152	244,762	137,152
<b>Computed secondary capital (Tier II)</b>		<b>2,593,604</b>	<b>1,453,325</b>		
<b>Technical capital</b>	<b>COP</b>	<b>11,702,896</b>	<b>US\$ 6,557,714</b>	<b>COP</b>	<b>US\$</b>
Risk-weighted assets included market risk		78,589,868	44,037,806		
<b>Technical capital to risk-weighted assets <sup>(3)(4)</sup></b>		14.89%	14.89%	%	%

- (1) Amounts stated in U.S. dollars have been converted, solely for the convenience of the reader, at the rate of COP 1,784.60 per US\$1.00, which is the representative market rate calculated on June 30, 2012, as reported by the SFC. Such conversions should not be construed as representations that the peso amounts represent, or have been or could be converted into, U.S. dollars at that or any other rate.
- (2) This column gives effect to the receipt of proceeds from this offering of notes (before offering-related expenses) made by this prospectus supplement.
- (3) Capital adequacy requirements for Colombian financial institutions (as set forth in Decree 2555 of 2010, as amended) are based on the standards of the Basel Committee and differ from banking regulations in the United States. See Risk Factors and Colombian Banking Regulations for further information.
- (4) Colombian regulations require that a credit institution's Technical Capital be at least 9% of that institution's total risk-weighted assets.

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**COLOMBIAN BANKING REGULATIONS**

**COLOMBIAN BANKING REGULATORS**

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

**Central Bank**

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

**Ministry of Finance and Public Credit**

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

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

**Superintendency of Finance**

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

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

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

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

**Other Colombian Regulators**

**Self-Regulatory Organization**

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

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

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### **Superintendency of Industry and Commerce**

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

### **REGULATORY FRAMEWORK FOR COLOMBIAN BANKING INSTITUTIONS**

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

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

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

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

Law 1328 of 2009 provides a new set of rights and responsibilities for customers of the financial system and a set of obligations for financial institutions in order to minimize disputes. Prior to Law 1328 of 2009, foreign banks were able to operate in Colombia by establishing a Colombian subsidiary authorized by the SFC. Following the enactment of Law 1328 of 2009, as of June 15, 2013, foreign banks will be permitted to operate through their *branches* and will not be required to incorporate a Colombian subsidiary. Law 1328 of 2009 also broadened the scope of permitted business activities by regulated entities. Following its adoption, credit institutions were allowed to operate leasing businesses and banks were allowed to extend loans to third parties so that borrowers could acquire control of other companies. On September 6, 2011, the SFC issued External Regulation 039 of 2011 pursuant to which the SFC is empowered to regulate certain banking practices considered as abusive.

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

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

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

## **KEY INTEREST RATES**

Colombian commercial banks, finance corporations and consumer financing companies are required to provide the Central Bank, on a weekly basis, with data regarding the total volume (in pesos) of certificates of deposit issued during the prior week and the average interest rates paid for certificates of deposit with maturities of 90 days. Based on such reports, the Central Bank computes the *Tasa de Captaciones de Corporaciones Financieras* ( TCC ) and the *Depósitos a Término Fijo* ( DTF ) rates, which are published at the beginning of the following week for use in calculating interest rates payable by financial institutions. The TCC is the weighted average interest rate paid by finance corporations for deposits with maturities of 90 days. The DTF is the weighted average interest rate paid by finance corporations, commercial banks and consumer financing companies for certificates of deposit with maturities of 90 days. For the week of September 3, 2012, the DTF was 5.40% and the TCC was 3.54%.

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

## **CAPITAL ADEQUACY REQUIREMENTS**

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

However, on August 23, 2012 the Ministry of Finance issued new regulation (Decree 1771 of 2012) amending the capital adequacy requirements set forth in Decree 2555. Under the new regulation, financial institutions (such as the Bank) will remain subject to the capital adequacy requirements previously in place until August 1, 2013, but are required to submit an action plan before January 31, 2013 indicating the actions that will be implemented in order to comply with the new standards. Some of the highlights of this new regulation are:

As of August 1, 2013, the technical capital will be the sum of Ordinary Basic Capital (common equity tier one), Additional Basic Capital (additional tier one), and Additional Capital (tier two capital).

New criteria for debt and equity instruments to be considered Ordinary Basic Capital, Additional Basic Capital, and Additional Capital was established. Additionally, the SFC must review whether a given instrument adequately complies with these criteria in order for an instrument to be considered tier one or tier two capital, upon request of the issuer. Debt and equity instruments that have not been classified by the SFC as Basic or Additional Capital, will not be considered tier one or tier two capital for purposes of capital adequacy requirements.

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The total solvency ratio remains at a minimum of 9% of the financial institution's total risk-weighted assets; however, as of August 1, 2013, each entity must also comply with a minimum basic solvency ratio of 4.5%, which is defined as the Ordinary Basic Capital after deductions divided by the financial institution's total risk-weighted assets.

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

**Current Definition of Technical Capital**

**Basic Capital**

Outstanding and paid-in capital stock.

Legal and other reserves.

Profits retained from previous fiscal years.

Net positive result of the cumulative translation adjustment account.

The total value of the revaluation of equity account (*revalorización del patrimonio*) (if positive) and of the foreign currency translation adjustment account (*ajuste por conversión de estados financieros*).

Current fiscal year profits in a proportion equal to the percentage of prior fiscal year profits that were capitalized, or allocated to increase the legal reserve, or all profits that must be used to cover accrued losses.

Shares held as a guarantee by Fogafin when the entity is in compliance with the recovery program aimed at bringing the bank back into compliance with capital adequacy requirements;

Subordinated bonds held by Fogafin when they comply with certain requirements stated in the regulations.

**New Definition of Technical Capital**

**(Effective August 1, 2013)**

**Ordinary Basic Capital**

Outstanding and paid-in capital stock classified as Ordinary Basic Capital by the SFC subject to the conditions set forth in the regulation.

Legal reserves.

Shares held as a guarantee by Fogafin when the entity is in compliance with a recovery program aimed at bringing the financial entity back into compliance with capital adequacy requirements.

Non-controlling interests registered in the consolidated financial statements, subject to the conditions set forth in the regulations.

The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Ordinary Basic Capital by the SFC.

Capital surplus.

Irrevocable donations.

Net positive result of the cumulative translation adjustment account.

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Non-controlling interests registered in the consolidated financial statements.

Capital stock paid in prior to its issuance by the entity, provided however, that the stock remains unissued for a maximum term of four (4) months. After such time frame, it will no longer be considered ordinary basic capital.

The total value of paid-in stock dividends.

Subordinated bonds held by Fogafin when they comply with certain requirements stated in the regulations.

The part of the surplus capital account from donations that complies with the requirements set forth in the applicable regulation.

Any other financial instrument issued by the entity and held by Fogafin, when the subscription is intended to strengthen the financial condition of the financial entity.

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**Deductions from Basic Capital**

Any prior or current period losses.

The total value of the capital revaluation account (revalorización del patrimonio) (if negative).

Accumulated inflation adjustments on non-monetary assets (provided that the respective assets have not been transferred).

Investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by other entities (excluding subsidiaries) subject to the supervision of the SFC, excluding appraisals and investments in Finagro credit establishments and investments undertaken pursuant to Article 63 of Decree 663 of 1993, subject to the conditions set forth in the regulation.

Investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by foreign financial institutions where the investor directly or indirectly holds at least 20% of the capital of said institution (excluding subsidiaries). This amount includes cumulative translation adjustments and excludes appraisals.

**Deductions from Ordinary Basic Capital**

Any prior or current period losses.

Investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by other Colombian or foreign financial institutions (excluding subsidiaries), including cumulative translation adjustments and excluding appraisals, subject to the conditions set forth in the regulation.

Deferred income taxes, if positive.

Intangible assets registered after August 23, 2012.

Reacquired stock, subject to the conditions set forth in the regulations.

Unamortized amount of the actuarial calculation of the pension obligations of the entity.

**Additional Basic Capital**

Outstanding and paid-in capital stock classified as Additional Basic Capital by the SFC subject to the conditions set forth in the regulation.

The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Additional Basic Capital by the SFC.

Non-controlling interests registered in the consolidated financial statements, subject to the conditions set forth in the regulation.

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### **Additional Capital**

Fifty percent (50%) of the accumulated inflation adjustment of non-monetary assets (provided that such assets have not been disposed of).

Fifty percent (50%) of asset reappraisal (excluding revaluations of foreclosed assets or assets received as payment of credits).

Mandatory convertible bonds effectively subscribed and paid, with maturities of up to 5 years, provided that the terms and conditions of their issuance were approved by the SFC and subject to the conditions set forth by the SFC.

Subordinated payment obligations as long as said obligations do not exceed 50% of Tier One Capital and comply with additional requirements stated in the regulations.

The part of the surplus capital account from donations that complies with the requirements set forth in the applicable regulation.

General allowances made in accordance with the instructions issued by the SFC.

### **Deductions from Additional Capital**

### **Additional Capital**

Fifty percent (50%) of the reappraisal or unrealized profits derived from investments in equity and debt instruments with high or medium trading volumes, subject to conditions set forth in the regulation.

Mandatory convertible bonds effectively subscribed and paid, subject to the conditions set forth in the regulation.

Subordinated payment obligations that the SFC classifies as part of the Additional Capital.

Current period profits, in the amount that the shareholders irrevocably resolve to capitalize or assign to increase the legal reserves once the fiscal year is ended, subject to approval by the SFC.

Voluntary reserves (*reservas ocasionales*), up to an amount no greater than ten percent (10%) of the Technical Capital of the entity.

Non-controlling interests registered in the consolidated financial statements, subject to the conditions set forth in the regulation.

Fifty percent (50%) of the tax reserve, as defined by law.

Thirty percent (30%) of the reappraisal or unrealized profits derived from investments in equity instruments with low or non-existing trading volumes, or not listed in trading platforms, subject to an appraisal by an independent expert, according to the regulations expected to be issued by the SFC, and to conditions set forth in the regulation.

The value of the provisions made by the financial entity, in an amount no greater than 1.25% of the risk-weighted assets.

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

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

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

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### **MINIMUM CAPITAL REQUIREMENTS**

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

#### **Capital Investment Limit**

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

### **MANDATORY INVESTMENTS**

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

### **FOREIGN CURRENCY POSITION REQUIREMENTS**

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

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

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

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

### **RESERVE REQUIREMENTS**

Commercial banks are required by the board of directors of the Central Bank to satisfy reserve requirements with respect to deposits and other cash demands. Such reserves are held by the Central Bank in the form of cash deposits. According to Resolutions 5 and 11 of 2008 issued by the board of directors of the Central Bank, as amended, the reserve requirements for Colombian banks are measured bi-weekly and the amounts depend on the class of deposits.

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

Private demand deposits;

Government demand deposits;

Other deposits and liabilities; and

Savings deposits.

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

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

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

## **FOREIGN CURRENCY LOANS**

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

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

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

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

## **NON-PERFORMING LOAN ALLOWANCE**

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

## **LENDING ACTIVITIES**

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



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loan to a shareholder holding directly or indirectly 20% or more of the Bank's capital stock exceed 20% of the Bank's Technical Capital. In addition, no loan to a single financial institution may exceed 30% of the Bank's Technical Capital, with the exception of loans funded by Colombian development banks which are not subject to such limit.

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

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

## **OWNERSHIP AND MANAGEMENT RESTRICTIONS**

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

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

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

## **BANKRUPTCY CONSIDERATIONS**

Pursuant to Colombian banking law, the SFC has the power to intervene in the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure. Accordingly, the SFC may intervene in a bank's business, (i) prior to the liquidation of the bank, by taking one of the following preventive measures (*institutos de salvamento*) in order to prevent the bank from entering into a state where the SFC would need to take possession: (a) submit the bank to a special supervision regime; (b) issue a mandatory order to recapitalize the bank; (c) place the bank under the management of another authorized financial institution, acting as trustee; (d) order the transfer of all or part of the assets, liabilities and contracts, as well as certain on-going concerns (*establecimientos de comercio*) of the bank to another financial institution; (e) order the bank to merge with one or more financial institutions that consent to the merger, whether by creating a new institution or by having

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another institution absorb the bank; (f) order the adoption of a recovery plan by the bank, including adequate measures to reestablish its financial situation, pursuant to guidelines approved by the government; (g) order the exclusion of certain assets and liabilities by requiring the transfer of such assets and liabilities to another institution designated by the SFC; and (h) order the progressive unwinding (*desmonte progresivo*) of the operations of the bank; or (ii) at any time, by taking possession of the bank (*toma de posesión*) ( Taking of Possession ), to either administer the bank or order its liquidation, depending on how critical the situation is found to be by the SFC.

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

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

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

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

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

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

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



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

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

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

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

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

## **DEPOSIT INSURANCE TROUBLED FINANCIAL INSTITUTIONS**

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

To protect the customers of commercial banks and certain financial institutions, Resolution No. 1 of 2012 of the board of directors of Fogafin, as amended, requires mandatory deposit insurance. Under this Resolution No. 1, banks must pay an annual premium of 0.3% of total funds received on saving accounts, checking accounts, certificates of deposit and other deposits. If a bank is liquidated, the deposit insurance will cover the funds deposited by an individual or corporation with such bank up to a maximum of COP 20 million regardless of the number of accounts held.

## **ANTI-MONEY LAUNDERING PROVISIONS**

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

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

## **RISK MANAGEMENT SYSTEMS**

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

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

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

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

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**DESCRIPTION OF THE NOTES**

As used below in this Description of the Notes section, the Bank means Bancolombia S.A., a *sociedad anónima* organized and existing under the laws of Colombia, and its successors, but not any of its subsidiaries. The Bank will issue the notes described in this prospectus supplement under an indenture (the Indenture) to be executed between the Bank and The Bank of New York Mellon, as trustee (the Trustee). The terms of the notes include those set forth in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act. You may obtain a copy of the Indenture from the Bank at its address set forth elsewhere in this prospectus supplement.

The following is a summary of the material terms and provisions of the notes. The following summary does not purport to be a complete description of the notes and is subject to the detailed provisions of, and qualified in its entirety by reference to, the Indenture. You can find definitions of certain terms used in this description under the heading Certain Definitions.

The notes are being issued by the Bank as subordinated notes due 2022 under the laws of Colombia (with the effects set forth in Decree 2555 of 2010). References to the Decree 2555 of 2010 in this Description of the Notes section are made taking into account that as of the date of this prospectus supplement, Chapter 2 of Title 1 of Book 1 of Part 2 of Decree 2555 of 2010 is currently applicable to financial institutions such as the Bank. The notes are not treated under the banking laws and regulations of Colombia as bank deposits, and the noteholders are not required to open accounts with the Bank. Noteholders will not have recourse to deposit insurance or any other protections afforded to depositors in financial institutions under the laws of any jurisdiction. The notes are treated under Colombian and New York law as debt instruments.

According to Colombian banking laws, banks are permitted to issue subordinated debt, including the notes, and to include the outstanding aggregate principal amount of such subordinated debt as a component of Tier Two Capital. Technical Capital is comprised of Tier One Capital, which consists of different types of capital, such as capital stock and capital reserves, and Tier Two Capital, which includes subordinated debt, such as the notes. However, commencing on the fifth anniversary prior to the final maturity date, the amount of subordinated debt that will be eligible to be included in Tier Two Capital will decrease by 20% of the aggregate outstanding amount of such subordinated debt on an annual basis. As a result, after 2017, the outstanding aggregate principal amount of the notes that will qualify as Tier Two Capital will decrease by 20% annually. See Colombian Banking Regulations.

**Principal, Maturity and Interest**

The notes will mature on September 15, 2022. The notes will bear interest at the rate shown on the cover page of this prospectus supplement, payable semi-annually on March 15 and September 15 of each year (each, an interest payment date), commencing on March 15, 2013, to Holders of record at the close of business on March 15 or September 15, as the case may be, immediately preceding the relevant interest payment date. Interest on the notes will be computed on the basis of a 360-day year of twelve 30-day months. If any interest payment date or final maturity date is a day that is not a Business Day, the related payment of the principal and interest will be made on the next succeeding Business Day as if it were made on the date the payment was due.

The notes will be issued in registered form, without coupons, and in minimum denominations of US\$2,000 and integral multiples of US\$1,000. Each book-entry note will be represented by one or more notes registered in the name of The Depository Trust Company, which is referred to in this prospectus supplement as DTC or the depository, or its nominee. Beneficial interests in the notes will be shown on, and transfers thereof will be effected only through, records maintained by the DTC and its participants. See Book-Entry, Delivery and Form of Securities.

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The Bank will pay the principal of and interest on the notes and any Additional Amounts (as defined below) in U.S. Dollars.

An aggregate principal amount of notes equal to US\$        is being issued in this offering. Subject to market conditions, we reserve the right to increase the aggregate principal amount of the notes by up to        % of the aggregate principal amount of notes offered hereby, or US\$        , during Asian market hours on September        , 2012. During this extended offering period, the notes will initially be offered at a price that is not less than the price set forth on the cover of this prospectus supplement. The Bank may issue additional notes (the Additional Notes ) having identical terms and conditions to the notes being issued in this offering, except with respect to (1) issue date, (2) the first interest payment date and (3) issue price. Any Additional Notes will be part of the same issue as the notes being issued in this offering and will be treated as one class with the notes being issued in this offering, including for purposes of voting, redemptions and offers to purchase. If, however, any such Additional Notes are not fungible for U.S. federal income tax purposes with the notes offered hereby, the applicable Additional Notes will be assigned separate CUSIP and ISIN numbers from the notes offered hereby. For purposes of this Description of the Notes, references to the notes include Additional Notes, if any.

**Additional Amounts**

All payments made by the Bank under or with respect to the notes will be made free and clear of and without withholding or deduction for or on account of any present or future Taxes imposed or levied by or on behalf of any Taxing Authority in any jurisdiction in which the Bank is organized or is otherwise resident for tax purposes or any jurisdiction from or through which payment is made (each a Relevant Taxing Jurisdiction ), unless the Bank is required to withhold or deduct Taxes by law or by the interpretation or administration thereof. If the Bank is required to withhold or deduct any amount for or on account of Taxes imposed by a Relevant Taxing Jurisdiction, from any payment made under or with respect to the notes, the Bank will pay such additional amounts ( Additional Amounts ) as may be necessary so that the net amount received by each Holder (including Additional Amounts) after such withholding or deduction will equal the amount the Holder would have received if such Taxes had not been withheld or deducted; provided, however, that no Additional Amounts will be payable with respect to any Tax that would not have been imposed, payable or due:

- (1) but for the existence of any present or former connection between the Holder (or the beneficial owner of, or Person ultimately entitled to obtain an interest in, such notes) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) other than the mere holding of the notes or enforcement of rights thereunder or the receipt of payments in respect thereof;
- (2) but for the failure to satisfy any certification, identification or other reporting requirements whether imposed by statute, treaty, regulation or administrative practice, provided, however, that the Bank has delivered a request to the Holder to comply with such requirements at least 30 days prior to the date by which such compliance is required; or
- (3) if the presentation of notes (where presentation is required) for payment had occurred within 30 days after the date such payment was due and payable or was duly provided for, whichever is later.

In addition, Additional Amounts will not be payable if the beneficial owner of, or Person ultimately entitled to obtain an interest in, such notes had been the Holder and such beneficial owner would not be entitled to the payment of Additional Amounts by reason of clause (1), (2) or (3) above. In addition, Additional Amounts will not be payable with respect to any Tax which is payable otherwise than by withholding from payments of, or in respect of principal of, or any interest on, the notes.

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Whenever in the Indenture or in this Description of the Notes there is mentioned, in any context, the payment of amounts based upon the principal amount of the notes or of principal, interest or of any other amount payable under or with respect to any of the notes, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Upon request, the Bank will provide the Trustee with documentation satisfactory to the Trustee evidencing the payment of Additional Amounts.

The Bank will pay any present or future stamp, court or documentary taxes, or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery or registration of the notes or any other document or instrument referred to therein, or the receipt of any payments with respect to the notes, excluding any such taxes, charges or similar levies imposed by any jurisdiction other than a jurisdiction in which the Bank is organized or is otherwise resident for tax purposes, the United States of America or any jurisdiction in which a paying agent is located, but not excluding those resulting from, or required to be paid in connection with, the enforcement of the notes or any other such document or instrument following the occurrence of any Event of Default with respect to the notes.

### **Methods of Receiving Payments on the Notes**

The Bank will make payments of principal of and interest on the notes and any Additional Amounts represented by global securities by wire transfer of U.S. dollars to DTC or to its nominee as the registered holder of the notes, which will receive the funds for distribution to the owners of beneficial interests in the notes. The Bank has been informed by DTC that the owners will be paid in accordance with the procedures of DTC and its participants. Neither the Bank nor the paying agent shall have any responsibility or liability for any of the records of, or payments made by, DTC or its nominee.

### **Notices**

The Bank will mail any notices to Holders at the addresses appearing in the security register maintained by the paying agent. The Bank will consider a notice to be given at the time it is mailed. Neither the failure to give any notice to a particular Holder, nor any defect in a notice given to a particular Holder, will affect the sufficiency of any notice given to another Holder.

### **Subordination of Notes**

The payment of all Obligations on or relating to the notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents of all obligations due in respect of Senior External Liabilities of the Bank, whether outstanding on the Issue Date or incurred after that date and will be senior only to all classes of the Bank's capital stock. The notes will rank *pari passu* with all other unsecured and subordinated Indebtedness of the Bank, if any, that complies with the requirements set forth in Decree 2555, other than subordinated Indebtedness, that, under its terms, is designated as junior to the notes. Pursuant to Colombian banking laws, the notes will constitute subordinated bonds (*bonos subordinados*).

The creditors holding Senior External Liabilities will be entitled to receive payment in full in cash or cash equivalents of all obligations due in respect of Senior External Liabilities before the Holders will be entitled to receive any payment or distribution of any kind or character with respect to any obligations on or relating to the notes in the event of any distribution to creditors of the Bank:

in a total or partial liquidation, dissolution or winding up of the Bank; or

in the event that the SFC takes possession of the Bank and determines to liquidate the Bank.

As a result of the subordination provisions described above in the event of a liquidation of the Bank, the notes will be senior only to the Bank's capital stock and subordinated debt that is expressly junior to the notes, and

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accordingly, Holders may recover less ratably than creditors of the Bank who are creditors of Senior External Liabilities.

### **Optional Redemption**

The notes may not be redeemed prior to the final maturity date.

### **Certain Covenants**

The Indenture will contain, among others, the following covenants:

#### ***Mergers, Consolidations, Etc.***

The Bank will not consolidate with or merge into, or sell, lease, convey or transfer, in one transaction or a series of transactions, all or substantially all of the Bank's properties and assets to any Person, unless:

- (1) the Bank obtains any and all regulatory approvals in connection therewith;
- (2) the surviving entity, if other than the Bank, is organized and existing under the laws of Colombia or the United States and assumes via supplemental indenture all of the Obligations under the notes and the Indenture;
- (3) the Bank, or the surviving entity, as the case may be, is not immediately after such transaction in Default under the notes and the Indenture; and
- (4) the Bank or the surviving entity will have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each, in form and substance satisfactory to the Trustee, stating that such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the requirements of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the notes constitute legal, valid and binding obligations of the surviving entity, enforceable in accordance with their terms.

#### ***Maintenance of Office or Agent for Service of Process***

The Bank shall maintain an office or agent for service of process in the Borough of Manhattan, The City of New York, where notices to and demands upon the Bank in respect of the notes and the Indenture may be served. Initially this agent will be CT Corporation System, and the Bank will agree not to change the designation of such agent without prior notice to the Trustee and designation of a replacement agent in the Borough of Manhattan, The City of New York.

#### ***Provision of Financial Statements and Reports***

At all times when the Bank is required to file any financial statements or reports with the SEC, the Bank shall use its best efforts to file all required statements or reports in a timely manner in accordance with the rules and regulations of the SEC. In addition, at any time when the Bank is not subject to or is not current in its reporting obligations under Section 13 or Section 15(d) of the Exchange Act or is not included on the SEC's list of foreign private issuers that claim exemption from the registration requirements of Section 12(g) of the Exchange Act pursuant to Rule 12g3-2(b) thereunder and any notes remain outstanding, the Bank will make available, upon request, to any Holder or any prospective purchaser of the notes, who so requests in writing, substantially the same financial and other information that the Bank would be required to include and file in an annual report on Form 20-F and reports on Form 6-K.

Delivery of such reports, information and documents to the Trustee shall be for informational purposes only and the Trustee's receipt of such reports, information and documents shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Bank's

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compliance with any of the covenants contained in the Indenture (as to which the Trustee will be entitled to conclusively rely upon an Officers certificate).

For so long as any notes are listed on the NYSE and the rules of the exchange so require, we will provide the NYSE with prompt written notice of certain actions or events consistent with the rules of the NYSE.

***Further Actions***

The Bank will, at its own cost and expense, satisfy any condition or take any action (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required, as may be necessary or as the Trustee may reasonably request, in accordance with applicable laws and/or regulations, to be taken, fulfilled or done in order to (i) enable the Bank to lawfully enter into, exercise its rights and perform and comply with its obligations under the Indenture and the notes, as the case may be; (ii) ensure that its obligations under the Indenture and the notes are legally binding and enforceable; (iii) make the Indenture and the notes admissible in evidence in the courts of the State of New York and Colombia; (iv) preserve the enforceability of, and maintain the Trustee's rights under, the Indenture; and (v) respond to any reasonable requests received from the Trustee to enable the Trustee to facilitate the Trustee's exercise of its rights and performance of its obligations under the Indenture and the notes, including exercising and enforcing its rights under and carrying out the terms, provisions and purposes of the Indenture and the notes.

**Events of Default**

Each of the following is an Event of Default :

(1) failure by the Bank to pay interest on any of the notes when it becomes due and payable and the continuance of any such failure for thirty (30) days;

(2) failure by the Bank to pay the principal on any of the notes when it becomes due and payable, whether at stated maturity or otherwise and the continuance of any such failure for seven (7) days;

(3) the Bank pursuant to or within the meaning of any Bankruptcy Law:

(a) commences a voluntary case;

(b) consents to the entry of an order for relief against it in an involuntary case;

(c) consents to the appointment of a Custodian of it or for all or substantially all of its assets;

(d) makes a general assignment for the benefit of its creditors;

(e) is subject to any other Intervention Measure or Preventive Measure; or

(4) the SFC enters an order or decree under any Bankruptcy Law that:

(a) is for relief against the Bank as debtor in an involuntary case;

(b) appoints a Custodian of the Bank or a Custodian for all or substantially all of the assets of the Bank; or

(c) orders the liquidation of the Bank, and the order or decree remains unstayed and in effect for sixty (60) days.

If the Bank fails to make payment of principal of or interest or Additional Amounts, if any, on the notes (and, in the case of payment of principal, such failure to pay continues for seven (7) days or, in the case of payment of interest or Additional Amounts, such failure to pay continues for thirty (30) days), each Holder has the right to demand and collect under the Indenture and the Bank will pay to the Holders the applicable amount of such due and payable principal, accrued interest and Additional Amounts, if any, on the notes.

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There is no right of acceleration in the case of a default in any payment on the notes (whether when due or otherwise) or the performance of any of the Bank's other obligations under the Indenture or the notes. Notwithstanding the immediately preceding sentence, the Holders shall have the right to accelerate the payments due under the notes during the occurrence of an Event of a Default; provided that there shall have been a change, amendment or modification to the Colombian banking laws that would permit such right without disqualifying the notes from Tier Two Capital status and the Holders exercise such right in accordance with applicable Colombian banking law. Subject to the subordination provisions of the notes, if any Event of Default occurs and is continuing, the Trustee may pursue any available remedy (excluding acceleration, except as provided herein) to collect the payment of principal and interest on the notes or to enforce the performance of any provision of the Notes or the Indenture.

The Trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default unless either (i) an authorized officer of the Trustee with direct responsibility for the Indenture has actual knowledge of such Default or Event of Default or (ii) written notice of such Default or Event of Default has been given to the Trustee by the Bank or any Holder.

See Risk Factors Risks Relating to the Notes Holders of the notes will not have the right to accelerate the notes.

### **Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect (except as to rights of registration of transfer or exchange of notes, which shall survive until all notes have been canceled) as to all outstanding notes when either:

(1) all the notes that have been authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has been deposited in trust or segregated and held in trust by the Bank and thereafter repaid to the Bank or discharged from this trust) have been delivered to the Trustee for cancellation, or

(2) (a) all notes not delivered to the Trustee for cancellation otherwise have become due and payable and the Bank has irrevocably deposited or caused to be deposited with the Trustee trust funds in trust solely for the benefit of Holders in an amount of money sufficient to pay and discharge the entire Indebtedness (including all principal and accrued interest) on the notes not theretofore delivered to the Trustee for cancellation,

(b) the Bank has paid all sums payable by it under the Indenture,

(c) the Bank has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the notes at maturity, and

(d) the Holders have a valid, perfected, exclusive security interest in this trust.

In addition, the Bank must deliver an Officers' Certificate and an Opinion of Counsel stating that all conditions precedent to satisfaction and discharge have been satisfied.

### **Transfer and Exchange**

A Holder will be able to register the transfer of or exchange notes only in accordance with the provisions of the Indenture. The registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Without the prior consent of the Bank, the registrar is not required to register the transfer or exchange of a note between a record date and the next succeeding interest payment date.

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The notes will be issued in registered form and the registered Holder will be treated as the owner of such note for all purposes.

### **Purchase of Notes**

The Bank may at any time purchase notes at any price in the open market, in privately negotiated transactions or otherwise. Notes so purchased by the Bank may be held, resold in accordance with the Securities Act or any exemption therefrom, or surrendered to the Trustee for cancellation.

### **Amendment, Supplement and Waiver**

Subject to certain exceptions, the Indenture or the notes may be amended with the consent (which may include consents obtained in connection with a tender offer or exchange offer for notes) of the Holders of at least a majority in aggregate principal amount of the notes then outstanding, and any existing Default under, or compliance with any provision of, the Indenture may be waived (other than any continuing Default in the payment of the principal or interest on the notes) with the consent (which may include consents obtained in connection with a tender offer or exchange offer for notes) of the Holders of a majority in aggregate principal amount of the notes then outstanding; provided, that without the consent of each Holder affected, no amendment or waiver may:

- (1) reduce, or change the maturity of, the principal of any note;
- (2) reduce the rate of or extend the time for payment of interest on any note;
- (3) change the currency or place of payment of principal of or interest on the notes;
- (4) modify or change the related definitions affecting the subordination of the notes or any provision of the Indenture (including the covenants in the Indenture) in a manner that adversely affects the Holders;
- (5) reduce the percentage of Holders necessary to consent to an amendment or waiver to the Indenture or the notes;
- (6) impair the rights of Holders to receive payments of principal of or interest on the notes; or
- (7) make any change in these amendment and waiver provisions.

Notwithstanding the foregoing, the Bank and the Trustee may amend the Indenture or the notes without the consent of any Holder to cure any ambiguity, defect or inconsistency, to provide for uncertificated notes in addition to or in place of certificated notes, to provide for the assumption of the Bank's obligations to the Holders in the case of a merger, consolidation or sale of all or substantially all of the assets in accordance with Description of the Notes Certain Covenants Mergers, Consolidations, Etc., to make any change that does not adversely affect the rights of any Holder or, in the case of the Indenture, to maintain the qualification of the Indenture under the Trust Indenture Act.

### **No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, Officer, employee, incorporator or stockholder of the Bank will have any liability for any obligations of the Bank under the notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the federal securities laws. It is the view of the SEC that this type of waiver is against public policy.

### **Concerning the Trustee**

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The Bank of New York Mellon is the Trustee under the Indenture and has been appointed by the Bank as registrar and paying agent with regard to the notes. The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Bank, to obtain payment of claims in certain cases, or to realize on

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certain assets received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest (as defined in the Indenture), it must eliminate such conflict or resign.

The Holders of a majority in principal amount of the then outstanding notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that, in case an Event of Default occurs and is not cured, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in similar circumstances in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to the Trustee.

## **Unclaimed Amounts**

Any money deposited with the Trustee or paying agent or held by the Bank, in trust, for the payment of principal, premium, interest or any Additional Amounts, that remains unclaimed for two (2) years after such amount becomes due and payable shall be paid to the Bank upon its request or, if held by the Bank, shall be discharged from such trust. The Holder will look only to the Bank for payment thereof, and all liability of the Trustee, paying agent or of the Bank shall thereupon cease. However, the Trustee or paying agent may at the expense of the Bank cause to be published once in a newspaper in each place of payment, or to be mailed to Holders, or both, notice that the money remains unclaimed and any unclaimed balance of such money remaining, after a specified date, will be repaid to the Bank.

## **No Sinking Fund**

The notes will not be entitled to the benefit of a sinking fund.

## **Listing**

Application has been made to list the notes on the NYSE. Trading of the notes on the NYSE is expected to commence within ten (10) days after they are first issued. Prior to this offering there has been no trading market for the notes.

## **Governing Law**

The Indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York, except that the authorization and execution of such documentation by the Bank will be governed by the laws of Colombia.

## **Currency Rate Indemnity**

The Bank has agreed that, if a judgment or order made by any court for the payment of any amount in respect of any notes is expressed in a currency other than U.S. dollars, the Bank will indemnify the relevant Holder against any deficiency arising from any variation in rates of exchange between the date as of which the denomination currency is notionally converted into the judgment currency for the purposes of the judgment or order and the date of actual payment. This indemnity will constitute a separate and independent obligation from the Bank's other obligations under the Indenture, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due under the Indenture or the notes.

## **Certain Definitions**

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms.

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amend means to amend, supplement, restate, amend and restate or otherwise modify; and amendment shall have a correlative meaning.

asset means any asset or property.

Bankruptcy Law means the provisions of the Financial Statute concerning bankruptcy of financial institutions, Decree 2555 and any other Colombian law or regulation regulating the insolvency of financial entities from time to time.

Board of Directors shall mean, with respect to any Person, (i) in the case of any corporation, the board of directors of such Person, (ii) in the case of any limited liability company, the board of managers of such Person, (iii) in the case of any partnership, the board of directors of the general partner of such Person and (iv) in any other case, the functional equivalent of the foregoing.

Business Day means any day other than a Saturday, Sunday or other day on which banking institutions in New York or Colombia are authorized or required by law to close.

Colombian GAAP means generally accepted accounting principles as prescribed by the SFC for banks licensed to operate in Colombia, consistently applied, as in effect on the Issue Date.

Custodian means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

Decree 2555 means Decree 2555 of 2010, as amended from time to time.

Default means (1) any Event of Default or (2) any event, act or condition that, after notice or the passage of time or both, would be an Event of Default.

Financial Statute means Decree 663 of 1993, as amended, of the Republic of Colombia.

Holder means any registered holder, from time to time, of the notes.

Indebtedness means, with respect to any Person, any obligation for the payment or repayment of money borrowed or otherwise evidenced by debentures, notes, bonds, or similar instruments or any other obligation (including all trade payables and other accounts payable and including payments relating to bank deposits) that would appear or be treated as indebtedness upon a balance sheet if such Person prepared it in accordance with Colombian GAAP as applicable to financial institutions.

Interest means, with respect to the notes, interest on the notes.

Intervention Measures means the measures described in article 114 of the Financial Statute that allow the SFC to take possession of a financial institution.

Issue Date means the date on which the notes are originally issued.

Obligation means any principal, interest, penalties, fees, indemnification, reimbursements, costs, expenses, damages and other liabilities payable under any Indebtedness.

Officer means any of the following of the Bank: the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the President, any Vice President, the Treasurer or the Secretary.

Officers Certificate means a certificate signed by two Officers.

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**Opinion of Counsel** means an opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Bank or any subsidiary of the Bank.

**Person** means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof or other entity of any kind.

**Preventive Measures** means the measures described in article 113 of the Financial Statute, as amended from time to time, that the SFC can take with respect to a financial institution prior to and in order to avoid having to take an Intervention Measure.

**principal** means, with respect to the notes, the principal of, and premium, if any, on the notes.

**SEC** means the U.S. Securities and Exchange Commission.

**Securities Act** means the U.S. Securities Act of 1933, as amended.

**Senior External Liabilities** means any liabilities to third parties that constitute external debt of the Bank (*pasivo externo*) under Colombian banking laws and accounting principles whether outstanding on the Issue Date or thereafter created, incurred or assumed, unless, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such external debt shall not be senior in right of payment to the notes. Under Colombian banking laws and accounting principles, *external debt (pasivo externo)* means, in the case of the Bank, any and all liabilities to third parties, as reflected in the financial statements of the Bank from time to time or any and all liabilities to third parties in the event of liquidation.

**SFC** means the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*).

**Tax** shall mean any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other liabilities related thereto).

**Taxing Authority** shall mean any government or political subdivision or territory or possession of any government or any authority or agency therein or thereof having power to tax.

**Technical Capital** means the *patrimonio técnico* of banks comprised of Tier One Capital (*patrimonio básico*) and Tier Two Capital (*patrimonio adicional*) pursuant to Decree 2555 issued by the Ministry of Finance and Public Credit, or any other Colombian law or regulation regulating the *patrimonio técnico* in effect from time to time.

**Tier One Capital** means, as of any date of determination until August 1, 2013, the *Patrimonio Básico* as the same is defined in Article 2.1.1.2.5 of Decree 2555 or any other Colombian law or regulation regulating the *Patrimonio Básico* in effect from time to time.

**Tier Two Capital** means, as of any date of determination until August 1, 2013, the *Patrimonio Adicional* as the same is defined in Article 2.1.1.2.7 of Decree 2555 or any other Colombian law or regulation regulating the *Patrimonio Adicional* in effect from time to time.

**Trust Indenture Act** means the Trust Indenture Act of 1939, as amended (15 U.S.C. §§77aaa-77bbb).

## **Book-Entry, Delivery and Form of Securities**

The notes will be represented by one or more notes (the **Global Notes**) in definitive form. The Global Notes will be deposited on the Issue Date with, or on behalf of, DTC and registered in the name of Cede & Co., as nominee of DTC (such nominee being referred to herein as the **Global Note Holder**). DTC will maintain the notes in minimum denominations of US\$2,000 and integral multiples of US\$1,000 through its book-entry facilities.

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DTC has advised the Bank as follows:

DTC is a limited-purpose trust company that was created to hold securities for its participating organizations, including Euroclear and Clearstream (collectively, the Participants or the Depository's Participants), and to facilitate the clearance and settlement of transactions in these securities between Participants through electronic book-entry changes in the accounts of its Participants. The Depository's Participants include securities brokers and dealers (including the underwriters), banks and trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies (collectively, the Indirect Participants or the Depository's Indirect Participants) that clear through or maintain a custodial relationship with a Participant, either directly or indirectly. Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Depository's Participants or the Depository's Indirect Participants. Pursuant to procedures established by DTC, ownership of the notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the interests of the Depository's Participants) and the records of the Depository's Participants (with respect to the interests of the Depository's Indirect Participants).

The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer the notes will be limited to such extent.

So long as the Global Note Holder is the registered owner of any notes, the Global Note Holder will be considered the sole Holder of outstanding notes represented by such Global Notes under the Indenture. Except as provided below, owners of notes will not be entitled to have notes registered in their names and will not be considered the owners or holders thereof under the Indenture for any purpose, including with respect to the giving of any directions, instructions, or approvals to the Trustee thereunder. Neither the Bank nor the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such notes.

Payments in respect of the principal of, premium, if any, and interest on any notes registered in the name of a Global Note Holder on the applicable record date will be payable by the Trustee to or at the direction of such Global Note Holder in its capacity as the registered holder under the Indenture. Under the terms of the Indenture, the Bank and the Trustee may treat the Persons in whose names any notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, neither the Bank nor the Trustee has or will have any responsibility or liability for the payment of such amounts to beneficial owners of notes (including principal, premium, if any, and interest). The Bank believes, however, that it is currently the policy of DTC to immediately credit the accounts of the relevant Participants with such payments, in amounts proportionate to their respective beneficial interests in the relevant security as shown on the records of DTC. Payments by the Depository's Participants and the Depository's Indirect Participants to the beneficial owners of notes will be governed by standing instructions and customary practice and will be the responsibility of the Depository's Participants or the Depository's Indirect Participants.

Subject to certain conditions, any Person having a beneficial interest in the Global Notes may, upon request to the Trustee and confirmation of such beneficial interest by the depository or its Participants or Indirect Participants, exchange such beneficial interest for notes in definitive form. Upon any such issuance, the Trustee is required to register such notes in the name of and cause the same to be delivered to, such Person or Persons (or the nominee of any thereof). In addition, if (1) the depository notifies the Bank in writing that DTC is no longer willing or able to act as a depository and the Bank is unable to locate a qualified successor within ninety (90) days, (2) the Bank, at its option, notifies the Trustee in writing that it elects to cause the issuance of notes in definitive form under the Indenture or (3) an Event of Default under the Indenture has occurred with regard to the notes that has not been cured or waived, then, upon surrender by the relevant Global Note Holder of its Global Note, notes in such form will be issued to each Person that such Global Note Holder and DTC identifies as being the beneficial owner of the related notes. Neither the Bank nor the Trustee will be liable for any delay by the Global Note Holder or DTC in identifying the beneficial owners of Notes and the Bank and the Trustee may conclusively rely on, and will be protected in relying on, instructions from the notes Holder or DTC for all purposes.

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**TAX CONSIDERATIONS**

**Colombian Tax Considerations**

The following summary contains a description of the principal Colombian income tax considerations in connection with the purchase, ownership and sale of the notes, but does not purport to be a comprehensive description of all Colombian tax considerations that may be relevant to a decision to purchase the notes. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than those of Colombia.

This summary is based on the tax laws of Colombia as in effect on the date of this prospectus supplement, as well as regulations, rulings and decisions in Colombia available on or before such date and now in effect. All of the foregoing is subject to change, which change could apply retroactively and could affect the continued validity of this summary.

Prospective purchasers of the notes should consult their own tax advisors as to Colombian tax consequences of the purchase, ownership and sale of the notes, including, in particular, the application of the tax considerations discussed below to their particular situations, as well as the application of state, local, foreign or other tax laws.

Article 25 of the Estatuto Tributario provides that loans obtained abroad by Colombian finance corporations or banks do not generate taxable income in Colombia and will not be considered to be possessed in Colombia.

As a result, under current Colombian law, payments of principal and interest on the notes to Holders of the notes who are not resident or domiciled in Colombia are not subject to Colombian income tax, and no income tax will be withheld from payments by us to Holders of the notes not resident or domiciled in Colombia.

In addition, and given that the notes will be deemed to be a loan possessed abroad, gains realized on the sale or other disposition of the notes will not be subject to Colombian income tax or withholdings as long as the holder of the notes is not a Colombian resident for tax purposes or is not domiciled in Colombia.

**United States Federal Income Tax Considerations**

This section describes the material United States federal income tax consequences of owning the notes we are offering. It applies to you only if you acquire notes in the offering and you hold your notes as capital assets for tax purposes. This section does not apply to you if you are a member of a class of holders subject to special rules, such as:

a dealer in securities,

a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,

a bank,

a life insurance company,

a tax-exempt organization,

a person that owns notes that are a hedge or that are hedged against interest rate risks,



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a person that owns notes as part of a straddle or conversion transaction for tax purposes,

a person that purchases or sells notes as part of a wash sale for tax purposes, or

a United States holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

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If you purchase notes at a price other than the offering price, the amortizable bond premium or market discount rules may also apply to you. You should consult your tax advisor regarding this possibility.

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

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

*Please consult your own tax advisor concerning the consequences of owning these notes in your particular circumstances under the Internal Revenue Code and the laws of any other taxing jurisdiction.*

### **UNITED STATES HOLDERS**

This subsection describes the tax consequences to a United States holder. You are a United States holder if you are a beneficial owner of a notes and you are:

a citizen or resident of the United States,

a domestic corporation,

an estate whose income is subject to United States federal income tax regardless of its source, or

a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If you are not a United States holder, this subsection does not apply to you and you should refer to **United States Alien Holders** below.

### **Classification of Notes**

The notes should be treated as indebtedness for U.S. federal income tax purposes, and the discussion below assumes that the notes will be so treated. If the notes are not treated as indebtedness for U.S. federal income tax purposes, the result of such treatment should not be adverse to holders.

### **Payments of Interest**

You will be taxed on interest on your note as ordinary income at the time you receive the interest or when it accrues, depending on your method of accounting for tax purposes. You must include any tax withheld from the interest payment as ordinary income even though you do not in fact receive it. You must also include in income as interest any Additional Amounts paid with respect to any tax withheld from interest payments on the notes, including tax withheld on payments of such Additional Amounts. You may be entitled to deduct or credit this tax, subject to applicable limits. The rules governing foreign tax credits are complex and you should consult your tax advisor regarding the availability of the foreign tax credit in your situation.

Interest and any Additional Amounts paid by the Bank on the notes is income from sources outside the United States for the purposes of the rules regarding the foreign tax credit allowable to a United States holder. Under the foreign tax credit rules, interest and Additional Amounts will, depending on your circumstances, be either **passive** or **general** income.

**Purchase, Sale and Retirement of the Notes**

Your tax basis in your notes will generally be the U.S. dollar cost of your notes.

You will generally recognize gain or loss on the sale or retirement of your note equal to the difference between the amount you realize on the sale or retirement and your tax basis in your note.

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You will recognize capital gain or loss when you sell or retire your note, except to the extent attributable to accrued but unpaid interest (which will be treated as payments of interest). Capital gain of a noncorporate United States holder is generally taxed at preferential rates, where property is held for greater than one year.

**Medicare Tax**

For taxable years beginning after December 31, 2012, a United States holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the United States holder's net investment income for the relevant taxable year and (2) the excess of the United States holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000, depending on the individual's circumstances). A holder's net investment income will generally include its interest income and its net gains from the disposition of notes, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a United States holder that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of the Medicare tax to your income and gains in respect of your investment in the notes.

**Information with Respect to Foreign Financial Assets**

Owners of specified foreign financial assets with an aggregate value in excess of \$50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. Specified foreign financial assets may include financial accounts maintained by foreign financial institutions, as well as the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts held for investment that have non-United States issuers or counterparties, and (iii) interests in foreign entities. Holders are urged to consult their tax advisors regarding the application of this legislation to their ownership of the notes.

**UNITED STATES ALIEN HOLDERS**

This subsection describes the tax consequences to a United States alien holder. You are a United States alien holder if you are a beneficial owner of a note and you are, for United States federal income tax purposes:

a nonresident alien individual,

a foreign corporation or

an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a note.

If you are a United States holder, this subsection does not apply to you.

Under United States federal income and estate tax law, and subject to the discussion of backup withholding below, if you are a United States alien holder of a note interest on a note paid to you is exempt from United States federal income tax, including withholding tax, whether or not you are engaged in a trade or business in the United States, unless:

you are an insurance company carrying on a United States insurance business to which the interest is attributable, within the meaning of the Internal Revenue Code, or

you both

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have an office or other fixed place of business in the United States to which the interest is attributable and

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derive the interest in the active conduct of a banking, financing or similar business within the United States, or are a corporation with a principal business of trading in stocks and securities for its own account.

**Purchase, Sale, Retirement and Other Disposition of the Notes**

If you are a United States alien holder of a note, you generally would not be subject to United States federal income tax on gain realized on the sale, exchange or retirement of a note unless:

the gain is effectively connected with your conduct of a trade or business in the United States or

you are an individual, you are present in the United States for 183 or more days during the taxable year in which the gain is realized and certain other conditions exist.

For purposes of the United States federal estate tax, the notes will be treated as situated outside the United States and will not be includible in the gross estate of a holder who is neither a citizen nor a resident of the United States at the time of death.

**BACKUP WITHHOLDING AND INFORMATION REPORTING**

If you are a noncorporate United States holder, information reporting requirements, on Internal Revenue Service Form 1099, generally would apply to:

payments of principal and interest on a note within the United States, including payments made by wire transfer from outside the United States to an account you maintain in the United States, and

the payment of the proceeds from the sale of a note effected at a United States office of a broker.

Additionally, backup withholding would apply to such payments if you are a noncorporate United States holder that:

fails to provide an accurate taxpayer identification number,

is notified by the Internal Revenue Service that you have failed to report all interest and dividends required to be shown on your federal income tax returns, or

in certain circumstances, fails to comply with applicable certification requirements.

If you are a United States alien holder, you are generally exempt from backup withholding and information reporting requirements with respect to:

payments of principal and interest made to you outside the United States by the Bank or another non-United States payor and

other payments of principal and interest and the payment of the proceeds from the sale of a note effected at a United States office of a broker, as long as the income associated with such payments is otherwise exempt from United States federal income tax, and:

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the payor or broker does not have actual knowledge or reason to know that you are a United States person and you have furnished to the payor or broker:

an Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-United States person, or

other documentation upon which it may rely to treat the payments as made to a non-United States person in accordance with U.S. Treasury regulations, or

you otherwise establish an exemption.

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Payment of the proceeds from the sale of a note effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of a note that is effected at a foreign office of a broker would be subject to information reporting and backup withholding if:

the proceeds are transferred to an account maintained by you in the United States,

the payment of proceeds or the confirmation of the sale is mailed to you at a United States address, or

the sale has some other specified connection with the United States as provided in U.S. Treasury regulations, unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption.

In addition, a sale of a note effected at a foreign office of a broker would be subject to information reporting if the broker is:

a United States person,

a controlled foreign corporation for United States tax purposes,

a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or

a foreign partnership, if at any time during its tax year:

one or more of its partners are United States persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or

such foreign partnership is engaged in the conduct of a United States trade or business, unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption. Backup withholding would apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the Internal Revenue Service.



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Subject to the terms and conditions in the underwriting agreement between us and the underwriters, we have agreed to sell to each underwriter, and each underwriter has severally and not jointly agreed to purchase from us, the principal amount of notes that appears opposite its name in the table below:

<b>Underwriter</b>	<b>Principal amount of notes</b>
Citigroup Global Markets Inc.	US\$
Merrill, Lynch, Pierce, Fenner & Smith Incorporated .	
Morgan Stanley & Co. LLC	
 Total	 US\$

Valores Bancolombia, a subsidiary of Bancolombia, is acting as co-manager. Valores Bancolombia is not a U.S.-registered broker-dealer and will not effect any offers or sales of notes in the United States. Valores Bancolombia may place notes outside of the United States as an agent for the underwriters.

Under the terms and conditions of the underwriting agreement, the underwriters must buy all of the notes if the underwriters buy any of them. The underwriters are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The notes are a new issue of securities with no established trading market. We have applied for listing of the notes on the NYSE. We have been advised by the underwriters that the underwriters intend to make a market in the notes, but they are not obligated to do so and may stop their market-making at any time without providing any notice. We cannot assure the liquidity of the trading market for the notes or that an active public market for the notes will develop. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

The notes sold by the underwriters to the public will initially be offered at the public offering price set forth on the cover of this prospectus supplement. If all of the notes are not sold at the public offering price, the underwriters may change the offering price and other selling terms.

The underwriters initially may offer part of the notes directly to the public at the offering price described on the cover page of this prospectus supplement and part to certain dealers at a price that represents a concession not in excess of % of the principal amount of the notes. Any underwriter may allow, and any such dealer may reallow, a concession not in excess of % of the principal amount of the notes. After the initial offering of the notes, the underwriters may from time to time vary the offering price and other selling terms.

The offering period for the notes offered pursuant to this prospectus supplement may be extended during Asian market hours on September , 2012. The amount of notes offered during the extended offering period will not exceed US\$ , or % of the aggregate principal amount of notes offered hereby. During this extended offering period, the notes will initially be offered at a price that is not less than (but may be greater than) the price set forth on the cover of this prospectus supplement.

In order to facilitate the offering of the notes, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the trading price of the notes. In addition, to cover short positions or to stabilize the price of

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the notes, the underwriters may bid for, and purchase, the notes in the open market. Finally, the underwriters may reclaim selling concessions allowed to a particular dealer for distributing the notes in the offering if the underwriters repurchase previously distributed notes in transactions to cover short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the notes above independent market levels. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected in the over-the-counter market or otherwise. Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the underwriters makes any representation that the underwriters will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

In the underwriting agreement, we have agreed (i) to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities; and (ii) that we will not offer or sell any of our debt securities with a tenor of longer than one year (other than the notes) outside Colombia for a period of 45 days after the date of this prospectus without the prior consent of the underwriters.

We estimate that our expenses in connection with the sale of the notes, other than underwriting discounts, will be approximately US\$        and are payable by us.

We expect that the delivery of the notes will be made against payment therefore on or about the closing date specified on the cover page of this prospectus supplement, which is the fifth business day following the date of this prospectus supplement, or T+5. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, or T+3, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date of this prospectus supplement will be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes on the date hereof should consult their own advisor.

The underwriters and their respective affiliates have engaged in, and may in the future engage in, investment banking, commercial banking, financial advisory and other transactions and matters in the ordinary course of business with us and our affiliates. They have received customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the underwriters or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In addition, Valores Bancolombia, which is acting as co-manager in this offering, is a subsidiary of Bancolombia.

## **Selling Restrictions**

The distribution of this prospectus supplement and the accompanying prospectus may be restricted by law in certain jurisdictions. Persons into whose possession this prospectus supplement and the accompanying prospectus must inform themselves of and observe any of these restrictions.

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This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorized or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation.

### **EEA Selling Restriction**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), it has not made and will not make an offer to the public in that Relevant Member State of any notes which are the subject of the offering contemplated by this prospectus supplement, except that an offer to the public in that Relevant Member State may be made at any time with effect from and including the Relevant Implementation Date under the following exemptions under the Prospectus Directive:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the underwriters for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of notes shall require the Bank or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer to the public in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

Any person making or intending to make any offers of notes within the EEA should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of notes through any financial intermediary, other than offers made by the underwriters which constitute the final offering of notes contemplated in this prospectus supplement.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any notes under, the offer of notes contemplated by this prospectus supplement will be deemed to have represented, warranted and agreed to and with us and each underwriter that:

- (a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
- (b) in the case of any notes acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the notes acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (ii) where notes

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have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those notes to it is not treated under the Prospectus Directive as having been made to such persons.

***United Kingdom***

Each underwriter has represented, warranted and agreed that:

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended, the FSMA ) received by it in connection with the issue or sale of any notes in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

This prospectus supplement is only being distributed to and is only directed at: (i) persons who are outside the United Kingdom; or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order ); or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons ). The notes will only be available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this prospectus supplement or any of its contents.

***Switzerland***

This prospectus supplement and the accompanying prospectus, as well as any other material relating to the notes which are the subject of the offering contemplated by this prospectus supplement, do not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The notes will not be listed on the SWX Swiss Exchange and, therefore, the documents relating to the notes, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of the SWX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SWX Swiss Exchange. The notes are being offered in Switzerland by way of a private placement, (*i.e.*, to a small number of selected investors only, without any public offer and only to investors who do not purchase the notes with the intention to distribute them to the public). The investors will be individually approached by the underwriters from time to time. This prospectus supplement, as well as any other material relating to the notes, is personal and confidential and do not constitute an offer to any other person. This prospectus supplement may only be used by those investors to whom it has been provided in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

***Japan***

The notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and, accordingly, each underwriter has agreed that it will not offer or sell any notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan. For purposes of this paragraph, resident of Japan shall have the meaning as defined under the Foreign Exchange and Foreign Trade Law of Japan.

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### ***Hong Kong***

The contents of this prospectus supplement and the accompanying prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to this offering. If you are in any doubt about any of the contents of this prospectus supplement and the accompanying prospectus, you should obtain independent professional advice.

None of this prospectus supplement and the accompanying prospectus constitutes a prospectus (as defined in section 2(1) of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) (the "CO")), nor is any of them an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong (the "SFO")). No person may offer or sell in Hong Kong, by means of any document, any notes other than (i) to professional investors as defined in the SFO and any rules made under the SFO; (ii) in circumstances which do not constitute an offer to the public within the meaning of the CO or an invitation to the public within the meaning of the SFO; or (iii) in other circumstances which do not result in the document being a prospectus as defined in the CO.

No person may issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or to professional investors in Hong Kong as defined in the SFO and any rules made under the SFO.

### ***Singapore***

This prospectus supplement and the accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS") under the Securities and Futures Act, Chapter 289 of Singapore (the "Securities and Futures Act"). Accordingly, the notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this prospectus supplement, the accompanying prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of such notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following relevant persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased notes, namely a person who is: (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 of the Securities and Futures Act except:

- (a) to an institutional investor under Section 274 of the Securities and Futures Act or to a relevant person defined in Section 275(2) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act
- (b) where no consideration is or will be given for the transfer;
- (c) by operation of law; or
- (d) as specified in Section 276(7) of the Securities and Futures Act.



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The following table sets forth the main costs and expenses, other than the underwriting discounts and commissions and the special structuring fee in connection with this offering.

U.S. Securities and Exchange Commission registration fee	\$
Legal fees and expenses	
Accounting fees and expenses	
Printing costs	
Trustee fees and expenses	
Miscellaneous	
<b>Total</b>	<b>\$</b>

**VALIDITY OF THE NOTES**

The validity of the notes being offered hereby are being passed upon for us by Sullivan & Cromwell LLP, New York, New York and Washington, D.C. and for the underwriters by Cleary Gottlieb Steen & Hamilton LLP, New York, New York.

Matters of Colombian law are being passed upon for us by Gómez-Pinzón Zuleta Abogados S.A., our special Colombian counsel, and for the underwriters by Prieto & Carrizosa, S.A., Colombian counsel for the underwriters.

**EXPERTS**

The consolidated financial statements as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009 and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) as of December 31, 2011 incorporated into this prospectus supplement by reference to the Bank's Annual Report, have been so incorporated in reliance on the report of PricewaterhouseCoopers Ltda., an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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**BANCOLOMBIA S.A.**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2012 AND DECEMBER 31, 2011 AND FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2012 AND 2011**

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**Table of Contents****BANCOLOMBIA S.A. AND ITS SUBSIDIARIES**

## Condensed Consolidated Balance Sheets

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

	<i>Notes</i>	<i>June 30, 2012<sup>(1)</sup></i> <i>U.S. Dollar</i>	<i>As of</i> <i>June 30, 2012</i>	<i>December 31, 2011</i>
<b>Assets</b>				
Cash and cash equivalents:				
Cash and due from banks		USD 3,361,051	COP 5,998,131	COP 6,818,307
Overnight funds and interbank loans		771,329	1,376,514	910,690
<b>Total cash and cash equivalents</b>		<b>4,132,380</b>	<b>7,374,645</b>	<b>7,728,997</b>
Investment securities, net	3	5,866,267	10,468,940	9,958,191
Loans and financial leases, net	4	33,179,741	59,212,566	58,575,846
Other assets, net	5	5,692,548	10,158,922	9,199,986
<b>Total assets</b>		<b>USD 48,870,936</b>	<b>COP 87,215,073</b>	<b>COP 85,463,020</b>
<b>Liabilities</b>				
Deposits				
Checking accounts		USD 5,121,169	COP 9,139,238	COP 10,293,894
Time deposits		12,155,258	21,692,273	17,973,117
Savings deposits		12,863,345	22,955,925	23,263,051
Other		385,801	688,501	904,430
<b>Total deposits</b>		<b>30,525,573</b>	<b>54,475,937</b>	<b>52,434,492</b>
Overnight funds and interbank borrowings		1,149,089	2,050,665	1,954,552
Other interbank borrowings		992,592	1,771,380	4,130,915
Borrowing from development and other domestic banks		1,672,746	2,985,182	3,328,011
Accounts payable		1,336,890	2,385,816	2,173,253
Long-term debt	6	5,737,968	10,239,977	10,308,983
Other liabilities	7	1,405,170	2,507,666	2,065,999
Non-controlling interest		45,897	81,907	73,455
<b>Total liabilities</b>		<b>42,865,925</b>	<b>76,498,530</b>	<b>76,469,660</b>
<b>Stockholders equity</b>		<b>6,005,011</b>	<b>10,716,543</b>	<b>8,993,360</b>
<b>Total liabilities and stockholders equity</b>		<b>USD 48,870,936</b>	<b>COP 87,215,073</b>	<b>COP 85,463,020</b>
<b>Memorandum accounts</b>	9	<b>USD 272,909,274</b>	<b>COP 487,033,890</b>	<b>COP 454,772,061</b>

The accompanying notes, numbered 1 to 13, form an integral part of these Condensed Consolidated Financial Statements.

(1) See note 2 (c)

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**Table of Contents****BANCOLOMBIA S.A. AND ITS SUBSIDIARIES**

## Condensed Consolidated Statements of Operations

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

	2012		For the six month periods ended June 30,		2011
	U.S. Dollar <sup>(1)</sup>		2012		
Interest income:					
Loans	USD	1,617,316	COP	2,886,262	COP 2,120,244
Investment securities		194,841		347,713	324,603
Overnight funds and interbank loans		8,355		14,910	9,128
Financial leases		223,965		399,688	295,750
<b>Total interest income</b>		<b>2,044,477</b>		<b>3,648,573</b>	<b>2,749,725</b>
Interest expense:					
Deposits		(466,701)		(832,875)	(527,955)
Long-term debt		(194,102)		(346,395)	(220,319)
Other		(95,837)		(171,029)	(123,911)
<b>Total interest expense</b>		<b>(756,640)</b>		<b>(1,350,299)</b>	<b>(872,185)</b>
<b>Net interest income</b>		<b>1,287,837</b>		<b>2,298,274</b>	<b>1,877,540</b>
Provisions for loans, accrued interest losses and others, net		(284,868)		(508,376)	(183,632)
<b>Net interest income after provisions for loan, accrued interest losses and others</b>		<b>1,002,969</b>		<b>1,789,898</b>	<b>1,693,908</b>
Fees and income from services, net		483,841		863,462	792,399
Other operating income		217,562		388,261	232,788
Operating expenses:					
Salaries and employee benefits		(386,861)		(690,392)	(618,335)
Administrative expenses		(542,266)		(967,728)	(875,353)
Depreciation		(82,500)		(147,230)	(102,152)
Other		(115,112)		(205,427)	(160,653)
<b>Total operating expenses</b>		<b>(1,126,739)</b>		<b>(2,010,777)</b>	<b>(1,756,493)</b>
Non-operating (expense) income, net		17,787		31,742	23,845
<b>Income before income tax</b>		<b>595,420</b>		<b>1,062,586</b>	<b>986,447</b>
Income tax expense		(147,102)		(262,518)	(250,837)
<b>Net income</b>	<b>USD</b>	<b>448,318</b>	<b>COP</b>	<b>800,068</b>	<b>COP 735,610</b>

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Weighted average of Preferred and Common Shares outstanding <sup>(2)</sup>	839,097,719	839,097,719	787,827,003
Net income per share	<b>USD 0.53</b>	<b>COP 953.49</b>	<b>COP 933.72</b>

The accompanying notes, numbered 1 to 13, form an integral part of these Condensed Consolidated Financial Statements.

- (1) See note 2 (c)
- (2) The weighted average of preferred and common shares outstanding includes 329,393,135 preferred shares and 509,704,584 common shares for the six month period ended June 30, 2012. The weighted average of preferred and common shares outstanding includes 278,122,419 preferred shares and 509,704,584 common shares for the six month period ended June 30, 2011.

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**Table of Contents****BANCOLOMBIA S.A. AND ITS SUBSIDIARIES**

Condensed Consolidated Statements of Stockholders' Equity

For the six month periods ended

June 30, 2012 and 2011

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

**UNAUDITED**

	<i>Non Voting Preferred Shares</i>		<i>Common Shares</i>		<i>Retained Earnings</i>		<i>Surplus</i>		<i>Total Stockholders equity</i>
	<i>Number</i>	<i>Par Value</i>	<i>Number</i>	<i>Par Value</i>	<i>Appropriated</i>	<i>Unappropriated</i>	<i>Reappraisal of assets</i>	<i>Gross unrealized gain or (loss) on available for sale investments</i>	
<b>Balance at December 31, 2010</b>	<b>278,122,419</b>	<b>COP 151,422</b>	<b>509,704,584</b>	<b>COP 309,262</b>	<b>COP 5,397,973</b>	<b>COP 1,436,494</b>	<b>COP 622,227</b>	<b>COP 29,762</b>	<b>COP 7,947,140</b>
Net income						735,610			735,610
Transfer to appropriated retained earnings					1,436,494	(1,436,494)			
Reappraisal of assets and valuation of investments							(1,945)	(11,870)	(13,815)
Dividends declared					(526,773)				(526,773)
Equity Taxes					(55,731)				(55,731)
Cumulative translation adjustment					(78,830)				(78,830)
<b>Balance at June 30, 2011</b>	<b>278,122,419</b>	<b>COP 151,422</b>	<b>509,704,584</b>	<b>COP 309,262</b>	<b>COP 6,173,133</b>	<b>COP 735,610</b>	<b>COP 620,282</b>	<b>COP 17,892</b>	<b>COP 8,007,601</b>
<b>Balance at December 31, 2011</b>	<b>278,122,419</b>	<b>151,422</b>	<b>509,704,584</b>	<b>309,262</b>	<b>6,221,793</b>	<b>1,663,894</b>	<b>637,040</b>	<b>9,949</b>	<b>8,993,360</b>
Net income						800,068			