BANCOLOMBIA SA
Form 20-F
June 17, 2005

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 17, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 20-F

(Mark One)

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

OR

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from .....to.....
Commission file number: 1-32535
BANCOLOMBIA S.A.
(Exact name of Registrant as specified in its charter)
N/A
(Translation of Registrant's name into English)
REPUBLIC OF COLOMBIA
(Jurisdiction of incorporation or organization)
CALLE 50 NO. 51-66
MEDELLIN, COLOMBIA
(Address of principal executive offices)

SECURITIES REGISTERED OR TO BE REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT.

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
AMERICAN DEPOSITARY SHARES	New York Stock Exchange
PREFERRED SHARES	New York Stock Exchange*

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

Securities registered or to be registered pursuant to Section 12(g) of the Act.
Not applicable
(Title of Class)
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Not applicable
(Title of Class)

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

Common Shares..... 398,259,608
Preferred Shares..... 178,435,787

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes[X] No[ ]

Indicate by check mark which financial statement item the registrant has elected to follow.
Item 17[ ] Item 18[X]

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PRESENTATION OF FINANCIAL INFORMATION

BANCOLOMBIA S.A., which may also act under the name of BANCO DE COLOMBIA S.A. ("Bancolombia," "BC," the "Bank," "us" or "we"), is a banking institution organized under the laws of the Republic of Colombia ("Colombia"). We maintain accounting records in Colombian pesos ("peso," "pesos" or "Ps"). The audited consolidated financial statements of BC and subsidiaries in which it holds, directly or indirectly, 50% or more of the outstanding voting shares (the "Subsidiaries") for the years ended December 31, 2002, 2003 and 2004 contained in this annual report on Form 20-F (the "Annual Report") (collectively, including the notes thereto, the "Financial Statements") are expressed in pesos. In this Annual Report, references to "U.S. dollar," "U.S. dollars," and "US$" are to United States dollars.

This Annual Report translates certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, such peso amounts have been translated at the rate of Ps 2,389.75 per US$ 1.00, which corresponds to the Tasa Representativa del Mercado ("Representative Market Rate") calculated the last business day of December 2004. The Representative Market Rate is computed and certified by the Superintendencia Bancaria (the "Superintendency of Banking"), the Colombian banking regulator, 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 BC). The Superintendency of Banking 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 Colombian pesos. Such conversion should not be construed as a representation that the peso amounts correspond to, or have been or could be converted into, United States dollars at that rate or any other rate. On May 31, 2005, the Representative Market Rate was Ps 2,338.89 per US$ 1.00. As used in this Annual Report, the term "billion" means one thousand million (1,000,000,000).

Accounting practices and the preparation of financial statements of the Bank and its Subsidiaries follow the special regulations of the Colombian Superintendency of Banking, or, in the absence of such regulations, Colombian GAAP. Together, these requirements differ in certain significant respects from generally accepted accounting principles in the United States ("U.S. GAAP"). References to Colombian GAAP in this annual report are to Colombian GAAP as supplemented by the applicable rules of the Colombian Superintendency of Banking.

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

and leased assets.

The Bank consolidates companies in which it holds, directly or indirectly, 50% or more of outstanding voting shares. The Bank's subsidiary Bancolombia (Panama) S.A. sub-consolidates the following companies: Bancolombia Cayman, Sistema de Inversiones y Negocios S.A., Sinesa Holding Company and Future Net Inc. The Bank's subsidiary Almacenar S.A. consolidates the company Unicargo de Colombia S.A. The subsidiary Colcorp S.A. consolidates the companies Inmobiliaria Bancol S.A., Abocol S.A., Valores Simesa S.A. (a company resulting from a spin-off by Simesa S.A. on December 31, 2000), Fundicom S.A. and Todo Uno Colombia S.A.

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 20-F contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and information relating to us that are not based on historical facts but instead on beliefs of management as well as assumptions made by and information currently available to us. When used in this document, the words "anticipate," "believe," "estimate," "expect," "intend," "plan," "predict," "target," "forecast," "guideline," "should" and "project" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by our targeted customers, changes in business strategy and various other factors, both referenced and not referenced in this Annual Report on Form 20-F. Should one or more of these risks or uncertainties materialize, or should our underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, intended, planned or projected. Forward-looking statements speak only as of the date they are made, and the Bank does not intend, and does not assume any obligation, to update these forward-looking statements in light of new information or future events.

Factors that could cause actual results to differ materially and adversely include, but are not limited to:

- changes in general economic, business, political, fiscal or other conditions in Colombia or changes in general economic or business conditions in Latin America;
- changes in capital markets or in markets in general that may affect policies or attitudes towards lending to Colombia or Colombian companies;
- increased costs;
- unanticipated increase in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; and
- the factors discussed under Item 3. Key Information - D. Risk Factors; Item 5. Operating and Financial Review and

Prospects; and elsewhere in this Annual Report and in the documents that it incorporates by reference.

Important factors that could affect forward-looking statements are subject to change and the Bank does not intend to update the foregoing list of factors. New factors emerge from time to time, and it is not possible for the Bank to predict all of these factors. By means of this cautionary note, the Bank intends to avail itself of the safe harbor from liability with respect to forward-looking statements provided by Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Neither our independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures, with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The selected consolidated financial data as of December 31, 2003 and 2004, and for each of the three years in the period ended December 31, 2004 set forth below has been derived from our audited Consolidated Financial Statements included in this Report. The selected consolidated financial data as of December 31, 2000, 2001 and 2002, and for each of the two years in the period ended December 31, 2001 set forth below have been derived from our audited consolidated financial statements for the respective periods, which are not included herein.

The Consolidated Financial Statements for the years ended December 31, 2003 and 2004, were audited by Deloitte & Touche Ltda., independent accountants. For the years ended December 31, 2002, 2001 and 2000 our Consolidated Financial Statements were audited by KPMG Ltda., independent accountants.

The selected data should be read in conjunction with the consolidated financial statements, related notes thereto, and the reports of the independent public accounting firms.

In order to provide a better understanding of BC's financial statements, certain reclassifications were made in the consolidated balance sheets for fiscal years 2000, 2001, 2002, and 2003. As a result, certain figures provided in this Annual Report for the years ended December 31, 2000, 2001, 2002 and 2003, such as net accounts receivable, net foreclosed assets, net operating leases, net and other assets, differ from those reported in the Bank's Annual Report for the years ended December 31, 2000, 2001, 2002 and 2003. These reclassifications do not affect the Bank's stockholders' equity for any of the years for which the Consolidated Balance Sheets were reclassified.

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	AS OF AND FOR THE YEAR ENDED DECE			
	2000	2001	2002	2003
	(Ps million and U.S. dollars thousands(1), except per sha Shares "ADS" amounts)			
CONSOLIDATED STATEMENT OF OPERATIONS:				
COLOMBIAN GAAP:				
Interest income	Ps 842,633	Ps 881,757	Ps 738,184	Ps 1,400,255
Interest expense	(458,855)	(529,074)	(466,223)	(480,513)
NET INTEREST INCOME	383,778	352,683	271,961	919,742
Provisions for loans and accrued interest losses(2)	(152,296)	(73,953)	(115,154)	(162,058)
Provision for foreclosed assets and other assets	(112,219)	(63,537)	(71,212)	(68,892)
NET INTEREST INCOME AFTER PROVISIONS	119,263	215,193	85,595	688,792
Other operating income	341,971	620,188	828,977	674,647
Operating expenses	(618,352)	(696,963)	(755,801)	(869,350)
NET OPERATING INCOME (LOSS)	(157,118)	138,418	158,771	494,089
Net non-operating income (loss)	67,792	51,000	79,787	37,600
Net monetary inflation adjustment	4,209	-	-	-
INCOME (LOSS) BEFORE TAXES	(85,117)	189,418	238,558	531,689
Minority interest (loss)	(767)	(1,310)	14,440	330
Income taxes	(28,106)	(31,575)	(42,618)	(62,635)
NET INCOME (LOSS)	PS (113,990)	PS 156,533	PS 210,380	PS 469,384
Weighted average of Preferred and Common Shares outstanding(3)	542,137,634	576,695,395	576,695,395	576,695,395
Net operating income (loss) per share(3)(4)	Ps (290)	Ps 240	Ps 275	Ps 857
Net operating income (loss) per ADS	(1,159)	960	1,101	3,427
Net income (loss) per share(3)(4)	(210)	271	365	814
Net income (loss) per ADS	(840)	1,084	1,460	3,256
Cash dividends declared per share(5)	36	84	132	272
Cash dividends declared per ADS	144	336	528	1,088
U.S. GAAP:				
Net income (loss)	Ps (38,915)	Ps 226,048	Ps 207,152	Ps 474,419
Net income (loss) per share(6)	(119)	530	461	1,070
Net income (loss) per ADS	(476)	2,120	1,844	4,280

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(1) Amounts stated in dollars have been translated at the rate of Ps 2,389.75

to US$ 1.00 which is the Representative Market Rate calculated the last business day of December 2004, as reported and certified by the Superintendency of Banking.

(2) Includes a provision for accrued interest losses amounting to Ps 20,178 million, Ps 4,965 million, Ps 4,518 million, Ps 5,316 and Ps 4,483 million for the years ended December 31, 2000, 2001, 2002, 2003 and 2004 respectively.

(3) Includes Common Shares and 178,435,787 Preferred Shares for 2000, 2001, 2002, 2003 and 2004.

(4) Reflects all dividends per share distributed through December 31, 2000. Calculated on the basis of average outstanding shares during the period.

(5) This data is presented on an annualized basis.

(6) Reflects all dividends per share distributed up to December 31, 2000. Under U.S. GAAP, these shares are considered outstanding since the beginning of the earliest period presented. Net income per share under U.S. GAAP is presented on the basis of net income available to common stockholders divided by the weighted average number of Common Shares outstanding (398 million for each of 2000, 2001, 2002, 2003 and 2004). See Note 33 to the Financial Statements.

	AS OF AND FOR THE YEAR ENDED DECEMBER			
	2000	2001	2002	2003
	(Ps million and U.S. dollars thousands(1), except per sh Shares "ADS" amounts)			
CONSOLIDATED BALANCE SHEET				
COLOMBIAN GAAP:				
ASSETS:				
Cash and dues from banks	Ps 428,466	Ps 536,813	Ps 643,405	Ps 848,
Overnight funds	291,786	176,666	207,684	598,
Investment securities, net	1,575,304	2,984,552	4,343,458	4,336,
Loans and Financial Leases, net	4,826,506	5,078,476	5,864,991	7,642,
Accrued interest receivable on loans, net	84,693	77,681	83,459	103,
Customers' acceptances and derivatives	40,358	39,907	(15,662)	1,
Accounts receivable, net	104,349	104,436	149,955	163,
Premises and equipment, net	332,120	320,080	317,724	337,
Foreclosed assets, net	75,867	57,012	46,002	27,
Prepaid expenses and deferred charges	107,848	84,483	58,403	27,
Goodwill	164,201	141,552	118,904	99,
Operating leases, net(3)	195,092	244,195	373,499	537,
Other assets	118,434	186,879	147,949	198,
Reappraisal of assets	262,723	241,727	259,811	253,
TOTAL ASSETS	Ps 8,607,747	Ps 10,274,459	Ps 12,599,582	Ps 15,176,
LIABILITIES AND SHAREHOLDERS' EQUITY:				
Deposits	Ps 6,116,022	Ps 7,580,848	Ps 8,788,158	Ps 10,231,

Borrowings	908,103	830,654	1,117,015	1,211,
Other liabilities	717,739	892,506	1,410,061	2,043,
Shareholders' equity	865,883	970,451	1,284,348	1,689,
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	Ps 8,607,747	Ps 10,274,459	Ps 12,599,582	Ps 15,176,
U.S. GAAP:				
Shareholders' equity	Ps 951,191	Ps 1,147,989	Ps 1,413,445	Ps 1,832,
Shareholders' equity per share(2)	1,755	1,991	2,451	3,
Shareholders' equity per ADS(2)	7,020	7,964	9,804	12,

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(1) Amounts stated in dollars have been translated at the rate of Ps 2,389.75 to US$ 1.00 which is the Representative Market Rate calculated the last business day of December 2004, as reported and certified by the Superintendency of Banking.

(2) Shareholders' equity per share is calculated based on the number of Common Shares and Preferred Shares. The weighted average (rounded to the nearest million) of Preferred and Common Shares outstanding amounted to 542 million for the year ended December 31, 2000; and 577 million for the years ended December 31, 2001, 2002, 2003 and 2004.

(3) In October 23, 2003, the Superintendency of Banking through its External Circular 040, modified the treatment of financial leases. Since January 1, 2004, instead of recording financial leases as property, plant and equipment, companies must account for them in their loan portfolio. Additionally, according to this Circular the assets given in financial lease contracts, recovered by the lessor when the purchase option was not exercised, or due to failure of payments from customers are to be classified as foreclosed assets since January 1, 2004. In the annual report of year 2003 this assets were disclosed in the line "Other assets". The Bank did not make reclassifications for these effects in the balance sheets for years 2000, 2001, 2002 and 2003.

	AS OF AND FOR THE YEAR ENDED		
	2000	2001	2002
		(percentages, except for	
SELECTED RATIOS: (1)			
COLOMBIAN GAAP:			
PROFITABILITY RATIOS:			
Net interest margin(2)	6.45	4.70	2.95
Return on average total assets(3)	(1.44)	1.65	1.88
Return on average shareholders' equity(4)	(11.75)	14.58	20.42
EFFICIENCY RATIO:			
Operating expenses as a percentage of net operating income(5)	85.20	71.64	68.65
CAPITAL RATIOS:			
Period-end shareholders' equity as a percentage			

of period-end total assets.....	10.06	9.45	10.19
Period-end regulatory capital as a percentage of period-end risk- weighted assets(6).....	11.09	10.61	11.61
CREDIT QUALITY DATA:			
Non-performing loans as a percentage of total loans(7) (11).....	3.52	4.54	1.77
"C", "D" and "E" loans as a percentage of total loans(10) (11).....	10.45	9.70	9.71
Allowance for loan and accrued interest losses as a percentage of non-performing loans (11).....	175.98	122.91	316.80
Allowance for loan and accrued interest losses as a percentage of "C", "D" and "E" loans(10) (11).....	59.23	57.57	57.71
Allowance for loan and accrued interest losses as a percentage of total loans (11).....	6.19	5.58	5.61
OPERATING DATA:			
Number of branches(8)	321	323	340
Number of employees(9).....	7,688	7,518	7,581

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

(2) Defined as net interest income divided by average interest-earning assets.

(3) Net income divided by average total assets.

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

(5) Net operating income includes net interest income and other operating income.

(6) For an explanation of risk-weighted assets and Technical Capital, see Item 4. Information on the Company - B. Business Overview - B.7. Supervision and Regulation - Capital Adequacy Requirements.

(7) Non performing loans are small business loans and consumer loans that are past due 60 days or more, commercial loans that are past due 90 days or more and mortgage loans that are past due 120 days or more. (Each category includes financial leases)

(8) Number of branches does not include branches of the Bank's Subsidiaries.

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

(10) See Item 4. Information on the Company - E. Selected Statistical Information - E.3. Loan Portfolio - Classification of the Loan Portfolio and Credit Categories for a description of "C," "D" and "E" Loans.

(11) In October 23, 2003, the Superintendency of Banking through its External Circular 040, modified the treatment of financial leases. Since January 1, 2004 instead of be recorded to as premises and equipment, it is accounted for as loan portfolio.

EXCHANGE RATES

On May 31, 2005, the Representative Market Rate was Ps 2,338.89 per US$ 1.00. The following table sets forth the high and low peso/U.S. dollar exchange rates for the last six months:

RECENT EXCHANGE RATES OF PESO PER US$ 1.00:

MONTH	LOW	HIGH
December 2004.....	2,316.12	2,481.93
January 2005.....	2,315.45	2,389.75
February 2005.....	2,308.58	2,365.79
March 2005	2,324.89	2,397.25
April 2005	2,328.74	2,374.47
May 2005	2,328.69	2,349.59

Source: Superintendency of Banking.

The following table sets forth the average peso/U.S. dollar Representative Market Rate for each of the five most recent financial years, calculated by using the average of the exchange rates on the last day of each month during the period.

The Federal Reserve Bank of New York does not report a rate for pesos; the Superintendency of Banking calculates the Representative Market Rate based on the weighted averages of the buy/sell foreign exchange rates quoted daily by certain financial institutions, including BC, for the purchase and sale of foreign currency.

PESO/US$ 1.00
REPRESENTATIVE MARKET RATE

PERIOD	AVERAGE
2000.....	2,104.72
2001.....	2,301.74
2002.....	2,534.22
2003.....	2,875.05
2004.....	2,614.79

Source: Superintendency of Banking.

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

The factors referred to below, as well as all other information presented in this Annual Report, should be considered by investors when reviewing any forward-looking statements contained in this Annual Report, in any document incorporated in this Annual Report by reference, in any of the Bank's future public filings or press releases, or in any future oral statements made by the Bank or any of its officers or other persons acting on its behalf. The risks and uncertainties described below are not the only ones that the Bank faces. Additional risk and uncertainties that the Bank does not know about or that the Bank currently thinks are immaterial may also impair our business operations. Any of the following risks, if they actually occur, could materially and adversely affect our business, results of operations, prospects and financial condition.

D.1. RISKS RELATING TO COLOMBIA

Most of the Bank's operations, property and customers are located in Colombia. Accordingly, the quality of our assets, financial condition and results of operations depend primarily on macroeconomic and political conditions prevailing in Colombia.

D.1.i. COLOMBIA HAS EXPERIENCED SEVERAL PERIODS OF VIOLENCE AND INSTABILITY AND SUCH INSTABILITY COULD AFFECT THE ECONOMY AND THE BANK

The Colombian government (excluding departmental and municipal governments, the "Government") has historically exercised substantial influence over the Colombian economy, and its policies may continue to have an important effect on Colombian entities (including BC), market conditions, prices, and rates of return on Colombian securities (including BC's securities).

The market value of BC's securities and the dividends thereon may also be affected by changes in labor costs, inflation, interest rates, taxation, social instability and other political or economic developments in Colombia. The Bank cannot provide any assurance that future developments in government policies or in the Colombian economy will not impair its business or financial condition or the market value of its stock.

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 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 has taken measures that are standard industry practices in Colombia to protect itself against violence. Examples of these measures include, among others, hiring specialized private security, implementation of security technology and obtaining insurance against terrorism, fire, strikes and vandalism.

D.1.ii. POLITICAL, ECONOMIC AND FINANCIAL ENVIRONMENT

The following information illustrates the main aspects of the political, economic and financial environment in Colombia during year 2004:

POLITICAL ENVIRONMENT

In 2004, the Colombian political environment was relatively stable,

despite the fact that at the end of 2003, a referendum that proposed certain amendments to the Constitution of Colombia (the "Constitution") that would have enabled financial and political reforms was not approved. Notwithstanding, the Government has maintained transparent guiding principles of fiscal austerity and democratic security, which have contributed to creating favorable economic expectations. At the end of 2004, the Congress of Colombia (the "Congress") approved a reform to the Constitution that, once effective, would allow for presidential reelection, which is not permitted under current law. For this reform to become effective, the Colombian Constitutional Court must first determine that it conforms in both form and substance with the requirements of the Constitution. If the Colombian Constitutional Court affirms the constitutionality of the reform, the present administration could be reelected in the 2006 presidential elections and remain in office another four years, continuing its current policies.

Additionally, conflict within Colombia increases the vulnerability of the Colombian political system . This conflict negatively affects the economy because it reduces the incentive to invest. The democratic security policy of the Government has produced positive results, including a decrease in violence. From December 2003 to December 2004, the number of murders not related to the internal conflict dropped 18.4% and the number of kidnappings decreased 34.5%. Terrorist actions also declined 44% for the same period. This has instilled more trust in the country and in its economy, thus improving the investment environment.

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.

ECONOMIC ENVIRONMENT

Despite positive trends in the Colombian economy's basic indicators, which suggest a stable macroeconomic environment, Colombia's fiscal deficit and growing public debt could affect the economy. After the grave crisis suffered in recent years, the fundamental economic variables now show positive tendencies. According to the National Administrative Department of Statistics ("DANE"), in 2004, GDP increased 3.96% and the rate of inflation was 5.5%, meeting the inflation rate target proposed by the Banco de la Republica of Colombia (the "Central Bank"). Also, unemployment showed slight recovery: in December 2003, the unemployment rate was 12.3% whereas in December 2004, it was 12.1%, decreasing 0.2%. In addition, interest rates have remained low and stable near 7.50%, enabling positive financial sector results and investment reactivation. The real exchange rate has remained at competitive levels, despite the nominal revaluation of 13.98%, it was 122.46 at the end of 2004. Relative political calm in Colombia has helped generate investment incentives and accordingly, private investment increased 13.32% from December 31, 2003 to December 31, 2004 as reported by DANE. The greatest perceived risk to the Colombian economy is on the fiscal front, given the levels of public deficit and indebtedness.

The Government faces its greatest challenge on the fiscal front due to the high level of public debt, International Monetary Fund ("IMF") pressures to reduce the deficit, and allowances to cover pensions inherited from the Social Security Institute ("ISS"). Currently, the 2004 fiscal deficit is 1.2% of GDP, reaching a total amount of Ps 3,010 billion. For 2005, the Government will have to continue taking actions to improve the condition of public finances in order to meet the commitments that it has undertaken with the IMF, including its commitment to reduce the non-financial public sector (the "NFPS"(1)) deficit to 2.5%.

FINANCIAL ENVIRONMENT

Trade and Payment Balance

Expectation for foreign trade and international economic relations remain positive. Commercial agreements currently in force and in negotiation, including a free trade agreement with the United States, are expected to sustain and support growth allowing Colombia to meet the increased demand for exports of Colombian products. The economic and political situations of Colombia's trade partners are not considered a risk for Colombian interests; however, we cannot disregard the possibility of adverse situations for those countries.

The following table sets forth Colombia's trade balance for the periods indicated:

COLOMBIA'S TRADE BALANCE

2004

IN MILLION OF U.S.$ FOB (FREE ON BOARD)

PERIOD	EXPORTS	IMPORTS	BALANCE
January	1,166	1,119	47
January- February	2,165	2,140	25
January- March	3,351	3,366	(15)
January- April	4,605	4,629	(24)
January- May	5,922	5,901	21
January- June	7,328	7,169	159
January- July	8,859	8,488	371
January- August	10,366	9,859	507
January- September	11,876	11,141	735
January- October	13,395	12,492	903
January- November	14,971	13,982	989
January- December*	16,483	15,626	857

Source: DANE

* The final figure for this period has not been published yet; this is a preliminary figure.

Colombia achieved a trade balance surplus of US$ 856.7 million FOB in 2004, but the future trends of the trade balance will depend on exogenous factors related to world markets. Net international reserves represented US$ 13.5 billion in December 2004. These levels are considered adequate for a stable macroeconomic environment.

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(1) The non-financial public sector is composed by the Government and decentralized public entities.

Colombia's Indebtedness

According to the Central Bank, the GNC(2) ("Gobierno Nacional

Central") debt as a percentage of GDP halted its upward trend during the 1996 - 2002 period and stabilized at 51% of GDP in 2003. We estimate that for 2004, the percentage will drop to 46.75% of GDP as a result of the current trend of the exchange rate and economic growth. The private sector has a relatively small amount of external debt that does not represent a major risk to creditors.

The risk perception of Colombia's external debt has decreased throughout 2004. The JPMorgan Emerging Markets Bond Index Plus (EMBI+) level (for Colombian sovereign debt) dropped from an average of 438.84 basis points in February 2004 to 359.47 basis points in February 2005. EMBI+ measures the spread of emerging markets bonds over U.S. Treasury bonds. A lower index level indicates lower perceived risk.

D.1.iii. RESTRICTIONS REGARDING FOREIGN INVESTMENT IN COLOMBIA

Colombia's International Investment Statute (Decree 2080 of 2000, amended by Decree 1844 of 2003) regulates the manner in which non-Colombian-resident entities and individuals can invest in Colombia and participate in the Colombian securities markets. Among other requirements, the statute mandates registration of certain foreign exchange transactions with the Central Bank and specifies procedures to authorize and administer certain types of foreign investments. Decree 1844 modified Decree 2080 of 2000, simplifying the procedures for foreign investors to register their investment in Colombia with the Central Bank. International investments are regulated by the Central Bank by means of External Resolution 8 of 2000 and External Circular DCIN 83 of December 2004, setting forth in detail certain procedures regarding registration of foreign investment in Colombia.

Investors who wish to participate in the Bank's American Depositary Receipt ("ADR") facility and hold American Depositary Shares ("ADSs") of the Bank will be required to submit to the custodian of the ADR facility certain information and comply with certain registration procedures required under the foreign investment regulations in connection with foreign exchange controls restricting the conversion of pesos into U.S. dollars. Holders of ADRs who wish to withdraw the underlying preferred shares will also have to comply with certain registration and reporting procedures. Under the foreign investment regulations, the failure of a non-resident investor to report or register with the Central Bank foreign exchange transactions relating to investments in Colombia on a timely basis may prevent the investor from obtaining remittance rights, constitute an exchange control infraction and result in a fine.

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(2) As used in this context, the central government is composed of the ministries, administrative departments, some agencies and other entities, including the Congress, the tax authority, the fiscal authority, the attorney general, the supervising body of the judiciary, the police and others. The expenses of these authorities are financed from national budget resources (according to allocations made from reserves available to the Ministry of Finance and Public Credit) through the general treasury.

Despite the easing of restrictions imposed for foreign investment in Colombia, we cannot assure that the Colombian Government, Colombian Congress or the Central Bank will further eliminate restrictions to foreign investments, nor that they will not implement more restrictive rules in the future. Currently, Colombia has a free float exchange rate system. However, we cannot assure that other restrictive rules for the exchange rate system will not be implemented in the future. In the event that a more restrictive exchange rate system is implemented, financial institutions, including the Bank, may be unable to transfer U.S. dollars abroad to pay their financial obligations. See Item 4.

Information on the Company - B. Business Overview - B.7. Supervision and Regulation and Item 10. Additional Information - E. Taxation.

Article 36 of Decree 2080 of 2000 was also modified by Decree 4210 of 2004 which established that foreign portfolio investments must remain in Colombia for at least a one year period following the date the investment was processed through the exchange market.

Article 21 of Decree 4210 provides that when a Colombian company issues shares of stock to be held through a trust or similar agreement by a second Colombian company that is regulated by the Superintendency of Banking or the Superintendency of Securities, and with respect to which a foreign financial institution will issue receipts representing these securities to be acquired by foreign investors, these securities will be considered an institutional fund, and therefore, portfolio investments. Because of its characteristics, the ADR program is considered a foreign portfolio investment fund. Nevertheless, this regulation establishes that "provisions contained in Chapter III Title III of the mentioned decree shall apply to these funds when, because of their nature, they would be applicable. The Superintendency of Securities shall give the relevant instructions."

So far the Superintendency of Securities has not given the instructions as to whether the ADR program shall be subject to Decree 4210. Nonetheless, FIDUCOLOMBIA S.A., the entity that acts as local custodian, has expressly stated to the Central Bank and the Superintendency of Securities that such provision shall not be applicable to the ADR program given its differences from other foreign portfolio capital investment funds and the fact that it does not represent movements of money but the registry of shares.

Nevertheless, BC cannot be sure that in the future the Superintendency of Securities and/or the Central Bank will not demand additional investments to remain in Colombia for at least a one year period.

D.1.iv. COLOMBIAN CORPORATE DISCLOSURE AND ACCOUNTING STANDARDS MAY DIFFER FROM THOSE IN THE UNITED STATES

Colombian banking regulations are designed to ensure the safety and soundness of the banking system and to limit its exposure to risk. While many of the policies underlying these 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 from those other regulations. For example, 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 Superintendency of Banking that differs from that used under U.S. GAAP (See Item 4. Information on the Company - E. Selected Statistical Information - E.4. Summary of Loan Loss Experience - Allowance for Loan Losses). In addition, capital adequacy requirements for banks under Colombian regulations differ from those under U.S. regulations.

Changes in banking laws and regulations, or in their official interpretation, may have a material effect on our business and operations. Since banking laws and regulations change frequently, their interpretation, and the manner in which these laws and regulations are applied to financial institutions, is continuously evolving. No assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on BC's business. Also, we cannot assure that there will be no changes in banking laws or regulations in other countries where the Bank has subsidiaries, such as Panama and the Cayman Islands.

Pursuant to Law 550 of 1999, the Government began a review of the present regulations relating to accounting, audit, and information disclosure, with the intention of conforming them to international standards and proposing pertinent modifications to Congress.

For more information see Item 4. Information on the Company - B. Business Overview - B.7. Supervision and Regulation.

D.1.v. INSTABILITY OF COLOMBIAN TAX LEGISLATION COULD ADVERSELY AFFECT THE BANK'S CONSOLIDATED RESULTS

One of the characteristics of legislation in Colombia is its instability. This instability can be especially relevant with respect to tax legislation. 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.

Since January 1, 2000, BANCOLOMBIA has enjoyed the benefits of a tax stability regime that will be in effect until the year 2010. During the effective term of the program, no new national taxes or increases in income tax rates will apply to the Bank. For more information, see Item 5. Operating and Financial Review and Prospects - A. Operating Results - A.1. General Discussion of the Changes in Results.

Other taxes to which the Bank is subject, such as sales tax, stamp tax, and the municipal Industry and Trade Tax, have remained relatively stable. If future tax reforms increase the respective rates for these taxes, they should not have a significant impact on the Bank's consolidated financial statements.

D.2. RISKS RELATING TO OUR INDUSTRY AND OUR OPERATIONS

D.2.i. THE QUALITY OF THE BANK'S LOAN PORTFOLIO AND OF OTHER ASSETS MAY DECLINE

If the Bank's loan portfolio continues to grow in all targeted segments, such as retail, Small-and Medium-Sized Enterprises ("SMEs") and large corporations, the Bank may experience higher levels of past due and non-performing loans than in the past and may be required to increase its allowances for non-performing loans.

In particular, if the Bank successfully increases the participation of consumer and small business credits in its loan portfolio, it may experience detrimental changes in its credit risk levels. Furthermore, there can be no assurance that BC will maintain its current level of asset quality and credit risk in the future.

D.2.ii. BC'S CONCENTRATION IN AND RELIANCE ON SHORT-TERM DEPOSITS MAY INCREASE ITS FUNDING COSTS

The Bank's principal sources of funds are short-term deposits, checking accounts and savings accounts; they represent a share of 60.7%, 59.6% and 59.6% of total funds at the end of 2002, 2003, and 2004, respectively. Since it relies primarily on short-term deposits for its funding, there can be no assurance that, in the event of a sudden or unexpected shortage of funds in the Colombian banking system and money markets, BC will be able to maintain its current level of funding without incurring higher costs or liquidating certain assets.

D.2.iii. BC'S HEAVY RELIANCE ON PUBLIC DEBT TRADING SECURITIES IN ITS INVESTMENT PORTFOLIO LEAVES IT VULNERABLE TO FLUCTUATIONS IN PUBLIC DEBT VALUATIONS

During the past three years, public debt trading securities have represented approximately 70% of BC's total investment portfolio, resulting in the Bank's significant exposure to a default by Colombia on its debt and to lower valuations of Colombia's debt in the secondary market. At December 2004, the Bank's holdings of bonds issued by the Colombian Treasury was valued at Ps 3,705,907 million.

D.2.iv. INCREASED COMPETITION AND CONSOLIDATION IN THE FINANCIAL INDUSTRY COULD ADVERSELY AFFECT OUR MARKET SHARE

The Colombian financial system is highly competitive. Since the 1990s, when the Colombian financial market was deregulated and international capital flows resumed, there has been an ongoing process of financial system consolidation. The consolidation will lead to the creation of large institutions that benefit from economies of scale, presenting the risk that the Bank could lose a portion of its share in the industry.

D.3. RISKS RELATING TO OUR ADRS

D.3.i. PESO DEVALUATION MAY DEPRESS THE VALUE OF DIVIDENDS PAYABLE TO HOLDERS OF ADRS

In September 1999, the Central Bank significantly liberalized the Colombian exchange market. Since then, the Central Bank has allowed the peso to float freely, intervening only when there are steep variations in the peso's value relative to the U.S. dollar. This mechanism is only used to control the international reserves of Colombia or when the average of the Representative Market Rate for the preceding twenty days exceeds 4% of that day's Representative Market Rate. Upon such an event, the Central Bank sells call options, whereby the purchaser is entitled to buy from the Central Bank, on a future date, a specified amount of dollars at a pre-established exchange rate, thus reducing the volatility of the exchange rate.

The devaluation of the peso against the dollar was 25% in 2002. During 2003, the peso appreciated against the U.S. dollar by 3.02% and, in 2004, the peso again appreciated against the U.S. dollar by 14%. Absent modifying circumstances, a future peso devaluation would have a negative impact on the U.S. dollar value of dividends paid to holders of ADRs. Conversely, a peso revaluation would have a positive effect. In the future, a decrease in oil exports, a slight increase in U.S. Federal Reserve interest rates and an adjustment in the U.S. trade balance could produce a slight devaluation. Although the foreign exchange market is allowed to float freely, there is no assurance that the Central Bank or the Government will not intervene in the exchange market in the future.

D.3.ii. REQUIRED GOVERNMENT APPROVALS RELATING TO OWNERSHIP OF OUR PREFERRED SHARES AND ADRS MAY AFFECT THE MARKET LIQUIDITY OF THE PREFERRED SHARES AND ADRS

Pursuant to Colombian banking regulations, any transaction resulting in an individual or corporation holding 10% or more of capital stock of any Colombian financial institution, including in the case of BC, transactions in ADRs representing 10% or more of the Bank's outstanding stock, requires prior authorization from the Superintendency of Banking. Transactions entered into without the Superintendency of Banking's prior approval are void, and cannot be

recorded in the stock registry of the relevant financial institution.

In addition to the above restriction, pursuant to Colombian securities regulations, any transaction involving the sale of publicly traded stock of any Colombian company, including, in the case of BC, any sale of Preferred Shares (but excluding any sale of ADRs) or Common Shares, for 66,000 or more Unidades de Valor Real ("UVR")(3), must be effected through the Bolsa de Valores de Colombia (the "Colombian Stock Exchange").

D.3.iii. OUR PREFERRED SHARES HAVE LIMITED VOTING RIGHTS

Under BC's by-laws and Colombian corporate law, holders of Preferred Shares (and consequently, holders of ADRs) have no voting rights in respect of Preferred Shares, other than the right to one vote per Preferred Share, in the following events:

- In the event that changes in BC's by-laws may impair the conditions or rights assigned to such shares and when the conversion of such shares into Common Shares is to be approved.

- When voting the anticipated dissolution, merger or transformation of the corporation or change of its corporate purpose.

- When the preferred dividend has not been fully paid during two consecutive annual terms. In this event, holders of such shares shall retain their voting rights until the corresponding accrued dividends have been fully paid to them.

- When the General Shareholders' Meeting orders the payment of dividends with issued shares of BC.

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(3) The UVR is an inflation-adjusted monetary index generally used for pricing home-mortgage loans

- If at the end of a fiscal period, the Bank does not produce sufficient profits to pay the minimum dividend and the Superintendency of Banking, by its own decision or upon petition of holders of at least ten percent (10%) of Preferred Shares, determines that benefits were concealed or shareholders were misled with regard to benefits received from the Bank by the Bank's directors or officers decreasing the profits to be distributed, the Superintendency of Banking may resolve that holders of Preferred Shares should participate with speaking and voting rights at the General Shareholders' Meeting, in the terms established by law.

- When the register of shares at the Colombian Stock Exchange or at the National Register of Securities is suspended or canceled. In this event, voting rights shall be maintained until the irregularities that resulted in such cancellation or suspension are resolved.

Holders of ADRs and Preferred Shares are not entitled to vote for

the election of directors or to influence BC's management policies.

The Bank's corporate affairs are governed by its by-laws and Colombian law. Under Colombian law, BC's preferred shareholders may have fewer rights than shareholders of a corporation incorporated in a U.S. jurisdiction.

D.3.iv. PREEMPTIVE RIGHTS MAY NOT BE AVAILABLE TO HOLDERS OF ADRS

The Bank's by-laws and Colombian law require that, whenever the Bank issues new shares of any outstanding class, it must offer the holders of each class of shares (including holders of ADRs) the right to purchase a number of shares of such class sufficient to maintain their existing percentage ownership of the aggregate capital stock of the Bank. These rights are called preemptive rights. United States holders of ADRs may not be able to exercise their preemptive rights through The Bank of New York, which acts as depositary (the "Depositary") for the Bank's ADR facility, unless a registration statement under the Securities Act is effective with respect to such rights and stocks or an exemption from the registration requirement thereunder is available. Although the Bank is not obligated to, it intends to consider at the time of any rights offering the costs and potential liabilities associated with any such registration statement, the benefits to the Bank from enabling the holders of the ADRs to exercise those rights and any other factors deemed appropriate at the time, and will then make a decision as to whether to file a registration statement. Accordingly, no assurance can be given that any such registration statement will be filed.

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

D.3.v. MARKET FOR ADRS AND PREFERRED SHARES; RELATIVE ILLIQUIDITY OF THE COLOMBIAN SECURITIES MARKETS

The Bank's ADRs are listed on the New York Stock Exchange ("NYSE") and commenced trading in 1995 under the symbol "CIB." Average daily trading volume of ADRs was 32,523 in 2002, 38,847 in 2003 and 136,377 in 2004. Before 1995, the Bolsa de Bogota (the "Bogota Stock Exchange"), the Bolsa de Medellin (the "Medellin Stock Exchange") and the Bolsa de Occidente (the "Occidente Stock Exchange") were the only trading markets for our Common Shares and Preferred Shares. These three stock exchanges merged on July 3, 2001 into a single exchange, the Bolsa de Valores de Colombia (the "Colombian Stock Exchange"), headquartered in Bogota and with regional offices in Medellin and Cali. The Colombian Stock Exchange is relatively small and illiquid compared to stock exchanges in major financial centers. In addition, very few issuers represent a disproportionately large percentage of market capitalization and trading volume.

There can be no assurance that a liquid trading market for the common or preferred stock will continue or expand. A limited trading market may impair the ability of an ADR holder to sell Preferred Shares obtained upon

withdrawal of such shares from the ADR Facility on the Colombian Stock Exchange in the amount and at the price and time such holder desires, and could increase the volatility of the price of the ADRs.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Bancolombia (formerly, Banco Industrial Colombiano S.A. or "BIC") was incorporated in the First Notary's Office of Medellin, Colombia, on January 24, 1945. In January 1998, pursuant to a merger agreement approved on December 3, 1997 by the shareholders of BIC and Banco de Colombia S.A., BIC purchased 51% of the outstanding Common Shares of Banco de Colombia S.A. from certain individual shareholders. Effective April 3, 1998, BIC merged with Banco de Colombia (the "Merger"). In connection with the Merger, BIC changed its name to Bancolombia S.A. and began conducting its commercial activities, products and services under the commercial name of "Bancolombia."

The Bank was originally established for a fifty-year term, starting on December 9, 1944. In 1994, this term was extended for fifty more years, until December 8, 2044. The Bank is domiciled in Colombia and operates under Colombian laws and regulations, mainly the Colombian Code of Commerce and Decree 663 of 1993, as a sociedad comercial por acciones, de la especie anonima (See Item 4. Information on the Company - B. Business Overview - B.7. Supervision and Regulation for an explanation of the main regulations governing the Bank's activities). The address and telephone number of the Bank's principal place of business are: Calle 50 No. 51-66, Medellin, Colombia; telephone +(574) 510-8896. Our agent for service of process in the United States is Puglisi & Associates, presently located at 850 Library Avenue, Suite 201, Newark, Delaware 19715.

Since 1995, the Bank is a NYSE listed company, and its ADSs are traded under the symbol "CIB." See Item 9. The Offer and Listing.

RECENT DEVELOPMENTS

In October 2004, the Bank took preliminary steps to assess the feasibility of a business combination among Bancolombia, Conavi Banco Comercial y de Ahorro S.A. ("Conavi") and Corporacion Financiera Nacional y Suramericana S.A. ("Corfinsura").

Conavi and Corfinsura are leading financial institutions in the Colombian market. Conavi is a bank that specializes in residential real estate finance and has an asset value of Ps 4,651 billion as of December 31, 2004. Corfinsura is the largest financial corporation institution in Colombia, with an asset value of Ps 4,145 billion as of December 31, 2004.(4)

On February 28, 2005, Bancolombia entered into a merger agreement (the "Merger Agreement") with Conavi and Corfinsura, whereby the parties agreed to merge Conavi and Corfinsura with and into Bancolombia, with the Bank as surviving entity (the "Merger"). The Merger will take place after Corfinsura has spun-off part of its investment portfolio, which will be transferred to a new entity formed by the shareholders of Corfinsura.

On March 28, 2005, the General Shareholders' Meetings of Bancolombia, Conavi and Corfinsura approved the Merger Agreement.

The shares of Conavi will be exchanged at a ratio of one (1) share of Bancolombia Common Shares or one (1) share of Bancolombia Preferred Shares, at the shareholder's option, for 115.39184295 shares of Conavi, and the shares

of Corfinsura will be exchanged at a ratio of one (1) share of Bancolombia Common Shares or one (1) share of Bancolombia Preferred Shares, at the shareholder's option, for 1.48709574 shares of Corfinsura (the "Exchange Ratio"), in accordance with the independent technical valuation study presented by BNP Paribas S.A., which includes, among other things: (i) the relative valuation of the respective contributions of Bancolombia, Conavi and Corfinsura to the Merger and (ii) the exchange ratios applicable to the contemplated Merger.

Credit Suisse First Boston LLC assisted Bancolombia's Board of Directors in evaluating the exchange ratios provided in the Merger Agreement and the BNP report.

According to BNP Paribas' study, the relative valuation of the contributions of the entities to the combined entity is 75.5% for Bancolombia, 12.7% for Corfinsura after the spin-off and 11.8% for Conavi. Taking into account the stock that Bancolombia and Corfinsura hold in Conavi before completing the Merger, which represents 28.5188% and 6.4639% of Conavi, respectively, as well as the stock that BC currently holds of Corfinsura, which represents 4.6131% of Corfinsura, once the Merger is completed, it is estimated that the shareholders of the Bank will hold 79.25% of the merged entity, while shareholders of Conavi and Corfinsura will hold the remaining 20.75% of the merged entity.

The Merger is subject to certain closing conditions, which include, among others, (i) approval by the Colombian Superintendency of Securities of the alternative that will be presented to Corfinsura's current ordinary bondholders as a result of the spin-off; (ii) completion of the spin-off; (iii) approval by the Colombian Superintendency of Banking of the spin-off and the Merger; and (iv) receipt of all other required regulatory approvals, in Colombia or elsewhere.

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(4) These figures are audited and presented on an unconsolidated basis.

Once these authorizations are obtained, the Merger will be completed on the date that the merger agreement is included in a public deed signed by the parties and the notary public. On the same day, Conavi and Corfinsura will be dissolved without being liquidated and, by virtue of law, the Bank will acquire all assets, rights and liabilities of Conavi and Corfinsura. In any case, the Merger will be effective with respect to third parties upon the filing of the public deed in the public commercial record.

The exchange of shares described above is expected to occur during the third quarter of 2005. Management estimates that the total number of new Common Shares and Preferred Shares of Bancolombia to be issued to consummate the Merger will increase the issued and outstanding capital from 576,695,395 shares to approximately 727,829,109 shares.

No assurances can be given, that any of the expected benefits and advantages of the Merger will be realized to the extent currently contemplated by management, if at all. Moreover, the Merger could require the Bank to invest more capital than it is expecting or more time and effort by management than it is expecting in order to realize the benefits BC is projecting for the Merger. If the Company fails to manage the integration of the businesses of the Bank, Conavi and Corfinsura effectively, the Company's operations and financial results after the Merger may be affected, both materially and adversely.

On March 28, 2005, the General Shareholders' Meeting of BC approved

an amendment to the by-laws regarding, among other matters, changes related to the merger. According to Colombian law, these changes are in force among shareholders from the date of the meeting, but will not become effective with respect to third parties until the corresponding public deed is signed by a representative of BC before a Notary Public and filed in the public register. BC intends to register this amendment following the completion of the Merger.

On March 18, 2005, the Bank announced its intention to sell its ownership in Almacenar, and for this reason, entrusted Colcorp to structure a possible transaction. The Bank owns a direct participation of 94.33% in the warehouse services company.

CAPITAL EXPENDITURES AND DIVESTITURES

During 2002, the Bank invested US$ 3.84 million (Ps 9,616 million) in upgrading its administrative personnel's computer technology and US$ 5.02 million (Ps 12,573 million) in opening new branches and in enhancing existing network branches.

In 2003 and 2004, the Bank made the capital investments listed below:

- In 2003 and 2004, the Bank invested a total of US$ 5.67 million (Ps 15,829 million) in upgrading the central computing system, of which US$ 3.62 million was invested in 2003 and US$ 2.05 million was invested in 2004.

- In 2003 and 2004, the Bank invested a total of US$ 3.71 million (Ps 9,886 million) in acquiring new ATMs and in upgrading existing ones.

- After having renovated the administrative personnel's computers in 2002 and 2003, during the second semester of 2004, the Bank began the technological renovation process for the branch network computers. This

will facilitate access for the branch network to new technology such as Customer Relation Management ("CRM") and virtual education, expected to increase the Bank's commercial efficiency. During 2004, payments were made in the amount of US$ 3.45 million (Ps 9,062 million). US$ 2.06 million of this capital expenditure was financed through leasing. The total project cost will be approximately US$ 11.2 million.

- During 2003 and 2004, the Bank invested a total of US$ 4.69 million (Ps 12,989 million) in maintenance and enhancements for the current branch network.

- In 2004, the Bank invested US$ 4.0 million (Ps 10,511 million) in equipping its own buildings and rented buildings. The Bank's recent growth has obliged it to use a greater amount of physical space. In 2003, this expenditure represented US$ 0.59 million (Ps 1,701 million).

- In 2003 and 2004, a total of US$ 2.95 million (Ps 8,504 million) was invested in physical security for the branch network.

The above-mentioned investments were made using Bank resources except for the investments financed through leasing, as detailed above.

During 2004, total capital expenditures, including the above-mentioned investments, amounted to US$ 17.84 million (Ps 46,863 million) distributed as follows:

- Ps 26,882 million in hardware (US$ 11.2 million)
- Ps 14,692 million in furniture and equipment (US$ 6.1 million)
- Ps 5,289 million in software (US$ 2.2 million)

The following table summarizes the Bank's capital contributions and divestitures for the years 2002 , 2003 and 2004:

CAPITAL CONTRIBUTIONS	2002	2003	2004	TOTAL
Todo 1 Services US$	2,500,200	1,531,373	-	4,031,573
Fundicom S.A. (Ps million)	-	-	850	850
3001 S.A. (Ps million)	-	-	255	255
Promotora de Hoteles Medellin S.A. (Ps million)	-	-	42	42
Leasing Colombia S.A. (Ps million)	-	-	27,117	27,117
Future Net (Ps million)	-	-	2,136	2,136

DIVESTITURES	2002	2003	2004	TOTAL
CTI Cargo S.A. (Ps million) (1)	-	545	-	545
Industrias Forum S.A. (Ps million) (1)	-	4,480	-	4,480
Transmetano ESP S.A. (Ps million) (2)	-	2,673	-	2,673
Interconexion Electrica S.A. (Ps million) (2)	-	-	500	500

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(1) Investments Charged-off

(2) Investments Sold

During 2004, and as of the date of this Annual Report, there have been no public takeover offers by third parties in respect to the Bank's shares or by the Bank in respect to another company's shares, with the exception of the Merger with Conavi and Corfinsura, as mentioned above.

B. BUSINESS OVERVIEW

B.1. GENERAL

The Bank provides general banking products and services to large industrial companies, SMEs, and individuals. We have two main segments: retail

and corporate. Our products and services include depositary services, personal and corporate loans, credit and debit cards, electronic banking, cash management, warehousing services, fiduciary and custodial services and dollar-denominated products, among others. In addition, BC's customers have access to a large network of branches and ATMs in Colombia. BC believes that it has the largest service network of any private financial institution in Colombia, with 377 branch offices operating in 127 cities as of December 31, 2004. For the year ended December 31, 2004, BC had a positive return on average assets of 3.62% and a positive return on average shareholders' equity of 32.14%. See Item 5. Operating and Financial Review and Prospects for a detailed discussion on the results of the Bank's operations.

The following table sets forth the Bank's (unconsolidated) market share of the Colombian banking market according to information compiled by the Superintendency of Banking for the years 2002, 2003 and 2004:

BANCOLOMBIA'S (UNCONSOLIDATED) MARKET SHARE	JANUARY - DECEMBER 2002	JANUARY - DECEMBER 2003	JANUARY - DECEMB 2004
Total net loans	12.4%	13.0%	13.8%
Total checking accounts	16.7%	17.4%	17.9%
Total savings accounts	10.4%	10.6%	10.5%
Total time deposits	11.3%	11.6%	11.8%

Source: Superintendency of Banking. Average for the twelve-month period of each year.

B.2. OPERATIONS

The following tables set forth BC's revenues by category of activity for each of the last three fiscal years:

YEAR ENDED DECEMBER 31, 2002

(in millions of Ps)

	Retail Banking	Commercial Banking	Small Business Banking	Governmental and Institutional Banking	Corporate Headquarters	Offshore Commercial Banking	Trus
Revenues from external customers	Ps 176,296	Ps 30,930	Ps 18,975	Ps 7,764	Ps (19,835)	Ps 6,628	Ps 34,
Revenues from transactions with other operating segments of the Bank	22,961	14,308	9,034	21,433	(69,367)	(31,185)	1,
Interest income	338,468	150,885	118,925	71,606	255,965	93,871	6,

Provision for loans losses	Ps 17,269	Ps 5,851	Ps 3,187	Ps 231	Ps 39,303	Ps 64,951	Ps

	Manufacturing	All other Segments	TOTAL
Revenues from external customers	Ps (14,820)	Ps 48,564	Ps 321,713
Revenues from transactions with other operating segments of the Bank	9,275	2,074	(20,179)
Interest income	1,914	24,099	1,065,919
Provision for loans losses	Ps 329	Ps 6,415	Ps 141,629

YEAR ENDED DECEMBER 31, 2003

(in millions of Ps)

	Retail Banking	Commercial Banking	Small Business Banking	Governmental and Institutional Banking	Corporate Headquarters	Offshore Commercial Banking	Trust	
Revenues from external customers	Ps 212,472	Ps 32,502	Ps 34,906	Ps 19,007	Ps (30,675)	Ps 7,742	Ps 38,424	P
Revenues from transactions with other operating segments of the Bank	34,422	22,731	19,795	24,530	(83,150)	(7,276)	773	
Interest income	453,975	179,113	132,127	56,075	386,052	150,602	5,366	
Provision for loans losses	Ps 62,068	Ps 12,781	Ps 365	Ps 1,133	Ps 59,152	Ps 50,360	Ps 2,239	P

	Manufacturing	All other Segments	TOTAL
Revenues from external customers	Ps 31,400	Ps 97,157	Ps 490,121

Revenues from transactions with other operating segments of the Bank	16,555	2,138	30,204					
Interest income	(6)	23,951	1,395,429					
Provision for loans losses	Ps 237	Ps 7,918	Ps 199,817					

YEAR ENDED DECEMBER 31, 2004

(in millions of Ps)

	Retail Banking	Commercial Banking	Small Business Banking	Governmental and Institutional Banking	Corporate Headquarters	Offshore Commercial Banking	Trust	
Revenues from external customers	Ps 226,318	Ps 33,013	Ps 34,582	Ps 20,277	Ps 5,661	Ps 7,234	Ps 49,178	P
Revenues from transactions with other operating segments of the Bank	48,585	27,669	36,438	24,402	(104,324)	4,063	817	
Interest income	597,066	208,387	200,207	43,857	512,462	172,103	6,412	
Provision for loans losses	Ps 51,614	Ps 3,265	Ps 4,358	Ps (326)	Ps (24,416)	Ps 36,046	Ps 1,165	P

	Manufacturing	All other Segments	TOTAL
Revenues from external customers	Ps 42,285	Ps 98,197	Ps 605,010
Revenues from transactions with other operating segments of the Bank	10,720	8,578	56,366
Interest income	444	25,089	1,787,945
Provision for			

loans losses Ps 1,735 Ps 2,652 Ps 96,386

The following table sets forth BC's geographic revenues and long-lived assets distribution as of December 31, 2002, 2003 and 2004

	2002		2003		
GEOGRAPHIC INFORMATION	REVENUES	LONG LIVED - ASSETS	REVENUES	LONG LIVED - ASSETS	REVENUES
Republic of Colombia	Ps 1,477,668	Ps 582,318	Ps 1,954,038	Ps 754,204	Ps 2,279,5
Republic of Panama	69,314	93,915	151,068	117,863	183,4
Miami City (1)	-	-	-	-	7,0
Total	1,546,982	676,233	2,105,106	872,067	2,469,9
Eliminations	20,179	(2,333)	(30,204)	(1,958)	(56,3
TOTAL, NET	Ps 1,567,161	Ps 673,900	Ps 2,074,902	Ps 870,109	Ps 2,413,5

(1) Information relating to Bancolombia Miami Agency is included since 2004, because it started operations at the end of 2003.

The following table summarizes and sets forth BC's total revenue over the last three fiscal years:

	2002	2003	2004
REVENUES			
Total revenues for reportable segments	Ps 1,292,716	Ps 1,792,508	Ps 2,317,45
Other revenues	254,266	312,598	152,48
Total	1,546,982	2,105,106	2,469,93
Elimination of intersegment revenues	20,179	(30,204)	(56,36
TOTAL REVENUES FOR REPORTABLE SEGMENTS	Ps 1,567,161	Ps 2,074,902	Ps 2,413,57

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

	AS OF			GROWTH
	DEC - 2002	DEC - 2003	DEC - 2004	2004/2003
	(Ps million)			

MAIN FEES AND COMMISSIONS				
Service charges	Ps 145,561	Ps 180,888	Ps 232,706	28.6%
Credit card fees	48,992	59,041	71,113	20.4%
Credit and debit card annual fees	44,117	57,199	73,369	28.3%
Checking fees	40,972	45,252	46,839	3.5%
Warehouse and logistics services, net	38,873	42,705	49,072	14.9%
Fiduciary and trust activities	22,215	25,647	35,658	39.0%
Commissions on letters of credit	2,929	4,249	9,187	116.2%
Commissions expense	(51,351)	(81,956)	(115,600)	41.1%
TOTAL	Ps 292,308	Ps 333,025	Ps 402,344	20.8%

B.3. OUR BUSINESS

The Bank is a universal bank engaged in retail banking, corporate banking and other financial activities directed toward its two major customer segments: retail and corporate. The Bank offers traditional banking products and services, such as checking accounts, saving accounts, time deposits, lending (including overdraft facilities), credit cards, and cash management services. It also offers non-traditional products and services, such as pension banking, bancassurances, international transfers, fiduciary and trust services, leasing, brokerage services and investment banking.

SEASONALITY OF DEPOSITS

Historically, the Bank has experienced some seasonality in its checking account deposits with higher average balances at the end of the year when customers need increased liquidity and lower balances in the first quarter of the year when customers move their funds from checking accounts to savings and mortgage institutions. During December 2002, the aggregate amount deposited in checking accounts was Ps 2,691 billion which decreased 7.1%, to Ps 2,500 billion by March 31, 2003. During December 2003, the aggregate amount deposited in checking accounts was Ps 3,546 billion, which declined 18.3% to Ps 2,899 billion by March 31, 2004. During December 2004, the aggregate amount deposited in checking accounts was Ps 3,799 billion, which declined 16.6% to Ps 3,170 billion by March 31, 2005. As of December 31, 2004, deposits in checking accounts represented 32.0% of the Bank's total deposits.

B.3.i. RETAIL BANKING

The Bank's Retail Banking segment provides a wide range of financial products and services to individuals and SMEs. This segment is important for the Bank's funding and generation of revenues. The Retail Banking Division of the Bank services more than 1.6 million customers as of December 31, 2004.

The total amount represented by Retail Banking loans, which includes all types of credit extended to individuals and SMEs, was Ps 3,685,066 million in 2004, as compared to Ps 2,709,217 million in 2003 and Ps 1,911,829 million in 2002. As of December 31, 2002, 2003 and 2004, total retail loans represented 31%, 34% and 37%, respectively, of the Bank's total loan portfolio. As of December 31, 2004, 2.9% of total retail loans were past due. The growing share of retail loans in Bancolombia's loan portfolio is part of a long-term corporate strategy, aimed at increasing margins and diversifying risks.

The Retail Banking segment comprises Personal Banking, High-Income

Banking, Prestige Banking, SMEs and Microbusinesses.

B.3.i.a. PERSONAL BANKING SEGMENT

This segment serves customers who are employees, retirees, students, housewives, and free-lance professionals, with monthly incomes under Ps 5 million or annual sales under Ps 100 million. The Personal Banking Segment provides a comprehensive product portfolio, and coverage through the physical network and various e-channels.

The table below shows the evolution in recent years of the number of Personal Banking Segment customers classified in its sub-segments.

NUMBER OF CUSTOMERS IN THE PERSONAL BANKING SEGMENT

SUB-SEGMENTS	2002	2003	2004*
Basic (1)	772,670	900,211	968,924
Average (2)	135,986	185,225	213,552
High (3)	96,550	129,175	220,013
TOTAL PERSONAL BANKING	1,005,206	1,214,611	1,402,489

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(1) Customers with a monthly income of less than 2.5 Salario Minimo Legal Vigente, the effective legal minimum monthly salary (the " SMLV"). One SMLV is equal to Ps 358,000 per month for 2004, as established by the Government and published monthly by the Ministry of Social Protection.

(2) Customers with a monthly income from 2.5 to 5 SMLV.

(3) Customers with a monthly income from 5 SMLV to Ps 5 million.

* There was a greater increase in High sub-segment customers due to a change in the definition of the segment as the upper limit was increased to Ps 5 million a month.

The Bank offers the following baskets of products and services to its customers in the Personal Banking Segment. The Basic Portfolio is offered to all customers of this segment while the Complementary Portfolio is offered according to the customer's particular needs.

Basic Portfolio

- Savings Accounts
- Debit Card
- BANCASEGUROS Insurance
- Credit Card
- Personal Loans

Complementary Portfolio

- Checking Accounts
- CD-Time Deposits (including Leasing and Sufinanciamiento CD-Time Deposits)
- Pension Banking (offered through a subsidiary)
- International Wire Transfers
- Investment Funds (administered by Fiducolombia and Comisionista de Colombia)

Progress and Innovations

- The customer base grew by 15.5% from December 2003 to December 2004.
- The Bank saw an increase in the issuance of the Master Card Ideal Credit Card, which was launched at the end of 2003. This credit card is aimed at employees and retirees with incomes from 1.5 to 2.5 SMLV. At December 2004, we had more than 17,519 effective cards, representing an accumulated billing in 2004 of Ps 17.09 billion and an effective loan portfolio of Ps 9.18 billion.
- The Bank broadened the investment portfolio for customers in this segment by offering the Leasing CD-Time deposits in 2004 and the offer of the Sufinanciamiento CD-Time deposits through the branch network.
- Creation of new payroll plans based on customer and company needs and on profitability for the Bank.
- The Bank established agreements with banks and money remitters for transferring money to Colombia.
- A special deposit savings account, Cuenta Giros, was created for direct payment and administration of remittances to relatives of Colombian emigrants. This is one part of a package of products being proposed to target emigrants and their families in Colombia.
- The Bank experienced growth in Pension Banking for customers in this segment, with a significant increase in the number of plans sold from 4,580 in 2003 to 10,359 in 2004.
- A rotating line of credit product is now underway for customers with income higher than 1 SMLV (Ps 358,000) per month.

B.3.i.b. PREFERENTIAL BANKING SEGMENT

This segment serves customers who are employees, retirees, students,

housewives, and free-lance professionals with monthly incomes of over Ps 5 million or with annual sales of over Ps 100 million.

Preferential Banking services include personalized attention by a branch manager or branch account executive, offer of specialized products and services and preferential attention in some of the Bank's processes.

The table below shows the evolution in recent years of the number of customers in the Preferential Banking segment.

NUMBER OF CUSTOMERS IN THE PREFERENTIAL BANKING SEGMENT

	2002	2003	2004*
Customer	133,907	147,128	51,526
Cross Sales Indicator	3.40	3.43	5.05

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* There was a decrease in the number of customers due to a change in the definition of the segment, as the minimum monthly income for inclusion in this subsegment was increased from Ps 3.7 million to Ps 5 million.

The Bank offers the following baskets of products and services to its customers in the Preferential Banking Segment. The Basic Portfolio is offered to all customers of this segment while the complementary portfolio is offered according to the customer's particular needs.

Basic Portfolio

- Preferential account
  - -- Checking account with available overdraft line of credit
  - -- Savings account
  - -- Debit card
  - -- Audioprestamo (loans disbursed by telephone or virtual branch)
- Gold credit card, Green Amex, or Platinum credit card

Complementary Portfolio

- Personal loans, Vehiprestamo (loan for vehicles) or Prestahogar (loan for home improvement or purchase)
- Pension Banking (offered through a subsidiary)
- Accounts in foreign currency
- Investment funds

- Bancassurance - ("BANCASEGUROS")

- Visa Cayman Credit Card, issued by our off-shore subsidiary in Cayman Islands, and linked to deposits in Panama, Cayman or Miami

Progress and Innovations

- At the beginning of 2004, the Preferential Account was launched. For customers who hold a Preferential Account, the Bank automatically covers an overdraft in the customer's checking account either from its savings account or from an AudioPrestamo disbursement. At December 2004, 3,916 customers held Preferential Accounts.

- The Bank developed a new line of credit (Credito Preferencial), which satisfies this segment's financing needs by allowing the customer to choose a flexible payment plan that fits its needs and cash flow. At December 2004, Ps 22,430 million had been disbursed under these lines of credit.

- Customers exchanged their old debit cards for the new Preferential Debit Card, exclusively for Preferential Banking customers. The Preferential Debit Card offers the additional benefit of home assistance insurance and vehicle assistance insurance. As of December 31, 2004, 31,127 debit cards had been exchanged. o The Bank implemented a special processing line in the credit process to give greater priority to Preferential Banking customer requests, thus enabling reduced credit study and analysis time.

B.3.i.c. PRESTIGE BANKING SEGMENT

In June 2004, the Bank implemented its Prestige Banking division, for the segment defined as affluent and high net worth individual customers (customers with assets of over US$ 100,000 under management). The portfolio includes banking products as well as products of Bank Subsidiaries in Colombia (Fiducolombia y Comisionista de Colombia) and abroad (Bancolombia Panama, Bancolombia Cayman) and the Miami Agency. The segment began to operate with 7 relationship managers, 4 in Bogota and 3 in Medellin, who assist over 1,000 customers representing over US$ 348 million in assets under management.

B.3.i.d. ENTREPRENEURIAL BANKING (MICRO-FINANCING) SEGMENT

The customers included in the Entrepreneurial Banking segment are micro-businesses that meet the following conditions:

- Annual sales between Ps 30 million and Ps 250 million

- Business more than one year old

- Fixed assets under 501 SMLV

- Maximum 10 employees

- Owner/applicant must be 21 to 69 years old

The table below shows the evolution during 2004 of the number of customers in the Entrepreneurial Banking segment.

NUMBER OF CUSTOMERS IN THE ENTREPRENEURIAL BANKING SEGMENT

SUB-SEGMENT	SEP-2004	DEC-2004
Extended Accumulation	3,032	4,214
Simple Accumulation	3,755	5,937
Subsistence	114,638	120,463
TOTAL	121,425	130,614

The Bank offers the following product and service portfolio to customers in the Entrepreneurial Banking Segment. The basic portfolio is offered to all customers in this segment whereas the complementary portfolio is offered based on a customer's particular needs and its credit experience with the Bank.

Basic Portfolio

- Savings account
- Debit card
- Consumer credit (for working capital, purchase of fixed assets or substitution of liabilities)

Complementary Portfolio

- Life insurance
- Checking account
- Credit card (purchase of credit card loan portfolio from other banks in the amount of Ps 1 million, for customers with minimum 6 months credit experience with the Bank)
- Plan Semilla (Investment fund administrated by Fiducolombia)

In the Entreprenurial Banking Segment, the Bank developed a special project during 2004 that consists of personalized service by 38 credit executives in Bogota, 8 in Barranquilla, 8 in Medellin and 7 in Cali. They visit the customer's business and analyze their financial standing.

Under this special project to serve micro-businesses, Ps 8.38 billion has been disbursed with a balance of Ps 6.41 billion during the year 2004, for an average disbursement of Ps 2.4 million and an average term of 15 months.

B.3.i.e. SMALL-AND MEDIUM-SIZED ENTERPRISES (SMES) SEGMENT

This segment consists of legal entities with annual sales from Ps 250 million to Ps 17.1 billion in Bogota and to Ps 11.4 billion in the rest of the country and of individuals with independent economic activities (trade, cattle raising, farming, and others) with annual sales of over Ps 250 million.

The segment is composed of managed and non-managed customers. The Bank assigns a commercial manager to oversee service provisions to managed customers. Each commercial manager serves an average of 120 customers. The distribution is shown below.

NUMBER OF CUSTOMERS IN THE SMES SEGMENT

CUSTOMERS	2003	2004
Managed	24,569	29,451
Non-managed	54,977	44,491
TOTAL	79,546	73,942

The numbers for 2004 reflect a transfer of customers to the new Entrepreneurial Banking Segment. Despite this transfer, the segment has grown 5% in the number of customers throughout 2004.

Customers in the SMEs Segment are served in accordance with the following principles:

- Personalized attention by a branch manager, branch senior account executive or an SMEs branch commercial advisor
- Complete knowledge of the customer
- Basic proposal by economic sector
- Development of Internet and e-mail solutions
- Financial advising (with the cooperation of Vision, a consulting company specialized in SMEs from the University of La Sabana)

The Bank offers the following baskets of products and services to its customers in the SMEs segment:

Basic Portfolio

- Checking account
- Savings account
- MIT (Integrated Treasury Management): corporate virtual branch, collections and payments.
- Pre-approved amount of indebtedness

- Local currency loan portfolio
  - -- Ordinary
  - -- Credipagos Virtual (loans disbursed by the virtual branch)
- Company credit card
- Payment of national taxes

Complementary Portfolio

- Loan Portfolio
  - -- Foreign currency loans
  - -- Loans founded by Colombian development banks
  - -- Leasing
  - -- Treasury loans
  - -- Private and direct lines of credit, and / Discounting of Invoices
- Foreign exchange and international trade
  - -- Payment means
  - -- Compensation accounts in Bancolombia's Miami Agency and Bancolombia Panama S.A.
  - -- Warehouse and logistics
- Payment of customs duties
- Acquiring services
- Investment funds
- Special lines of credit (guaranteed by the National Guarantee Fund and Agricultural Guarantee Fund)
- Fiducolombia special products and services

Progress and Innovations

- This segment has accumulated a portfolio in the amount of Ps 1.5 billion, a 44% increase compared to December 2003.
- Strength in leasing business was evidenced by nearly 97% growth from December 2003 to December 2004, resulting in a portfolio totaling Ps 244 billion.
- The use of invoice discounting and of virtual line Credipagos grew from Ps 37 billion in 2003 to Ps 101 billion in 2004.

- The Bank improved Credipagos Virtual, through which differential rates and commissions may be agreed upon with each customer, based on the customer's approved credit limit.

- The Bank allowed accounts to be linked to Credipagos so that overdrafts in a customer's checking account can be covered by the Credipagos line of credit as of a date agreed upon with the customer.

B.3.ii. CORPORATE BANKING

Corporate Banking provides commercial banking products and services to all sectors of the economy. Corporate clients are segmented by their economic activity as well as by their size. This segmentation assures adequate support and adequate pricing according to the customer's risk level.

As of December 31, 2004, the Bank had 3,545 corporate clients managed by Account Managers, distributed by economic sector as follows:

SECTOR	2003	2004
Agriculture (1)	217	233
Commerce (2)	666	695
Construction (3)	149	231
Government (4)	82	96
Manufacturing (5)	915	907
Telecom and Media (6)	77	89
Individuals (7)	202	126
Natural Resources	120	156
Financial Services (8)	337	413
Non Financial Services (9)	429	499
Other (10)	-	100
TOTAL	3,194	3,545

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(1) AGRICULTURE: Classified into 15 sub-sectors, with crops, cattle, poultry farming and fishing, as the most important economic activities.

(2) COMMERCE: Classified into 13 sub-sectors, with supermarkets, distributors and retail, as the most important economic activities.

(3) CONSTRUCTION: Divided in the sub-sectors of infrastructure and buildings.

(4) GOVERNMENT: Central administration, territorial and decentralized entities constitute this sector.

(5) MANUFACTURING: This sector, which has 44 sub-sectors, includes all companies with a manufacturing process.

(6) TELECOM AND MEDIA: Comprised of 5 sub-sectors, the most important of which include telecommunications and media companies.

(7) INDIVIDUALS: Includes individuals related to companies in any sector, who share the same risk as the company.

(8) FINANCIAL SERVICES: Composed of 9 sub-sectors that include all companies in the financial sector.

(9) NON-FINANCIAL SERVICES: Divided into 10 sub-sectors, the most important of which are education, health, transportation and tourism services.

(10) OTHER: Companies with No Uniform International Industrial Classification ("CIIU" for its initial in Spanish) available.

Clients are grouped by size into the following four segments:

- MIDDLE MARKET: Customers with annual sales above Ps 11.4 billion outside Bogota, or Ps 17.2 billion in Bogota, and below Ps 50 billion in both cases.

- CORPORATE: Clients with annual sales over Ps 50 billion.

- INSTITUTIONAL: Clients subject to the supervision of the Superintendency of Banking, the Superintendency of Securities, the Superintendency of Health or the Superintendency of Family Subsidy, as well as electricity and public utility companies and financial corporations.

- GOVERNMENT: Includes public sector entities, such as municipalities, the central administration, territorial and decentralized entities.

The total amount of corporate banking loans, which includes all types of credits extended to customers of this segment, was Ps 5,413,956 million in 2004, as compared to Ps 5,272,290 million in 2003 and Ps 4,247,392 million in 2002. As of December 31, 2002, 2003 and 2004, total corporate loans represented 69%, 66% and 54%, respectively, of the Bank's total loan portfolio. As of December 31, 2004, of the total corporate banking loans, 0.5% were past due.

The Bank offers a portfolio for corporate clients based on their economic activity. A Basic Portfolio fits all clients' needs and can be supplemented with a Complementary portfolio that can be adjusted to the customer's particular features.

Basic Portfolio for all economic sectors

- Checking and savings accounts,

- Internet and PC banking,

- Cash management and

- Money payments and collections.

MANUFACTURING Complementary Portfolio

- Loans such as working capital, factoring and leasing,

- Offshore products in Panama, Cayman and Miami and
- Warehouse and logistics.

COMMERCE Complementary Portfolio

- Loans: working capital, loans funded by development banks and credit and distribution cards,
- Foreign exchange and international trade,
- Offshore current accounts and
- Means of payment in foreign currency.

AGRICULTURE Complementary Portfolio

- Long term loans funded by development banks and working capital loans,
- Offshore checking accounts and associated payment products and
- Foreign exchange and international trade.

NON FINANCIAL SERVICES Complementary Portfolio

- Leasing and loans funded by development banks,
- Money collection and payment services and
- Investment funds.

NATURAL RESOURCES Complementary Portfolio

- Long term loans, leasing and structured credits,
- Investment funds,
- Offshore checking accounts and
- Foreign Exchange and International trade.

FINANCIAL SERVICES Complementary Portfolio

- Automatic money collection systems,
- Automatic payment systems and
- Investment funds.

TELECOM AND MEDIA Complementary Portfolio

- Long term loans and infrastructure development financing through leasing,
- Massive money collection systems and

- Investment banking.

CONSTRUCTION Complementary Portfolio

- Working capital loans, long term loans, housing construction loans and leasing,
- Trusts and
- Investment banking.

GOVERNMENT Complementary Portfolio

- Investment banking and
- Short and long term loans and loans funded by development banks.

B.4. DISTRIBUTION NETWORK

The Bank distributes its products and services and executes transactions through six main channels: the branch network, the ATMs network, the Personal Virtual Branch and the Corporate Virtual Branch, Automatic Payment Systems, PC Banking and Telephone banking. BC has been increasing its distribution channels' capacity with more branches and more functionality in the electronic channels, while providing new transactions, services and selling products through internet and telephone banking. As of December 31, 2004, the branch network totaled 377 branch offices located in 127 places in the most important urban centers and regions of Colombia. This traditional distribution channel is reinforced by a unified management system that includes Internet Banking, the network of ATMs, telephone banking and client on-site branches. Through these channels, customers may carry out most transactions related to deposit accounts or credit cards, including inquiries, cash withdrawals, payment of credit card statements and utility and other bills, transfers and deposits.

B.4.i. BRANCH NETWORK

BC's branch network has grown 6.5% during 2004, adding 25 new branch offices for a total of 377 branches located in 127 Colombian cities. The network is mainly concentrated in the major urban centers with 99 branches in Bogota, 41 in Medellin, 29 in Cali and 19 in Barranquilla.

25 branch offices were opened during 2004 and 2 were closed. The new branches consist of: 3 traditional offices, 5 service and sales extension offices, 4 supermarket banking offices, 2 prestige banking segment offices, and 11 on - site branch offices.

The Bank has 30 branches located in supermarkets and oriented to individuals and SMEs, and 39 on-site branches that serve our corporate customers and their employees, providing them with the means to solve their transactional requirements during flexible working hours. BC also maintains its 36 "light" branches, called NOVA, with multifunctional employees and a low cost structure.

Additionally, there are 35 mobile "branches" attending small towns where we have no physical presence. These "branches" consist of a commercial advisor that visits small towns on specific days, to offer BC's products and services to the local population. We are planning to further develop this new concept of banking, in order to expand our distribution network to small towns.

B.4.ii. ELECTRONIC DISTRIBUTION CHANNELS

BC has a network of alternative electronic distribution channels, enabling cost-effective transactions and services. To decongest its branch offices, the Bank has worked to transfer customer transactions from branch offices to electronic distribution channels. Transactions effected through electronic distribution represent 78% of all transactions in 2004.

The following are the electronic distribution channels offered by the Bank:

B.4.ii.a. AUTOMATIC TELLER MACHINES

BC has 517 ATMs, located in 127 urban centers around the country. This year the Bank installed 45 new ATMs expanding the network by 9.5%. Our customers may also take advantage of our strategic alliance with Conavi, providing access to an additional 550 ATMs at no additional cost. Conavi has added 26 ATMs since 2003.

BC's ATMs offer the Cirrus and Plus networks in addition to the Colombian national network, Redeban - Multicolor. This channel is used not only by our customers, but also by other banks' customers, whose transactions during 2004 accounted for approximately 30% of all the transactions carried out through our ATM network.

During 2004, the ATMs' hardware was upgraded in order to meet Visa and Master Card International Triple Des requirements Triple Des is an encryption algorithm used to reduce ATM and point of sales frauds. We are preparing to offer customers new transactions and services and to implement a CRM strategy for such devices.

B.4.ii.b. INTERNET BANKING

BC estimates that during 2004 approximately 28% of the Bank's transactions with its customers were carried out through the Internet, compared to 21% in 2003. The Bank offers the following Internet channels:

Personal Virtual Branch. Through the Personal Virtual Branch, the Bank offers 24-hour services, including balance inquiries, savings and credit card information, payment of credit card balances, disbursement of pre-approved loans, blocking of credit and debit cards, counter-ordering of checks, transfers among BC accounts and to Conavi accounts, requests for products and services, payment of bills, virtual products such as e-card and virtual investments, customers information update, purchases on commercial vendor websites and customer service.

BC is concerned about the security of its customers' personal information on Internet. For this reason, the Bank implemented a second password for bill payments and other monetary transactions in 2004.

During 2004, a monthly average of 135,200 users visited the Personal Virtual Branch, an increase of 22.3% over the monthly average of 110,500 users in 2003. Approximately 3,591,000 transactions were conducted monthly via the Internet during 2004, compared to a monthly average of 2,512,300 transactions during 2003, an increase of 42.9%.

TODO1 Alliance. During 2004, BC continued its alliance with Mercantil Servicios Financieros of Venezuela and Banco del Pichincha of Ecuador through TODO 1 Services ("TODO 1"). TODO1 is coordinating the development of

Web-based products and services for individual consumers and corporate customers. This alliance enables BC to improve its e-business development and to provide better services to its customers.

Corporate Virtual Branch. BC expanded the use of this new channel throughout the year after the platform was updated in 2003 with TODO1. This new platform offers a solution for corporate treasury management in accordance with international standards. Through this service, corporate customers can obtain credits online, pay services to third parties, make payroll payments and pay providers with the possibility of approval from different terminals. More than 18,500 corporate and SME clients use this channel.

Facturanet. During 2004, the number of customers using the electronic bill payment system developed by TODO1 and available to Conavi and Bancolombia's customers increased approximately 86.8%, totaling more than 86,500 customers at the end of December 2004, compared to approximately 46,300 customers at the end of 2003. Through Facturanet, customers can make monthly payments and receive alerts via e-mail when a new bill is available for payment. During 2004, more than 55,281 bills were paid through Facturanet, compared to 38,600 bills in 2003, a 43.2% increase.

B.4.ii.c. AUTOMATIC PAYMENT SYSTEMS

BC's customers may place standing payment orders and pre-register payments, to be automatically and periodically debited from their accounts. The Bank's automatic payment system also enables its customers to perform transactions with any banking institution in Colombia, through the country's authorized clearing house ACH.

During 2004, approximately 17,900,000 payments were conducted via the automatic payment systems, compared to 11,998,000 payments during 2003, which represents an increase of 49.2%.

B.4.ii.d. PC BANKING

The remote access platform to the Bank, named Enlinea BANCOLOMBIA, allows corporate customers to connect to the Bank via modem through an application installed on a computer at the customer's location. This treasury management solution has fewer features than the Corporate Virtual Branch, but has been operating as a corporate solution since before the creation of the Corporate Virtual Branch.

During 2004, approximately 34,831,208 transactions were conducted via Enlinea compared to 28,177,000 transactions during 2003, which represents an increase of 23.62%. As of December 31, 2004, there were 4,545 users of Enlinea, as compared to 4,462 in 2003. Though this channel hasn't been suspended, most of the clients are now being referred to the Corporate Virtual Branch so they will have access to make all the cash management operations.

B.4.ii.e. TELEPHONE BRANCH

The Telephone Branch is the Bank's telephone-banking service that allows customers to make inquires and monetary transactions over the phone and to communicate with specialized staff at any time. The Telephone Branch is available 24 hours a day, 365 days a year.

During 2004, approximately 365,000 customers used the Telephone Branch, compared to approximately 237,000 customers during 2003, which represents an increase of 54%. Approximately 22,252,000 transactions were

conducted monthly via the Telephone Branch during 2004, compared to 20,787,000 transactions during 2003, which represents an increment of 7.05%.

In 2004 many innovations were introduced to the Telephone Branch in order to increase customer satisfaction and provide better security when executing transactions. These are some of the changes introduced during 2004:

- Identification of preferred customers in order to give them preferential service through specialized agents.

- Positioning and consolidation of the telesales area as the channel designed to offer customers products and services according to their needs through outbound calls.

- Creation of a second password for some transactions in order to provide better security to customers.

- Online support to corporate customers through a Help Desk to help them with some of the problems they may have with the Corporate Virtual Branch, and the PC banking software.

B.4.iii. SALES FORCE

BC's sales force includes more than 4,300 employees working as advisors, vendors and customer service personnel, organized as follows:

- 554 branch and executive managers, offering preferential service to managed customers;

- 67 account managers for Corporate Banking, divided in market segments according to economic sectors, allowing them to give specialized advice to clients;

- 1,498 commercial advisors who sell products and services in the Bank's branches and other commercial offices;

- 594 specialists who offer more complex and higher added value products; and

- 1,661 tellers and secretaries who refer customers to the other commercial teams.

B.5. PRODUCTS AND SERVICES

B.5.i. LOAN PORTFOLIO

The following is the loan portfolio available for each of the segments of customers of the Bank:

B.5.i.a. PERSONAL BANKING LOAN PORTFOLIO

We use a pre-approval method with the help of the automatic scoring system at each branch, which issues approvals and credit limits in fifteen (15) minutes.

The final approval is not granted for four to five business days, depending on how long it takes to verify the required documentation and the type

of guarantee to be used.

The different loans available in this segment are listed below.

- PERSONAL LOAN: Line of credit for free investment with short and mid-term financing for persons who qualify under Bank policies.

- VIRTUAL LOAN ("AUDIOPRESTAMO"): This rotating line of credit is exclusively for individuals. The credit limit frees capacity for future use as payments are made. Disbursements can be made through the Virtual Branch, Telephone Banking or Conavitel. Conavitel is a homebanking system that permits customers to search for information and complete banking transactions from home or office. The money is disbursed in real time to the customer's primary account and is available 24 hours a day, 365 days a year.

- CAR LOAN ("VEHIPRESTAMO"): Service that finances the acquisition of vehicles for private or commercial use (excluding public service vehicles).

- HOME LOAN ("PRESTAHOGAR"): PrestaHogar is aimed at persons who belong to the Preferential Banking Segment who wish to purchase or remodel their homes. This loan may also be used to purchase lots or commercial stores; the maximum term is 59 months. This line of credit has a tax benefit that decreases the monthly withholding tax base by the interest paid the year before in 2004, pursuant to the limits set forth in effective regulations.

  There has been a large increase in this portfolio in 2004, from a balance of Ps 28.1 billion in December 2003 to a balance of Ps 102.4 billion in December 2004.

- MICRO-BUSINESS CREDIT ("MICROCREDITO"): Line of credit for micro-businesses granted from Bank resources, with an automatic Public Territorial Entities 70% guarantee with Guarantees National Fund ("FNG" for its initials in Spanish). To serve the Bank's present customers who meet the definition of a micro-business pursuant to Law 590 of 2000, those customers will enter the normal credit process for the segment to which they belong and may apply for the automatic 70% guarantee with FNG. The maximum term is 24 months.

- STUDENT LOAN ("CREDIESTUDIO"): Line of credit designed for financing pre-graduate and graduate studies, with preferential financing interest rates. This line is offered throughout the country at the first rate Higher Learning Universities authorized by the Colombian Institute for the Promotion of Higher Learning (ICFES - "Instituto Colombiano para el Fomento de la Educacion Superior").

- LINE OF CREDIT FOR EMPLOYEES OF COMPANIES THAT ARE BANK CUSTOMERS ("EJECUTIVO EMPRESARIAL"): A line of credit with preferential rates, aimed at satisfying the

investment and financing needs of employees who work in companies that are Bank customers.

B.5.i.b. SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) LOAN PORTFOLIO

- ORDINARY LOAN PORTFOLIO: A service through which a loan is granted to an individual or company based on the resources maintained in their Checking Accounts, Savings Accounts and CDs - Time deposits, in order to satisfy customer needs.

- TREASURY LOANS: A line of credit that seeks to satisfy customers' working capital needs as generated by temporary liquidity needs and tax payments.

- Loans funded by Colombian development banks:

  - BANCOLDEX (Banco de Comercio Exterior de Colombia): Line of credit for financing export and import activities, throughout the chain of production, channeling national and foreign currency resources and credit to financial institutions which operate in the country and abroad.

  -- FINAGRO (Fondo para el Financiamiento del Sector Agropecuario): Line of credit for financing the different phases in goods production, commercialization and/or transformation processes stemming directly from, connected to or complementary to farming and livestock, forestry, fishing, water, poultry and bee keeping industry activities.

  -- FINDETER (Financiera de Desarrollo Territorial): Line of credit that, with credit resources, seeks to support the execution of programs, projects or investments that generate local, regional or national development.

  The programs, projects or investments financed must be common interest-oriented and aimed at improving community living conditions.

- "CREDICAFE": A rotating credit limit to be used for the purchase of inputs for and the payment of workers in the coffee producing industry. It is easy to use and grants immediate recurring or sporadic disbursements, consultations and payments by using Bancolombia's Telephone Branch.

  This product is aimed at customers who are coffee growers, in segments such as SMEs. It requires a prior study of financial statements and of specific financing needs based on the payments that stem from the customer's business.

- "CREDIPAGO VIRTUAL": A rotating credit limit that can be accessed at any time. It may be used for any purpose and

is easy to use, with immediate recurring or sporadic disbursements, consultations and payments through Bancolombia's Virtual Branch. This credit has a minimum disbursement limit of Ps 1 million and 3, 6, 9, 12, and 24 month terms. At December 2004, the Bank has 4,969 SMEs inscribed in this product, Ps 101.9 billion in loans and Ps 185.8 billion in the value of assigned limits available for use.

- INFLATION-INDEXED CREDITS: An Inflation-indexed line of credit designed to serve corporate customers who seek different types of financing in accordance with market evolution and inflation expectations.

- ACQUISITION OF ACCOUNTS RECEIVABLE: A service through which the current or present amount of an obligation with a future due date (no later than 180 days after the date of the discount) is settled or discounted at a market rate or discount rate, depending on the risk, the segment and the rating of the individual or company that becomes bound to the Bank.

  Usually, the provider customer (the one who sells a good or renders a service) requests the acquisition by the Bank of its accounts receivable because it seeks additional liquidity and the purchasing customer (the one who receives the merchandise or service) agrees to pay the Bank on the due date.

- ENVIRONMENT LINE OF CREDIT: A line of credit specially designed for investments intended to have a positive impact on the environment. This line includes an incentive depending on the level of environmental impact that the company makes. The incentive is provided by the Secretary for Economic Issues of the Swiss Government (SECO).

- PRIVATE AND DIRECT LINE OF CREDIT: A line of credit based on an agreement entered into by and between a company (Distributor) and the Bank, through which the Bank, using rotating credit, finances the company's customers' acquisition of goods and/or services provided by such company. This line could have the total endorsement of the company's debt.

The following table summarizes loans extended to individuals and SMEs in 7 categories and the amount past due for each category:

	2002	2003	2004	AS A % OF TOTAL LOAN PORTFOLIO 2003	AS A % OF TOTAL LOAN PORTFOLIO 2004	P LO
	(Ps million except percentages)					
RETAIL (1)						

Credit cards	Ps 254,876	Ps 335,172	Ps 392,900	4.2%	3.9%	Ps
Personal loans	561,558	814,885	1,111,250	10.1%	11.1%	
Vehicle loans	24,476	229,737	381,723	2.9%	3.8%	
Overdrafts	68,490	81,294	89,867	1.0%	0.9%	
Loans funded by domestic development banks	276,157	330,246	359,494	4.1%	3.6%	
Trade financing	28,112	19,644	54,189	0.2%	0.5%	
Working capital loans	698,160	898,239	1,295,643	11.2%	12.9%	
TOTAL RETAIL	Ps 1,911,829	Ps 2,709,217	Ps 3,685,066	33.7%	36.7%	Ps

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

B.5.i.c. CORPORATE BANKING LOAN PORTFOLIO

BC has a wide range of products to satisfy the capital needs of our Corporate Banking customers, including working capital loans, trade financing and loans funded by Colombian development banks.

- Working capital loans are the most common type of loan in the corporate market. These loans are predominantly variable rate or based on CD-Time deposit rates, and re-priced every quarter.

- Trade financing loans are typically dollar-denominated, variable rate loans. As of December 31, 2004, due to legal restrictions, the loans have maturities of six months or less, whereas some capital assets are financed up to three years.

- Loans funded by Colombian development banks are variable rate, based on CD-Time deposit rates or LIBOR with maturities between six months and five years.

The following table summarizes loans extended to corporate clients in six categories and the amount past due for each category:

	2002	2003	2004	AS A % OF TOTAL LOAN PORTFOLIO 2003	AS A % OF TOTAL LOAN PORTFOLIO 2004	L
		(Ps million except percentages)				
CORPORATE						
Trade financing	Ps 166,620	Ps 149,582	Ps 253,632	1.9%	2.5%	P
Loans funded by domestic development banks	376,378	394,947	770,331	4.9%	7.7%	
Working capital loans	3,650,585	4,687,153	4,298,354	58.4%	42.8%	
Credit cards	5,218	8,237	24,621	0.1%	0.2%	
Overdrafts	48,591	32,371	67,018	0.4%	0.7%	

TOTAL CORPORATE	Ps 4,247,392	Ps 5,272,290	Ps 5,413,956	65.7%	53.9%	P

B.5.ii. DEPOSIT PRODUCTS

The Bank offers its customers a variety of checking accounts, savings accounts, fixed term deposits and tax collection services. At December 31, 2004, based on information compiled by the Superintendency of Banking, BC was the largest bank nationwide in terms of deposits, with a total of Ps 8,778 billion on a non-consolidated basis, representing 12.6% of the Colombian market. 31.74% of BC (non-consolidated) total deposits are in checking accounts, 38.88% in savings accounts, 27.47% in fixed term deposits (including time deposits) and 1.91% in other deposits. BC has 32.09% of the market share of national taxes and customs duties payments.

B.5.ii.a. CHECKING ACCOUNTS

A deposit product that allows customers to deposit sums of money in cash and/or checks and to dispose of balances, totally or partially, through checks, automatic withdrawals/debits, cash withdrawals, and electronic transfers. As of December 31, 2004, on a non-consolidated basis, BC had approximately 380,620 checking accounts with total deposits of Ps 2,786 billion, an increase of approximately 9.60% over Ps 2,543 billion in 2003. Checking accounts usually reach their highest level at the end of the year, affected by the season. BC has 17.8% of the market share for checking accounts in the country. In addition, following its customer segmentation policy, BC has defined a new service, the Preferential Account for the Preferential Banking segment, in which overdrafts are automatically covered from the funds in the customer's savings account or from the available Audioprestamo installment.

B.5.ii.b. SAVINGS ACCOUNTS

BC savings accounts are designed for individuals; they settle and disburse interest on available balances on a daily basis. BC savings accounts offer different alternatives of return, handling fee, transactions, and required minimum balances, all according to customer needs. As of December 31, 2004, on a non-consolidated basis, BC had approximately 1,367,291 savings accounts with total deposits of Ps 3,413 billion, increasing approximately 55.70% over Ps 2,192 billion in 2003. In addition, BC offers "Payroll Payment Accounts" to satisfy company payroll payment needs. Also, BC offers a savings account called "Pension Payment Account", exclusively for the payment of retiree benefits.

B.5.ii.c. CDS (CERTIFICATE OF TIME DEPOSITS)

These certificates, negotiable on the over-the-counter securities market, permit management of liquidity surpluses at terms greater than 30 days, with higher interest rates than those paid on savings accounts. As of December 31, 2004, on a non-consolidated basis, BC had approximately 65,711 fixed term deposits totaling Ps 2,411 billion as compared to 69,577 time deposits totaling Ps 1,870 billion in 2003.

B.5.ii.d. DAT - "DEPOSITO DE AHORRO A TERMINO"

A short-term bank deposit agreement that allows holders to receive interest payments from BC pursuant to the legal policy and specific regulations approved by the Superintendency of Banking.

B.5.iii. CREDIT CARDS

The Bank operates in the Colombian credit card market through the issuance of MasterCard, Visa and American Express cards for individuals and corporate customers. At December 31, 2004, Bancolombia had 383,499 credit cards distributed in the three franchises, as follows: American Express 22.00%, MasterCard 45.08%, and Visa 32.92%.

The following table details the type and outstanding number of credit cards offered by the Bank on an unconsolidated basis:

TYPE OF CARD	SEGMENT	OUTSTANDING CARDS DEC. 31, 2003	DEC. 31, 2004
PERSONAL CREDIT CARDS			
Classic Visa and MasterCard	Personal	162,157	162,417
Gold Visa and MasterCard	High Income	37,843	41,436
Platinum MasterCard	High Income	5,187	5,856
BC Exito Visa + BC Ley MC (1)	Personal	32,267	36,264
Ideal Card (2)	Basic Sub Segment	5,086	17,519
E-card	Retail	1,965	1,888
TOTAL PERSONAL		244,505	265,380

TYPE OF CARD	SEGMENT	OUTSTANDING CARDS DEC. 31, 2003	DEC. 31, 200
BUSINESS CREDIT CARDS			
Visa "Empresarial" and MC Corporate	SMEs and Corporate	24,790	33,587
Visa Distribution (3)	Major retailers	-	166
TOTAL BUSINESS		24,790	33,753
AMERICAN EXPRESS (4)			
Blue	Personal	32,702	50,434
Green	High Income	18,784	23,680
Gold	High Income	8,833	10,252
TOTAL AMEX		60,319	84,366
TOTAL OUTSTANDING CREDIT CARDS		329,614	383,499

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(1) BANCOLOMBIA EXITO VISA AND BANCOLOMBIA LEY MASTERCARD: This co-branding card results from an alliance between Bancolombia and Almacenes Exito, a supermarket chain, and is directed specifically to Personal Banking

segment customers. It offers exclusive benefits at Exito and Ley stores.

(2) BANCOLOMBIA IDEAL CARD: With this card, the Bank introduces a product directed to the "Basic" sub-segment of Personal Banking. The target market is customers with annual income between 1.5 and 2.5 SMLV, giving them an alternative mean for financing purchases in Colombia. The limits granted are between Ps 300,000 and Ps 1,000,000 and it has the support of MasterCard in Colombia.

(3) BANCOLOMBIA VISA DISTRIBUTION CARD: This card is directed to customers of major retailers, who may purchase products at the retailer, allowing the Bank the management of receivables and the retailers to conduct business more efficiently.

(4) AMERICAN EXPRESS: BC is actually the only issuer of American Express cards in Colombia. The Bank currently issues three types of American Express card - Blue, Green and Gold - following a market segmentation strategy. These cards offer wide financing possibilities, as well as convenient means for making payments and insurance and assistance to cardholders.

This year Bancolombia was number one in credit card billing with a market share of 18.01%, thanks to having implemented the strategies listed below.

- American Express Business Consolidation: American Express has contributed 5.83% to Bancolombia's credit card business growth at December 2004 and 7.26% to Bancolombia's credit card business billing growth. This franchise has a credit card industry market share of 3.0% for outstanding cards and of 3.86% for billing, which have grown 0.58 points and 0.95 points respectively compared to last year.

- Leader in the Commercial Solutions Business: Bancolombia is the market leader in this business with a market share of 35% for billing. During this year, the product Bancolombia Distribucion (Distribution) was launched, targeting the wholesale company market and seeking to substitute the private loan for those companies.

- Revamping of the Cobranding Business: With respect to alliance with Almacenes Exito supermarket and retail chain, Bancolombia has changed the image of this business and reinvigorated it by tying it to the chain's loyalty program as a fundamental strategy for growth. The number of cards issued at December 2004 was 22,279 and the average monthly billing was Ps 4,900 million. Also, in November 2004, the Bancolombia Colmotores General Motors card was launched. It serves the spare parts and repair market and is aimed at General Motors cars owners.

- Consolidation of the market position of the Bancolombia Distribucion Sodimac Business: During the year 2004, the Bancolombia Distribucion card was launched based on an agreement with Sodimac (a wholesale chain store). This product is targeted at construction sector SMEs that make purchases in Homecenter in Medellin, Bogota, Barranquilla, and Cali.

- Aggressive Growth in the Personal Banking Segment: With the

Bancolombia Ideal card, the Bank serves the market of lowest income customers that had not been well served previously. By the end of 2004, it had issued 17,519 cards. The success of this business is based on tying the payment of the card to the payroll direct deposit account.

- Other important strategies that reflect efforts to maintain and manage the portfolio are selective, mass increases of limits, card upgrading, the loyalty program, and alliances with commercial establishments.

- Moreover, Bancolombia has continued its administration of the product Bancolombia Cayman Visa issued by the Bank's affiliate Bancolombia Panama Cayman. This product is designed to serve the financing and transaction needs of Prestige Banking Segment customers and has a specialized sales force that has driven placement. At the closing of 2004 there were 3,473 outstanding cards and accumulated billing in the amount of US$ 16,728,281.

The table below shows the Bank's credit card industry market share on a non-consolidated basis.

ACCUMULATED CREDIT CARD BILLING (As of December 31, in Ps million)	2002	2003	2004	GROWTH 2004/2003	MARKET SH 2003	2
Bancolombia MasterCard	Ps 717,438	Ps 787,331	Ps 889,193	12.9%	9.5%	
Bancolombia VISA	341,758	406,802	523,916	28.8%	4.9%	
Bancolombia American Express	17,322	240,872	389,357	61.6%	2.9%	
TOTAL BANCOLOMBIA	1,076,518	1,435,005	1,802,466	25.6%	17.3%	1
COLOMBIAN CREDIT CARD INDUSTRY	Ps 6,751,628	Ps 8,277,529	Ps 10,090,823	21.9%		

Source: Credibanco, American Express and Red Multicolor.

CREDIT CARD MARKET SHARE Number of outstanding credit cards as of December 31,	2002	2003	2004	GROWTH 2004/2003	-
Bancolombia MasterCard	Ps 158,969	Ps 160,113	Ps 172,870	8.0%	
Bancolombia VISA	100,069	109,182	126,263	15.6%	
Bancolombia American Express	25,093	60,319	84,366	39.9%	
TOTAL BANCOLOMBIA	284,131	329,614	383,499	16.3%	
COLOMBIAN CREDIT CARD INDUSTRY	Ps 2,216,322	Ps 2,488,861	Ps 2,812,228	13.0%	

Source: Credibanco, American Express and Red Multicolor.

B.5.iv. DEBIT CARDS

Bancolombia achieved second place in Colombia after Conavi for the number of outstanding debit cards with a market share of 14.1% and accumulated billing in the amount of Ps 7.3 billion, which includes usage in point of sale transactions and ATMs. The Bank offers four types of debit cards:

- BANCOLOMBIA Maestro Debit Card: 1,354,109 cards,
- BANCOLOMBIA MasterCard Debit Card: 127,410 cards,
- BANCOLOMBIA Preferential Banking Debit Card: 31,127 cards and
- BANCOLOMBIA Prepaid Debit Card: 20,427 cards.

Growth in this business has been driven by the strategy of linking the creation of a savings account or checking account to issuing a debit card as the access key. Likewise, the payroll business has leveraged the placement of Master Debit cards and prepaid cards, thanks to the different plans designed based on customer purchase values.

In August 2004, the Preferential Banking Debit Card was launched. It offers a preferred product to customers in that segment and has exclusive benefits for this type of customer.

B.5.v. OTHER BANKING PRODUCTS

As a full service bank, BC offers a broad portfolio of financial products and services. Some important services not reported above are listed in this section.

B.5.v.a. REMITTANCES

BC accepts for deposit checks drawn on other banks and from other cities than the city where the account is held.

B.5.v.b. PAYMENT OF NATIONAL AND CUSTOMS TAXES

BC offers its customers the convenience of paying national taxes and customs duties via its Branch network, and BC transfers the funds to the government tax and customs agency. This represents an important no-cost short-term funding source for the Bank. BC has more than 30% of the market share for national tax and customs duties payments.

B.5.v.c. ACQUIRING BUSINESS

The acquiring business of American Express has expanded in the Colombian market. At December 31, 2004, there were 55,981 establishments affiliated with the American Express franchise, representing an increase of 25.6% over last year. As the only local merchant acquirer and processor, the Bank assumes all of the responsibility for acquiring, compensating and honoring sales made by these merchants in Colombia. The business achieved a growth of 49.07% as compared to 2003.

The acquisition of new merchants to the Visa, MasterCard, and American Express franchises has resulted in an increase in billing of 18.18% as compared to last year, which has been driven by the tax measures set forth by the Government (including a refund of 2 points of the VAT on purchases made with credit cards), as well as by the recovery of the Colombian economy. For the year 2004, the Bank has kept its lead position with a market share of 35.75%.

B.5.v.d. BANCASSURANCE - ("BANCASEGUROS")

Through its Branch network, the Bank offers several insurance products (life insurance, home insurance, and personal accident insurance) from Compania Suramericana de Seguros, one of the major insurance companies in Colombia. Bancolombia is the first bank in Colombia in this business.

In 2004, BC sold 112,345 insurance policies as compared to 92,898 in 2003, representing an increase of 21%. At December 31, 2004, 219,354 insurance policies sold by BC were outstanding as compared to 181,060 at December 31, 2003, which represents an increase of 21% in outstanding policies.

During the months of August and September, 2004, the Bank launched the campaign Ahorre y Proteja su Familia ("Save and Protect your Family") and sold 40,888 life insurance policies and 1,113 home insurance policies.

B.5.v.e. PENSION BANKING - ("BANCAPENSIONES")

Through its branch network, the Bank offers a Voluntary Pension Fund "Rentapension," administered by Fiducolombia. The fund allows customers to obtain, through periodic contributions, tax benefits and interest payments, and functions as a proposed voluntary savings goal to complement their state pension. BC sold 10,359 pension plans in 2004 as compared to 4,580 pension plans in 2003. The assets under management in this pension fund represent Ps 57,425 million at December 2004 as compared to Ps 38,624 million at December 2003, which represents a 49% increase in assets under management.

During the months of March and April 2004, the Bank launched the first Voluntary Pension Fund campaign selling during those months a record of more than 4,662 pension funds.

B.5.v.f. INTERNATIONAL WIRE TRANSFERS

During 2004, the number of Bank branches through which the Bank is able to process operations in foreign currency increased to 190. The transactions available through these branches include the purchase and sale of foreign currency in cash, the purchase and sale of traveler's checks, the purchase and sale of electronic transfers and the purchase of foreign currency stemming from family and worker remittances, among others.

In the family and worker remittances business, in 2004 the Bank made an important change in its strategy that included the creation of a specialized division, the termination of the commercial relation with MoneyGram and the signing and implementation of new agreements with banks and companies specialized in money remittances. Among such agreements we highlight the agreements signed with RIA Financial Inc., Quisqueyana, La Caixa, and Banco Santander Central Hispano. Also, the agreements with the Banco Popular Group of Spain and with The Bank of New York for the payment of retirees of United States Government Agencies who are Colombian residents were maintained, with positive results. Bancolombia went from having an exclusive remittances business to having several in the United States and Europe. This new strategy seeks to

enable the Bank to regain its leading position in this business within the Colombian banking sector.

The creation of special direct deposit savings accounts "Cuenta Giros" allows the relatives of Colombian emigrants to easily receive remittances deposited in their accounts. This is part of the total package that we offer to emigrants and their families in Colombia.

B.5.V.G. TREASURY PRODUCTS

The Bank's Treasury Division is responsible for the management of the Bank's treasury products and its proprietary liquidity as well as its foreign exchange and securities positions.

It works under the guides established by the Vice Presidency of Risk related to market and liquidity risk.

Treasury products were more dynamic during 2004, showing a significant increase in the volume of operations with clients in product lines like foreign exchange spot and forward transactions and public debt.

Internal and external interest rates and the macroeconomic environment translated into important capital gains from bond price increases in Colombia and Panama. This factor was the main determinant of BC's treasury results during 2004.

In the local market, the prices of bonds rose due to the high monetary liquidity provided by the Central Bank and strong economic fundamentals.

In the international market, a high level of global liquidity, strong economic fundamentals in emerging economies and a supportive US Treasury market during 2004 translated into an important reduction in the credit spread of the bond portfolio yielding important capital gains and positive results for BC.

This division conducts the following operations for the Bank and for its clients, in addition to other activities:

OVERNIGHT FUNDS:

- INTER-BANKING: These are operations in which BC lends or borrows funds in Colombian pesos or U.S. dollars to or from financial institutions on a short term basis (30 days maximum), without receipt or delivery of a guarantee in exchange. This product allows short-term management of liquidity surpluses or shortages.

- REPO: In Repo operations BC lends or borrows funds in Colombian pesos or U.S. dollars for a short term (maximum 30 days) to or from financial or non-financial institutions, in exchange for a guarantee in securities.

ISSUANCE OF CDS: BC captures funds in Colombian pesos by issuing certificates of deposit. Interest rates on such CDs can be fixed or linked to the DTF (Colombia's average of term deposits) or the CPI (consumer price index).

PRIVATE DEBT INVESTMENT PORTFOLIO: With its private debt portfolios, BC purchases and sells securities issued by private entities of the Colombian

financial and industrial sectors.

PUBLIC DEBT INVESTMENT PORTFOLIO: With investment in public debt portfolios, BC purchases and sells securities issued by public entities or those managed by the Government of Colombia.

SPOT COLOMBIAN PESO / U.S. DOLLAR AND SPOT FOREX: In spot operations involving the Colombian peso and the U.S. dollar, BC sells and purchases U.S. dollars in exchange for Colombian pesos in order to serve its customers, assume a long or short position in the course of an exchange rate swap, or hedge operations involving derivatives, or obligations or rights of the Bank in a foreign currency. In Spot Forex operations, BC performs the same role with currencies other than the U.S. dollar.

SOVEREIGN AND CORPORATE SECURITIES INVESTMENT PORTFOLIO: BC invests in fixed yield sovereign securities issued by the governments and corporations of different countries.

CREDIT DERIVATIVES INVESTMENT PORTFOLIO: BC invests in credit linked notes and credit linked deposits issued by international banks. Such instruments contain embedded derivatives in which one party transfers to the other for a period of time the credit risk associated with another issuer in exchange for a periodic premium which is commonly defined as a Credit Default Swap ("CDS").

FORWARD COLOMBIAN PESO/U.S. DOLLAR: BC purchases and sells U.S. dollars in exchange for futures contracts for Colombian pesos, determining a date, price, and specific amount. This is done to fill customer needs, to take a long or short position in connection with an exchange rate swap, or to hedge assets and liabilities denominated in U.S. dollars. Such operations are not standardized with respect to length or minimum amounts. In forward forex operations, BC performs the same role with currencies other than the U.S. dollar.

SECURITIES FORWARD: BC purchases and sells securities with a settlement date that is more than three days ahead of the trade date, specifying in advance the amount, price and date of the transaction.

B.5.VI. FIDUCIARY

The Bank offers, through its subsidiary Fiducolombia, a family of five mutual funds and one voluntary retirement fund, all of which are designed to provide customers with the opportunity to diversify their investments. As of December 31, 2004, it had Ps 2,020,227 million in total assets under management, increasing 45.7% from Ps 1,386,307 million in 2003.

FIDUCUENTA: This fixed income fund seeks to attain stable income in the short term, preserving the immediate availability of cash. As of December 31, 2004, it had Ps 1,473,565 million in assets under management, increasing 43.3% from Ps 1,028,183 million in 2003.

FIDURENTA: This fixed income fund seeks to attain stable income in the medium and long term, with a minimum 30-day investment term. As of December 31, 2004, it had Ps 398,338 million in assets under management, increasing 51.1% from Ps 263,614 million in 2003.

FIDUDIVISAS: This fund comprises fixed or variable income securities issued in international markets, with a minimum 90-day investment term. As of December 31, 2004, it had Ps 2,697 million in assets under management, decreasing 42.6% from Ps 4,695 million in 2003. This decrease is explained by the volatility of the exchange rate.

PLAN SEMILLA: This savings alternative pursues the goal of capital accumulation, which can, in accordance with a customer's needs, assist in paying for education, purchasing a home, or buying a vehicle. It has a minimum one-year investment term. As of December 31, 2004, it had Ps 52,189 million in assets under management, increasing 94.6% from Ps 26,824 million in 2003.

RENTA PENSION: This long-term programmed savings alternative enjoys tax benefits and can either complement the mandatory state pension or assist in the pursuit of capital accumulation goals. As of December 31, 2004, it had Ps 86,473 million in assets under management, increasing 49.9% from Ps 57,671 million in 2003.

INDEACCION: This investment alternative allows participation in the local and international stock markets with the goal of long-term gains. The minimum investment term is 90 days. As of December 31, 2004, it had Ps 6,965 million in assets under management, increasing 53.4% from Ps 4,541 million in 2003.

On October 13, 2004, upon obtaining due Superintendency of Banking authorization, the Special Common Fund Fidunacion was absorbed by Special Common Fund Fidurenta.

ASSET MANAGEMENT BUSINESSES

In the area of asset management businesses, as of December 31, 2004, the Fiduciary had Ps 12,902 billion in assets under management, increasing 34.87% from Ps 9,566 billion in 2003. Fiducolombia offers a broad range of products and services by type of trust, including:

PUBLIC TRUST: When managing a public trust for state-owned companies, Fiducolombia performs collection, payment and asset management operations while simultaneously performing follow-up, control and reviews of performance as well as any other activities provided for in the trust contract. In the year 2004, the public trust, was divided in two categories: Public Trust and Pension Trust of Territorial Entities. As of December 31, 2004, such trusts had Ps 3,045 billion and Ps 3,161 billion in assets under management, respectively.

MANAGEMENT AND PAYMENT TRUST: Fiducolombia manages assets transferred to it by an individual or company, performing activities such as collection, payment and portfolio control, document control, verification of budgetary performance and presentation of operating results. As of December 31, 2004, such trusts had Ps 2,730 billion in assets under management, an increase of 78.55% from Ps 1,529 billion in 2003.

INDIVIDUAL INVESTMENT TRUST: Fiducolombia manages resources transferred to it by an individual or a company, designing an investment portfolio that takes into account the customer's requirements in terms of liquidity, security and profitability. As of December 31, 2004, such trusts had Ps 2,380 billion in assets under management, an increase of 53.75% from Ps 1,548 billion in 2003.

REAL ESTATE TRUST: Fiducolombia manages third-party resources designated for the development of housing and/or commercial real estate projects during the pre-sale, construction and title transfer stages, thus contributing to project feasibility as well as promotional and sales activities. As of December 31, 2004, such trusts had Ps 178,544 million in assets under management, an increase of 154.71% from Ps 70,097 million in 2003.

GUARANTEE TRUST: Through this trust business, the trustee or founder of a trust transfers ownership of one or several of his assets to an autonomous

entity in order to guarantee other financial obligations that the trustee or founder has incurred. As of December 31, 2004, such trusts had Ps 1,406 billion in assets under management, increasing 9.16% from Ps 1,288 billion in 2003.

Other products and services offered by the Fiduciary are:

SECURITIES MANAGEMENT: Fiducolombia carries out management activities with the goal of improving efficiency in the administration of the shareholders' department in a corporation. Fiducolombia can also act as an agent for payments, a recording agent and a transfer agent.

SECURITIZATION: This financial mechanism allows companies to obtain financial resources through the public securities markets by the conversion of assets that are traditionally illiquid into liquid assets, usually through the establishment of an autonomous entity with assets that serve as collateral for the issuance of securities. The fiduciary has participated in the securitization process of cattle, real estate, and loan portfolios, among other items.

ISSUANCE MANAGEMENT: This product is specifically designed for companies that wish to obtain resources directly from the capital markets by issuing securities. Fiducolombia, as managing agent, provides advice, securities issuance, placement through a local broker, interest payment and capital redemption.

CUSTODY: Fiducolombia has been approved by Morgan Guaranty Trust and The Bank of New York to act as custodian for ADRs and GDRs since 1995.

B.5.VII. LEASING

Leasing Colombia, as a BC subsidiary specialized in leasing activities, offers different types of leasing, credit and investment alternatives.

- FINANCIAL LEASES: Through this product, Leasing Colombia allows customers to lease previously selected assets. Customers lease assets with the option to purchase them at lease-end.

- OPERATING LEASES: Leasing Colombia provides leased assets, usually involving equipment, for a fixed term that is shorter than the assets useful life. If the sale of the assets for a commercial value at lease-end is initially stipulated, the sale price would be deducted from the monthly lease payments.

The main activities that require lease financing are infrastructure, import of goods, international leasing, real estate, vehicles for executives, leasing for suppliers, and cattle raising.

The following table shows Leasing Colombia's number of lease contracts, clients and its net value:

YEAR	NUMBER OF LEASE CONTRACTS	NUMBER OF CLIENTS	NET VALUE (PS MILLION)
2002	3,909	2,442	270,099

2003	5,933	3,814	445,670
2004	8,851	5,449	818,483

In 2004, Leasing Colombia continued its positive trend. The Company's strong performance was rewarded by an increased sector share, as it was the leasing company with the biggest growth in lease contracts and assets value in the sector (Source: Fedeleasing, November 2004). The net value of the leased goods and the loan portfolio increased 88.4% as compared to 2003 and the after-tax profits showed growth of 152%.

B.5.VIII. WAREHOUSING AND LOGISTICS

Almacenar, the warehousing and logistics subsidiary of BC, offers the following portfolio of services:

- Warehousing: custody of customer merchandise.
- Custom Brokerage: assistance with import and export related processes.
- Inventory Management: warehousing distribution, inventory control.
- Picking and Packing: product handling, POP (point of purchase) material handling.
- Distribution: coordination of transportation.
- File Management: custody and file organization.
- Warrants: issuance of certificates of deposit as guaranty for bank loans.

Almacenar has been expanding its logistics business, which currently represents 68.9% of its portfolio of services with important penetration in the Pharmaceutical market.

On March 18, 2005, the Bank announced its intention to sell its ownership in Almacenar. For more information please refer to Item 4. Information on the Company - A. History and Development of the Company - Recent Developments.

B.5.IX. INVESTMENT BANKING

Colcorp S.A. ("Colcorp") is a subsidiary of BC that specializes in providing investment banking services to private companies as well as government entities in areas such as mergers and acquisitions, project finance and sindicated loan facilities. Colcorp also owns and manages a diversified equity portfolio, which invests in companies in different sectors of the Colombian economy, including agriculture, telecommunications and toll road concessions. As of December 31, 2004, Colcorp's equity portfolio book value was Ps 268,050 million.

B.5.X. BROKERAGE

Comisionista de Colombia S.A. Comisionista de Bolsa ("Comicol"), a subsidiary of BC, offers brokerage services to the Bank's customers as well as

to its own customers. In this area, Comicol offers two alternatives: fixed and variable yield instruments, as well as portfolio management, foreign currency intermediation, investment banking and management of investment funds. Comicol manages total assets of Ps 1.7 billion from its customers and clients.

B.5.XI. OFF-SHORE BANKING

Bancolombia (Panama) S.A. and Bancolombia Cayman, BC's international Subsidiaries located in Panama and the Cayman Islands, respectively, provide a complete line of banking services mainly to Colombian customers, which include loans to private sector companies, trade financing, lease financing, financing for industrial projects as well as a

complete portfolio of cash management products, such as checking accounts, international collections and payments and PC Banking. Through these subsidiaries, BC also offers to its high net worth customers and private banking customers investment opportunities in U.S. dollars, in savings accounts and in checking accounts, CD-Time deposits, and investment funds. In 2004, Bancolombia Cayman started to offer CD-Time deposits and Money Market accounts denominated in Euros. As of December 31, 2004, Bancolombia Panama S.A. and Bancolombia Cayman had 8,596 total customers. In addition, Bancolombia Cayman issues Visa credit cards. At December 31, 2004, 5,961 of these cards issued by the Bank were outstanding.

B.5.XII. BANCOLOMBIA MIAMI AGENCY

Bancolombia Miami Agency is an international banking agency that offers a broad range of deposit-taking products and services to non-U.S. residents, mainly BC customers, including savings, money market and checking accounts, time deposits, trade finance, working capital and personal loans, and funds transfers among others. Through the Miami - Agency, the Bank supports its customers in international trade offering cash management services, and processing of import and export letters of credit, stand by letters of credit, guarantees, collections and foreign exchange negotiations. The Agency enhances its products and services portfolio offering new investment and saving opportunities in the U.S. for both individuals and corporations.

As of December 2004, one year after the set up, the Agency has more than 500 clients and over US$ 50 million in deposits from customers.

B.5.XIII. COMMERCIAL FINANCE COMPANY ("SUFINANCIAMIENTO")

In December 2003, BANCOLOMBIA acquired Sufinanciamiento, a finance company targeted at the massive personal banking segment that is not traditionally served by commercial banks, specializing in risk products such as vehicle financing and loans to use at the client's discretion. Sufinanciamiento also finances insurance premiums and payroll loans.

At present Sufinanciamiento has more than 190,000 customers, representing an increase of 52.47% from 2003. Most of its customers are reached at the point of sale. For example 170,000 credit cards are restricted to use in chain stores through third-party alliance financing under the Almacenes Exito Cupo-Fijo product.

Sufinanciamiento is making an effort to decrease the average deposit interest rate by selling CDs through Bancolombia's distribution network, thus reducing the percentage of treasury deposits.

Sufinanciamiento has experienced significant loan portfolio growth.

In 2004, it showed an average increase of 59.7%. This growth was possible due to the upward trend in the vehicle loan business, which represented 78.3% of this company's portfolio.

Sufinanciamiento has reached second place in Colombia loans among finance companies and the difference with the leader has been reduced significantly.

B.5.XIV. NEW PRODUCTS OR SERVICES

During 2004, the Bank launched the following products and services:

B.5.XIV.A. SERVICE AND SALES EXTENSION BRANCH OFFICES

Extension Branch Offices are offices opened near an existing BC branch. Through its Extension Branch Offices BC offers different types of services, financial assessment, and sales of products, using a multiple tasks cashier and a multiple tasks commercial advisor. The Manager of the Extension Branch Office is the Manager of the closest branch. In addition, these extension branch offices have BANCOLOMBIA's e-channels.

B.5.XIV.B. INTERNATIONAL WIRE TRANSFER PRODUCTS

During the second half of 2004, the Bank began implementing a new strategy for the international wire transfer business. Commercial agreements were signed with different specialized wire transfer companies who have broad presence in the main countries where Colombians migrate: United States and Spain. The Bank also continued signing agreements with banks in Spain for the receipt and payment of family wire transfers in Colombia.

The new agreements are listed below:

- In operation at December 31, 2004:
  - Ria Telecommunications Inc.
  - Remesas Quisqueyana Inc.
  - La Caja de Ahorros y Pensiones de Barcelona - La Caixa
- Soon to enter into operation:
  - Dollar Express Inc. - DolEx
  - Bancomercio de El Salvador Inc.
  - Caja de Ahorros y Monte de Piedad de Madrid - Caja Madrid
  - Banco Santander Central Hispano S.A.

B.5.XIV.C. CREDIT CARD PRODUCTS AND SERVICES

"Bancolombia Distribucion" Credit Card: During 2004, the product "Bancolombia Distribucion" was launched. It is targeted at wholesale companies and replaces the Private Credit product for those companies. This card enables the Bank to handle everything from risk analysis to accounts receivable collection. The use of this card is restricted and goods or raw materials can

only be bought from the vendor company, ensuring that the line of credit can only be used for this purpose. Likewise, the Bank facilitates accounts receivable collection through its different branches nationwide.

In 2004, an agreement was entered into with Sodimac Colombia S.A. (Homecenter wholesale stores). For additional information see Item 4. Information on the Company - B. Business Overview - B.5. Products and Services - B.5.iii. Credit Cards - Consolidation of the market position of the Bancolombia Distribucion Sodimac Business.

At present, there is a sales force devoted to entering Bancolombia Distribucion agreements with wholesale companies.

B.5.XIV.D. PREFERENTIAL BANKING SEGMENT PRODUCTS

In April 2004, the Preferential Account was launched. This is a service exclusively for our Preferential Banking Segment customers through which the Bank automatically covers overdrafts in their checking account, either from funds in their savings account or from an Audioprestamo disbursement.

"Preferencial Debit Card": In August 2004 we launched Bancolombia "Preferencial Debit Card", a product especially designed for our customers in the Preferential Banking Segment, with exclusive conditions for this type of customer. It is also the access key to Bancolombia checking accounts and/or savings accounts for our Preferential Customers.

B.6. COMPETITION

B.6.I. DESCRIPTION OF THE COLOMBIAN FINANCIAL SYSTEM

The Colombian financial system was historically comprised of specialized institutions operating in market niches that were regulated and delineated by law. However, Law 45 of 1990, Law 35 of 1993 and the Estatuto Organico del Sistema Financiero (Decree 663 of 1993, as amended) significantly deregulated the Colombian financial system, providing commercial banks with the opportunity to set up subsidiaries to compete in different markets, and permitting other financial institutions to enter markets in the Colombian financial system from which they had previously been excluded. These laws have increased competition among the different types of financial institutions, promoted consolidation of the financial industry and created considerable overlap in the permitted scope of business activities of the various types of financial institutions, particularly with respect to foreign exchange operations. This legal framework also permits foreign investment in all types of financial institutions.

Additional laws have since been promulgated with the purpose of further deregulating the Colombian financial system. Besides Law 35 and Decree 663, Law 510 of 1999, Law 546 of 1999 and Law 795 of 2003 further broadened the scope of activities permitted to financial institutions, set forth general circumstances under which the government may intervene in the financial sector, prescribed the rules governing intervention and established the instruments that the government may use.

As of December 31, 2004, the principal participants in the Colombian financial system were the Central Bank, 28 commercial banks (15 domestic banks, 9 foreign banks, and 4 official banks), 4 finance corporations, 15 commercial finance companies, 9 leasing companies, and 9 government-owned development banks. In addition, trust companies, cooperatives, insurance companies, insurance brokerage firms, bonded warehouse, and pension and severance pay funds

also participate in the Colombian financial system.

As of December 31, 2004, 68.66% of the total assets of credit institutions were held by the Colombian private sector, 16.23% by the foreign private sector, and 15.11% by public institutions.

FINANCIAL SYSTEM EVOLUTION IN 2004

In 2004, the Colombian financial system recovery process was strengthened. At December 2004, the Credit Institution system profits showed 2.9 trillion Colombian pesos, a growth of 69.04% over the year before.

The positive results in the financial sector in 2004 were, to a great extent, the product of increased revenues from the valuation of investments at market prices and improved efficiency levels. The above was accompanied by increased demand in the credit market, better asset quality and coverage indicators, and a higher return on equity. In addition, credit institution solvency remains at high levels, surpassing the legal minimum of 9.0% by 480 basis points. Also, the monetary policy aimed at expanding the economy has enabled sustained high levels of liquidity and consequently low interest rates. At the end of December, 2004, the financial sector contributed 5.74% of the GDP growth, a level similar to that recorded before the 1999 crisis. With these results, this sector solidified its importance in the Colombian economic environment.

B.6.II. BANCOLOMBIA AND ITS COMPETITORS

INDICATORS FOR BANCOLOMBIA AND ITS COMPETITORS

In 2004, the capital adequacy, loan portfolio risk exposure, profitability and efficiency indicators improved for the financial system at large. BC's solvency indicator was 13.4%. (For information on how the solvency ratio is measured, see Item 4. Information on the Company - B. Business Overview - B.7. Supervision and Regulation - Capital Adequacy Requirements). The efficiency indicator (measured as operating expenses/total assets) went from 6.3% in December 2003 to 5.9% in December 2004. The loan portfolio quality (past due loans/total loans) decreased to 1.45% as compared to 1.49% in 2003. Similarly, portfolio coverage (allowances/past due loans) notably improved to levels of 302%.

The following table lists key indicators for BC and its main competitors:

	ROAE		ROAA		PAST DUE LOAN/ TOTAL LOANS		ALLOWANCES/PAST DUE LOANS		CAPITAL
	DEC-03	DEC-04	DEC-03	DEC-04	DEC-03	DEC-04	DEC-03	DEC-04	DEC-03
Bancolombia (unconsolidated)	20.1%	25.7%	2.8%	3.5%	1.6%	1.5%	298.5%	288.0%	13.2%
Banco de Bogota	23.2%	26.9%	2.9%	3.1%	2.2%	1.7%	212.8%	207.7%	9.8%
Banco de Occidente	20.7%	24.4%	2.3%	2.8%	2.9%	2.3%	224.7%	258.2%	9.9%
BBVA	10.9%	18.1%	0.9%	1.6%	4.1%	2.8%	201.7%	245.9%	11.1%
Citibank	12.6%	22.5%	1.9%	3.5%	1.0%	1.4%	219.4%	120.6%	13.6%
Davivienda	14.6%	26.2%	1.8%	3.3%	10.6%	3.3%	96.7%	209.9%	19.3%
Banco Popular	18.8%	25.5%	1.9%	2.5%	5.5%	3.5%	116.4%	153.1%	9.6%

Source: Superintendency of Banking

BC is the market leader in most of the types of loans and deposits. Its main competitors in the corporate sector are Banco de Bogota, Banco de Occidente, BBVA, and Citibank. In the consumer sector the main competitors are Banco Popular, Banco de Occidente, and Conavi. The graphics below show BC's (unconsolidated) and its competitors' market share in the various products, based on Superintendency of Banking data for the years 2002, 2003, and 2004.

The following graphs show BC's (unconsolidated) and its main competitors' market share according to information compiled by the Superintendency of Banking for the years 2002, 2003 and 2004:

TOTAL NET LOANS
MARKET SHARE

[BAR CHART]

	Bancolombia	Bogota	BBVA	Davivienda	Popular
Jan-Dec-02	12.4	9.1	6.7	6.7	5.5
Jan-Dec-03	13	9.4	6.7	6.4	5.4
Jan-Dec-04	13.8	9.7	7.4	5.8	5.5

TIME DEPOSITS
MARKET SHARE

[BAR CHART]

	Bancolombia	AV Villas	Davivienda	Bogota	BBVA
Jan-Dec-02	11.3	8.1	7.8	5.4	5.9
Jan-Dec-03	11.6	8.1	7.6	4.2	6.1
Jan-Dec-04	11.8	7.6	7	5.3	6.4

CHECKING ACCOUNTS
MARKET SHARE

[BAR CHART]

	Bancolombia	Bogota	BBVA	Occidente	Popular
Jan-Dec-02	16.7	15.3	11.1	9	7.4
Jan-Dec-03	17.4	15.3	10	9.1	6.9
Jan-Dec-04	17.9	15.9	9.6	9.5	6.5

SAVING ACCOUNTS
MARKET SHARE

[BAR CHART]

	Bancolombia	Conavi	Bogota	Davivienda	BBVA
Jan-Dec-02	10.4	10.6	7.5	8.4	7.2
Jan-Dec-03	10.6	9.9	8.4	8	7.5
Jan-Dec-04	10.5	9.2	10.1	7.6	8.5

B.7. SUPERVISION AND REGULATION

COLOMBIAN BANKING REGULATORS

The principal bodies regulating the Colombian financial system are the Superintendency of Banking, the Superintendency of Securities, the Ministry of Finance and the Board of Directors of the Central Bank. Colombia's National Congress prescribes the general framework under which the government may regulate the financial system.

- Superintendency of Banking: The Superintendency of Banking was established in 1923 and is responsible for supervising and regulating all entities classified as financial institutions under Decree 663 of 1993, including commercial banks such as BC, mortgage banks, finance corporations, commercial finance companies, financial services companies (such as trust companies, warehouse companies, and pension and severance pay administration companies) and insurance companies. Financial institutions must obtain the authorization of the Superintendency of Banking before initiating operations.

- Violations to provisions of Colombia's financial system are subject to administrative sanctions and, in some cases, may have criminal consequences. The Superintendency of Banking may inspect Colombian financial institutions on a discretionary basis, and has the authority to impose fines on such institutions, their directors and officers for violations of Colombian laws, regulations, or such financial institutions' own by-laws.

- In addition, the Superintendency of Banking makes on-site inspections of Colombian financial institutions, including BC, on a regular basis.

- Ministry of Finance: As part of its duties, the Ministry of Finance issues Decrees relating to financial matters that may affect banking operations in Colombia.

- Superintendency of Securities: The Superintendency of Securities monitors, promotes and regulates the market for publicly traded securities in Colombia and oversees its main participants, including the Colombian Stock Exchange,

brokers, dealers, mutual funds, and issuers. Since BC's Common Shares and Preferred Shares are publicly traded on the Colombian Stock Exchange, certain aspects of BC's operations as issuer are supervised by the Superintendency of Securities.

- Central Bank: The Central Bank exercises the customary functions of a central bank, including price stabilization, legal currency issuance, regulation of currency circulation, credit and exchange rate monitoring and administration of international reserves. Its Board of Directors is the regulatory authority for monetary, currency exchange and credit policies, and is responsible for the direction and execution of the Central Bank's duties. The Central Bank also acts as lender of last resort to financial institutions.

Pursuant to the Colombian Constitution of 1991, the Central Bank has autonomy from the government in the formulation of monetary policy and for administrative matters. More specifically, the Constitution of 1991 established administrative, technical, budgetary and legal autonomy for the Central Bank and its Board of Directors in respect of monetary, credit and foreign exchange matters. The Central Bank reports only to the National Congress; its Board of Directors has seven members, one of whom is the Minister of Finance.

REGULATORY FRAMEWORK FOR COLOMBIAN BANKING INSTITUTIONS

The basic regulatory framework for the operations of the Colombian financial sector is set forth in Decree 663 of 1993, modified by Law 510 of 1999, Law 546 of 1999 and Law 795 of 2003. Laws 510 and 795 substantially modified the control, regulation and surveillance powers of the Superintendency of Banking. Law 510 also streamlined the procedures for the Fondo de Garantias de Instituciones Financieras ("Fogafin"), a fund meant to assist troubled financial institutions, to intervene on behalf of economically troubled companies. The main objective of Law 510 is to increase the solvency and stability of Colombia's financial institutions, by establishing rules for their incorporation, the permitted investments of credit institutions, insurance companies and investment companies. Law 546 of 1999 regulated the system of long-term home loans. Later on, Law 795 was issued with the main objective of broadening the scope of activities to be performed by financial institutions and to update Colombian regulations with the latest principles of the Basel Committee. Law 795 also increased the minimum capital requirements in order to incorporate a financial institution (for more information see "Minimum Capital Requirements" below) and authorized the Superintendency of Banking to take precautionary measures, consisting mainly in preventive interventions with respect to financial institutions whose capital falls below certain thresholds. Such financial institutions, in order to avoid a temporary take-over by the Superintendency of Banking, must submit to the Superintendency a restructuring program to restore their financial situation.

In order to implement and enforce the provisions related to Colombia's financial system, the Superintendency of Banking and the Board of Directors of the Central Bank issue periodic circulars and resolutions. In External Circular 007 of 1996, as amended, the Superintendency of Banking compiled all the rules and regulations covering banking institutions, and in External Circular 100 of 1995, as amended, it compiled all regulations

applicable to the accounting and financial treatment of banking institutions.

Violations of Laws 510, 795 and specified provisions of Decree 663 and their relevant regulations are subject to administrative sanctions and, in some cases, criminal penalties.

KEY INTEREST RATES

Colombian commercial banks, finance corporations and commercial finance companies are required to report to the Central Bank, on a weekly basis, 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 Depositos a Termino 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 deposit maturities of 90 days. The DTF is the weighted average interest rate paid by finance corporations, commercial banks and commercial finance companies for certificates of deposit with maturities of 90 days. For the week of May 23 - 29, 2005, the DTF was 7.17% and the TCC was 7.71%.

CAPITAL ADEQUACY REQUIREMENTS

Capital adequacy requirements for Colombian financial institutions are based on the standards of the Basel Committee. The regulations establish 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.

Technical Capital for the purposes of the regulations consists of basic capital ("Primary Capital") and additional capital ("Secondary Capital") (collectively, "Technical Capital"). Primary Capital consists mainly of:

- outstanding and paid-in capital stock;
- legal and other reserves;
- profits retained from prior fiscal years;
- the total value, if positive, of the reappraisal of equity account and the foreign currency translation adjustment;
- the balance of the financial statements conversion adjustment;
- 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 used to cover accrued losses;
- any representative shares held as guarantee when the entity is in compliance with a recovery program aimed at bringing the Bank back into compliance with capital adequacy requirements (if the Superintendency of Banking establishes that such recovery program has failed, these shares shall not be computed);

- bonds issued by financial institutions and subscribed by Fondo de Garantias de Instituciones Financieras ("Fogafin") when they comply with the requirements stated in the regulations;

- the surplus capital account from donations;

- the value of the capital advance payments; and

- the value of the liabilities owed by minority interests.

Items deducted from Primary Capital are:

- any prior or current period losses;

- the total value of the primary capital revaluation account (if negative);

- accumulated inflation adjustment on non-monetary assets (provided that the respective assets have not been transferred);

- capital investments in entities (excluding subsidiaries) subject to the supervision of the Superintendency of Banking (including purchases of mandatory convertible bonds); and

- capital investments (including purchases of mandatory convertible bonds) in foreign financial institutions where the investor holds at least 20% of the capital of said institution.

Secondary Capital consists of other reserves and retained earnings, which are added to the Primary Capital in order to establish the total Technical Capital. Secondary Capital includes:

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

- 50% of asset reappraisal (excluding revaluations of foreclosed assets);

- 50% of the gross unrealized gain or loss on investments available for sale;

- mandatory convertible bonds (provided that the terms and conditions of their issuance were approved by the Superintendency of Banking);

- market value of subscribed subordinated bonds as long as said bonds do not exceed 50% of Primary capital, and comply with additional requirements;

- the value of the direct or indirect capital investments and the mandatory convertible bonds devaluation; and

- general allowances.

The following items are deducted from Secondary Capital:

- 50% of the direct or indirect capital investments (in entities subject to the supervision of the Superintendency of Banking) and mandatory convertible bonds reappraisal;

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

In computing Technical Capital, Secondary Capital may not exceed (but can be less than) the total amount of Primary Capital.

The following table sets forth certain information regarding the Bank's capital adequacy as of December 31, 2004:

	AS OF DECEMBER 31, 2004
	(Ps million, except percentages)
Subscribed capital	Ps 355,119
Capital Advance Payments	10
Legal reserve and other reserves	1,010,481
Unappropriated retained earnings	43,278
Net Income	438,059
LESS:	
Long - term investments	(155,772)
Non - monetary inflation adjustment	(191,701)
Primary capital (Tier I)	Ps 1,499,474
Reappraisal of assets	Ps 62,826
Provision loans	103,329
Non-monetary inflation adjustment	108,893
Market value of subordinated bonds	4,500
Computed secondary capital (Tier II)	Ps 279,548
Primary capital (Tier I)	Ps 1,499,474
Secondary capital (up to an amount equal to primary capital) (Tier II)	279,548
Technical Capital	Ps 1,779,022
Capital ratios	
Primary capital to risk-weighted assets (Tier I)	11.32%
Secondary capital to risk-weighted assets (Tier II)	2.11%
Technical capital to risk-weighted assets	13.44%
Risk weighted assets	Ps 13,240,657

As of December 31, 2004, the Bank's Technical Capital ratio was 13.44%, thereby exceeding the requirements of the Colombian government and the Superintendency of Banking by 444 basis points. The Bank's capital has fluctuated over time. There can be no assurance that the Bank will not continue to experience such fluctuations in the future. The Bank expects, however, to be able to continue to meet all capital adequacy requirements under Colombian law.

Liquidity risks are currently regulated and market risks are currently governed by External Circular 100 of 1995, as amended, issued by the Superintendency of Banking. This circular defines criteria and procedures for measuring the Bank's exposure to interest rate risk, foreign exchange risk, and market risk. Under the regulations, the Bank must send to the Superintendency of Banking information on the net present value, duration, and interest rate of its assets, liabilities, and derivative positions. Since January 2002, Colombian Banks have also 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 Superintendency of Banking.

MINIMUM CAPITAL REQUIREMENTS

The minimum capital requirements for banks on an unconsolidated basis is now contained in Law 795 of 2003, and as of January 1, 2005 was Ps 54,192 million. Failure to meet such requirements can result in the imposition of a fine by the Superintendency of Banking of 3.5% of the difference between the required minimum capital and the Bank's effective capital. The Bank has met all such requirements. As of December 31, 2004, the Bank's total capital consisted of Ps 355,119 million of paid-in capital stock and Ps 1,010,481 million of legal and other reserve funds.

FOREIGN CURRENCY POSITION REQUIREMENTS

According to Central Bank regulations, the Bank's Foreign Currency Position is the difference between the Bank'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 of 2001 of the Board of Directors of the Central Bank, modified by Resolution 2 of 2003 and 1 of 2004, provides that a bank's Foreign Currency Position cannot, if assets are greater than liabilities, exceed 20% of the bank's Technical Capital. Currency exchange intermediaries such as BC are permitted to hold a 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). As of May 29, 2005, BC had an unconsolidated dollar-denominated positive net assets position of US$ 94.7 million, which falls within the aforementioned regulatory guidelines. For further discussion, see Note 3 to the Financial Statements.

The Central Bank also established the Foreign Currency Position in Cash ("Posicion Propia de Contado en Moneda Extranjera") as the difference between all foreign currency-denominated assets and liabilities. A bank's Foreign Currency Position in cash can not exceed 50% of the bank's Technical Capital. In order to control the peso appreciation that occurred during 2003, on January 23, 2004, the Board of Directors of the Central Bank issued External Resolution No. 1 forbidding currency exchange intermediaries, such as BC, to hold negative Foreign Currency Positions in Cash, and therefore established a minimum of zero for the Foreign Currency Positions in Cash applicable as of March 31, 2004. This measure has not affected BC significantly.

RESERVE REQUIREMENTS

Commercial banks are required by the Central Bank's Board of Directors to satisfy reserve requirements with respect to deposits. Such reserves are held by the Central Bank in the form of cash deposits and their required amounts vary. According to the Central Bank's Board of Directors' Resolution 19 of 2000, the reserve requirements for Colombian banks for deposits received on or after December 31, 2000 are:

	RESERVE REQUIREMENT (%)
Private demand deposits	13
Government demand deposits	13
Other deposits and liabilities	13
Savings deposits	6
Time Deposits (1)	0-2.5

(1) Under 540 days, 2.5% and above 540 days, 0%

FOREIGN CURRENCY LOANS

The Board of Directors of the Central Bank requires every Colombian resident and institution borrowing under foreign currency loans, regardless of the term or conditions of the loan, to maintain at the Central Bank a non-interest bearing deposit for a percentage of the respective indebtedness and during a term specified by the Central Bank's Board of Directors. Resolution 08, dated May 5, 2000, lowered said deposit to zero.

The Bank is not required to register with the Central Bank loans in foreign currency, but must submit to the Central Bank a report of all foreign currency loans made subject to certain exceptions.

BAD LOAN ALLOWANCE

The Superintendency of Banking has issued guidelines on bad loan allowances for Colombian credit institutions. See Item 4. Information on the Company - E. Selected Statistical Information - E.4. Summary of Loan Loss Experience - Allowance for Loan Losses.

LENDING ACTIVITIES

The government, pursuant to Decrees 2360 and 2653, each of 1993, set the maximum amounts that each 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 commercial bank's Technical Capital. The limit is raised to 25% when any amounts lent above 5% of Technical Capital are secured by guarantees that comply with the financial institutions' guidelines, in accordance with the requirements set forth in Decrees 2360 and 2653. Also, according to Decree 1886 of 1994, the Bank may not make a loan to any shareholder that holds directly more than 10% of its capital stock, for one year after such shareholder reaches the 10% threshold. In no event may a loan to a shareholder holding directly or indirectly 20% or more of the Bank's capital stock exceed 20% of the Bank's Technical Capital. In addition, no loan to a single financial institution may exceed 30% of the Bank's Technical Capital. As

of December 31, 2004, the Bank's lending limit per borrower on an unconsolidated basis was Ps 143,385 million for unsecured loans and Ps 358,462 million for secured loans. If a financial institution exceeds these limits, the Superintendency of Banking may impose a fine up to twice the amount by which any such loan exceeded the limit. At December 31, 2004, the Bank was in compliance with these limitations.

The Bank is also subject to limits on risk concentration. Pursuant to Decree 2360, exposure to any individual or entity is limited to 30% of the Bank's Technical Capital. Risk exposure includes loans, leasing transactions 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 established by the Superintendency of Banking.

OWNERSHIP RESTRICTIONS

The Bank is organized as a sociedad anonima under Colombian law and is governed by laws that regulate the activities of private companies, such as the Colombian Commerce Code. The Commerce Code requires 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 capital stock of the Bank.

Pursuant to Decree 663 adopted by the government on 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 BC, transactions resulting in holding ADRs representing 10% or more of the outstanding stock of BC, must receive prior authorization from the Superintendency of Banking. In granting its approval, the Superintendency of Banking will 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 Superintendency of Banking's prior approval are void and cannot be recorded in the stock registry of the financial institution. These restrictions apply equally to foreign investors and Colombian persons.

In addition to the above restriction, pursuant to Resolution 400 of 1995, as amended, issued by the Superintendency of Securities, any transaction involving the sale of publicly traded stock of any Colombian company, including in the case of the Bank, any sale of the Preferred Shares, for 66,000 UVRs or more, must be effected through The Colombian Stock Exchange.

DEPOSIT INSURANCE

To protect the customers of commercial banks and certain financial institutions, Resolution No. 1 of 1988 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 0.5% of total funds received on saving accounts, checking accounts and certificates of deposit. If a bank is liquidated, the deposit insurance will cover 75% of all funds deposited by an individual or corporation with such bank, up to a maximum of Ps 20 million. Thus, the maximum amount that a customer of a liquidated financial institution is entitled to recover under deposit insurance is Ps 15 million.

INTERVENTION POWERS OF THE SUPERINTENDENCY OF BANKING

According to laws 510 of 1999 and 795 of 2003, and subject to the prior consent of the Advisory Board of the Ministry of Finance and the Minister of Finance's approval, the Superintendency of Banking may seize the operations and assets of a bank in order to manage it or proceed with its liquidation, if such bank:

- suspends the payment of its debts;
- does not allow the Superintendency of Banking to inspect its records;
- repeatedly fails to comply with the instructions of the Superintendency of Banking;
- repeatedly violates Colombian law or its own by-laws;
- repeatedly manages its operations in an unauthorized or unsafe manner;
- allows its shareholders' equity to fall below 50% of its outstanding capital stock;
- provides materially misleading information to the Superintendency of Banking;
- fails to comply with applicable capital adequacy requirements;
- fails to comply with the adopted recovery programs;
- fails to comply with the instruction of the Superintendency of Banking for the exclusion of assets or liabilities, or
- fails to comply with the program of graduate closing operations agreed with the Superintendency of Banking.

The Superintendency of Banking may immediately seize the operations and assets of a bank if: (a) its Technical Capital falls below 40% of the minimum capital adequacy requirements, or (b) the term to present a restructuring program mandated by the Superintendency of Banking has lapsed or its purpose has not been accomplished. Rather than seizing the operations and assets of a bank, the Superintendency of Banking may adopt other preventive measures, such as imposing additional reserve requirements on the commercial bank, ordering the increase of its capital stock or the investment of certain or all of its assets, and placing the bank under special surveillance.

ANTI-MONEY LAUNDERING PROVISIONS

The regulatory framework to prevent and control money laundering is composed of External Circulars 025 of 2003 and 034 of 2004 of the Superintendency of Banking, which regulates and controls anti-money laundering issues for financial institutions in Colombia. These Circulars adopt the latest guidelines related to anti-money laundering and other terrorist activities established by the Financial Action Task Force on Money Laundering - FATF. These rules emphasize "know your customer" policies, as well as complete knowledge by financial institutions of their users and markets. They also establish new processes and parameters to identify and monitor a financial institution's customers. According to these regulations, financial institutions must cooperate

with the competent authorities to prevent and control money laundering and terrorism.

TROUBLED FINANCIAL INSTITUTIONS

In response to the crisis faced by the Colombian financial system during the early 1980s, in 1985 the government created the Fondo de Garantias de Instituciones Financieras ("Fogafin"), a fund meant to assist troubled financial institutions. 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. In 1998 and 1999, to address the adverse effects of the economic crisis, Law 550 (Ley de Reactivacion Economica), Law 546 (Ley de Vivienda), External Circular 039 and External Circular 044 were also adopted. These regulations sought to aid the recovery of the Colombian economy, by helping troubled companies and had some influence on the Bank's credit policies for such companies. Notably, under Law 546 of 1999, savings and loan institutions were required to convert into commercial and savings banks. Also, under this law, commercial banks cannot have participation in other commercial banks for more than 5 years. Therefore, the Bank's participation in Conavi (a commercial bank) was only permitted until December 2004. Nevertheless, on December 3, 2004, considering the proposed Merger between Bancolombia, Conavi and Corfinsura, the Superintendency of Banking granted BC an extension of 9 months on the permitted term, allowing the Bank to maintain its participation in Conavi until September 2005.

B.8. RAW MATERIALS

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

C. ORGANIZATIONAL STRUCTURE

The following is a list of BC's significant subsidiaries as of December 31, 2004:

SUBSIDIARIES

ENTITY	JURISDICTION OF INCORPORATION	BUSINESS
Almacenes Generales de Deposito Mercantil S.A. ALMACENAR	Colombia	Warehousing and logistics
Fiducolombia S.A.	Colombia	Trust
Bancolombia Panama S.A.	Panama	Banking
Bancolombia Cayman	Cayman Islands	Banking
Leasing Colombia S.A.	Colombia	Leasing
Compania Suramericana de Financiamiento Comercial S.A. SUFINANCIAMIENTO	Colombia	Finance
Colcorp S.A. Corporacion Financiera	Colombia	Finance
Comisionista de Colombia S.A.	Colombia	Securities Brokerage
Abocol S.A.	Colombia	Chemical
Valores Simesa S.A.	Colombia	Various Commercial Investments
Inmobiliaria Bancol S.A.	Colombia	Real Estate Broker
Fundicom S.A.	Colombia	Metals Engineering
Unicargo de Colombia S.A.	Colombia	Freight Service

Sistema de Inversiones y Negocios S.A.	Panama	Commercial Entity
Sinesa Holding Company	British Virgin Island	Commercial Entity

ENTITY	JURISDICTION OF INCORPORATION	BUSINESS
Todo UNO Colombia	Colombia	E-commerce
Future Net Inc.	Panama	E-commerce
Compania Metalurgica Colombiana S.A. COMECOL (1)	Colombia	Metals Engineering
Sociedad Portuaria Mamonal S.A.	Colombia	Customs Office
Abocol Costa Rica S.A.	Costa Rica	Chemical Products Commercial
Fertillanos Ltda.	Colombia	Chemical Products Commercial

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(1) Controlled through other subsidiaries (Valores Simesa S.A. and Colcorp S.A.)

D. PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2004, the Bank owned Ps 354.31 billion in equipment. Ps 175.62 billion correspond to land and buildings, of which approximately 73.11% are administrative real estate and branches, located in 80 municipalities, but mainly in the cities of Bogota, Medellin and Cali. Ps 60.8 billion correspond to computer equipment, of which 72% corresponds to the central computer and servers and the rest are PCs, ATMs, telecommunications equipment and other equipment.

In addition to its own branches, the Bank occupies 177 rented offices.

The Bank does not have any liens on its property.

For the purpose of centralizing operations, and in order to meet the Bank's additional physical space requirements in 2004, various departments were transferred to a single rented building, for which renovations are estimated at Ps 7.26 billion.

E. SELECTED STATISTICAL INFORMATION

The following information is included for analytical purposes and should be read in conjunction with Item 5. Operating and Financial Review and Prospects.

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

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

non-interest-earning assets.

REAL AVERAGE INTEREST RATES

The real average interest rates set forth in the tables below have been calculated by adjusting the nominal average interest rates on peso-denominated assets and liabilities using the following formula:

$$R(p) = (1 + N(p))/(1 + I) - 1$$

WHERE:

R(p) = real average interest rate on peso-denominated assets and liabilities for the period.

N(p) = nominal average interest rate on peso-denominated assets and liabilities for the period.

I = inflation rate in Colombia for the period (based on the Colombian wholesale inflation rate).

Under this adjustment formula, assuming positive nominal average interest rates, the real average interest rate on a portfolio of peso-denominated assets or liabilities would be equal to the nominal average interest rate on that portfolio if the inflation rate were zero. The real average interest rate can be negative for a portfolio of peso-denominated interest-earning assets when the inflation rate for the period is higher than the average nominal rate of this interest-earning asset portfolio for the same period. In addition, the real average interest rate would be negative if the inflation rate were greater than the average nominal interest rate.

AVERAGE BALANCE SHEET

The following tables show for the years ended December 31, 2002, 2003 and 2004, respectively:

- average annual balances calculated using actual month-end balances for all of the Bank's assets and liabilities;
- interest income and expense amounts; and
- nominal and real interest rates for the bank's interest-earning assets and interest-bearing liabilities.

In the table below, the nominal rate for dollar-denominated items is also considered to be the real interest rate, given that this activity originated outside of Colombia and would not be impacted by the inflation and devaluation levels that would impact domestic activity.

AVERAGE BALANCE SHEET AND INCOME FROM INTEREST-EARNING ASSE
ENDED DECEMBER 31,

2002	

	AVERAGE BALANCE	INTEREST EARNED	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE	AVERAGE BALANCE
					(Ps million
ASSETS(1)					
INTEREST-EARNING ASSETS(2):					
Overnight funds					
Peso-denominated.....	Ps 14,221	Ps 9,730	68.4%	57.4%	Ps 2,158
Dollar-denominated.....	226,535	2,095	0.9%	0.9%	403,788
Total.....	240,756	11,825	4.9%		405,946
Investment securities (4)					
Peso-denominated.....	1,908,293	6,352	0.3%	-6.3%	2,328,676
Dollar-denominated.....	1,663,565	(6,105)	-0.4%	-0.4%	1,719,568
Total.....	3,571,858	247	0.0%		4,048,244
Loans(3) (5)					
Peso-denominated.....	4,355,031	671,657	15.4%	7.9%	5,526,391
Dollar-denominated.....	1,046,841	54,455	5.2%	5.2%	1,485,688
Total.....	5,401,872	726,112	13.4%		7,012,079
Total interest-earning assets					
Peso-denominated.....	6,277,545	687,739	11.0%	3.7%	7,857,225
Dollar-denominated.....	2,936,941	50,445	1.7%	1.7%	3,609,044
Total.....	9,214,486	738,184	8.0%		11,466,269
NON INTEREST-EARNING ASSETS:					
Cash due from banks and Central Bank					
Peso-denominated.....	386,770				463,495
Dollar-denominated.....	28,403				161,124
Total.....	415,173				624,619
Allowance for loan losses					
Peso-denominated.....	(250,972)				(293,112)
Dollar-denominated.....	(42,164)				(69,455)
Total.....	(293,136)				(362,567)
Non-performing loans					
Peso-denominated.....	130,228				85,318
Dollar-denominated.....	44,536				17,063
Total.....	174,764				102,381
Customers' acceptances					
Peso-denominated.....	(3,799)				153,776
Dollar-denominated.....	23,980				(127,673)
Total.....	20,181				26,103

	2004			
	AVERAGE BALANCE	INTEREST EARNED	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE
ASSETS(1)				

INTEREST-EARNING ASSETS(2):				
Overnight funds				
Peso-denominated.....	Ps 7,681	Ps 1,759	22.9%	16.5%
Dollar-denominated.....	332,953	5,414	1.6%	1.6%
Total.....	340,634	7,173	2.1%	
Investment securities (4)				
Peso-denominated.....	2,937,411	378,820	12.9%	7.0%
Dollar-denominated.....	1,654,701	153,697	9.3%	9.3%
Total.....	4,592,112	532,517	11.6%	
Loans(3) (5)				
Peso-denominated.....	7,043,820	1,040,049	14.8%	8.8%
Dollar-denominated.....	1,928,495	100,838	5.2%	5.2%
Total.....	8,972,315	1,140,887	12.7%	
Total interest-earning assets				
Peso-denominated.....	9,988,912	1,420,628	14.2%	8.3%
Dollar-denominated.....	3,916,149	259,949	6.6%	6.6%
Total.....	13,905,061	1,680,577	12.1%	
NON INTEREST-EARNING ASSETS:				
Cash due from banks and Central Bank				
Peso-denominated.....	503,402			
Dollar-denominated.....	205,868			
Total.....	709,270			
Allowance for loan losses				
Peso-denominated.....	(335,539)			
Dollar-denominated.....	(89,142)			
Total.....	(424,681)			
Non-performing loans				
Peso-denominated.....	86,024			
Dollar-denominated.....	7,119			
Total.....	93,143			
Customers' acceptances				
Peso-denominated.....	545,029			
Dollar-denominated.....	(487,565)			
Total.....	57,464			

AVERAGE BALANCE SHEET AND INCOME FROM INTEREST-EARNING ASSE
ENDED DECEMBER 31,

2002				
AVERAGE BALANCE	INTEREST EARNED	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE	AVERAGE BALANCE
				(Ps million

Accounts receivable, net				
Peso-denominated.....	166,091			217,143
Dollar-denominated.....	6,801			43,232
Total.....	172,892			260,375
Foreclosed assets, net				
Peso-denominated.....	74,314			38,063
Dollar-denominated.....	1,050			-
Total.....	75,364			38,063
Premises and equipment, net (5)				
Peso-denominated.....	490,785			627,628
Dollar-denominated.....	152,897			119,042
Total.....	643,682			746,670
Other assets				
Peso-denominated.....	671,958			804,439
Dollar-denominated.....	85,997			94,429
Total.....	757,955			898,868
Total non interest-earning assets				
Peso-denominated.....	1,665,375			2,096,750
Dollar-denominated.....	301,500			237,762
Total.....	1,966,875			2,334,512
Total interest and non interest-earnings assets				
Peso-denominated.....	7,942,920	687,739		9,953,975
Dollar-denominated.....	3,238,441	50,445		3,846,806
TOTAL ASSETS.....	Ps 11,181,361	Ps 738,184		Ps 13,800,781

	2004			
	AVERAGE BALANCE	INTEREST EARNED	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE
Accounts receivable, net				
Peso-denominated.....	138,710			
Dollar-denominated.....	11,947			
Total.....	150,657			
Foreclosed assets, net				
Peso-denominated.....	23,890			
Dollar-denominated.....	-			
Total.....	23,890			
Premises and equipment, net (5)				
Peso-denominated.....	346,870			
Dollar-denominated.....	10,704			
Total.....	357,574			
Other assets				
Peso-denominated.....	1,106,888			
Dollar-denominated.....	(7,523)			

Total.....	1,099,365	
Total non interest-earning assets		
Peso-denominated.....	2,415,274	
Dollar-denominated.....	(348,592)	
Total.....	2,066,682	
Total interest and non interest-earnings assets		
Peso-denominated.....	12,404,186	1,420,628
Dollar-denominated.....	3,567,557	259,949
TOTAL ASSETS.....	Ps 15,971,743	Ps 1,680,577

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(1) Out of period items and adjustments have been included in the appropriate line items as of the time they were received.

(2) Throughout this analysis, the nominal interest rate for the dollar-denominated activity is also considered to be the real interest rate, given that this activity originated outside of Colombia and would not be impacted by the inflation and devaluation levels that would impact domestic activity. Individual item's interest rate subtotals are based on weighted averages using the average balances of the item.

(3) Includes performing loans only.

(4) Variation in the average nominal interest rate for 2003, reflect new regulations issued by the Superintendency of Banking and effective as of September 1, 2002. See note 2 (g) to the financial statements.

(5) On October 23, 2003, the Superintendency of Banking through its External Circular 040, modified the treatment of financial leases. Since January 1, 2004, instead of recording financial leases as property, plant and equipment, companies must account for them in their loan portfolio.

AVERAGE BALANCE SHEET AND INTEREST PAID ON INTEREST-BEARING LI
ENDED DECEMBER 31,

2002				
AVERAGE BALANCE	INTEREST PAID	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE	AVERAGE BALANCE
				(Ps million
LIABILITIES AND SHARE-HOLDERS' EQUITY(1)(2)(3)				
INTEREST-BEARING LIABILITIES:				

Checking deposits					
Peso-denominated.....	Ps 90,332	Ps 2,962	3.3%	-3.4%	Ps 154,098
Dollar-denominated.....	576,933	10,013	1.7%	1.7%	851,005
Total.....	667,265	12,975	1.9%		1,005,103
Savings deposits					
Peso-denominated.....	2,077,699	105,442	5.1%	-1.8%	2,452,320
Dollar-denominated.....	83,796	1,383	1.7%	1.7%	118,905
Total.....	2,161,495	106,825	4.9%		2,571,225
Time deposits					
Peso-denominated.....	2,167,388	211,375	9.8%	2.6%	2,477,658
Dollar-denominated.....	1,386,388	48,903	3.5%	3.5%	1,742,845
Total.....	3,553,776	260,278	7.3%		4,220,503
Overnight funds					
Peso-denominated.....	363,623	22,569	6.2%	-0.7%	691,205
Dollar-denominated.....	81,474	4,076	5.0%	5.0%	32,776
Total.....	445,097	26,645	6.0%		723,981
Borrowings from domestic development banks					
Peso-denominated.....	436,132	43,722	10.0%	2.8%	654,684
Dollar-denominated.....	77,540	5,595	7.2%	7.2%	33,538
Total.....	513,672	49,317	9.6%		688,222
Interbank borrowings					
Peso-denominated.....	-	-			-
Dollar-denominated.....	505,832	9,404	1.9%	1.9%	317,258
Total.....	505,832	9,404	1.9%	1.9%	317,258
Long-term debt					
Peso-denominated.....	20,776	779	3.7%	-3.1%	64,299
Dollar-denominated.....	-	-			-
Total.....	20,776	779	3.7%	3.7%	64,299
Total interest-bearing liabilities(4)					
Peso-denominated.....	5,155,950	386,849	7.5%	0.5%	6,494,264
Dollar-denominated.....	2,711,963	79,374	2.9%	2.9%	3,096,327
Total.....	7,867,913	466,223	5.9%		9,590,591

	2004			
	AVERAGE BALANCE	INTEREST PAID	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE
LIABILITIES AND SHARE-HOLDERS' EQUITY(1)(2)(3)				
INTEREST-BEARING LIABILITIES:				
Checking deposits				
Peso-denominated.....	Ps 189,362	Ps 4,822	2.5%	-2.8%
Dollar-denominated.....	985,168	8,683	0.9%	0.9%
Total.....	1,174,530	13,505	1.1%	
Savings deposits				

Peso-denominated.....	2,886,563	140,237	4.9%	-0.6%
Dollar-denominated.....	133,130	1,051	0.8%	0.8%
Total.....	3,019,693	141,288	4.7%	
Time deposits				
Peso-denominated.....	2,672,930	229,416	8.6%	2.9%
Dollar-denominated.....	1,592,067	38,142	2.4%	2.4%
Total.....	4,264,997	267,558	6.3%	
Overnight funds				
Peso-denominated.....	802,920	37,890	4.7%	-0.7%
Dollar-denominated.....	61,501	3,326	5.4%	5.4%
Total.....	864,421	41,216	4.8%	
Borrowings from domestic development banks				
Peso-denominated.....	777,871	73,383	9.4%	3.7%
Dollar-denominated.....	8,491	166	2.0%	2.0%
Total.....	786,362	73,549	9.4%	
Interbank borrowings				
Peso-denominated.....	-	-		
Dollar-denominated.....	312,969	7,389	2.4%	2.4%
Total.....	312,969	7,389	2.4%	2.4%
Long-term debt				
Peso-denominated.....	443,522	41,239	9.3%	3.6%
Dollar-denominated.....	-	-		
Total.....	443,522	41,239	9.3%	9.3%
Total interest-bearing liabilities(4)				
Peso-denominated.....	7,773,168	526,987	6.8%	1.2%
Dollar-denominated.....	3,093,326	58,757	1.9%	1.9%
Total.....	10,866,494	585,744	5.4%	

AVERAGE BALANCE SHEET AND INTEREST PAID ON INTEREST-BEARING L

ENDED DECEMBER 31,

	2002				
	AVERAGE BALANCE	INTEREST PAID	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE	AVERAGE BALANCE
					(Ps millio
NON-INTEREST-BEARING LIABILITIES:					
Checking accounts					
Peso-denominated.....	1,437,429				1,685,115
Dollar-denominated.....	21				-
Total.....	1,437,450				1,685,115

Other deposits				
Peso-denominated.....	48,331			64,013
Dollar-denominated.....	50,513			63,641
Total.....	98,844			127,654
Bank Acceptances Outstanding				
Peso-denominated.....	4,243			3,477
Dollar-denominated.....	23,980			28,973
Total.....	28,223			32,450
Other liabilities				
Peso-denominated.....	673,000			821,364
Dollar-denominated.....	45,472			36,127
Total.....	718,472			857,491
Shareholders' equity				
Peso-denominated.....	939,774			1,130,654
Dollar-denominated.....	90,685			376,826
Total.....	1,030,459			1,507,480
Total non-interest bearing liabilities and shareholders' equity (4)				
Peso-denominated.....	3,102,777			3,704,623
Dollar-denominated.....	210,671			505,567
Total.....	3,313,448			4,210,190
Total interest and non-interest bearing liabilities and shareholders' equity				
Peso-denominated.....	8,258,727	386,849		10,198,887
Dollar-denominated.....	2,922,634	79,374		3,601,894
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	Ps 11,181,361	Ps 466,223		Ps 13,800,781

	2004			
	AVERAGE BALANCE	INTEREST PAID	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE
NON-INTEREST-BEARING LIABILITIES:				
Checking accounts				
Peso-denominated.....	1,926,334			
Dollar-denominated.....	-			
Total.....	1,926,334			
Other deposits				
Peso-denominated.....	79,552			
Dollar-denominated.....	107,589			
Total.....	187,141			
Bank Acceptances Outstanding				
Peso-denominated.....	6,758			
Dollar-denominated.....	40,039			

Total.....	46,797	
Other liabilities		
Peso-denominated.....	1,099,367	
Dollar-denominated.....	45,335	
Total.....	1,144,702	
Shareholders' equity		
Peso-denominated.....	1,431,112	
Dollar-denominated.....	369,163	
Total.....	1,800,275	
Total non-interest bearing liabilities and shareholders' equity (4)		
Peso-denominated.....	4,543,123	
Dollar-denominated.....	562,126	
Total.....	5,105,249	
Total interest and non-interest bearing liabilities and shareholders' equity		
Peso-denominated.....	12,316,291	526,987
Dollar-denominated.....	3,655,452	58,757
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	Ps 15,971,743	Ps 585,744

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(1) Out of period items and adjustments have been included in the appropriate line items as of the time they were received.

(2) Throughout this analysis, the nominal interest rate for the dollar-denominated activity is also considered to be the real interest rate, given that this activity originated outside of Colombia and would not be impacted by the inflation and devaluation levels that would impact domestic activity. Individual item's interest rate subtotals are based on weighted averages using the average balances of the item.

(3) Includes performing loans only.

(4) Interest income and expense resulting from inflation adjustments are distributed among the individual asset/liability items for the purpose of determining the nominal and real interest rates.

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

The following table allocates, by currency of denomination, changes in the Bank's net interest income to changes in average volume, changes in nominal rates and the net variance caused by changes in both average volume and nominal rate for the fiscal year ended December 31, 2004 compared to the fiscal year ended December 31, 2003; and the fiscal year ended December 31, 2003 compared to the fiscal year ended December 31, 2002. Volume and rate variances have been calculated based on movements in average balances over the period and changes in nominal interest rates on average interest-earning assets and average

interest-bearing liabilities. Net changes attributable to changes in both volume and interest rate have been allocated to the change due to changes in volume.

	2002-2003 INCREASE (DECREASE) DUE TO CHANGES IN:			2003-2004 INCREASE (DECRE DUE TO CHANGES
	VOLUME	RATE	NET CHANGE	VOLUME	RATE
	(Ps million)				
INTEREST-EARNING ASSETS:					
Overnight funds					
Peso-denominated	Ps (89)	Ps (9,625)	Ps (9,714)	Ps 1,265	Ps 478
Dollar-denominated.....	2,084	568	2,652	(1,152)	1,819
Total.....	1,995	(9,057)	(7,062)	113	2,297
Investment securities					
Peso-denominated.....	57,480	254,572	312,052	78,505	(18,089
Dollar-denominated.....	5,156	159,265	164,421	(6,025)	1,406
Total.....	62,636	413,837	476,473	72,480	(16,683
Loans					
Peso-denominated.....	180,045	(2,261)	177,784	224,055	(33,447
Dollar-denominated.....	20,479	(5,603)	14,876	23,154	8,353
Total.....	200,524	(7,864)	192,660	247,209	(25,094
Total interest-earning assets					
Peso-denominated.....	237,436	242,686	480,122	303,825	(51,058
Dollar-denominated.....	27,719	154,230	181,949	15,977	11,578
TOTAL.....	Ps 265,155	Ps 396,916	Ps 662,071	Ps 319,802	Ps (39,480
INTEREST-BEARING LIABILITIES:					
Checking deposits					
Peso-denominated.....	Ps 1,488	Ps (854)	Ps 634	Ps 898	Ps 328
Dollar-denominated.....	2,585	(4,572)	(1,987)	1,182	(525
Total.....	4,073	(5,426)	(1,353)	2,080	(197
Savings deposits					
Peso-denominated.....	17,243	(9,810)	7,433	21,097	6,265
Dollar-denominated.....	323	(613)	(290)	112	(154
Total.....	17,566	(10,423)	7,143	21,209	6,111
Time deposits					
Peso-denominated.....	25,156	(35,650)	(10,494)	16,760	11,775
Dollar-denominated.....	10,028	(9,901)	127	(3,612)	(7,276
Total.....	35,184	(45,551)	(10,367)	13,148	4,499
Overnight funds					
Peso-denominated.....	16,705	(4,027)	12,678	5,272	(2,629
Dollar-denominated.....	(4,719)	3,819	(900)	1,553	(1,403
Total.....	11,986	(208)	11,778	6,825	(4,032
Borrowings from domestic development banks					
Peso-denominated.....	19,207	(5,392)	13,815	11,621	4,225
Dollar-denominated.....	(1,206)	(3,470)	(4,676)	(490)	(263

Total.....	18,001	(8,862)	9,139	11,131	3,962

	2002-2003 INCREASE (DECREASE) DUE TO CHANGES IN:			2003-2004 INCREASE (DECREASE DUE TO CHANGES IN	
	VOLUME	RATE	NET CHANGE	VOLUME	RATE
	(Ps million)				
Interbank borrowings					
Peso-denominated.....	-	-	-	-	-
Dollar-denominated.....	(3,146)	(965)	(4,111)	(101)	2,197
Total.....	(3,146)	(965)	(4,111)	(101)	2,197
Long-term debt					
Peso-denominated.....	1,922	139	2,061	35,260	3,139
Dollar-denominated.....	-	-	-	-	-
Total.....	1,922	139	2,061	35,260	3,139
Total interest-bearing liabilities					
Peso-denominated.....	81,721	(55,594)	26,127	90,908	23,103
Dollar-denominated.....	3,865	(15,702)	(11,837)	(1,356)	(7,424)
TOTAL.....	Ps 85,586	Ps (71,296)	Ps 14,290	Ps 89,552	Ps 15,679

INTEREST-EARNING ASSETS -- NET INTEREST MARGIN AND SPREAD

The following table analyzes the levels of average interest-earning assets and net interest income of the Bank and illustrates the comparative net interest margin and interest spread obtained for the fiscal years ended December 31, 2002, 2003 and 2004, respectively.

	INTEREST-EARNING ASSETS-YIELD SPREAD FOR THE FI YEAR ENDED DECEMBER 31,		
	2002	2003	2004
	(in millions of pesos, except percentag		
Total average interest-earning assets			
Peso-denominated.....	Ps 6,277,545	Ps 7,857,225	Ps 9,988
Dollar-denominated.....	2,936,941	3,609,044	3,916
TOTAL.....	Ps 9,214,486	Ps 11,466,269	Ps 13,905
Net interest earned(1)			
Peso-denominated.....	Ps 300,890	Ps 754,885	Ps 893
Dollar-denominated.....	(28,929)	164,857	201

TOTAL.....	Ps 271,961	Ps 919,742	Ps 1,094
Average yield on interest-earning assets			
Peso-denominated.....	11.0%	14.9%	
Dollar-denominated.....	1.7%	6.4%	
TOTAL.....	8.0%	12.2%	
Net interest margin(2)			
Peso-denominated.....	4.8%	9.6%	
Dollar-denominated.....	(1.0)%	4.6%	
TOTAL.....	3.0%	8.0%	
Interest spread(3)			
Peso-denominated.....	3.5%	8.5%	
Dollar-denominated.....	(1.2)%	4.3%	
TOTAL.....	2.1%	7.2%	

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

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

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

E.2. INVESTMENT PORTFOLIO

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

As of September 1, 2002, investments had to be classified as "trading," "available for sale" or "held to maturity." Trading investments are those acquired primarily to obtain profits from fluctuations in short-term prices, and are recorded at market value. The difference between current and previous market value is added to or subtracted from the value of the investment and credited or charged to earnings. "Available for sale" investments are those held for at least one year (except for Bancolombia Panama's "available for sale" investments, which have no term restrictions) and they are recorded at market value with changes to the values of these securities recorded in a separate account in the equity section. "Held to maturity" investments are those acquired to be held until maturity and are valued at amortized cost. As of December 31, 2004, the value of BC's dollar- and peso-denominated portfolio on a consolidated basis was Ps 4,917,853 million.

Investments are fully reviewed in June and December and partially reviewed in March and September of each year for impairment by considering the related solvency risk, market exposure, currency exchange and country risk. Investment securities with a rating by external agencies recognized by the Superintendency of Banking cannot be recorded on the balance sheet of the Bank for an amount higher than certain percentages of the face value (shown in the table below), including the accrued income or excluding returns received in an anticipated manner. Depending on the results of the review and on the likelihood of loss of the investment, allowances are recorded for 10% to 100% of the cost

of the investment, and for 100% of accrued income.

LONG - TERM CLASSIFICATION	MAXIMUM FACE VALUE (%)
BB+, BB, BB-	Ninety (90)
B+, B, B-	Seventy (70)
C	Fifty (50)
D, E	Zero (0)

Allowances for investment securities for which no computation methods have been provided by the Superintendency of Banking are calculated based on other methods. If there are no such methods, the solvency risk levels, as defined by the Superintendency of Banking, have to be used: "A"- Normal, "B"- Subnormal, "C"- Deficient, "D"- Doubtful Recovery, and "E"- Unrecoverable. Fixed rate or variable rate investments classified in categories B, C, D and E cannot be recorded on the balance sheet of the Bank for an amount higher than 80%, 60%, 40% and 0%, respectively, of the face value, including the accrued income or excluding returns received in an anticipated manner. Furthermore, an equity investment's net value cannot be recorded on the balance sheet of the Bank for an amount higher than 80%, 60%, 40% and 0% of the purchase cost, respectively.

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

As of December 2004, BC has not created a provision for any investment debt securities, except for six securities which provisions amounted to Ps 4,939 million.

The following table sets forth the Bank's fair value of investments in government and corporate securities and certain other financial investments as of the dates indicated:

	AS OF DECEMBER 31,		
	2002(1)(2)	2003(1)(2)	2004(
	(in millions of pesos)		
DOLLAR-DENOMINATED			
Securities issued by the Colombian Government.....	Ps 1,322,471	Ps 1,303,377	8
Euronotes and Eurobonds.....	373,339	297,906	3
Securities issued by foreign governments (3).....	-	87,109	
Others.....	92,169	98,324	2
Subtotal.....	1,787,979	1,786,716	1,3
PESO-DENOMINATED			
Securities issued by the Colombian Government.....	1,692,817	1,887,881	2,9
Securities issued by the Central Bank.....	11,767	6,815	
Securities issued by government entities.....	134,519	107,479	
Securities issued by other financial entities.....	261,266	282,187	4
Others.....	201,337	91,342	1

Subtotal.....	2,301,706	2,375,704	3,5
TOTAL.....	Ps 4,089,685	Ps 4,162,420	Ps 4,9

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(1) Includes debt securities only. The Bank's total long-term investments, net in equity securities were Ps 253,774 million, Ps 174,304 million and Ps 332,358 million for 2002, 2003 and 2004, respectively.

(2) These amounts are net of allowances for decline in value which were Ps 10,313 million for 2002, Ps 9,171 million for 2003 and Ps 4,939 million for 2004.

(3) As of December 31, 2003, BC holds one security issued by the U.S. Treasury Department for Ps 78,544 million (US$ 27,979,448) and one security issued by the Republic of El Salvador for Ps 8,565 million (US$ 3,051,198).

INVESTMENT SECURITIES PORTFOLIO MATURITY

The following table analyzes the remaining maturities and weighted average nominal yields of the Bank's investment securities as of December 31, 2004:

	AS OF DECEMBER 31, 2004					
	MATURING IN ONE YEAR OR LESS		MATURING AFTER ONE YEAR THROUGH FIVE YEARS		MATURING AFT YEARS THROU YEARS	
	BALANCE(1)	YIELD %(2)	BALANCE(1)	YIELD %(2)	BALANCE(1)	Y
				(in millions of pesos, exc		
DOLLAR-DENOMINATED:						
Securities issued by the Colombian government.....	Ps 491,085	3.50%	Ps 273,670	5.98%	Ps 36,725	
Euronotes and Eurobonds.....	102,717	5.07%	223,817	4.39%	-	
Securities issued by foreign governments.....	-	-	-	-	-	
Others.....	59,530	3.57%	132,154	3.77%	13,607	
Subtotal.....	653,332	3.76%	629,641	4.95%	50,332	
PESO-DENOMINATED						
Securities issued by the Colombian government.....	429,076	7.81%	1,949,333	10.60%	512,956	
Securities issued by the Central Bank.....	4,102	1.24%	88	8.67%	-	
Securities issued by the government entities.....	1,366	7.83%	19,173	9.19%	16,474	

Securities issued by other financial entities....	160,566	8.96%	217,266	9.09%	79,546	
Others.....	3,051	3.09%	70,562	7.55%	84,365	
Subtotal.....	598,161	8.05%	2,256,422	10.34%	693,341	
TOTAL.....	Ps 1,251,493		Ps 2,886,063		Ps 743,673	

	TOTAL	
	BALANCE(1)	YIELD %(2)
DOLLAR-DENOMINATED:		
Securities issued by the Colombian government.....	Ps 805,602	4.60%
Euronotes and Eurobonds.....	326,534	4.60%
Securities issued by foreign governments.....	-	-
Others.....	210,317	3.93%
Subtotal.....	1,342,453	4.50%
PESO-DENOMINATED		
Securities issued by the Colombian government.....	2,900,305	10.50%
Securities issued by the Central Bank.....	4,190	1.40%
Securities issued by government entities.....	45,806	11.08%
Securities issued by other financial entities....	457,378	8.85%
Others.....	167,721	8.82%
Subtotal.....	3,575,400	10.21%
TOTAL.....	Ps 4,917,853	

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(1) These amounts are net of allowances for decline in value which were Ps 4,939 million in 2004.

(2) Yield was calculated using internal return rate (IRR) as of December 31, 2004.

As of December 31, 2004, the Bank had the following investment that exceeded 10% of its shareholders' equity:

	FAIR VALUE	AMORTIZED COST

	(Ps million)	
Securities issued or secured by Colombian government	Ps 3,705,907	Ps 3,635,582

BC increased the diversification, decreased the size, and shortened the duration of the dollar denominated portfolio in response to a less positive outlook for dollar denominated securities in the fixed income market during 2005.

During 2004, BC increased the amount of its peso denominated portfolio to Ps 3,575 billion, keeping participation in securities issued by the Colombian government at 81%. As part of BC's strategy to further stabilize its income, the amount of the portfolio classified as available for sale was increased.

E.3. LOAN PORTFOLIO

In March of 2002, the Colombian Superintendency of Banking, through its External Circular 011, introduced new modifications to Chapter II of the External Circular 100 of 1995 ("Basic Accounting Circular"), related to credit risk management. This norm establishes the general principles and criteria that institutions must adopt in order to maintain adequately evaluated credit risks associated with the loan portfolio. It also defines credit categories, determines qualifications that must be granted to such operations according to their perceived risk, establishes the frequency with which these qualifications should be reviewed, stipulates the re-qualification mechanisms, provides instructions on the accounting criteria and provisions to be made and on the content and frequency of the reports to be submitted to the Superintendency of Banking, and fixes internal control mechanisms that institutions must adopt to assure the adequate fulfillment of this regulation.

The current regulations also require that institutions develop a system for the management of credit risk (SARC, for its initials in Spanish), establishing strategies, policies, methods, processes and structures for the evaluation, monitoring, and control of credit risk. See Item 4. Information on the Company - E. Selected Statistical Information - E.4. Summary of Loan Loss Experience - New Provision System (or Credit Risk Management System - "SARC").

The Bank classifies its loan portfolio into the following categories:

- Corporate loans, which include loans to medium and large corporations;
- Retail loans, which include loans to individuals, such as personal lines of credit, vehicle loans and credit card loans, small business loans;
- Financial leases; and
- Mortgage loans, which consist primarily of mortgage loans to BC employees and a small number of mortgage loans made to customers of the former Banco de Colombia.

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

	AS OF DECEMBER 31,			
	2000	2001	2002	
			(Ps million)	
CORPORATE				
Trade financing	Ps 92,213	Ps 95,649	Ps 166,620	P
Loans funded by domestic development banks	303,718	292,609	376,378	
Working capital loans	3,053,580	3,040,469	3,650,585	
Credit cards	4,446	3,892	5,218	
Overdrafts	51,132	22,755	48,591	
Other	-	22,886	-	
Total corporate	3,505,089	3,478,260	4,247,392	

	AS OF DECEMBER 3		
	2000	2001	2002
			(Ps million)
RETAIL (1)			
Credit cards	199,351	231,965	254,876
Personal loans	354,223	457,677	561,558
Vehicle loans	32,270	15,713	24,476
Overdrafts	58,128	73,372	68,490
Loans funded by domestic development banks	79,430	138,415	276,157
Trade financing	25,403	38,643	28,112
Working capital loans	824,899	881,649	698,160
Total retail	1,573,704	1,837,434	1,911,829
FINANCIAL LEASES (2)	-	-	-
MORTGAGE	33,278	34,511	38,094
TOTAL LOANS	5,112,071	5,350,205	6,197,315
Allowance for loan losses	(285,565)	(271,729)	(332,324)
TOTAL LOANS, NET	Ps 4,826,506	Ps 5,078,476	Ps 5,864,991

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

(2) Includes financial leases, according to regulations issued by the Superintendency of Banking and effective as of January 1, 2004.

In 2004, the Bank's total loan portfolio increased 24.98% to Ps 10,035,239 million from Ps 8,029,668 million in 2003, due primarily to the recovery of the Colombian economy and the Bank's strategic targeting of additional market segments discussed in Item 5. Operating and Financial Review and Prospects - A. Operating Results - A.2. Impact of Economic, Fiscal and Monetary Policies or Political. The Bank's total loan portfolio increased 29.57% in 2003 to Ps 8,029,668 million from Ps 6,197,315 million in 2002 due to a recovery of the Colombian economy.

In 2004, total corporate loans increased 2.69% to Ps 5,413,956 million due primarily to a 95.05% increase in loans funded by domestic development banks and a 69.56% increase in trade financing loans. In 2003, total corporate loans increased 24.13% to Ps 5,272,290 million from Ps 4,247,392 million in 2002, due primarily to a 28.39% increase in working capital loans. As of December 31, 2002, 2003 and 2004 total corporate loans represented 69%, 66% and 54% respectively, of the Bank's total loan portfolio.

Total retail loans increased 36.02% in 2004 to Ps 3,685,066 million, due primarily to a 36.37% increase in personal loans, a 66.16% increase in vehicle loans and a 44.24% increase in working capital loans. In 2003, total retail loans increased 41.71% to Ps 2,709,217 million from Ps 1,911,829 million in 2002, due primarily to a 45.11% increase in personal loans, a 838.6% increase in vehicle loans and a 28.66% increase in working capital loans. As of December 31, 2002, 2003 and 2004 retail loans represented 31%, 34% and 37% respectively, of the Bank's total loan portfolio.

As of December 31, 2004, the aggregate outstanding principal amount of the Bank's 25 largest borrowing relationships represented approximately 17.87% of the total loan portfolio, and no single borrowing relationship represented more than 5.73% of the total loan portfolio. Approximately 42.37% of such loans are denominated in foreign currencies (U.S. dollars). 100% of these loans are corporate and, as of December 31, 2004, 87.39% of these relationships were classified as "A" loans, 4.78% as "B" and 7.83% as "D."

MATURITY AND INTEREST RATE SENSITIVITY OF LOANS

The following table shows the maturities of the Bank's loan portfolio:

	AS OF DECEMBER		
	DUE IN ONE YEAR OR LESS	DUE AFTER ONE YEAR THROUGH FIVE YEARS	
		(Ps milli	
PESO-DENOMINATED LOANS AND FINANCIAL LEASES:			
CORPORATE			
Trade financing	Ps 50,969	Ps -	P
Loans funded by domestic development banks	43,896	123,108	
Working capital loans	1,216,710	1,297,001	
Credit cards	2,397	19,772	
Overdrafts	57,538	-	
Other	-	-	
Total corporate	1,371,510	1,439,881	

RETAIL (1)			
Credit cards	49,048	297,853	
Personal loans	141,680	959,550	
Vehicle loans	18,603	362,192	
Overdrafts	89,867	-	
Loans funded by domestic development banks	46,125	271,627	
Trade financing	35,252	-	
Working capital loans	549,147	638,853	
Total retail	929,722	2,530,075	
FINANCIAL LEASES	27,187	585,342	
MORTGAGE	140	3,802	
TOTAL PESO-DENOMINATED LOANS AND FINANCIAL LEASES	Ps 2,328,559	Ps 4,559,100	P
DOLLAR-DENOMINATED LOANS AND FINANCIAL LEASES			
CORPORATE			
Trade financing	Ps 171,393	Ps -	P
Loans funded by domestic development banks	22,081	547,247	
Working capital loans	571,900	490,125	
Credit cards	290	2,189	
Overdrafts	18,962	-	
Other	-	-	
Total corporate	784,626	1,039,561	
RETAIL (1)			
Credit cards	17,101	28,897	
Personal loans	3,618	927	
Vehicle loans	-	-	
Overdrafts	-	-	
Loans funded by domestic development banks	418	-	
Trade financing	18,939	-	
Working capital loans	26,876	27,934	
Total retail	66,952	57,758	
FINANCIAL LEASES(2)	20,097	62,219	
MORTGAGE	-	-	
TOTAL DOLLAR-DENOMINATED LOANS AND FINANCIAL LEASES	871,675	1,159,538	
TOTAL LOANS AND FINANCIAL LEASES	Ps 3,200,234	Ps 5,718,638	P

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

(2) Includes financial leases, according to regulations issued by the Superintendency of Banking and effective as of January 1, 2004.

As of December 31, 2004, approximately 31.89% of the Bank's loans had a maturity of one year or less. The Bank's policy is not to automatically roll over an existing loan without a thorough credit analysis of the borrower.

The following table shows the interest rate sensitivity of the Bank's loan portfolio due after one year and within one year or less as of December 31, 2004:

	AS OF DECEMBER 31, 2004(1)
	(Ps million)
LOANS AND FINANCIAL LEASES DUE AFTER ONE YEAR:	
VARIABLE RATE	
Peso-denominated	Ps 4,951,855
Dollar-denominated	950,381
Total	5,902,236
FIXED RATE	
Peso-denominated	700,379
Dollar-denominated	232,390
Total	932,769
LOANS AND FINANCIAL LEASES DUE IN ONE YEAR OR LESS:	
Peso-denominated	2,328,559
Dollar-denominated	871,675
Total	3,200,234
TOTAL LOANS AND FINANCIAL LEASES	Ps10,035,239

(1) Includes financial leases, according to regulations issued by the Superintendency of Banking and effective as of January 1, 2004.

LOANS BY ECONOMIC ACTIVITY

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

	AS OF DECEMBER 31,							
	2000	%	2001	%	2002	%	2003	
Agricultural	Ps 100,346	2.0%	Ps 136,201	2.5%	Ps 135,554	2.2%	Ps 183,293	
Mining products and oil	10,199	0.2%	43,881	0.8%	103,624	1.7%	84,414	
Food, beverage and tobacco	449,171	8.8%	68,651	1.3%	174,818	2.8%	133,859	
Chemical production	264,633	5.2%	-	0.0%	11,453	0.1%	174	
Other industrial and manufacturing products	816,477	16.0%	1,550,141	29.0%	1,738,250	28.0%	1,929,007	
Government	657,050	12.8%	91,146	1.6%	152,453	2.4%	836,832	
Construction	160,095	3.1%	181,788	3.4%	163,755	2.6%	180,704	

Trade and tourism.....	731,099	14.3%	712,333	13.3%	816,090	13.2%	893,729	
Transportation and communications.....	213,519	4.2%	302,100	5.6%	299,184	4.8%	408,285	
Public services.....	297,329	5.8%	284,031	5.3%	464,054	7.5%	472,451	
Consumer services.....	303,937	5.9%	1,619,689	30.5%	1,840,735	29.9%	2,380,162	
Commercial services.....	1,108,216	21.7%	360,244	6.7%	297,345	4.8%	526,758	
TOTAL LOANS AND FINANCIAL LEASES.....	Ps5,112,071	100.0%	Ps5,350,205	100.0%	Ps6,197,315	100.0%	Ps8,029,668	

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(1) Includes financial leases, according to regulations issued by the Superintendency of Banking and effective as of January 1, 2004.

POLICIES FOR THE GRANTING AND REVIEW OF CREDITS

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

To maintain credit quality and manage the risk arising from its lending activities, the Bank has established general loan policies for evaluation of credits, lending limits to a single customer or economic group that conform to those required by law, the level of management authority required to approve a loan, maximum terms of loans, and collateral required for certain types of loans and their valuation. In addition, the Bank has established a centralized area for credit analysis, the disbursement process and the management and custody of promissory notes and guarantees.

BC's policies require every credit to be analyzed using the following factors: the character, reputation and credit history of the borrower, the type of business the borrower engages in, the borrower's ability to repay the loan, the coverage and suitability of the proposed collateral for the loan, information received from the credit risk center, debt serviceability and compliance with the loan terms and the country risk where the debtor is headquartered in the event of overseas credits.

In addition to an analysis of the borrower, the Bank engages in the analysis of the different economic sectors to which the Bank makes loans and has established guidelines for financial analysis of the borrower and for participation in investment projects in and outside Colombia. The Bank applies the lending limits established under Colombian law, which require that:

- uncollateralized loans to a single customer or economic group not to exceed 10% of the Bank's (unconsolidated) Technical Capital (the Bank's largest such loan as of December 31, 2004 is for Ps 86,882 million, which represents 6.06% of the Bank's (unconsolidated) Technical Capital as of that date and is current and performing in accordance with its terms);

- collateralized loans to a single customer or economic group not to exceed 25% of the Bank's (unconsolidated) Technical Capital (the Bank's largest such loan as of December 31, 2004 is for Ps 109,079 million, which represents 7.61% of the Bank's (unconsolidated) Technical Capital as of that date and is current and performing in accordance with its terms);

- a loan to a shareholder of the Bank, with a share exceeding 20% of the Bank's Capital, may not exceed 20% of the Bank's (unconsolidated) Technical Capital (no shareholders own more than 20% of the Bank as of December 31, 2004); and

- a loan to a financial institution may not exceed 30% of the Bank's (unconsolidated) Technical Capital (the Banks' largest such loan as of December 31, 2004 is for Ps 19,095 million, which represents 1.33% of the Bank's (unconsolidated) Technical Capital as of that date and is current and performing in accordance with its terms).

In general, the term of a loan will depend on the type of guarantee, the credit history of the borrower and the purpose of the loan, averaging in length from one to five years.

Loan applications, depending on their amount, are presented for approval to branch managers, the zone or regional managers, the vice presidents, the President, the Credit Committee and the Board of Directors of BC. In general, loan application decisions are made by the Bank's management in the corresponding committee. Loan applications up to a maximum of 200 SMLV or Ps 71.6 million (approximately US$ 29,961) must also be submitted for approval to the Bank's centralized credit scoring area.

The following table sets forth the size limits for loan application approval by authorization level as established by the Board of Directors of BC:

	MAXIMUM LOAN APPROVAL LIMITS (1)			
	UNSECURED LOANS (2)		SECURED LOANS	
	(U.S. dollar)	(Ps million)	(U.S. dollar)	(Ps million)
AUTHORIZATION LEVEL:				
Branch Managers	13,056	31	21,760	52
Zone Managers	138,090	330	230,150	550
Regional Managers Corporate Banking	1,154,933	2,760	1,924,888	4,600
Middle-corporate and Personal Banking Regional Managers	1,004,289	2,400	1,673,815	4,000
Middle-corporate and Personal Banking Vice Presidents(3)	2,887,331	6,900	4,812,219	11,500
Corporate Banking, Financial and International Vice Presidents(3)	2,887,331	6,900	4,812,219	11,500
President	2,887,331	6,900	4,812,219	11,500
Credit Committee	All loans, other than those requiring the approval of the Board of Directors, within the limits established by law.		All loans, other than those requiring the approval of the Board of Directors, within the limits established by law.	

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(1) Approval limits are measured in nominal pesos or their equivalent in dollars.

(2) Includes loans with a personal guarantee.

(3) Vice Presidents approval limits are established depending on the borrower credit risk level. The amounts set in the table below are established to grant loans to borrowers with the lowest credit risk level, the approval limits decrease as the borrower credit risk level increase.

Loans to employees and affiliates of the Bank must be approved by the Board of Directors, which has the authority to grant loans in any principal amount subject to the Bank's legal lending limit. Approval at each level also requires the agreement of each lower level of the approval hierarchy. For example, a loan approval by regional managers would also require approval from the branch managers.

The Bank has established policies for the valuation of collateral received as well as for the determination of the maximum loan amount that can be granted against the value of the collateral. The Bank undertakes periodically a valuation of collateral held as security for loans. In addition, when a loan becomes 60 days past due, the loan is given to a specialized division where various steps are taken to recover the loan. The Asset Recovery Division may, acting in coordination with the Commercial area, begin a recovery process before the 60-day past due date.

With respect to monitoring outstanding loans, the Bank, in accordance with the requirements of the Superintendency of Banking, has implemented, through the creation of regional committees and a central qualification office, a review policy providing for a biannual evaluation, during the months of May and November of all debtors whose indebtedness for the various credit facilities exceeds 300 SMLV (Ps 107.4 million). Additionally, all the Bank's loans are evaluated monthly based on the days they are

past due. When reviewing loans, BC evaluates and updates their risk classification and makes corresponding adjustment in the provision, if needed. When monitoring outstanding loans, the Bank examines current financial statements including, for material loans with a term greater than one year, current cash flow statements. The Bank centralized its credit review process through its information systems, including the necessary adjustments of credit scoring for personal lines of credit. In addition, the Bank keeps track of the loans reviewed every month and carries out a credit audit process that reviews the 200 largest debtors and randomly reviews a selection of its other debtors.

CLASSIFICATION OF THE LOAN PORTFOLIO

As indicated by External Circular 011 of March 2002, for purposes of classifying loans, the Bank first determines whether the loan has become due and then classifies the loan according to the number of days past due. In addition, whether or not a loan is past due, the Bank analyzes loans to determine if there are "potential weaknesses," "deficiencies" or "serious deficiencies" based on the existence and magnitude of the following factors:

- the expected ability of payment of a debtor and co-debtor, or the project to be financed, analyzing the income flow and expenses;

- the debtor's solvency, through variables such as the level of indebtedness and the quality and composition of the debtor's and/or project's assets, liabilities, equity and contingencies;

- information on the debtor's current and past compliance with obligations;

- the timely payment of all installments as well as the financial and credit-based history as shown by risk controls and risk classifiers of the debtor or any other relevant source;

- the number of times that the loan has been restructured and the nature of the respective restructuring(s);

- the possible effects of the financial risks that the cash flow of the debtor and/or the project to be financed may be exposed to; these include:

  -- Possible market gaps of currencies, maturities and interest rates in the balance sheet structure and in off-balance sheet operations, such as financial derivatives;

  -- for those loans with variable rates or rates indexed to UVR or another index, projections, and possible scenarios for the evolution of payments according to estimates of interest rates, foreign exchange rates, inflation, and other variables that may directly affect the payment of debt;

  -- for loans denominated in foreign currencies, the market risk derived from the volatility of the corresponding exchange rates and its possible impact on the debtor's ability to pay; for loans made abroad, an in-house and market analysis of the risk of the country where the debtor is domiciled to identify the risks of transfer and exchange of the currencies required to serve the loan and the legal, operating and strategic risks of spreading the ability to pay of the debtor or the project to be financed may be exposed to.

CREDIT CATEGORIES

For the purpose of credit risk evaluation, application of accounting regulations, and constitution of provisions in accordance with External Circular 011, the Superintendency of Banking requires banking institutions to classify their credit portfolio into four categories: consumer loans, small business loans, mortgages and commercial loans.

- Consumer loans are loans granted to individuals for the purpose of financing the acquisition of consumer goods or the payment of services for non-commercial or non-corporate objects.

- Small business loans are loans granted to very small corporations with indebtedness levels with the corresponding entity not higher than 25 SMLV (Ps 8.9 million) (a small corporation is every unit of economic exploitation, whether individual or corporation, in entrepreneurial, farming and livestock, industrial, commercial or utilities activities, rural or urban, with a staff no larger than 10 workers and with total assets lower than 501 SMLV (Ps 179.4 million)).

- Mortgages are loans of any amount granted to individuals to acquire new or used homes or for the construction of individual homes.

- Commercial loans are all loans, except mortgage, consumer and small business loans, as defined above (includes ordinary, preferential and treasury loans).

From January 1, 2004, in accordance with External Circulars 022 and 040 of the Superintendency of Banking, financial leases make up part of the loan portfolio and are classified according to the above categories. Nevertheless, BC has decided to present these operations as an independent line on its balance sheet, given its importance. In accordance with the foregoing, when we make reference to the loan portfolio, it should be understood to include financial leases unless we otherwise state.

As of December 31, 2004, BC's commercial loan portfolio amounted to Ps 7,353,956 million, a 11.01% increase from December 31, 2003. As of December 31, 2003, BC's commercial loan portfolio amounted to Ps 6,624,494 million, which was an increase of 26.92% from December 31, 2002.

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

	LOAN PORTFOLIO BY TYPE OF LOAN AS OF DECEMBER 31,				
	2000(2)	2001(2)	2002(3)	2003	2004
			(Ps million)		
Commercial Loans	Ps 4,286,220	Ps 4,354,031	Ps 5,219,460	Ps 6,624,494	Ps 7,353,956
Consumer Loans	792,573	961,663	870,898	1,273,159	1,655,066
Small Business Loans	-	-	68,863	83,854	90,000
Financial Leases(4)	-	-	-	-	880,110
Mortgages(1)	33,278	34,511	38,094	48,161	56,107
TOTAL LOANS AND FINANCIAL LEASES	5,112,071	5,350,205	6,197,315	8,029,668	10,035,239
Allowance for Loans and Financial Lease Losses	285,565	271,729	332,324	387,263	434,378
TOTAL LOANS AND FINANCIAL LEASES, NET	Ps 4,826,506	Ps 5,078,476	Ps 5,864,991	Ps 7,642,405	Ps 9,600,861

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(1) This category was established by the Superintendency of Banking in External Circular 050 of 2001.

(2) For 2000 and until 2001, a different regulation was in force (External Circular 039 of 1999 and External Circular 070 of 2000) regarding the criteria for the establishment of credit categories.

(3) External Circular 050 of 2001, which was ratified by External Circular 011 of 2002, modified criteria to classify loans in commercial, consumer, small business and mortgage, establishing that the classification should be based on the loan destination and not based on the amount as it was in previous years.

(4) Includes financial leases, according to regulations issued by the Superintendency of Banking and effective as of January 1, 2004.

External Circular 011 of 2002 provides the following minimum risk classifications, according to the past due days of the obligation:

Category A or "Normal Risk": Loans and financial leases in this category are appropriately serviced (not past due). The debtor's financial statements or its projected cash flows, as well as all other credit information are available to the Bank, reflect adequate paying capacity. The following loans would fall into this category:

LOAN TYPE	NUMBER OF MONTHS PAST DUE
Mortgage	from 0 and up to 2
Consumer	from 0 and up to 1
Small business loans	from 0 and up to 1
Commercial	from 0 and up to 1

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

The following types of loans would fall into this category:

LOAN TYPE	NUMBER OF MONTHS PAST DUE
Mortgage	more than 2 and up to 5
Consumer	more than 1 and up to 2
Small business loans	more than 1 and up to 2
Commercial	more than 1 and up to 3

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

The following types of loans would fall into this category:

LOAN TYPE	NUMBER OF MONTHS PAST DUE

Mortgage	more than 5 and up to 12
Consumer	more than 2 and up to 3
Small business loans	more than 2 and up to 3
Commercial	more than 3 and up to 6

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

The following types of loans would fall into this category:

LOAN TYPE	NUMBER OF MONTHS PAST DUE
Mortgage	more than 12 and up to 18
Consumer	more than 3 and up to 6
Small business loans	more than 3 and up to 4
Commercial	more than 6 and up to 12

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

The following types of loans would fall into this category:

LOAN TYPE	NUMBER OF MONTHS PAST DUE
Mortgage	more than 18
Consumer	more than 6
Small business loans	more than 4
Commercial	more than 12

Additionally, if a loan to a borrower is downgraded by the Bank to a classification of "B," "C," "D" or "E," all of the Bank's loans to that client are similarly downgraded. The Superintendency of Banking may require additional allowances under certain circumstances.

The following table presents the Bank's loan portfolio using the classification system of the Superintendency of Banking in effect at the end of each period:

	AS OF DECEMBER 31,							
	2000	%	2001	%	2002	%	2003	
	(Ps million, except percentages)							
"A" Normal	Ps 4,017,027	78.6%	Ps 4,228,248	79.0%	Ps 5,115,889	82.6%	Ps 7,288,273	
"B" Subnormal	560,961	11.0%	603,068	11.3%	479,429	7.7%	345,297	

"C" Deficient	209,851	4.1%	103,761	1.9%	142,782	2.3%	109,615
"D" Doubtful Recovery	135,536	2.6%	259,811	4.9%	180,630	2.9%	196,075
"E" Unrecoverable	188,696	3.7%	155,317	2.9%	278,585	4.5%	90,408
Total loans and financial leases	Ps 5,112,071	100.0%	Ps 5,350,205	100.0%	Ps 6,197,315	100.0%	Ps 8,029,668
Loans classified as "C," "D" and "E" as a percentage of total loans	10.5%		9.7%		9.7%		4.9

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(1) Includes financial leases, according to regulations issued by the Superintendency of Banking and effective as of January 1, 2004.

Note: In 2000 and 2001, the Bank reported the loan portfolio classified according to the risk category considering the past due term and additional subjects such as debtor's capacity of payment, debt service, and information from external risk agencies.

The Bank continues to accrue interest on a loan until it is considered non-performing. Once a loan is deemed non-performing, an allowance is made for 100% of the unpaid interest recorded as income, and, going forward, instead of recording interest on that loan in the consolidated statement of operations, such interest is recorded in memorandum accounts. See Note 2(h) to the Financial Statements.

In accordance with the regulations of the Superintendency of Banking, loans are considered non-performing if an installment of principal or interest is (i) in the case of a commercial loan more than 90 days past due, (ii) in the case of a consumer loan more than 60 days past due, (iii) in the case of a small business loans more than 60 days past due or (iv) in the case of a mortgage loan more than 120 days past due.

Additionally, beginning March 25, 2003, the Bank established as policy that any loans that are past due more than 30 days will stop accruing interest in the statement of operations and their entries will be made in memorandum accounts until the customer recommences payments. It is estimated that, at December 31, 2004, approximately Ps 277 million of interest are in memorandum accounts because of the adoption of this policy.

If one installment payment is 31 or more days past the actual due date, then the entire loan is considered past due for purposes of the regulations of the Superintendency of Banking.

The following table sets forth the breakdown of the Bank's loans at least one day past due by type of loan in accordance with the criteria of the Superintendency of Banking in effect at the end of each period:

AS OF DECEMBER 31,

	2000	%	2001	%	2002	%	20
			(Ps million, except percentages)				
PERFORMING PAST DUE loans:(1)							
Consumer loans past due from 31 to 60 days.....	Ps 18,108	32.4%	Ps 19,543	24.8%	Ps 17,537	38.6%	Ps
Small business loans past due from 31 to 60 days ...	-	0.0%	-	0.0%	777	1.7%	
Commercial loans past due from 31 to 90 days	37,576	67.3%	59,066	74.9%	27,149	59.7%	
Mortgage loans past due from 31 to 90/120 days	171	0.3%	202	0.3%	22	0.0%	
Financial leases past due from 31 to 60/90 days (2) (3)	-	0.0%	-	0.0%	-	0.0%	
Total performing past due loans	55,855	100.0%	78,811	100.0%	45,485	100.0%	
NON-PERFORMING PAST DUE LOANS:							
Consumer loans past due from 61 to 180 days	9,660	5.4%	9,711	4.0%	8,993	8.2%	
Small business loans past due from 61 to 180 days ...	-	0.0%	-	0.0%	1,633	1.5%	
Consumer loans past due more than 180 days	40,161	22.3%	10,019	4.1%	10,678	9.7%	
Commercial loans past due more than 90 days	128,740	71.6%	224,024	91.8%	88,217	80.5%	
Mortgage loans past due more than 91/121 days	1,190	0.7%	138	0.1%	138	0.1%	
Financial leases past due more than 61/91 days (3)...	-	0.0%	-	0.0%	-	0.0%	
Total non-performing past due loans and Financial leases (3)	179,751	100.0%	243,892	100.0%	109,659	100.0%	
Total past due loans and Financial leases (3).	Ps 235,606		Ps 322,703		Ps 155,144		Ps 1
Total non-performing past due loans and Financial leases (3).....	179,751		243,892		109,659		
Allowance for loan and financial leases losses (3).....	(285,565)		(271,729)		(332,324)		(3
Foreclosed assets.....	169,272		163,000		153,873		1
Allowance for estimated losses on foreclosed assets.....	(93,405)		(105,988)		(107,871)		(1
Other accounts receivable more than 180 days past due.....	22,573		17,875		8,655		
Allowance for accounts receivable and accrued interest losses.....	(50,350)		(42,707)		(24,891)		(
Total non-performing assets, net.....	Ps (57,724)		Ps 4,343		Ps(192,899)		Ps (2

Loans at least one day past due as a percentage of total loans (3).....	4.6%	6.0%	2.5%	
Allowance for loan losses as a percentage of loans at least one day past due (3).....	121.2%	84.2%	214.2%	
Allowance for loan losses as a percentage of loans classified as "C," "D" and "E" (3).....	53.5%	52.4%	55.2%	
Percentage of performing loans to total loans (3)...	96.5%	95.5%	98.2%	

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(1) Performing past due loans are loans upon which the Bank continues to recognize income although interest has not been received for the periods indicated. Once interest is unpaid on accrual loans for a longer period than is specified above, the loan is classified as non-performing. Under Colombian Banking regulations, a loan is past due when it is at least 31 days past the actual due date.

(2) The Consumer loans are due from 31 to 60 days and the commercial loans are due from 31 to 90 days.

(3) Includes financial leases, according to regulations issued by the Superintendency of Banking and effective as of January 1, 2004.

The following table analyzes the quality of the Bank's loan portfolio using the classification system of the Superintendency of Banking in effect at the end of each period:

	AS OF DECEM		
	2000	2001	2002
		(Ps million, except	
Loans and financial leases secured by real guarantees as a percentage of total loans and financial leases.....	35.4%	44.8%	37
Loans and financial leases classified as "A" as a percentage of total loans and financial leases.....	78.6%	79.0%	82
Loans and financial leases classified as "B as a percentage of total loans and financial leases.....	11.0%	11.3%	7
Loans and financial leases classified as "C", "D" and "E" as a percentage of total loan and financial lease.....	10.5%	9.7%	9
Total allowance for loan and financial lease losses as a percentage of non-performing loans and financial leases.....	158.9%	111.4%	303
Total allowance for loan and financial lease losses as a percentage of loan and financial lease classified as "C", "D" and "E".....	53.5%	52.4%	55

Non-performing loans and financial leases as a percentage of total loans and financial leases.....	3.5%	4.6%	1
Loans and financial leases classified as "C", "D" and "E".....	Ps 534,083	Ps 518,889	Ps 601,9
TOTAL NON-PERFORMING LOANS AND FINANCIAL LEASES.....	Ps 179,751	Ps 243,892	Ps 109,6

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(1) Includes financial leases, according to regulations issued by the Superintendency of Banking and effective as of January 1, 2004.

The following table shows BC's past due loan portfolio by type of loan:

	AS OF DECEMBER 31,							
	2000	%	2001	%	2002	%	2003	%
	(Ps million, except percentages)							
CORPORATE								
Trade financing.....	Ps 9,329	4.0%	Ps 5,398	1.6%	Ps 143	0.0%	Ps 2,841	2
Loans funded by domestic development banks.....	10,073	4.3	7,950	2.5	1,360	0.9	1,149	1
Working capital loans..	145,506	61.8	210,281	65.2	75,333	48.6	30,706	25
Credit cards.....	48	0.0	103	0.0	90	0.1	136	0
Overdrafts.....	1,408	0.6	1,583	0.5	-	0.0	1,032	0
Other.....	-	0.0	-	0.0	-	0.0	-	0
Total corporate.....	166,364	70.6%	225,315	69.8%	76,926	49.6%	35,864	30
RETAIL (1)								
Credit cards.....	11,686	5.0	10,606	3.3	14,930	9.6	12,204	10
Personal loans.....	10,734	4.6	17,442	5.4	25,516	16.4	32,876	27
Vehicle loans.....	1,402	0.6	323	0.1	534	0.3	6,453	5
Overdrafts.....	8,924	3.8	8,491	2.6	-	0.0	7,967	6
Loans funded by domestic development banks.....	-	0.0	6,843	2.1	3,840	2.5	5,299	4
Trade financing.....	1,320	0.6	1,841	0.6	890	0.6	355	0
Working capital loans..	33,815	14.4	50,563	15.7	31,644	20.4	18,084	15
Total retail.....	67,881	28.8%	96,109	29.8%	77,354	49.8%	83,238	69
FINANCIAL LEASES (2)...	-	0.0%	-	0.0%	-	0.0%	-	0
MORTGAGE.....	1,361	0.6%	1,279	0.4%	864	0.6%	551	0
TOTAL PAST DUE LOANS AND FINANCIAL LEASES..	Ps 235,606	100.0%	Ps 322,703	100.0%	Ps 155,144	100.0%	Ps 119,653	100

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

(2) Includes financial leases, according to regulations issued by the Superintendency of Banking and effective as of January 1, 2004.

The past due portfolio increased 21.41% between 2003 and 2004, from Ps 119,653 million at December 31, 2003, to Ps 145,274 million at December 31, 2004, mainly due to an increase in past due Retail loans as a result of the

Bank's growth in these types of loans. The implementation of a defaulted loans recovery strategy through a specialized department for asset recovery explains the 22.88% decrease between 2002 and 2003.

The Bank believes that future increases in average nominal interest rates may result in additional past due loans. There can be no assurance that the increases in past due performing loans will not continue in the future. If performing past due loans are not made current, they will become categorized as non-performing past due loans and additional allowances for loan losses will have to be established.

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

	AS OF DECEMBER 31,				
	2000	%	2001	%	20
			(Ps million, except percent		
SECURED					
Current	Ps 1,701,775	33.3%	Ps 2,203,986	41.2%	Ps 2,2
Past due loans from 31 to 60 days (consumer)	-	0.0	-	0.0	
Past due financial leases from 31 to 60 days (consumer) (2)	-	0.0	-	0.0	
Past due loans from 61 to 90 days (consumer)	2,903	0.1	4,009	0.1	
Past due financial leases from 61 to 90 days (consumer) (2)	-	0.0	-	0.0	
Past due loans from 31 to 60 days (small business loans)	-	0.0	-	0.0	
Past due loans from 61 to 90 days (small business loans)	-	0.0	-	0.0	
Past due loans from 31 to 90/120 days (mortgage)	171	0.0	202	0.0	
Past due loans from 91 to 180 days (consumer)	1,572	0.0	1,823	0.0	
Past due financial leases from 91 to 180 days (consumer) (2)	-	0.0	-	0.0	
Past due loans from 91 to 180 days (small business loans)	-	0.0	-	0.0	
Past due loans from 91/121 to 180 days (mortgage)	3	0.0	-	0.0	
Past due loans from 31 to 90 days (commercial)	14,268	0.3	51,414	1.0	
Past due financial leases from 31 to 90 days (commercial) (2)	-	0.0	-	0.0	
Past due loans from 181 days to 360 days (consumer)	2,784	0.1	2,835	0.1	
Past due financial leases from 181 to 360 days (consumer) (2)	-	0.0	-	0.0	
Past due loans from 181 to 360 days (small business loans)	-	0.0	-	0.0	
Past due loans from 181 days to 360 days (mortgage)	1,083	0.0	138	0.0	
Past due loans from 91 to 180 days (commercial.	29,198	0.6	35,933	0.7	

Past due financial leases from 91 to 180 days (commercial) (2)	-	0.0	-	0.0	
Past due loans from 121 to 360 days (commercial)	10,368	0.2	47,628	0.9	
Past due financial leases from 121 to 360 days (commercial) (2)	-	0.0	-	0.0	
Past due loans more than 360 days	43,321	0.8	50,554	0.9	
Past due financial leases more than 360 days (2)	-	0.0	-	0.0	
TOTAL	Ps 1,807,446	35.4%	Ps 2,398,522	44.9%	Ps 2,3
UNSECURED(1)					
Current	Ps 3,174,690	62.1%	Ps 2,823,516	52.8%	Ps 3,7
Past due loans from 31 to 60 days (consumer)	15,205	0.3	15,534	0.3	
Past due loans from 61 to 90 days (consumer)	-	0.0	-	0.0	
Past due loans from 31 to 60 days (small business loans)	-	0.0	-	0.0	
Past due loans from 61 to 90 days (small business loans)	-	0.0	-	0.0	
Past due loans from 91 to 180 days (consumer)	8,088	0.2	7,888	0.1	

	AS OF DECEMBER 31,	
	2004	%
	(Ps million, except percentages)	
SECURED		
Current	Ps 3,950,303	39.4%
Past due loans from 31 to 60 days (consumer)	7,027	0.1
Past due financial leases from 31 to 60 days (consumer) (2)	79	0.0
Past due loans from 61 to 90 days (consumer)	3,441	0.0
Past due financial leases from 61 to 90 days (consumer) (2)	78	0.0
Past due loans from 31 to 60 days (small business loans)	665	0.0
Past due loans from 61 to 90 days (small business loans)	411	0.0
Past due loans from 31 to 90/120 days (mortgage)	-	0.0
Past due loans from 91 to 180 days (consumer)	6,074	0.1
Past due financial leases from 91 to 180 days (consumer) (2)	83	0.0
Past due loans from 91 to 180 days (small business loans)	926	0.0
Past due loans from 91/121 to 180 days (mortgage)	-	0.0
Past due loans from 31 to 90 days (commercial)	16,295	0.2
Past due financial leases from 31 to 90 days (commercial) (2)	6,514	0.1
Past due loans from 181 days to 360 days (consumer)	3,348	0.0
Past due financial leases from 181 to 360 days (consumer) (2)	76	0.0

Past due loans from 181 to 360 days (small business loans)	-	0.0
Past due loans from 181 days to 360 days (mortgage).....	37	0.0
Past due loans from 91 to 180 days (commercial	8,730	0.1
Past due financial leases from 91 to 180 days (commercial) (2).....	1,845	0.0
Past due loans from 121 to 360 days (commercial)	6,156	0.1
Past due financial leases from 121 to 360 days (commercial) (2).....	924	0.0
Past due loans more than 360 days.....	9,661	0.1
Past due financial leases more than 360 days (2).....	573	0.0
TOTAL	Ps 4,023,246	40.2%
UNSECURED(1)		
Current	Ps 5,939,662	59.2%
Past due loans from 31 to 60 days (consumer).....	14,960	0.1
Past due loans from 61 to 90 days (consumer).....	7,115	0.1
Past due loans from 31 to 60 days (small business loans).....	1,180	0.0
Past due loans from 61 to 90 days (small business loans).....	557	0.0
Past due loans from 91 to 180 days (consumer).	12,490	0.1

	AS OF DECEMBER 31,							
	2000	%	2001	%	2002	%	2	
Past due loans from 91 to 180 days (small business loans).....	-	0.0	-	0.0	821	0.0		
Past due loans from 31 to 90 days (commercial).....	23,308	0.4	7,652	0.1	17,532	0.3		
Past due loans from 181 days to 360 days (consumer)....	31,649	0.6	7,184	0.1	10,678	0.2		
Past due loans from 91 to 180 days (commercial).....	5,537	0.1	3,493	0.1	9,358	0.2		
Past due loans from 121 to 360 days (commercial)	7,001	0.1	34,077	0.6	9,192	0.1		
Past due loans more than 360 days.....	39,147	0.8	52,339	1.0	20,978	0.3		
TOTAL.....	Ps3,304,625	64.6%	Ps2,951,683	55.1%	Ps3,870,564	62.4%	Ps5,3	
TOTAL CURRENT LOANS AND FINANCIAL LEASES (2).....	Ps4,876,465	95.4%	Ps5,027,502	94.0%	Ps6,042,171	97.5%	Ps7,9	
Past due loans from 31 to 60 days (consumer).....	15,205	0.4	15,534	0.4	17,537	0.3		
Past due financial leases								

from 31 to 60 days (consumer) (2).....	-	0.0	-	0.0	-	0.0	
Past due loans from 61 to 90 days (consumer).....	2,903	0.0	4,009	0.0	-	0.0	
Past due financial leases from 61 to 90 days (consumer) (2).....	-	0.0	-	0.0	-	0.0	
Past due loans from 31 to 60 days (small business loans).....	-	0.0	-	0.0	777	0.0	
Past due loans from 61 to 90 days (small business loans).....	-	0.0	-	0.0	397	0.0	
Past due loans from 31 to 90/120 days (mortgage).....	171	0.0	202	0.0	22	0.0	
Past due loans from 31 to 90 days (commercial).....	37,576	0.7	59,066	1.1	27,149	0.4	
Past due financial leases from 31 to 90 days (commercial)(2).....	-	0.0	-	0.0	-	0.0	
Past due loans from 91 to 180 days (consumer).....	9,660	0.2	9,711	0.2	8,993	0.1	
Past due financial leases from 91 to 180 days (consumer) (2).....	-	0.0	-	0.0	-	0.0	
Past due loans from 91 to 180 days (small business loans).....	-	0.0	-	0.0	1,236	0.0	
Past due loans from 91/121 to 180 days (mortgage).....	3	0.0	-	0.0	-	0.0	
Past due loans from 91 to 180 days (commercial).....	34,735	0.7	39,426	0.7	18,094	0.3	
Past due financial leases from 91 to 180 days (commercial) (2).....	-	0.0	-	0.0	-	0.0	
Past due loans from 121 to 360 days (commercial)	17,369	0.3	81,705	1.5	19,644	0.3	
Past due financial leases from 121 to 360 days (commercial) (2).....	-	0.0	-	0.0	-	0.0	
Past due loans from 181 days to 360 days (consumer).....	34,433	0.7	10,019	0.2	10,678	0.2	
Past due financial leases from 181 to 360 days (consumer) (2).....	-	0.0	-	0.0	-	0.0	
Past due loans from 181 days to 360 days (mortgage).....	1,083	0.0	138	0.0	138	0.0	
Total past due loans more than 360 days.....	82,468	1.6	102,893	1.9	50,479	0.9	
Total past due financial leases more than 360 days (2).....	-	0.0	-	0.0	-	0.0	
TOTAL PAST DUE LOANS AND FINANCIAL LEASES (2).....	235,606	4.6	322,703	6.0	155,144	2.5	1
Total gross loans and financial leases (2).....	5,112,071	100.0	5,350,205	100.0	6,197,315	100.0	8,0
Allowance for loan and financial lease losses (2).....	(285,565)	(5.6)	(271,729)	(5.1)	(332,324)	(5.4)	(3
TOTAL LOANS AND FINANCIAL							

LEASES, NET (2).....	Ps4,826,506	94.4%	Ps5,078,476	94.9%	Ps5,864,991	94.6%	Ps7,6

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(1) Includes loans with personal guarantees.

(2) Includes financial leases, according to regulations issued by the Superintendency of Banking and effective as of January 1, 2004.

E.4. SUMMARY OF LOAN LOSS EXPERIENCE

ALLOWANCE FOR LOAN LOSSES

The Bank complies with Colombian regulations regarding allowances for loan losses by setting aside specific allowances on past due performing and non-performing loans based on the length of time such loans have been past due. The Superintendency of Banking, through External Circular 044 of July 23, 1999, tightened loan allowance rules for Colombian banks. In addition, banks started to accumulate a general allowance, which should amount to 1% of the total loans within three years starting July 31, 1999. The regulations contained in External Circular No. 070 dated October 5, 2000 ratified this general 1% provision and eliminated the risk coefficient and the obligation to make additional provision for this item. The regulations of the Superintendency of Banking required the Bank to review commercial loans every six months, and consumer and mortgage loans at least monthly. The current regulation contained in External Circular 011 of March, 2002, requires that all debtors whose indebtedness for the different categories of credit exceeds 300 SMLV (Ps 107.4 million for 2004), be evaluated twice a year. Additionally, the regulation requires that all loans be evaluated every month on their past due days basis.

The Bank establishes its loan allowances by classifying its loan portfolio according to the loan classification system determined by the Superintendency of Banking and by applying to each such classification the applicable allowance percentage formula, also as specified by the Superintendency of Banking. The Bank believes that its application of the loan classification system and allowance formula results in the establishment of allowances that are reasonable and adequate for the credit risk associated with BC's loan portfolio. Every six months, the Bank evaluates all debtors whose indebtedness for the various credit facilities exceeds 300 SMLV (Ps 107.4 million); additionally, these credits, and those which do not meet this condition, are evaluated monthly based on the days they are past due. In addition, through the Bank's Vice President for Risk Management office, the Bank performs an ongoing review of the loan portfolio from time to time to adjust its allowances for loan losses as necessary.

Guidelines for the establishment of the allowance for loan losses by Colombian credit institutions, including commercial banks, are set by the Superintendency of Banking.

The following table shows the allowance for loan losses required to be taken, expressed as a percentage of the value of the loan to the extent not covered by collateral (including principal, interest and commissions and fees) for commercial, small business, consumer and mortgage loans classified as follows:

"A"	"B"	"C"	"D"	"E"
-	-	-	-	-
0%	1%	20%	50%	100%

The Bank allocates the allowance for loan losses on the basis of whether the loans are secured and, among those secured loans, whether such security is collateralized or personal guaranteed. The largest amount of allowances is allocated to consumer, commercial and small business loans that are secured by personal guarantees or unsecured. The allowance for loan losses is calculated including the value of the underlying security. External Circular 011 of March, 2002, issued by the Superintendency of Banking, establishes that for allowances on loans, the security that guarantees the loan will only support the principal of the loan. Consequently, allowances are calculated in accordance with the loan classification system's percentage, which is applied to the difference between the amount outstanding and 70% of the value of the security supporting the loan. In addition, for establishing provisions, the percentages of the total amount of such guarantee must be taken into consideration, as follows:

For mortgage-backed guarantees:

TIME ELAPSED BETWEEN THE DATE OF DEFAULT AND THE DATE OF NON-REALIZATION OF THE GUARANTEE	PERCENTAGE
0 to 18 Months	70%
Over 18 Up to 24 Months	50%
Over 24 Up to 30 Months	30%
Over 30 Up to 36 Months	15%
Over 36 Months	0%

For guarantees not backed by mortgages:

TIME ELAPSED BETWEEN THE DATE OF DEFAULT AND THE DATE OF NON-REALIZATION OF THE GUARANTEE	PERCENTAGE
0 to 12 Months	70%
Over 12 Up to 24 Months	50%
Over 24 Months	0%

There are special requirements for the allowance needed for loan losses in respect of loans of borrowers involved in proceedings with their creditors. The Bank may make additional allowances not required by the regulations of the Superintendency of Banking when, in its judgment, an additional allowance is guaranteed for restructured loans with wide maturities secured by guaranties that could prove difficult to sell. Through the office of the Bank's Vice President for Risk Management, the Bank undertakes a monthly

review of its past due and non-performing loan portfolio.

Additionally, on July 26, 2004, the Bank established an internal policy to increase allowances for small business and consumer loans. The following table shows the allowance required to be taken, expressed as a percentage of the value of the loan to the extent not covered by collateral (including principal, interest and commissions and fees):

CLASSIFICATION	CONSUMER	SMALL BUSINESS LOANS
A	0%	0%
B	30%	30%
C	50%	60%
D	100%	100%
E	100%	100%

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

	YEAR ENDED DECEMBER 31,				
	2000	2001	2002	2003	
			(Ps million)		
Balance at beginning of period	Ps 295,016	Ps 285,565	Ps 271,729	Ps 332,324	Ps
Balance at beginning of period (Sufinanciamiento)	-	-	-	11,854	
Allowance for financial leasing reclassification (5)	-	-	-	-	
Provisions for loan losses.....	264,756	86,793	143,361	286,170	
Effect of revaluing to constant pesos (3)	(19,008)	-	-	-	
Effect of difference in exchange interest rate (4)	-	-	10,366	(284)	
Charge-offs	(148,056)	(83,586)	(71,592)	(112,393)	
Recovering from previous fiscal years ..	(107,143)	(17,043)	(21,540)	(130,408)	
BALANCE AT END OF PERIOD (1) (2) ...	Ps 285,565	Ps 271,729	Ps 332,324	Ps 387,263	Ps

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(1) The provision for past due accrued interest receivable, which is not included in this item, amounted to Ps 20,178 million, Ps 4,965 million, Ps 4,518 million, Ps 5,316 million and Ps 4,483 million for the years ended December 31, 2000, 2001, 2002, 2003 and 2004 respectively.

(2) The allowance past due accrued interest receivable, which is not included in this item, amounted to Ps 30,771 million, Ps 27,011 million, Ps 15,074 million, Ps 5,170 million and Ps 4,603 million for the years ended

December 31, 2000, 2001, 2002, 2003 and 2004 respectively,

(3) Inflation adjustment was eliminated starting on January 1, 2001. See Note 2(b) to the Financial Statements.

(4) For years 2000 and 2001, the effect of difference in exchange interest rate was included as a part of recoveries.

(5) Includes allowance for financial leases, according to regulations issued by the Superintendency of Banking and effective as of January 1, 2004.

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

	AS OF DECEMBER 31,				
	2000	2001	2002	2003	
			(Ps million)		
Commercial loans	Ps 212,428	Ps 178,471	Ps 243,835	Ps 276,285	P
Consumer loans	46,537	46,723	22,668	27,429	
Small business loans	-	-	1,260	2,082	
Financial leases	-	-	-	-	
Mortgages	1,667	1,116	849	440	
General(1)	24,933	45,419	63,712	81,027	
TOTAL ALLOWANCE FOR LOAN AND FINANCIAL LEASE LOSSES	Ps 285,565	Ps 271,729	Ps 332,324	Ps 387,263	P

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(1) This is a provision established in 1999 by Circular 044 issued by the Superintendency of Banking.

(2) Includes financial leases, according to regulations issued by the Superintendency of Banking and effective as of January 1, 2004.

The following table shows the allocation of the Bank's allowance for loan and financial lease losses by type of loan:

	AS OF DECEMBER 31,							
	2000	%	2001	%	2002	%	2003	
				(Ps million, except percentages)				
CORPORATE								
Trade financing	Ps 1,413	0.5%	Ps 491	0.2%	Ps 3,073	0.9%	Ps 217	
Loans funded by domestic development banks	1,972	0.7	845	0.3	812	0.2	57,745	
Working capital loans	180,470	63.2	177,135	65.2	212,108	63.8	202,403	

Credit cards.....	46	0.0	-	0.0	107	0.0	34
Overdrafts.....	923	0.3	-	0.0	1,313	0.4	370
Other.....	-	0.0	-	0.0	-	0.0	-
Total corporate.....	184,824	64.7	178,471	65.7	217,413	65.3	260,769
RETAIL (1)							
Credit cards.....	8,039	2.8	5,823	2.1	9,568	2.9	6,452
Personal loans.....	14,316	5.0	5,947	2.2	9,816	3.0	15,687
Vehicle loans.....	741	0.3	99	0.0	77	0.0	8,550
Overdrafts.....	3,332	1.2	2,727	1.0	3,318	1.0	1,908
Loans funded by domestic development banks.....	847	0.3	851	0.3	1,507	0.5	642
Trade financing.....	734	0.3	349	0.1	792	0.2	119
Working capital loans.....	46,132	16.1	30,927	11.3	25,272	7.6	11,669
Total retail.....	74,141	26.0	46,723	17.2	50,350	15.2	45,027
FINANCIAL LEASES(3).....	-	0.0	-	0.0	-	0.0	-
MORTGAGE.....	1,667	0.6	1,116	0.4	849	0.3	440
GENERAL(2).....	24,933	8.7	45,419	16.7	63,712	19.2	81,027
TOTAL ALLOWANCE FOR LOAN AND FINANCIAL LEASE LOSSES.....	Ps 285,565	100.0%	Ps 271,729	100.0%	Ps 332,324	100.0%	Ps 387,263

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

(2) This is a provision established in 1999 by Circular 044 issued by the Superintendency of Banking.

(3) At December 31, 2004 allowance for financial leases is included in the allowance for loans.

As of December 31, 2004, the allowance for loan and financial lease losses increased 12.2% to Ps 434,378 million from Ps 387,263 million at December 31, 2003, due primarily to an increase in general allowances and working capital loans. As of December 31, 2003, the allowance for loan and financial lease losses increased 16.5% compared to December 31, 2002 due primarily to an increase in general allowance and loans funded by domestic development banks.

NEW PROVISION SYSTEM (OR CREDIT RISK MANAGEMENT SYSTEM - "SARC")

Through External Circular 011 of March 5, 2002, which modifies Chapter II of External Circular 100 of 1995 (Basic and Accounting Circular), regarding management of credit risk, the Superintendency of Banking requires entities subject to its supervision to develop a system for the management credit risk ("Sistema de Administracion de Riesgo Crediticio" - "SARC"). As a consequence, the Bank must establish strategies, policies, methodologies, processes and structures to evaluate, rate, monitor, and control its credit risks.

The Superintendency of Banking has provided general guidelines and deadlines for the development and implementation of SARC, and the Bank has complied with those guidelines and deadlines subject to the requirements set forth in Circular Letter of March 5, 2002, as shown in the table below:

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PHASE	DESCRIPTION	MAXIMU DEADLI
I	Preparation and submission of the document supporting the development of the SARC to the Superintendency of Banking, taking into account risk management polices, adequate organizational structure, appropriate methodologies and processes for risk management, suitable infrastructure and human resources, as well as a general auditing process.	June 2 2002
	Additionally, significant preparation time shall be required to reconstruct the historical information necessary for the implementation of the SARC by the Bank.	
II	Conclusion of the process of reconstruction of historical information and the information and/or computer programs which will assure adequate assessment and management of credit risk.	December 2002
III	During this phase, the entity shall begin estimating expected losses by applying the methodology proposed for such purpose in order to calibrate any relevant variables which guarantee the results of the methodology.	
	The Superintendency of Banking extended the SARC phase III due date through the External Circular 030 of June 2003. The regulator required the banks to have SARC working as a parallel provision system during 2004, in order to test its correct operation.	December 2003
	Through External Circular 052 of December 30, 2004, the Superintendency of Banking required entities to continue with SARC working as a parallel provision system and established that on July 1, 2005, it will present its reference methodology for commercial loans. Then, entities could voluntary submit their internal commercial loan methodologies for their assessment and later approval or objection. Initially, the reference methodology will be presented for commercial loans and then for consumer, mortgages and small business loans.	

SARC requires that the entities under the supervision of the Superintendency of Banking permanently evaluate the credit risk and the paying capacity of each debtor, and to this end, they must internally define a methodology which will take into account at least the following:

- Probability of impairment or change in the rating of credit risk (probability of non-payment or expected delay in payment rate);

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- Estimate or quantification of the expected loss that may be incurred by the entity, should the foregoing event occur, during a determined lapse of time (e.g., 12 months). For this estimate, it is important, among other things, to compute the value or rate of recovery of the

active value, in the event that the loan would become unrecoverable. The existence and suitability of the collateral that supports the loans are an important factor that should be taken into account in the context.

The allowances for loans must be based on the estimate of the expected losses, and minimum levels of allowances must be maintained in accordance with current provisions. A general allowance of 1% on the total gross portfolio is maintained.

For the estimate of expected losses and allowances, the Bank has to follow guidelines established by the methodological documents published by the Basel Internal Rating Approach. This model is based on three fundamental factors which must be estimated to compute the expected loss for each business line being analyzed:

EXPECTED LOSS = PD X EAD X LGD

Where:

PD = Probability of default
EAD = Exposure at the time of default
LGD = Loss if default occurs

The Bank has adequately fulfilled each one of the phases established by the Superintendency of Banking and, through December 30, 2004, continues with the parallel provision system. During 2005, the entity will continue making the necessary adjustments to comply with the general guidelines and deadlines provided by the External Circular 052 of December 31, 2004.

CHARGE-OFFS

The following table shows the allocation of the Bank's charge-offs by type of loan as of December 31, 2000, 2001, 2002, 2003 and 2004:

	YEAR ENDED DECEMBER 31,				
	2000	2001	2002	2003	2
	(Ps million)				
Trade financing	Ps 54	Ps -	Ps 24,470	Ps 546	Ps
Loans funded by domestic development banks	-	-	-	1,760	
Working capital loans	111,652	49,460	36,022	72,298	
Credit cards	20	-	517	10,035	
Personal loans	16,366	17,338	9,140	19,475	
Vehicle loans	2,377	506	35	1,419	
Overdrafts	13,563	13,902	1,086	6,394	
Mortgage & other	4,024	2,380	322	466	
Financial leases (1)	-	-	-	-	
TOTAL CHARGE-OFFS	Ps 148,056	Ps 83,586	Ps 71,592	Ps 112,393	Ps

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(1) In October 23, 2003, the Superintendency of Banking through its External Circular 040, modified the treatment of financial leases. Since January 1,

2004 it is accounted for as loan portfolio.

The Bank has a policy of actively pursuing the collection of charged-off balances. In practice, the manager of the branch where the loan was made and the attorney handle the collection process until a final judgment is obtained. In addition, non-payment by the debtor is reported to the Banking Association of Colombia credit risk center where the creditor's name and the outstanding debt is registered. This credit risk center is consulted by every Colombian financial institution, and any debtor listed in such registry will not be extended credit until the defaulted loan has been paid.

Charge-offs are only made after the manager of the branch and the attorney handling the case have exhausted all means to secure payment of the judgment against any known assets of the borrower and the charge-off has been approved by the Board of Directors. The Bank informs the Superintendency of Banking, on a quarterly basis, the amount of charge-offs it approves. As of December 31, 2004, the Bank registered Ps 43,270 million in recoveries of charge-off loans in previous periods.

CROSS - BORDER OUTSTANDING LOANS AND INVESTMENTS

As of December 31, 2003 and 2004, total cross-border outstanding loans and investments amounted to approximately US$ 162 million and US$ 175 million, respectively. At 2004, total outstanding loans to borrowers in foreign countries amounted to US$ 32 million and total investments were US$ 143 million. As of December 31, 2004, total cross-border outstanding loans and investments represented 2.4% of total assets.

The following table presents information with respect to the Bank's cross-border outstanding loans and investments for the years ended on December 31, 2003 and 2004:

	2003	2004
	(U.S. thousand dollars)	
Mexico	US$ 52,249	US$ 77,200
Brazil	42,790	30,980
United States	29,000	22,048
Chile	2,000	10,034
British Virgin Island	-	9,912
Puerto Rico	-	5,000
Bolivia	-	5,000
Peru	3,403	3,633
Ecuador	1,726	3,200
Panama	7,552	2,652
El Salvador	3,000	2,000
Cayman Islands	11,712	1,745
Dominican Republic	4,696	1,027
Costa Rica	2,000	1,000
Guatemala	1,590	-
Venezuela	500	-
TOTAL CROSS-BORDER OUTSTANDING LOANS AND INVESTMENTS	US$ 162,218	US$ 175,431

E.5. DEPOSITS

The following table shows the composition of the Bank's deposits for 2002, 2003 and 2004:

	AS OF DECEMBER 31,		
	2002	2003	2004
	(Ps million)		
NON-INTEREST BEARING DEPOSITS:			
Checking accounts	Ps 1,876,026	Ps 2,193,069	Ps 2,523,505
Other deposits	94,573	126,718	167,174
Total	1,970,599	2,319,787	2,690,679
INTEREST BEARING DEPOSITS:			
Checking accounts	815,367	1,353,123	1,275,618
Time deposits	3,603,466	4,237,345	4,361,206
Savings deposits	2,398,726	2,321,742	3,534,613
Total	6,817,559	7,912,210	9,171,437
TOTAL DEPOSITS	Ps 8,788,158	Ps 10,231,997	Ps 11,862,116

The following table shows the time deposits held by the Bank at December 31, 2004, by amount and maturity for deposits:

	AT DECEMBER 31, 2004		
	PESOS	DOLLARS	TOTAL
	(Ps million)		
Up to 3 months (1)	Ps 575,661	Ps 623,369	Ps 1,199,030
From 3 to 6 months (1)	457,003	299,816	756,819
From 6 to 12 months (1)	198,958	170,353	369,311
More than 12 months (1)	689,978	101,253	791,231
Time deposits less than Ps 239 million (2)	949,931	294,884	1,244,815
TOTAL	Ps 2,871,531	Ps 1,489,675	Ps 4,361,206

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(1) Time deposits higher than Ps 239 million (the equivalent of US$ 100,000 at the Representative Market Rate as of December 31, 2004).

(2) The equivalent of US$ 100,000 at the Representative Market Rate as of

December 31, 2004.

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

E.6. RETURN ON EQUITY AND ASSETS

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

	FOR THE FISCAL YEAR ENDED DECEMBER 31,		
	2002	2003	2004
	(in percentages)		
Net income as a percentage of:			
Average total assets	1.88	3.40	3.62
Average shareholders' equity	20.42	31.14	32.14
Dividends declared per share as a percentage of net income per share(1)	36.18	33.42	37.47
Average shareholders' equity as a percentage of average total assets	9.22	10.92	11.27
Return on interest-earning assets(2)	8.00	12.20	12.10

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(1) Dividends are paid based on unconsolidated earnings. Net income per share is calculated using the average number of Common Shares outstanding during the year.

(2) Defined as total interest earned divided by average interest-earning assets.

E.7. INTERBANK BORROWINGS

The following table sets forth interbank borrowings by the Bank for the periods indicated:

	AS OF DECEMBER 31,					
	2002		2003		200	
	AMOUNT	RATE(1)	AMOUNT	RATE(1)	AMOUNT	
	(Ps million, except percentages)					
End of period	Ps 403,962	2.44%	Ps 456,059	1.24%	Ps 246,282	
Weighted average during period	505,832	1.86%	317,258	1.67%	312,969	
Maximum amount of borrowing at any month-end	(2)594,810		(3)477,975		(4)417,187	

Interest paid during the year.....	9,404	5,293	7,389

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(1) At the end of the year, the Bank typically increases its dollar-denominated interbank borrowings, which represent the great majority of interbank borrowings and which have lower interest rates.

(2) September.

(3) November.

(4) January.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. OPERATING RESULTS(5)

During 2004, there was an increase in the proportion of productive assets to total assets, as well as an increase in the relation between productive assets to interest-bearing liabilities. Likewise, there was a slight decrease in the proportion that interest-bearing liabilities represent in the funding structure. The deposit structure presented increases in the volume of low-cost deposits, such as checking accounts and savings accounts. These variations had a positive impact in the net interest margin.

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(5) Average balance sheet numbers are used in this section, unless otherwise stated.

The expansion of low-cost deposits and the bond issuance at the beginning of the year allowed the Bank to increase the volume of the loan portfolio and the investment portfolio. The loan portfolio showed an average increase in volume of 28%, responding to the positive performance of the Colombian economy, resulting in growth of more than 24% of the interest income on loans, in spite of the decrease seen in the average nominal interest rate, which dropped from 13.1% to 12.7%. The average growth of the investment portfolio was 13.4% and interest on investments increased 11.7% in response to fluctuations of interest rates and to the market value of these investments, in particular TES bonds, which prices dropped during the first semester of the year and then returned to their prior upward trend during the second semester.

In spite of the fact that the year 2004 was marked by high market liquidity, as had been the year 2003, a competitive environment generated an increase in deposit rates and a consequent reduction in the net interest margin. Thus, although the average volume of interest-bearing liabilities showed an increase of 13%, interest expenses at the end of the year increased nearly 22%. This growth is explained not only by the increased volume and increases in some average nominal deposit rates, such as savings accounts and time deposits that rose 300 and 400 basis points, respectively, but also by the interest generated by the Ps 400 billion bond issuance that the Bank made in order to increase the duration of its interest-bearing liabilities, thus decreasing risks.

The Bank's 23% net income growth is explained by an increase of 19% in net interest income compared to growth of 8% in operating expenses, including merger and goodwill amortization expenses. The strategies that the Bank adopted during 2004 to improve its efficiency enabled the operating expenses to operating income ratio to drop from 55% to 51%. Finally, as a consequence of the

tax credit expiration period ending in 2004, BC's income tax increased nearly 281%.

A.1. GENERAL DISCUSSION OF THE CHANGES IN RESULTS

RESULTS FROM OPERATIONS

BC's net income for 2004 totaled Ps 578,678 million, which represents a 23.3% increase as compared to Ps 469,384 million obtained during 2003. This result reflects the behavior of the Colombian economy, as well as the actions and efforts that the Bank made during the year to improve the structure and quality of the assets and liabilities on its balance sheet.

Balance Sheet Structure

The general structure of the balance sheet showed a positive evolution during 2004. The ratio of the average volume of interest-earning assets over average total assets rose from 83% in 2003 to 87% in 2004, and the ratio of interest-earning assets over interest-bearing liabilities increased from 120% in 2003 to 128% in 2004.

The loan portfolio share of total interest-earning assets rose from 61% in 2003 to 65% in 2004, whereas the investment portfolio share of total interest-earning assets dropped from 35% to 33% for the same period. Overnight funds represented the remaining portion of total interest-earning assets, which average volume share dropped from 4% in 2003 to 2% in 2004.

In the total resource structure (liabilities and shareholders' equity), on average, the share of liabilities dropped slightly from 2003 to 2004, from 89.1% to 88.7%. Interest-bearing liabilities decreased from an average of 78% of total liabilities in 2003 to 77% in 2004, which resulted in the decrease of total resources from 69% to 68%. Deposits, including non-interest earning checking accounts, decreased from an average of 77% of total liabilities in 2003 to 73% in 2004. Among said deposits, during 2004 checking accounts represented an average of 30% of the volume, time deposits 41% and savings accounts 29%, as compared to 28%, 45%, and 27%, respectively in 2003, evidencing an increase in the share of low-cost deposits such as checking accounts and savings accounts, which favored the net interest margin.

Finally, the increase in the shareholders' equity percentage of the total resource structure rose from 10.9% to 11.3%, reflecting a decrease in the leverage ratio, estimated as the total assets over average shareholders' equity, which dropped from 915% in 2003 to 887% in 2004. The capital adequacy ratio rose from 13.08% in 2003 to 13.44% in 2004, 444 basis points higher than the minimum required by Colombian law, which evidences the Bank's strategies to consolidate its solvency and soundness.

Balance Sheet Dynamics

Average total assets grew 15.7% in 2004, reaching an average of Ps 15,971,743 million as compared to an average of Ps 13,800,781 million in 2003, when they grew 23.4% from Ps 11,181,361 million recorded in 2002.

The loan portfolio grew 28% from an average of Ps 7,012,079 million in 2003 to Ps 8,972,315 million in 2004, whereas the investment portfolio grew 13.4%, from an average of Ps 4,048,244 million in 2003 to an average of Ps 4,592,112 million in 2004.

Total average liabilities grew 15.3%, totaling Ps 14,171,468 million

in 2004 as compared to Ps 12,293,301 million recorded in 2003. Deposits grew 9.5%, going from an average of Ps 9,481,946 million in 2003 to an average of Ps 10,385,554 million in 2004. It is worth highlighting the increase in low-cost deposits, such as checking accounts and savings accounts at rates of 15.3% and 17.4%, respectively, as compared with time deposits, which grew at a rate of only 1.1%.

Balance Sheet Quality

At December 31, 2004, the non-performing past due loans share of the total loan portfolio was 0.88%, whereas it was 0.95% at December 31, 2003 showing a positive evolution, and the total past due loans share of the total loan portfolio dropped from 1.49% to 1.45%. Likewise, the non-performing loans and foreclosed assets (after allowances) share of the shareholders' equity dropped from 9% at December 31, 2003 to 7% at December 31, 2004.

The coverage ratio represented by the allowances for loans losses over the total loan portfolio decreased from 323.7% at December 31, 2003 to 299.0% at December 31, 2004, which is consistent with the general improvement in loan portfolio quality, related to the positive evolution of the Colombian economy in recent years.

Income Statement's Structure - Breakdown Analysis

Upon analyzing the composition of the net income obtained during 2004, the total operating income recorded at the end of the year reached Ps 1,827,827 million. Of this amount, the income corresponding to net interest, including net income from operating leasing and gains on sales of investments, represented 66% (Ps 1,214,933 million), income corresponding to fees and services, represented 22% (Ps 402,344 million), and income corresponding to other operating income represented the remaining 12% (Ps 210,550 million). In 2003 there was a similar general structure of the composition of operating income before provisions, with 66%, 21%, and 13%, respectively.

Also, provisions for loans portfolio losses, accrued interest, and foreclosed assets, which in 2003 represented 14% of total operating income, in 2004 represented only 8% (Ps 143,581 million), whereas operating expenses, not including merger expenses, which in 2003 represented 55% of such income, in 2004 represented 51%, thus showing a positive evolution in BC's efficiency levels.

As a result of the above, the operating margin after total operating expenses and provisions was 41% of total operating income in 2004 (Ps 748,061 million) as compared to 31% recorded in 2003.

Taking this net income after operating expenses and provisions as a new reference, net non-operating income rose an additional 10% in 2004 (Ps 71,853 million), even while provisions for income taxes deducted 11.8% from net income after operating expenses and provisions in 2003 as compared to 29.2% in 2004 (Ps 238,810 million), for a final net income in 2004 of Ps 578,678 million, as we mentioned above. The change in the share of provisions for income taxes is related to the change in tax rates due to the tax credit expiration, as is described in more detail below.

General Income Statement Dynamics

In general terms, the growth in income and expenses during 2004 was more balanced than the growth recorded in 2003. The increase of 23.3% recorded in net income in 2004 as compared to that obtained in 2003 may be explained by an increase of 19% in net interest income to Ps 1,094,833 million as compared to

an increase of only 8% in operating expenses to Ps 936,185 million.

BC's net income for 2003 totaled Ps 469,384 million, an increase of 123.1% from Ps 210,380 million in 2002. Interest income was a determining factor for this growth, as it totaled Ps 1,400,255 million in 2003, an increase of 89.7% as compared to 2002.

The increase in net interest income in 2004 was mainly due to the result observed in loan portfolio interest that totaled Ps 1,140,887 million, recording an increase of 24.2% as compared to the loan portfolio interest obtained in 2003. Also, income from investments, which represented Ps 532,517 million in 2004, increased 11.7% as compared to 2003. However, this change is not comparable to 2002 when the financial statements were affected by a change in Colombian regulations introduced near the end of 2002 regarding the investment valuation methodology. In 2004 the moderate growth is mainly explained by the decline in Colombian bond prices that took place during the second quarter. Nevertheless, the trend in Colombian bond prices corrected during the second half of the year.

Other net operating income, from which we highlight that associated with fees and services, operating leases, and gains on sales of investments, recorded an increase of 8.6% in 2004 as compared to the previous year, as it rose from Ps 674,647 million to Ps 732,994 million.

Operating expenses, including goodwill amortization and merger expenses, rose from Ps 869,350 million in 2003 to Ps 936,185 million in 2004, which represents an increase of less than 8%, as we mentioned above.

As a result of the tax credit expiration, the Bank's income tax recorded an increase of approximately 281% in 2004.

As a result of greater market liquidity, interest expense increased only 3.1% from 2002 to 2003, allowing net interest income to reach Ps 919,742 million at December 31, 2003. This represents an increase of 238.2% as compared to December 31, 2002, when net interest income was Ps 271,961 million. Operating expenses totaled Ps 869,350 million at December 31, 2003, an increase of 15% as compared to Ps 755,801 million on December 31, 2002. However, if we exclude non-recurring expenses due to goodwill amortization and expenses related to the merger with Banco de Colombia S.A., the increase represents 12.1% as compared to December 31, 2002.

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
	(Ps million)		
NET INCOME:			
Net interest income	Ps 271,961	Ps 919,742	Ps 1,094,833
Provision for loan and accrued interest losses	(115,154)	(162,058)	(104,632)
Provision for foreclosed assets and other assets	(71,212)	(68,892)	(38,949)
Other operating income	828,977	674,647	732,994
Non-operating income	79,787	37,600	71,853
Operating expenses	(755,801)	(869,350)	(936,185)
Income before taxes	238,558	531,689	819,914

Minority interest	14,440	330	(2,426)
Income tax	(42,618)	(62,635)	(238,810)
NET INCOME	Ps 210,380	Ps 469,384	Ps 578,678

INTEREST INCOME

The interest income for the year ending December 31, 2004, totaled Ps 1,680,577 million, which represents a 20% increase from Ps 1,400,255 for 2003.

The average volume of interest-earning assets or productive assets showed an increase of 21.3% as it rose from Ps 11,466,269 million in 2003 to Ps 13,905,061 million in 2004. The increase in interest income generation was mostly due to the behavior of the loan portfolio volume, which showed an average growth after allowances of 28%, from Ps 7,012,079 million in 2003 to Ps 8,972,315 million in 2004. The average loan portfolio grew 29.8% in 2003 from Ps 5,401,872 million in 2002, reflecting the expansion of and increased confidence in the Colombian economy. Although the average rate of return for the loan portfolio decreased from 13.4% in 2002 to 13.1% in 2003, the interest income from the loan portfolio increased 26.5% in the same period. The increase in loan demand in 2004 reflects the expansion of the Colombian economy during 2004, which grew 3.96%.

The amount of past due loans increased 21% in 2004, whereas non-performing loans increased 16% in the same period. Non-performing loans represented 64% of total past due loans in 2003 but only represented 61% in 2004, which also improved interest income.

Likewise, the average volume of the investment portfolio increased from Ps 4,048,244 million in 2003 to Ps 4,592,112 million in 2004, representing an increase of 13.4%. The average volume of the investment portfolio grew 13.3% from 2002 to 2003. However, the rate of return increased 11.8%, rising from Ps 247 million at December 31, 2002, to Ps 476,720 million at December 31, 2003. These numbers, however, also reflect new regulations issued by the Superintendency of Banking and effective as of September 1, 2002. See note 2(g) to the Financial Statements.

The increase in the loan portfolio volume enabled an increase in interest income of 24.2%, rising from Ps 918,772 million in 2003 to Ps 1,140,887 million in 2004. This growth was favored by the expiration during 2004 of grace periods for a significant number of restructured loans. As a result, the changes in the interest on loans was positive, despite the fact that the average nominal interest rate dropped 40 basis points, from 13.1% in 2003 to 12.7% at 2004. Differential analysis shows that due to the loan portfolio growth, there was an increase in interest income of Ps 247,209 million (26.9% more than the previous year); however, the negative effect of the reduction in the average interest rate on the loan portfolio produced a decrease of Ps 25,094 million as compared to the amount of interest generated in 2003 (representing 2.7% of such interest).

The loan portfolio interest rate decrease occurred in the local currency loan portfolio, which in 2004 represented 78.5% of the total loan portfolio (0.3% less than the previous year), the average nominal rate of which dropped from 15.4% to 14.8% from 2003 to 2004, whereas the foreign currency interest rate rose from 4.7% to 5.2% for the same period.

Income associated with the investment portfolio grew 11.7%, rising from Ps 476,720 million in 2003 to Ps 532,517 million in 2004. The positive performance of this portfolio was primarily due to the upward price trend of the Treasury Bonds (TES) during the second half of 2004, despite the fact that the average nominal yield for the investment portfolio dropped from 11.8% in 2003 to 11.6% in 2004. The yield decrease had a negative effect of 3.5% on the increase in income as compared to the previous year, which, solely by virtue of the increase in the portfolio volume, would have otherwise been 15.2%.

In general terms and taking into account total interest-earning assets, the negative effect due to the drop in interest rates represented a 2.8% lower increase in interest income in 2004 as compared to 2003, which, only taking into consideration the growth in volume, would have otherwise represented 22.8%, not the 20% shown.

INTEREST EXPENSE

The interest expense in 2004 totaled Ps 585,744 million, which represents an increase of 21.9% as compared to Ps 480,513 million in 2003. Interest expense rose 3.1% in 2003 from Ps 466,223 million in 2002. In spite of the decrease in the nominal rates of return for time deposits, which fell from 7.3% in 2002 to 5.9% in 2003, and for savings deposits, which fell from 4.9% in 2002 to 4.4% in 2003, the average volume of time deposits rose 18.8% in 2003, and the volume of savings deposits rose 19%. These increases reflected efforts made by the commercial areas of BC to attract additional low-cost deposits, as well as a general decrease in Colombian market rates due to high liquidity.

The average volume of interest-bearing liabilities showed an increase of 13% during the year, going from Ps 9,590,591 million in 2003 to Ps 10,866,494 million in 2004. In February 2004, BC issued bonds in the amount of Ps 400,000 million, for the purpose of extending the duration of BC's interest-bearing liabilities. As a result, the average growth of time deposits was only 1.1% during 2004, as compared to a growth of 18.8% during 2003. In addition, the average volume of interest-bearing checking accounts and of savings accounts each rose 17%.

As to the interest-bearing liabilities, during 2004 the issued bonds bore interest in the amount of Ps 41,239 million; this figure partially represents the increase in interest expense.

Interest paid on savings accounts and on time deposits showed an increase of 24% and 7.1%, respectively, as compared to the previous year. Similar to interest-earning assets, this was mainly due to the increase in volume of savings accounts and time deposits, although it was also influenced by the increase in deposit rates. The average nominal interest rate paid on savings accounts rose from 4.4% in 2003 to 4.7% in 2004, and the CD's rate increased 40 basis points, reaching 6.3% in 2004, as compared to 5.9% in 2003. Even though 2004 and 2003 were both marked by high market liquidity, competition in the market generated an increase in deposit rates and the resulting reduction in the net interest margin.

Upon making the differential analysis of the growth in interest expense associated with the increase in volume of deposits and the growth in interest expense associated with the increase in average interest rates, the outcome shows that 75% of the CD's interest increase was due to a growth in volume and only 25% was due to the growth in the average interest rate whereas for savings accounts the percentages were 78% and 22%, respectively. Upon analyzing the growth in total interest expense considering the increase in the average volume of interest-bearing liabilities and in the rates paid on their

different components, we found that 85% of the increase in interest expense was due to the growth in volume of deposits and only 15% was attributable to the increase in average interest rates.

NET INTEREST INCOME

As we mentioned above, the net interest income grew 19%, from Ps 919,742 million in 2003 to Ps 1,094,833 million in 2004. The foregoing, added to the variations seen in interest-earning assets, led to a stable result regarding the net interest margin that, calculated as the net interest income over the average volume of interest-earning assets for 2003 and 2004, shows a slight drop from 8.0% to 7.9%. BC's net interest income in 2003 increased 238.2% from Ps 271,961 million in 2002. This increase resulted in part from BC's efforts to improve the funding mix through an increase in low-cost deposits and an increase in interest-earnings assets. The nominal rate of return for interest-earning assets rose from 8.0% in 2002 to 12.2% in 2003. The nominal rate of return for interest-bearing liabilities decreased 0.9%, registering 5.0% in 2003, compared to 5.9% for 2002.

The growth observed in interest-earning assets and interest-bearing liabilities was 21% and 13%, respectively, as was explained in detail in the sections above. The share of interest-earning assets in total assets and in interest-bearing liabilities increased from 83% to 87% in the first case and from 120% to 128% in the second case, which favors the net interest margin in spite of the decrease seen in the loan portfolio average interest rate and in the investment portfolio average yield and the increase seen in deposit rates, which were explained in detail above.

Upon making a global analysis, we found that the nominal average interest-earning asset rate was 12.1% for 2004, remaining quite stable as compared to 2003 when it was 12.2%. Also, the nominal average interest-bearing liabilities rate was 5.4% for 2004, increasing as compared to 5.0% for 2003.

As a result of these variations in volumes and rates, and as was explained in detail in the corresponding sections, there was a growth of 20% in interest income from 2003 to 2004, as compared to a growth of 21.9% in interest expenses. The growth in income was related to the effect of the increase in volume of loans and was limited by the effect of the drop in the average nominal loan portfolio rate and the average nominal investment portfolio yield. In addition, 85% of the interest expense growth is explained by the increase in the volume of interest-bearing liabilities and the remaining 15% growth was due to the increase in deposit interest rates. Therefore, there is net interest growth of 19%, which combined with the growth of 20% recorded in interest-earning assets returns a net interest margin in 2004 almost identical to the one obtained in 2003.

Average Nominal
Interest Rate and
Net Interest Margin
1999 - 2004

[LINE GRAPH]

Average Nominal
Interest Rate and
Net Interest Margin

	1999	2000	2001	2002	2003	2004
Interest earning assets	20.2%	14.2%	11.7%	8.0%	12.2%	12.1%
Interest bearing liabilities	13.2%	8.6%	8.2%	5.9%	5.0%	5.4%
Net interest margin	6.7%	6.5%	4.7%	3.0%	8.0%	7.9%

The following table shows components of the Bank's consolidated net interest income before provisions for loan and accrued interest losses:

	YEAR ENDED DECEMBER 31,		
	2002	2003	
	(Ps million, except percentages)		
INTEREST INCOME:			
Loans	Ps 726,112	Ps 918,772	Ps
Investment securities	247	476,720	
Overnight funds	11,825	4,763	
TOTAL INTEREST INCOME	738,184	1,400,255	
INTEREST EXPENSE:			
Time deposits and checking accounts	273,253	261,533	
Savings deposits	106,825	113,968	
Borrowings from domestic development banks	49,317	58,456	
Interbank borrowings	9,404	5,293	
Amortized premium on investments	26,645	38,423	
Long-term debt	779	2,840	
TOTAL INTEREST EXPENSE	466,223	480,513	
NET INTEREST INCOME	Ps 271,961	Ps 919,742	Ps
Average nominal interest rates on loans	13.4%	13.1%	
Average nominal interest rates on time deposits	7.3%	5.9%	
Average nominal interest rates on savings deposits	4.9%	4.4%	

PROVISIONS FOR LOAN AND ACCRUED INTEREST LOSSES

The recovery of the Colombian economy was reflected in the payment behavior of borrowers during 2004. Due to the above, the provision for loan portfolio and accrued interest losses decreased 35.4%, from Ps 162,058 million in 2003 to Ps 104,632 million in 2004. Provisions for loan portfolio and accrued interest losses in 2003 increased 40.7% from Ps 115,154 million in 2002. This increase resulted mostly from the growth in the average volume of the loan portfolio, from Ps 5,401,872 million in 2002 to Ps 7,012,079 million in 2003, an increase of 30%.

During 2004, BC modified its policy for consumer and small business loans, for purposes of covering the greater risk levels determined during the

Credit Risk Manangement System ("SARC" "Sistema de Administracion de Riesgo Crediticio") implementation process. For a description of this process see Item 4. Information on the Company - E. Selected Statistical Information - E.4. Summary of Loan Loss Experience. This change led to a growth in the allowances for consumer and small business loans on the consolidated balance sheet of 80% and 105%, respectively. Allowances for loan portfolio losses on the consolidated balance sheet rose from Ps 387,263 million to Ps 434,378 million, representing a growth of 12% from 2003 to 2004.

Therefore, as of December 31, 2004, 61% of the Bank's past due loans were non-performing as compared to 63.7% as of December 31, 2003. The past due loans coverage reached 299% and the non-performing loans coverage was 491%.

Allowances for loans and accrued interest losses, as a percentage of the non-performing loans, were 515% in 2003, and 317% in 2002 mainly due to an increase in general provisions and improvement in the financial situations of our clients.

The allowances for loan losses under U.S. GAAP differ from those under Colombian GAAP. Under Colombian GAAP, an allowance for loan losses is created for each individual loan based on the risk classification system established by the Superintendency of Banking. Additionally, the Superintendency of Banking requires a general allowance of 1% of the total loans. This general reserve, not tied to any specific loans, is established to absorb losses inherent in the existing loan portfolio in future periods. Under U.S. GAAP, FASB Statement No. 114 established an individual test for impaired loans. This is measured based on the present value of expected future cash flows, market price or fair value of collateral, if the loan is collateral dependent. As of December 31, 2002, 2003 and 2004, the allowances for loan losses existing under Colombian GAAP were Ps 332,324 million, Ps 387,263 million and Ps 434,378 million, respectively, and the allowances that would have been required under U.S. GAAP were Ps 348,502 million, Ps 363,068 million and Ps 393,138 million, respectively.

OTHER OPERATING INCOME

BC's other operating income consists largely of fees and service charges. Fees include credit card merchant fees, credit and debit card annual fees, checking fees, warehouse and logistic services fees, commissions and fees from fiduciary activities and letters of credit. Service charges consist primarily of money transfer fees, remittances, bank acceptances and electronic services.

Net income from commissions and services increased 20.8% totaling Ps 402,344 million in 2004 as compared to Ps 333,025 million in 2003. This growth is the result of the Bank's strategy during 2004 to increase the use of electronic channels, as well as the Bank's positioning in the credit card market, including the expansion of the American Express franchise. Likewise, special emphasis was made on the money remittances market, a business with great potential given the ever-growing number of Colombians abroad. At December 31, 2004, 78.8% of the Bank's (unconsolidated) transactions were effected through distribution channels different from the branches.

Net income from commissions and services increased from Ps 292,308 million in 2002, to Ps 333,025 million in 2003, an increase of 14%.

Foreign exchange operations (including income from forward contracts), another component of operating income, also yielded gains in 2004, rising from Ps 49,751 million at December 31, 2003, to Ps 56,774 million at

December 31, 2004, an increase of 14%, whereas at December 31, 2002 their value was Ps 30,759 million.

Also, income from dividends mainly from BC investments in non-affiliate companies, Conavi S.A., Corfinsura S.A., and Proteccion S.A., totaled Ps 30,546 million at 2004, remaining stable as compared to 2003, year in which they had reached a total of Ps 30,734 million, which represented an increase of 57.7% from Ps 19,491 million as compared to 2002.

Income associated with financial leases registered another good year for the Bank. At December 31, 2004, leasing income totaled Ps 99,854 million, representing an increase of 69.9% as compared to Ps 58,774 million in 2003. BC affiliates, Bancolombia (Panama) S.A. and Leasing Colombia, provide financial leases to commercial customers, while Sufinanciamiento provides financial leases to consumers. Income from leasing operations increased 48% in 2003, from Ps 39,596 million at December 31, 2002. This increase was influenced by tax reforms (Law 863 of December 29, 2003) that provide an incentive for Colombian companies to enter into leasing contracts.

Commercial subsidiaries also provide revenue from the production and commercialization of agro-chemical fertilizers, load transportation, and royalties stemming from mining operations. In 2004, income from real sector subsidiaries amounted to Ps 78,973 million, increasing 3.3% as compared to Ps 76,446 million in 2003. Growth in the Colombian economy, which was 3.96% for 2004, directly influenced the results of these companies. Revenue from these operations showed a 45% increase during 2003 from Ps 52,759 million in 2002.

The following table summarizes the components of the Bank's other operating income for the last three fiscal years:

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
		(Ps million)	
OTHER OPERATING INCOME:			
Fees and service charges, net	Ps 292,308	Ps 333,025	Ps 402,344
Foreign exchange gain (loss), net	93,371	39,262	(90,706)
Dividend income (1)	19,491	30,734	30,546
Forward contracts gain (loss), net	(62,612)	10,489	147,480
Financial leases	39,596	58,774	99,854
Revenues from commercial subsidiaries	52,759	76,446	78,973
Gains on sales of investments, net	372,793	75,540	20,246
Other	21,271	50,377	44,257
TOTAL OTHER OPERATING INCOME	Ps 828,977	Ps 674,647	Ps 732,994

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(1) Income from dividends represents only the recognition of income from unconsolidated subsidiaries under Colombian GAAP.

OTHER OPERATING EXPENSES

In 2004, Bancolombia's operating expenses, including merger expenses, increased 7.7% from Ps 936,185 million as compared to Ps 869,350 million in 2003.

Expenses associated with employee salaries and company benefits were Ps 396,480 million in 2004, as compared to Ps 343,308 million in 2003. This variation was greatly due to the salary increase approved for 2004 and to the hiring of 554 additional employees. Salary expenditures rose during 2003 from Ps 286,307 million in 2002, which increase resulted largely from the complete amortization of the Bank's outstanding pension liability, increases in salaries and the hiring of 420 contract employees during 2003.

Administrative expenses and other expenses totaled Ps 451,095 million at 2004, which represents an increase of 12.0% as compared to Ps 402,685 million in 2003. During 2004, donations amounted to Ps 11,060 million, representing significant tax benefits for the Bank.

During 2004, the Bank's operating expenses increased 7.7%. This percentage is near the Colombian inflation rate for 2004.

The ratio of operating expenses over total average assets dropped from 6.3% in 2003 to 5.9% in 2004, and the ratio of operating expenses over operating income dropped from 54.5% in 2003 to 51.2% in 2004. Net income from fees and service charges over operating expenses (without including merger expenses and goodwill amortization) increased from 41% recorded in 2003 to 44% in 2004.

MERGER EXPENSES AND GOODWILL AMORTIZATION

BC completed its merger with Banco de Colombia S.A. on April 3, 1998. For each of fiscal years 2004 and 2003, the amortization of goodwill recorded in connection with the merger with Banco de Colombia S.A. totaled Ps 22,648 million. As of December 31, 2004, outstanding goodwill from the merger totaled Ps 73,607 million, which the Bank intends to continue to amortize at Ps 22,648 million each year for the next four years. In 2003, BC amortized Ps 29,627 million of goodwill related to the acquisition of Sufinanciamiento S.A. BC also amortized Ps 6,721 million of the goodwill derived from its increased investment in Fiducolombia S.A.

For year 2002, merger expenses and goodwill amortization totaled Ps 33,028 million.

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

	YEAR ENDED DECEMBER	
	2002	2003
		(Ps million)
OPERATING EXPENSES:		
Salaries and employee benefits	Ps 286,307	Ps 343,308
Severance benefits	29,575	22,959
Administrative and other expenses	362,495	402,685
Depreciation	34,444	40,625
Losses on sales of loans, net	9,952	-
Merger expenses	10,379	-
Goodwill amortization (1)	22,649	59,773

TOTAL OPERATING EXPENSES.....	Ps 755,801	Ps 869,350

(1) As of December 31, 2003, included the amortization of the goodwill derived from: merger with Banco de Colombia, the acquisition of Sufinanciamiento and the increase in the participation on Fiducolombia.

NON-OPERATING INCOME (EXPENSES)

Non-operating income includes recovered written-off loans, as well as the recovery of provisions for foreclosed assets; property, plant and equipment, and other assets. It also includes gains from the sale of foreclosed assets, real estate, and other assets.

Net non-operating income for 2004 totaled Ps 71,853 million, growing 91% as compared to Ps 37,600 million in 2003. This increase is due to a significant volume of recovered written-off loans that showed growth of nearly 55%. In addition, by donating fixed assets and foreclosed assets, the provisions associated with such assets and goods were recovered.

For 2003, net non-operating income decreased 53% from Ps 79,787 million for 2002, which was partially explained by the improvement in the Colombian economy, which allowed the Bank's loan portfolio quality to improve and led to the receipt by the Bank of fewer foreclosed assets.

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

	YEAR ENDED DECEMBER 3	
	2002	2003
		(Ps million)
NON-OPERATING INCOME (EXPENSES):		
Other income.....	Ps 131,026	Ps 83,041
Other expenses.....	(51,239)	(45,441)
TOTAL NON-OPERATING INCOME (EXPENSES), NET.....	Ps 79,787	Ps 37,600

INCOME TAX EXPENSES

Income tax for 2004 represented Ps 238,810 million as compared to Ps 62,635 million in 2003. Due to the expiration of BC's tax credit, income tax for 2004 was calculated based on net taxable income, different from past years when it was calculated based on presumed income. In 2003, BC's income tax increased 47% over Ps 42,618 million in 2002. This increase resulted primarily from BC's higher taxable fiscal income and higher shareholders' equity, which form the basis for computing Colombia's income tax and presumed income tax, respectively.

Law 788 of 2002 established a surcharge tax that increased the income tax rate for corporations from 35% to 38.5%. This surcharge tax, however, did not apply to those corporations that had been accepted in the "Tax Stability Regime" established by the Colombian government. Bancolombia and Leasing

Colombia are under this regime for ten years beginning on January 2001. Fiducolombia and Colcorp have requested to be included in the regime of tax stability, but a definite decision has not been given yet.

Pursuant to the "Tax Stability Regime", Bancolombia and Leasing Colombia agreed to be taxed at a total income tax rate of 37% beginning on January 1, 2001 (2% higher than the prevailing income tax rate at that time), in exchange for exemption from increases in the income tax rate and from any other new taxes until December 31, 2010. As a result, these companies currently benefit from a 37% income tax rate, rather than the 38.5% rate generally applicable to other corporations.

NET INCOME INFORMATION UNDER U.S. GAAP

The Financial Statements included elsewhere in this Annual Report have been prepared in accordance with Colombian GAAP, which differs in certain significant respects from U.S. GAAP. The principal differences between U.S. and Colombian GAAP that affect net income include the methods of accounting for income taxes, employee benefit plans, loan origination fees and costs, business combinations and allowances for loan losses. For a summary of the most significant adjustments required to calculate net income under U.S. GAAP, see Note 33 to the Financial Statements.

A.2. IMPACT OF ECONOMIC, FISCAL AND MONETARY POLICIES OR POLITICAL FACTORS IN BANCOLOMBIA'S RESULTS

Bancolombia's operations are affected by factors such as the growth of the Colombian economy, the dynamics of the lending business, the Central Bank's monetary policy measures, domestic price levels, exchange rate evolution, the nature of the fiscal policy, the behavior of external markets and competition with other financial institutions.

ECONOMIC GROWTH AND FINANCIAL SECTOR DYNAMICS

The Colombian economy and the financial system have grown dynamically in recent years and their recovery has strengthened in 2004. From January to December 2004, the economy grew 3.96% in annual terms and the financial sector grew 9.24%. The financial sector is greatly influenced by the dynamics of the economy. High rates of economic growth produce better results in the various categories included in credit institutions' statements of operations: there are more credits granted and more commissions, fewer past due loans and, therefore, less need to increase provisions on BC's balance sheet. As a result, BC earns more profits and maintains better financial indicators.

At the end of the 1990s, the economic crisis negatively influenced financial institutions, resulting in higher reported losses. This led to a series of measures in the following years, to counterattack the crisis. Such measures, along with improvements in macroeconomic indicators, permitted greater stability in Colombia's financial sector in recent years.

Future prospects for the financial sector as a whole, and for Bancolombia specifically, will depend on regulatory and legal changes, including those that result from the globalization of financial services, privatizations, and continued economic growth, which will depend in part on the conclusion of government initiatives regarding tax and pension reform as well as other factors listed in the following chart:

FAVORABLE FACTORS FOR THE COLOMBIAN ECONOMY - MID-TERM	UNFAVORABLE FACTORS FOR THE COLOMBIAN ECONOMY - MID-TERM
- Policies supporting macroeconomic stabilization	- Higher unemployment expectations due to fiscal adjustments
- Achievements in democratic security	- Reduction of proven oil reserves
- Greater confidence in the economy	- New tax burdens to cover the fiscal deficit
- Growth of aggregate demand	- A modified value added tax (VAT)
- Higher perspectives of financial services levels as a percentage of GDP	- Increases in foreign interest rates
- Low interest rates	- Expectations regarding the Presidential re-election
- Greater use of installed capacity	
- Increased exports to the United States and Venezuela	
- Positive foreign demand for non-traditional products	

There is no guarantee of sustained economic growth, and new fiscal restrictions could result in a reduction in demand and slow the rate of economic growth. Such events could negatively affect BC's results.

CENTRAL BANK MONETARY POLICY MEASURES

The Central Bank has aided Colombia's economic recovery by successfully preserving appropriate interest rate levels. In general, it appears the Central Bank has successfully met its proposed goals for applying the monetary policy.

Nominal interest rates are at levels that do not cause monetary instability or inflationary pressures, at near 7.6%. Also, the real interest rate in 2004 reached a level of 1.69%. We expect the rates to remain stable, preserving macroeconomic balance.

The stable monetary policies have permitted BC greater flexibility, with current interest rates producing sufficient liquidity to reduce the cost of funding resources. However, there is no guarantee that the expansionary monetary policy will continue, and if interest rates increase, BC's results will be affected by higher funding costs.

DOMESTIC PRICE LEVELS

The inflation rate was low in 2004, closing the year at 5.5%, within the range projected by the Central Bank (5% to 6%). We expect that a similar inflation rate will continue during 2005. As a result of low inflation and low interest rates, increased economic activity and good financial performance (including good performance by BC) can be expected. A variation in the inflation rate could generate increases or decreases in returns on the loan portfolio as they relate to interest rates and, therefore, this could affect the Bank's statements of operations.

EXCHANGE RATE EVOLUTION

The real exchange rate index remains above 117 in 2004. It was above 135 in 2003. Such levels strengthen the preferred trade exchange with the ATPDEA

(Andean Trade Promotion and Drug Eradication Act), promote the negotiation of bilateral agreements, such as the FTA (Free Trade Agreement) with the United States, and promote some advantages in our participation in AFTA (America's Free Trade Agreement) in 2006. It is believed controlling inflation in Colombia is Colombia's best instrument for competitiveness. Exchange rate volatility could affect BC's business in U.S. dollars, that represent about 9.9% of its total assets.

NATURE OF FISCAL POLICY

One of the difficulties that Colombia has faced in recent years has been financing the public sector budget. The CPS (Consolidated Public Sector) deficit rose to nearly 2.7% of the GDP in 2003; however, it dropped to around 1.2% of the GDP in 2004, and is estimated at 2.5% of the GDP for 2005. This situation goes hand in hand with high levels of external and internal indebtedness.

To help manage the internal indebtedness, the Colombian financial system became the main buyer of Colombian Treasury bonds (TES). BC is the largest holder of Colombian public debt. As a result, there could be a risk of significant exposure for credit institutions holding such kind of securities including Bancolombia.

In order to manage the non-financial sector deficit, the Government has initiated structural reforms (tax and pension) aimed at relieving its budget imbalances. Continuous tax increases are a factor that does not favor dynamic growth because it adversely affects demand.

The recent tax reform effective as of January 1, 2004, included an increase in the tax on financial transactions from 2004 to 2007 from 0.3% to 0.4%. For the financial sector, this implies alterations that will have damaging effects, such as: increasing reliance on cash given the financial costs that the tax implies, increasing demand on cash resources for financial institutions, less use of checks in the economy, reducing the use of electronic services at the Central Bank and surcharges on funding, among others.

As BC is protected by the tax stability regime, it is not subject to any national level tax created since the year 2001, such as the financial transaction tax over it is own transactions, as well as the 0.3% tax on equity. See Item 5. Operating and Financial Review and Prospects - A. Operating Results - A.1. General Discussion of the Changes in Results - Income Tax Expenses.

EXTERNAL MARKET BEHAVIOR

For the Colombian economy, during the year 2004, foreign trade was a source of opportunities to strengthen economic growth through agreements such as the ATPDEA (Andean Trade Promotion and Drug Eradication Act) now in force and the FTA (Free Trade Agreement) with the United States being negotiated, as well as through the AFTA (America's Free Trade Agreement) with the United States that will enter into effect in 2006. Likewise, the support given by multilateral lending institutions, the IMF and the IADB (Inter-American Development Bank), and also by countries such as the United States, has been and will continue to be of great importance. BC may benefit from this support as it offers a broad array of products that facilitate the export process.

Moreover, the ever increasing remittances (transfers of foreign currency from Colombians abroad to Colombians in Colombia) have surpassed export levels of traditional products such as coffee. Based on IADB estimates, in 2004, remittances will represent nearly US$ 4,460 billion, as compared with US$ 3,145

billion in 2003 and nearly US$2,770 billion in 2002. BC may increase its market share in the remittance market by broadening its remittance receiving channels.

COMPETITION FROM OTHER FINANCIAL INSTITUTIONS

The Colombian financial market is highly competitive. In the past decade, Colombian banking has been re-shaped as a result of market deregulation, growing consumption and the introduction of international competitors. The above situation has led to a greater degree of financial system consolidation, which we believe will continue in upcoming years. This consolidation will in turn lead to the creation of larger institutions that are expected to generate economies of scale.

Increased competitiveness and industry consolidation could affect BC's market share.

Bancolombia's results and, more specifically, ADR prices will depend on developments affecting each of the factors described above.

B. LIQUIDITY AND CAPITAL RESOURCES

B.1. LIQUIDITY AND FUNDING

The Central Bank establishes reserve requirements that determine the minimum amount of liquidity for Colombian banks. In order to meet its own working capital needs, to honor withdrawals of deposits, to make payments upon maturity of liabilities, and to extend loans, we maintain a proper balance between maturity distribution and diversity of funding sources.

Interest rate volatility and political uncertainty in the Colombian financial system have led investors to prefer short-term investments, making medium and long-term financing harder to acquire. BC's deposit base is short-term, but its stable nature has enabled BC to offer longer-term loans with a wider margin. We believe that longer term funding will soon become more available and will enable financial institutions to minimize liquidity risks. We believe that our working capital is sufficient for present requirements. For additional information about risk management see Item 11. Quantitative and Qualitative Disclosures about Market Risk.

BC maintained a short-term negative gap during 2004 and also 2003 in terms of maturities. Checking and savings accounts and time deposits are our most important sources of funding.

However, we have different sources of liquidity, including short-term and trading investments, borrowings from domestic development banks, interbank borrowing and securities repurchase transactions, overnight funds and access to funds from the Central Bank, all of which were used from time to time on a short-term basis.

The following chart shows checking, time deposits and saving deposits as a percentage of BC's overall deposits for the years, 2002, 2003 and 2004:

	2002	2003	2004
Checking deposits	25.4%	28.0%	26.8%

Time deposits	34.0%	33.4%	30.7%
Saving deposits	22.6%	18.3%	24.9%

BC relies primarily on short-term deposits for its funding but manages its risk and maintains reserves with the intention, although not the guarantee, that in the case of a sudden shortage of funds in the Colombian banking system and money markets, BC will be able to maintain its levels of funding while minimizing funding costs and avoiding liquidation of assets.

As part of the Bank's strategy to acquire longer-term financing, on February 11, 2004, Bancolombia issued ordinary bonds totaling Ps 400 billion in the Colombian market. The bonds were offered in Colombia and are registered with the Colombian Stock Exchange. As of December 31, 2004 the aggregate face value of bonds issued by the Bank was Ps 552,531 million. For further information see note 20 in the Consolidated Financial Statements.

As a result of this offering, Bancolombia has improved its liability structure by extending the duration of its liabilities. This provides the Bank with greater liquidity to fund its long-term loans, reducing reliance on short-term borrowings and thus reducing risk. The Bank may intend to continue and increase the use of this type of funding in the future.

Cash flows for the Bank include net cash provided for operating activities, net cash used in investing activities and net cash provided by financing activities. The following table shows those flows for the years ended December 31, 2002, 2003 and 2004:

Ps million	2002	2003	2004
Operating Activities	Ps 546,935	Ps 602,124	Ps 572,772
Investing activities	(2,315,976)	(1,986,064)	(2,114,804)
Financing activities	1,906,651	1,979,312	1,344,931

In the event that the Bank has a liquidity shortfall, it might be required to sell assets at a discount rate in order to increase liquidity. The Bank manages this risk by analyzing the maturity of its assets and liabilities. In addition, Management believes that the relative high volume and quality of net liquid assets is sufficient to maintain the Bank's liquidity and its ability to comply with its commitments when due. However, no assurance can be given that, in the event of a liquidity shortfall, BC would not be required to sell assets at a discount rate.

AS OF DECEMBER 31,			
2002	% OF TOTAL FUNDING	2003	% OF TOTAL FUNDING
(Ps million, except percentages)			

CHECKING DEPOSITS					
Peso-denominated.....	Ps 2,083,931	19.7%	Ps 2,536,169	20.0%	Ps
Dollar-denominated.....	607,462	5.7%	1,010,023	8.0%	
Total.....	2,691,393	25.4%	3,546,192	28.0%	
TIME DEPOSITS					
Peso-denominated.....	1,959,190	18.5%	2,432,245	19.2%	
Dollar-denominated.....	1,644,276	15.5%	1,805,100	14.2%	
Total.....	3,603,466	34.0%	4,237,345	33.4%	
SAVINGS DEPOSITS					
Peso-denominated.....	2,294,374	21.6%	2,184,902	17.2%	
Dollar-denominated.....	104,352	1.0%	136,840	1.1%	
Total.....	2,398,726	22.6%	2,321,742	18.3%	
OTHER DEPOSITS					
Peso-denominated.....	64,581	0.6%	69,403	0.5%	
Dollar-denominated.....	29,992	0.3%	57,315	0.5%	
Total.....	94,573	0.9%	126,718	1.0%	
INTERBANK BORROWINGS					
Peso-denominated.....	-	0.0%	-	0.0%	
Dollar-denominated.....	403,962	3.8%	456,059	3.6%	
Total.....	403,962	3.8%	456,059	3.6%	
OVERNIGHT FUNDS					
Peso-denominated.....	550,807	5.2%	1,118,139	8.8%	
Dollar-denominated.....	59,351	0.6%	-	0.0%	
Total.....	610,158	5.8%	1,118,139	8.8%	
DOMESTIC DEVELOPMENT BANK BORROWINGS					
Peso-denominated.....	673,654	6.3%	737,417	5.8%	
Dollar-denominated.....	39,399	0.4%	18,119	0.2%	
Total.....	713,053	6.7%	755,536	6.0%	
BANK ACCEPTANCES OUTSTANDING					
Peso-denominated.....	3,456	0.0%	8,304	0.1%	
Dollar-denominated.....	27,594	0.3%	27,529	0.2%	
Total.....	31,050	0.3%	35,833	0.3%	
LONG TERM DEBT					
Peso-denominated.....	62,782	0.6%	71,818	0.6%	
Dollar-denominated.....	-	0.0%	-	0.0%	
Total.....	62,782	0.6%	71,818	0.6%	
TOTAL FUNDING					
Peso-denominated.....	7,692,775	72.5%	9,158,397	72.2%	1
Dollar-denominated.....	2,916,388	27.5%	3,510,985	27.8%	
Total.....	Ps10,609,163	100.0%	Ps12,669,382	100.0%	Ps1

B.2. FINANCIAL INSTRUMENTS AND TREASURY ACTIVITIES

The Treasury Division, through its currency desks, is able to make all operations in local or foreign currency legally authorized in Colombia. These include derivative operations, purchase and sale of fixed income securities, and securities indexed to a rate or index, operations with agreements of repurchase or resale, short sales, temporary securities transfers, simultaneous operations, and operations on the foreign exchange market.

Among the Treasury Division's liquidity controls, is the daily verification that the difference between the interbank asset funds and the interbank liability funds does not exceed 7.5% of the sum of deposits, credits from banks and other financial liabilities and obligations.

According to limits set by the Board of Directors, the sum of repurchase commitments and interbank borrowings with financial entities must not exceed 10% of the Bank's total liabilities.

With regard to investments in local and foreign currency, the Division must verify the availability of funds for investment as well as each investment's compatibility with the Bank's liquidity structure before taking any additional positions.

Investments in local and foreign currencies are kept in electronic custody by local custody providers (Deposito Centralizado de Valores - Deceval). Foreign securities are kept in the custody of Clearstream Bank.

The Treasury Division has to comply with investment limits which are calculated as percentage of technical capital (TC) of the Bank according to the following classification:

CONCEPT	LIMIT %
Negotiable investments, local currency	180%
Available investments for sale, local currency	100%
Investments through due date, local currency	100%
Negotiable investments, foreign currency	50%
Investments available for sale, foreign currency	50%
Investments through due date, foreign currency	50%

The local currency portfolio is divided into public debt, primarily local treasury securities issued at a fixed rate or at a floating rate indexed to inflation (TES UVR), and private debt, securities issued at a fixed rate or at a floating rate indexed to DTF or CPI.

The foreign currency portfolio is made up of fixed rate bonds issued by the Republic of Colombia and denominated in U.S. dollars and in Euros, although BC is not exposed to fluctuations in the exchange rates of these currencies, as it enters into forward sale agreements with terms of 180 and 360 days. Generally, the maximum maturity term of the securities is 10 years, nevertheless there is a duration close to 2 years.

Additionally, the Bank trades foreign exchange forward agreements with two main purposes:

- To protect against foreign exchange rate volatility in its foreign exchange position (cash and investment portfolio).

- As a speculative position through which, by selling and buying forward agreements, the Bank takes advantage of market opportunities.

In the foreign subsidiaries, the investment portfolio is held in dollars and comprises fixed rate investments and floating rate investments, such as those indexed to the Libor rate. With regard to the management of issuers, the foreign subsidiaries manage Latin American issuers for which an individual credit study has been made according to the methodology defined in the Bank's Treasury Division guidelines. Bancolombia's investment policies do not include restrictions regarding the maturity of the securities held in the portfolio, but do include a target duration for the entire portfolio instead.

The Bank's investment portfolio includes among its assets credit linked notes (CLN's) which are bought to take advantage of market opportunities. Through the use of these instruments, BC sells credit protection against Colombian Sovereign risk.

B.3. COMMITMENT FOR CAPITAL EXPENDITURES

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

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

BC is not dependent on research and development of patents or licenses.

D. TREND INFORMATION

ECONOMIC TRENDS

The main Colombian economic variables evolved in a positive manner during 2004, in an environment of strengthened confidence as a result of the actions taken by the Government, and the commitment shown by entrepreneurs and the external sector. Such evolution allows us to foresee a positive economic behavior for 2005.

In 2004, GDP grew 3.96% and inflation increased 5.5%. At the same time, we saw a recovery in the unemployment rate, as it fell to 12.1% at December 31, 2004. In addition to the above, interest rates remained low and stable, enabling favorable results in the financial sector. The real exchange rate stayed at competitive levels despite the nominal revaluation of 13.98%.

The Colombian political environment is stable. The main Government directives in respect of fiscal austerity and democratic security in recent years have been clear and have contributed to economic agents having favorable expectations. However, the greatest risk is on the fiscal front, given the level of deficit and of public indebtedness. In the near future, we expect Congress to consolidate and approve structural reforms, such as the pension and tax reforms, which will contribute to strengthening better expectations.

The results of Colombia's foreign trade and international economic relations were positive during 2004. The trade agreements in force and to be finalized (such as the FTA with the United States) will have an important impact on growth. Also, the political and economic situation of some of Colombia's trade partners should not be risky for Colombian interests, though we cannot discard all possible risks.

During the first months of 2005, the economy in general has maintained the trend seen in 2004 of positive expectations for economic growth, with low prices, stable interest rates and decreased unemployment. In the political environment, the President maintains a high approval rating, which stimulates foreign investment and encourages a good environment for sustaining economic growth. Also, the Democratic Security Policy has shown positive results, reflected by a decrease in violence indexes, thus generating incentives for investment. In the short term, we do not foresee alterations to the foreign policy which would affect national stability.

BC's net income amounted to Ps 127.7 billion during the quarter ended March 31, 2005, as compared to net income of Ps 124.0 billion for the first quarter of 2004.

Net interest income decreased to Ps 294.6 billion for the quarter ended March 31, 2005, as compared to Ps 318.5 billion for the first quarter of 2004, even though interest on loans increased to Ps 315.6 billion as of March 31, 2005 and interest on investment securities reached Ps 111.3 billion.

Provisions for loan and interest losses amounted to Ps 32.2 billion for the quarter ended March 31, 2005, increasing 46.2% as compared to Ps 22.0 billion for the first quarter of 2004. Net fees and net services charges increased to Ps 112.9 billion during the first quarter of 2005, which represents an increase of 14.3% as compared to Ps 98.8 billion for the first quarter of 2004.

Operating expenses amounted to Ps 244.9 billion for the first quarter of 2005, which represents an increase of 10.6% compared to Ps 221.4 billion for the quarter ended March 31, 2004.

BC's total assets increased 18.0% over the year to Ps 18,218 billion as of March 31, 2005 from Ps 15,442 billion as of March 31, 2004. Net loans increased 27.8% over the year to Ps 10,159 billion from Ps 7,949 billion as of March 31, 2004. The investment securities amounted to Ps 10,159 billion as of March 31, 2005 increasing 4.6% as compared to Ps 5,082 billion as of March 31, 2004. As of March 31, 2005 the investment in debt securities accounted for 94.5% of total investment securities.

Stockholders' equity totaled Ps 1,983 billion at the end of the first quarter of 2005, increasing 17.2% compared to Ps 1,692 billion for the first quarter of 2004.

As to efficiency indicators, operating expenses over total assets dropped from 6.5% to 6.1% from March 31, 2004 to March 31, 2005, whereas operating expenses over net operating income, without including provisions and calculated on a yearly accrual until March, rose from 48.4% to 53.9% from March 31, 2004 to March 31, 2005. The loan portfolio quality dropped from 1.8% to 1.7%, and the loan portfolio and interest provisions over past due loans dropped from 291.5% to 254.7% during the March 2004 - March 2005 period.

On February 28, 2005, Bancolombia entered into a merger agreement

with Conavi and Corfinsura, whereby the parties agreed to merge Conavi and Corfinsura with and into Bancolombia, with the Bank as surviving entity. The Merger will take place after Corfinsura has spun-off part of its investment portfolio, which will be transferred to a new entity formed by the shareholders of Corfinsura.

On March 28, 2005, the General Shareholders' Meetings of Bancolombia, Conavi and Corfinsura approved the Merger Agreement.

For more information on the Merger please refer to Item 4. Information on the Company - A. History and Development of the Company - Recent Developments.

Since April 1, 2005, a new model for setting discount rates for merchants accepting payments for sales using Visa and MasterCard debit and credit cards went into effect in Colombia. Under this new scheme, the discount rate is determined directly by the acquiring bank, and not by the card franchises as it was before. The reason behind this change is for these fees to be determined based on the financial services each applicable bank provides and on each merchant demand for accepting cards, using objective criteria for setting each discount rate.

This change is intended to increase competition in the market for credit card services; therefore, discount fees are expected to drop after reviewing the total client - bank commercial relationship , including the above-mentioned discount rates. This expected trend could have a negative impact on the evolution of the Bank's revenues for this service. However, the change is also intended to help develop the payment industry in Colombia, increasing card holder consumption in Colombian merchants and the number of transactions made, as well as increasing the number of market segments and merchants accepting debit and credit cards as a means of payment.

E. OFF-BALANCE SHEET ARRANGEMENTS

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

In order to meet the needs of its customers, BC issues financial standby letters of credit and bank guarantees. At December 31, 2002, 2003 and 2004, outstanding letters of credits and bank guarantees issued by BC totaled Ps 429,361 million, Ps 692,795 million and Ps 559,018 million, respectively.

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

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

The table below summarizes at December 31, 2003 and 2004 all of BC's guarantees where the Bank is the guarantor. The maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collateral held or pledged. Such amounts bear no relationship to the anticipated losses on these guarantees and greatly exceed anticipated losses.

	EXPIRE WITHIN ONE YEAR		EXPIRE AFTER ONE YEAR		TOTAL AMOUNT OUTSTANDIN	
	2003	2004	2003	2004	2003	2004
Financial standby letters of credit	Ps 384,995	Ps 402,969	Ps 842	Ps 18,674	Ps 385,837	Ps 421,64
Bank guarantees	212,557	69,104	94,401	68,271	306,958	137,37
TOTAL	Ps 597,552	Ps 472,073	Ps 95,243	Ps 86,945	Ps 692,795	Ps 559,01

As of December 31, 2004, the bank held Ps 3.7 billion of securities issued by the Republic of Colombia that exceeded 10% of the Bank's shareholders' equity.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table shows BC's known contractual obligations as of December 31, 2004:

CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3 YE
			(Ps millions)	
Long-term debt obligations	Ps 552,531	Ps 124,966	Ps 236,863	Ps 1
Time deposits	4,361,206	3,565,042	707,672	
Commitments to originate loans	17,824	17,824	-	
Commitments of repurchase of investments	559,494	559,494	-	
Capital (finance) leases obligations	217	100	117	
Employee benefit plans (1)	86,353	11,443	24,367	
TOTAL	Ps 5,577,625	Ps4,278,869	Ps 969,019	Ps 2

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(1) In 2003, the Bank amortized the total actuarial calculation.

G. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

EVALUATION OF LOAN PORTFOLIO RISK AND DETERMINATION OF ALLOWANCES FOR LOAN LOSSES: BC currently evaluates loan portfolio risk according to the rules issued by the Superintendency of Banking, which establish qualitative and quantitative standards for assigning a risk category to individual assets. The

qualitative analysis includes the evaluation of "potential weaknesses," "deficiencies" or "serious deficiencies" based on the existence and magnitude of the specific factors, according to the judgment of management. For the quantitative evaluation, the Bank first determines whether the loan has become due and then classifies the loan according to the number of days past due.

The Superintendency of Banking requires minimum allowance levels for each category of credit risk and each type of loan in the Bank's portfolio. In addition, the Superintendency of Banking requires BC to maintain a general allowance equal to 1% of the gross loan portfolio.

BC considers that the accounting estimates used in the methodology to determine the allowance for loans losses are "critical accounting estimates" because: (a) by its nature, the allowance requires us to make judgments and assumptions regarding our loan portfolio, (b) the methodology used in its determination is based on the existence and magnitude of determined factors that are not necessarily an indication of future losses and (c) the amount of the provision is set using a percentage based on the risk category assigned to the loan and it is impossible to ensure that said percentage will exactly reflect the probability of loss.

CONTINGENT LIABILITIES: We are subject to contingent liabilities, including judicial, regulatory and arbitration proceedings and tax and other claims arising from the conduct of our business activities. Allowances are established for legal and other claims by assessing the likelihood of the loss actually occurring as possible, probable or remote. The contingency is recorded as a provision when all the information available indicates that it is probable that we will incur in future disbursements for events that happened before the balance sheet date and the amounts may be reasonably estimated. We involve internal and external experts in assessing probability and in estimating any amounts involved.

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

BC considers that the estimates used to determine the allowance for contingent liabilities are "critical accounting estimates" because the probability of their occurrence is based on our attorneys' judgment, which will not necessarily coincide with the future outcome of the proceedings.

PENSION PLAN: The Bank and its Subsidiaries Almacenar S.A. and Abocol apply the provisions of Decree 1517 of 1998, which requires a distribution of charges to amortize the actuarial calculation by 2010. The distribution is calculated by taking the percentage amortized up to December 1997 and annually adding the minimum percentages needed to complete amortization by 2010. Under the Bank's noncontributory unfunded defined benefit pension plan, benefits are based on length of service and level of compensation.

BC considers that the accounting estimates related to its pension plan are "critical accounting estimates" because the determination of the contributions to the plan involves judgments and assumptions made by the actuaries related to the future macroeconomic and employees demographics factors, among others.

H. RECENT U.S. GAAP PRONOUNCEMENTS

In December 2004, the FASB revised Statement No. 123, Accounting for

Stock-Based Compensation. This Statement supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This Statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, Employers' Accounting for Employee Stock Ownership Plans. The Bank evaluated the impact of applying FASB Statement 123 (R), and determined it will have no impact on net income or stockholders' equity.

In December 2004, the FASB issued Statement No. 153, Exchanges of Non-monetary Assets -an amendment of APB Opinion No. 29. The guidance in APB Opinion No. 29, Accounting for Non-monetary Transactions, is based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This Statement amends Opinion 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. The Bank does not anticipate that the adoption of FASB Statement 153 will have a material impact on its financial position, cash flow and results of operations.

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In December 2004, the FASB issued Statement No. 152, Accounting for Real Estate Time-Sharing Transactions -an amendment of FASB Statements No. 66 and 67. This Statement amends FASB Statement No. 66, Accounting for Sales of Real Estate, to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position (SOP) 04-2, Accounting for Real Estate Time-Sharing Transactions. This Statement also amends FASB Statement No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects, to state that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and costs is subject to the guidance in SOP 04-2. This Statement is effective for financial statements for fiscal years beginning after June 15, 2005. FASB Statement 152 will have no impact on the Bank's net income or stockholders' equity.

In April 2004, the FASB issued FSP No. FAS 129-1, Disclosure Requirements under FASB Statement No. 129, Disclosure of Information about Capital Structure, Relating to Contingently Convertible Securities. Statement 129 applies to all contingently convertible securities, including those containing contingent conversion requirements that have not been met and are not otherwise required to be included in the computation of diluted EPS in accordance with FASB Statement No. 128, Earnings per Share. To comply with paragraph 4 of Statement 129, the significant terms of the conversion features of the contingently convertible security should be disclosed to enable users of financial statements to understand the circumstances of the contingency and the potential impact of conversion. This Statement may have an impact if the Bank issues contingently convertible securities.

In December 2003, the AICPA issued Statement of Position 03-3 ("SOP 03-3"), Accounting for Certain Loans or Debt Securities Acquired in a Transfer. SOP 03-3 provides guidance on the accounting for differences between contractual and expected cash flows from the purchaser's initial investment in loans or debt

securities acquired in a transfer, if those differences are attributable, at least in part, to credit quality. Among other things, SOP 03-3: (1) prohibits the recognition of the excess of contractual cash flows over expected cash flows as an adjustment of yield, loss accrual or valuation allowance at the time of purchase; (2) requires that subsequent increases in expected cash flows be recognized prospectively through an adjustment of yield; and (3) requires that subsequent decreases in expected cash flows be recognized as an impairment. In addition, SOP 03-3 prohibits the creation or carrying over of a valuation allowance in the initial accounting of all loans within its scope that are acquired in a transfer. SOP 03-3 becomes effective for loans or debt securities acquired in fiscal years beginning after December 15, 2004. The Bank is evaluating the impacts of the SOP 03-3.

I. RELATED PARTY TRANSACTIONS

See Item 7. Major Shareholders and Related Party Transactions - B. Related Party Transactions.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

On December 31, 2004, the following persons acted as current directors, alternate directors and senior management of BC:

DIRECTORS

Juan Camilo Ochoa Restrepo was born in 1939. He is the President of Suramericana de Inversiones S.A. Previously, he was President of Corfinsura S.A. from 2000 to March 2004 and Manager of Compania de Investigaciones Economicas Prospeccion S.A. from 1990 to 2000. He was Associate Professor in the Mathematics and Economics Departments of the Mines Faculty of the Universidad Nacional of Colombia from 1969 to 1973 and from 1978 to 1990, and Teaching and Research Assistant in the Mathematics and Education Departments of the University of California, Berkley, USA from 1973 to 1977. He also worked in the Economics Research Department of the National Industrial Association (Asociacion Nacional de Industriales "ANDI") from 1966 to 1969. Mr. Ochoa Restrepo worked as Design Engineer in the Engineering Department of Integral Ltda. from 1963 to 1966.

Mr. Ochoa Restrepo is the President of the Board of Directors of Bancolombia S.A. and is a member of the Board of Directors of Inversura S.A., Compania de Cementos Argos S.A., Inversiones Nacional de Chocolates S.A., Smurfit Carton de Colombia S.A., Tipiel S.A. and Vidrio Andino S.A.

Carlos Enrique Piedrahita Arocha was born in 1954. He has been the President of Compania Nacional de Chocolates S.A. since 2000 and President of Inversiones Nacional de Chocolates S.A. since 2003. He was President of Banco Corfinsura Internacional Inc. (Puerto Rico) from 1998 to 2000, President of Corfinsura (Corporacion Financiera Nacional y Suramericana S.A.) from 1993 to 2000, Vice President of Finance of Compania Suramericana de Seguros S.A. from 1989 to 1993, Vice President of personal banking of Banco Industrial Colombiano from 1986 to 1989, National Manager of Credit Cards of Banco Industrial Colombiano from 1984 to 1986, and General Manager of Suleasing S.A. from 1981 to 1984.

Mr. Piedrahita Arocha is a member of the Board of Directors of Suramericana de Inversiones S.A., Compania de Cemento Argos S.A., Corfinsura S.A., Inveralimenticias S.A. and Fogafin. He is also a member of the Board of

Directors of the following civic associations: Hospital San Vicente de Paul, Corporacion de Investigaciones Biologicas CIB, Proantioquia and Consejo Empresario de America Latina.

Jose Alberto Velez Cadavid was born in 1950. He assumed the Presidency of Compania de Cemento Argos S.A. since November 2003. Since 1984, he held several managerial positions at Suramericana de Seguros S.A., including Vice President of Marketing and Sales, Vice President of Investments, Vice President of Enterprise Development and President of Inversura S.A. and of Suramericana de Seguros S.A.

Mr. Velez Cadavid is also member of the Board of Directors of Suramericana de Inversiones S.A., Corfinsura S.A., Almacenes Exito S.A. and Cementos del Caribe S.A.

Gonzalo Alberto Perez Rojas was born in 1958. He is the President of Inversura S.A. He held different managerial positions at Compania Suramericana de Seguros since 1981, such as Vice President of Corporate Businesses and Vice President of Insurance and Capitalization.

Mr. Perez Rojas is also a member of the Board of Directors of Confecciones Colombia S.A., Corfinsura S.A., Interoceanica de Seguros S.A. (Republica de Panama) and ANDI. He is also Alternate Director of the Boards of Directors of Compania de Cementos Argos S.A., Compania Colombiana de Tabaco S.A. and Colombiana de Inversiones S.A.

Ricardo Sierra Moreno was born in 1951. He has been the President of Productora Distrihogar S.A. since 1989. Before he had held positions as Chief Financial Officer of Suramericana de Seguros S.A. from 1982 to 1989 and Regional Manager of Corporacion Financiera Suramericana S.A. Corfinsura from 1979 to 1982.

Mr. Sierra Moreno is also member of the Board of Directors of Corporacion Financiera Nacional y Suramericana S.A. Corfinsura, Industrias Alimenticias NOEL S.A., Compania de Empaques S.A. He is also a member of the ANDI's sectional board since 1992.

ALTERNATE DIRECTORS

Luis Mariano Sanin Echeverri was born in 1945. He has been the President of Fabricato Tejicodor S.A. since the year 2000. Previously he was President of Tejidos El Condor S.A. from 1996 to 2000, General Manager of Cryogas S.A. from 1984 to 1996, Technical Vice President of Corporacion Financiera Nacional from 1977 to 1984, Manager of Exportations and Planning of Pantex and Fabricato from 1973 to 1977. He also held positions at the ANDI from 1968 to 1969 and from 1971 to 1973.

Mr. Sanin Echeverri is member of the Board of Directors of Compania Colombiana de Tabaco S.A., Colombiana de Inversiones S.A, Industrias Estra S.A., Diagonal, Ascoltex, Inexmoda, Promotora de Hoteles S.A. and Fabrisedas.

Luis Alberto Zuleta Jaramillo was born in 1946. He is an economist and has worked as private consultant in Economics and Finance since 1986. He worked as a researcher at Fedesarrollo from 1987 to 1996 and from 1999 to 2004, First Director of Fondo de Garantias de Instituciones Financieras from 1985 to 1986 and SubManager of Development of the Central Bank from 1984 to 1985. He has also worked as consultant for different governmental institutions.

Mr. Zuleta Jaramillo is member of the Board of Directors of

Inversura S.A., Crystal S.A. and Fundacion Proninez.

German Botero Arango was born in 1948. He has been the General Manager of Cementos El Cairo S.A. since 1986. He is also the Vice President for corporate matters of Compania de Cementos Argos S.A. Previously he was the Director of the Colombian Institute of Cement Producers.

Mr. Botero Arango is member of the Board of Directors of Cementos del Valle S.A., Omya de Colombia S.A., Cementos Paz del Rio S.A., Suramericana de Inversiones S.A., ANDI, Colombo American Chamber of Commerce and National Parenthood Association "PROFAMILIA".

Federico Echavarria Restrepo was born in 1963. He is the General Manager of Chivor E.S.P. Previously he was General Manager of Merilectrica E.S.P. from 1997 to June 2004. He also was Vice President of Investment Banking of Corfinsura S.A. from 1994 to 1997, Associate for Investment Banking - Latin America for Merryl Lynch & Co., Inc. form 1993 to 1994 and held several management positions at Suramericana de Seguros from 1987 to 1991.

Mr. Echavarria Restrepo is currently a member of the Board of Directors of Acolgen (Association of Power Generators). He has been a member of the Board of Directors of Enka de Colombia S.A. and SuValor S.A. Comisionista de Bolsa.

Maria Angelica Arbelaez was born in 1965. She is the Vice President of Economics of Asociacion Bancaria y de Entidades Financieras de Colombia - ASOBANCARIA. She held different positions at Fedesarrollo from 1997 to 2004. She was external consultant of the Organization of American States "OAS" in 1997. She worked for the Ministry of External Commerce from 1992 to 1997.

SENIOR MANAGEMENT

Jorge Londono Saldarriaga has been the President of BC since 1996, and was previously a member of its Board of Directors for three years. Previously he was President of Suvalor S.A. Comisionista de Bolsa and Vice President of Investing of Suramericana de Seguros. Mr. Londono Saldarriaga was born in 1947.

Leonardo Hincapie Naranjo has been the Vice President of Risk Management since 1996, and has held different managerial positions at BC since 1971 such as Planning Assistant, Manager of Antioquia Region, Internal Inspector, and Vice President of Finance. Mr. Hincapie Naranjo was born in 1948.

Santiago Perez Moreno has been the Vice President of Personal and Medium and Small Business Banking since 1998, and has held different managerial positions at BC since 1981 such as Personal Banking Manager for Bogota Region, International Commerce Manager for Bogota Region, and assistant at the Vice Presidency of International Commerce. Mr. Perez Moreno was born in 1955.

Jaime Alberto Velasquez Botero has been the Vice President of Finance since 1997. From 1988 through 1997 he held several managerial positions in the Economic Department and Investor Relations Department. Before he had worked at C.I. Banacol. Mr. Velasquez Botero was born in 1960.

Leonardo Uribe Correa has been the Legal Vice President and Secretary General of BC since 1984. Before he held positions at Colcarburo S.A., Empresas Publicas de Medellin, Universidad Pontificia Bolivariana and Personeria de Medellin. Mr. Uribe Correa was born in 1946.

Gabriel Jaime Agudelo Tobon is the Vice President of Services and Technology, and has held several positions at BC since 1973. Mr. Agudelo Tobon was born in 1952.

Gonzalo Toro Bridge has been Vice President of Corporate Banking since 2003. Since 1988 he assumed positions as Assistant of the Vice Presidency of Corporate and International Banking and from 1994 to 2003 as Vice President of Corporate and International Banking. Mr. Toro Bridge was born in 1960.

Federico Ochoa Barrera has been the Executive and Services Vice President of BC since 1998. Before the merger of Banco Industrial Colombiano and Banco de Colombia, he held several positions at Banco de Colombia, including National Branches Vice President, Administrative Vice President, Executive and Commercial Vice President and Executive President. Mr. Ochoa Barrera was born in 1947.

Hernan Dario Ramirez Giraldo has been the Vice President of Internal Audit. He has worked at BC for 18 years, holding positions such as General Accountant, Operations Manager of FiduBIC and Internal Auditor. Mr. Ramirez Giraldo was born in 1958.

Luis Fernando Montoya Cusso has been the Vice President of Operations since 1998. Since 1973 he has occupied several positions at BC, including messenger, computers assistant, Manager of Northern, Bogota and Cucuta Regions, and Operations Manager. Mr. Montoya Cusso was born in 1954.

Jairo Burgos de la Espriella has been the Vice President of Human Resources since 1998. Since 1990 he held several positions in the Human Resources Department. Mr. Burgos de la Espriella was born in 1965.

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

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

B. COMPENSATION

BC compensates each of its directors Ps 1,200,000 per meeting. The directors receive no other compensation or benefit. Consistent with Colombian law, we do not disclose to our shareholders, or otherwise make public, information regarding the compensation of our individual officers. The aggregate amount of remuneration paid by BC and consolidated Subsidiaries to all directors, alternate directors and senior management during the fiscal year ended December 31, 2004 was Ps 19,881 million.

BC has established an incentive compensation plan that awards bonuses bi-annually to its vice presidents, department directors and certain managers. In determining the amount of any bonuses, the Bank takes into consideration the overall return on equity of BC and its executives achievement of individual goals. BC's variable compensation has deferred elements and depending on the amount awarded, the bonuses are payable in cash or as a combination of cash, a right to receive in three years an amount in cash determined with reference to the value of BC Common or Preferred Shares and an entitlement to a share in a pool of unvested bonuses. The pool of unvested bonuses is an account of preliminary bonuses, payable once it is established that the results that are the basis of such bonuses have been sustained over time and were not the result of a particular, extraordinary transaction that

does not reflect better performance, according to guidelines designed by the Bank. Such elements are solely paid when certain future profits are obtained. At December 31, 2004, based on internal analysis, there was a provision maintained for future compensation payments in the amount of Ps 10,505 million.

The Bank paid a total of Ps 326,089 million for salaries of personnel employed directly by the Bank and upper management of its affiliates. The sum of Ps 12,742 million that was paid for the incentive compensation plan is included in that amount.

C. BOARD PRACTICES

The following are the terms of office and the period during which the principal and alternate directors have served BC, as of December 31, 2004:

NAME	FIRST ELECTED TO THE BOARD	TERM EXPIRES
Juan Camilo Restrepo Ochoa	2004	2006
Carlos Enrique Piedrahita Arocha	1994	2006
Jose Alberto Velez Cadavid	1996	2006
Gonzalo Alberto Perez Rojas	2004	2006
Ricardo Sierra Moreno	1996	2006
Luis Mariano Sanin	2002	2006
Luis Alberto Zuleta Jaramillo	2004	2006
German Botero Arango	2002	2006
Federico Echavarria Restrepo(1)	2002	2006
Maria Angelica Arbelaez	2004	2006

(1) Mr. Echavarria resigned in September 2004.

On February 26, 2004, the General Shareholders' Meeting elected a new Board of Directors replacing some of the previous directors. The new elections reflect changes in the composition of the executive offices of some of BC's major shareholders. The elected directors assumed their positions following the presentation to and acceptance by the Superintendency of Banking in accordance with applicable regulations.

By letter dated February 18, 2005, and taking into account the business combination of Bancolombia, Corfinsura and Conavi, the Bank's principal and alternate directors recommended that the General Meeting of Shareholders elect a new Board of Directors.

On March 28, 2005, the General Meeting of Shareholders considered the proposal and decided to ratify the principal directors of the Board and make some changes to the alternate directors. The Board of Directors for the remainder of the period ending in 2006 is as follows:

NAME	PRINCIPAL / ALTERNATE	FIRST ELECTED TO THE BOARD	TERM EXPIRES

Juan Camilo Restrepo Ochoa	Principal	2004	2006
Carlos Enrique Piedrahita Arocha	Principal	1994	2006
Jose Alberto Velez Cadavid	Principal	1996	2006
Gonzalo Alberto Perez Rojas	Principal	2004	2006
Ricardo Sierra Moreno	Principal	1996	2006
Luis Mariano Sanin	Alternate	2002	2006
Luis Alberto Zuleta Jaramillo	Alternate	2004	2006
German Botero Arango	Alternate	2002	2006
Carlos Mario Giraldo Moreno	Alternate	2005	2006
Alejandro Gaviria Uribe	Alternate	2005	2006

The following are the current terms of office and the period during which the members of senior management have served BC. There are no defined expiration terms.

NAME	PERIOD SERVED
PRESIDENT	
Jorge Londono Saldarriaga	Since 1996
VICE PRESIDENTS	
Leonardo Hincapie Naranjo	Since 1971
Santiago Perez Moreno	Since 1981
Jaime Alberto Velasquez Botero	Since 1988
Leonardo Uribe Correa	Since 1984
Gabriel Jaime Agudelo Tobon	Since 1973
Gonzalo Toro Bridge	Since 1988
Federico Ochoa Barrera	Since 1984
Hernan Dario Ramirez Giraldo	Since 1985
Luis Fernando Montoya Cusso	Since 1973
Jairo Burgos de la Espriella	Since 1990

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

BC, in accordance with the requirements of External Circular 007 of 2001 issued by the Superintendency of Banking, has an audit committee whose main purpose is to support the Board of Directors in supervising the effectiveness of the Bank's internal controls. The committee consists of three directors who are elected by the Board of Directors for a period of two years, one of whom must be a financial expert. The current members are Luis Alberto Zuleta Jaramillo, Jose Alberto Velez Cadavid, and Ricardo Sierra Moreno. The audit committee may also designate independent advisors to support its activity.

As established by the Superintendency of Banking, the audit committee has a charter that establishes its composition, organization, objectives, duties, responsibilities and extension of its activities. The audit committee must meet at least quarterly and must present a report of its activities at the General Shareholders' Meeting.

BC currently complies with applicable requirements of the Sarbanes Oxley Act of 2002 for foreign issuers with respect to the composition and functions of its audit committee, and the rules thereunder by the Securities and Exchange Commission. As soon as they are applicable to foreign issuers, BC will comply with any additional requirements required.

The Board of Directors of BC has established a remuneration committee whose members are Ricardo Sierra Moreno and Carlos Enrique Piedrahita. The main function of this committee is to determine policies for hiring, compensation and development of the Bank's executive officers. The committee will also supervise the goals established in the compensation programs and recommend the adoption of new remuneration programs for BC's executive officers.

D. EMPLOYEES

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

AS OF DECEMBER 31	TOTAL NUMBER OF EMPLOYEES EMPLOYED BY BC AND ITS CONSOLIDATED SUBSIDIARIES	NUMBER OF EMPLOYEES EMPLOYED BY BC DIRECTLY
2002	7,581	6,364
2003	8,001	6,473
2004	8,609	7,027

On December 31, 2004, Bancolombia and its consolidated Subsidiaries had 8,609 employees of which 7,027 were employed directly by the Bank. Of the 7,027 employees directly contracted by the Bank, 4,956 belong to operations personnel and 2,071 are management employees. Of the 7,027 employees, approximately 28.65% are located in the Bogota Region, 15.45% in the South Region, 13.12% in the Antioquia Region, 20.76% in the Medellin headquarters, 11.57% in the Central Region and 10.45% in the North Region. During 2004, the Bank contracted an average of 110 employees per month through temporary personnel service companies. Of the employees, approximately 22.39% belong to a labor union called Sintrabancol and 11.73% are members of an industry union called UNEB. A collective bargaining agreement with both unions has been in effect since November 1, 2003 and is set to expire on October 31, 2005.

The Bank is satisfied with the existing collective bargaining agreement, both for the labor costs and its implications, as well as for the relationship it has helped to develop with the labor unions and BC employees.

E. SHARE OWNERSHIP

The following directors and managers owned Common Shares in BC as of December 31, 2004: Juan Camilo Ochoa Restrepo, Ricardo Sierra Moreno, Gonzalo Alberto Perez Rojas, German Botero Arango, Jorge Londono Saldarriaga, Luis Santiago Perez Moreno and Gonzalo Toro Bridge. None of their shareholdings, individually or in the aggregate, exceeded 1% of BC's outstanding Common Shares.

Luis Santiago Perez Moreno is the only executive officer of BC who owned any Preferred Shares in BC as of December 31, 2004. His shareholding did not exceed 1% of BC's outstanding Preferred Shares.

As of December 31, 2004, BC had no outstanding options to acquire any of its outstanding Common Shares or Preferred Shares.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The following table sets forth, solely for purposes of United States securities laws, certain information regarding the beneficial ownership of BC's capital stock by each person known to BC to own beneficially more than 5% of each class of BC's outstanding capital stock as of December 31, 2004. A beneficial owner includes anyone who has the power to receive the economic benefit of ownership of the securities.

NAME	COMMON SHARES	PREFERRED SHARES	% OWNERSHIP OF COMMON SHARES(1)	%
Suramericana de Inversiones and Subsidiaries (2)	157,594,234	65,000	39.6%	
Cementos Argos and Subsidiaries (3)	55,613,665	7,727,568	14.0%	
ADR Program	-	106,602,171	-	
Subsidiaries of Mercantil de Servicios Financieros C.A.	32,866,714	-	8.3%	
Fondo de Pensiones Obligatorias Proteccion S.A.	5,449,375	23,046,773	1.4%	
Emmery Equity Corporation	24,387,619	-	6.1%	
Lorange Industrial Corporation	20,612,331	-	5.2%	

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

(2) Represents ownership of Suramericana de Inversiones S.A. directly and through its subisidiaries Portafolio de Inversiones Suramericana S.A., Fideicomiso Citirust-Suramericana-IFC, Inversiones SPC S.A., Compania Suramericana de Construcciones S.A., Cia. Suramericana de Seguros de Vida S.A and Suramericana Administradora de Riesgos Profesionales y Seguros SURATEP.

(3) Represents ownership of Compania de Cementos Argos S.A. directly and through its subsidiaries Cementos del Valle S.A. and Cementos del Nare S.A.

As of December 31, 2004 a total of 398,259,608 Common Shares and 178,435,787 Preferred Shares were registered in the Bank's shareholder registry in the name of 15,892 shareholders. As of December 31, 2004, a total of 106,602,171 Preferred Shares, representing 59.7% of outstanding Preferred Shares, were directly held by one record holder in the United States. No Common Shares were held by record holders in the United States.

There has not been any significant changes in the percentage ownership held by any major shareholder during the past three years.

Major shareholders of the Bank do not have different voting rights. They all vote according to their participation in the Bank's outstanding shares.

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

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

B. RELATED PARTY TRANSACTIONS

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

None of the related party transactions are considered material to the company or to the related party and there are no transactions that are unusual in their nature or conditions.

BC had a total amount of Ps 20,130 million of loans outstanding to related parties (for purposes of United States securities laws). This amount includes the largest amount outstanding as of May 31, 2005, which is a working capital loan to Multienlace S.A. outstanding for Ps 2,897 million and accrued interest for Ps 62 million. The average rate for this loan is 12.26%.

During 2004, significant balances and transactions with related parties were as follows:

	2004	
	ENTERPRISES THAT DIRECTLY OR INDIRECTLY THROUGH ONE OR MORE INTERMEDIARIES, CONTROL OR ARE CONTROLLED BY, OR ARE UNDER COMMON CONTROL WITH, THE COMPANY AND ASSOCIATES	KEY MANAGEMENT PERSON
	(Ps million)	
BALANCE SHEET		
Investment securities	Ps 21,443	Ps
Loans	5,135	
Customers' acceptances and derivatives	27	
Accounts receivable	9,958	
TOTAL	Ps 36,563	Ps
Deposits	Ps 254,581	Ps
Overnight funds	106	
Account Payable	-	
Bonds	21,500	

TOTAL	Ps	276,187	Ps	
TRANSACTIONS INCOME				
Dividends received	Ps	25,814	Ps	
Interest and fees		2,846		
Other		354		
TOTAL	Ps	29,014	Ps	
EXPENSES				
Interest	Ps	11,687	Ps	
Fees		-		
Other		-		
TOTAL	Ps	11,687	Ps	

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(1) For 2004, includes, in addition to the members of the Board of Directors, the President and the Vice-Presidents, as well as other employees who have legal representation of the Bank.

C. INTEREST OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION.

A. CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

A.1. CONSOLIDATED FINANCIAL STATEMENTS

Reference is made to pages F- 1 through F - 115.

A.2. LEGAL PROCEEDINGS

The Bank (unconsolidated) is involved in normal collection proceedings, restructuring proceedings with respect to certain borrowers and other legal procedures in the ordinary course of business. For the purpose of its audited financial statements, the Bank has various contingent liabilities, including contingent liabilities relating to ordinary commercial and civil litigation outstanding at December 31, 2004 amounting to Ps 317,378 million. As of December 31, 2004, Ps 12,185 million of these liabilities are covered in a guarantee contract entered into by Fogafin and private investors when Banco de Colombia was sold to investors. This guarantee contract remains in force in connection with litigation that was commenced before the privatization of Banco de Colombia. In the opinion of management, after consultation with its external Colombian legal counsel, the outcome of these contingent liabilities relating to ordinary commercial and civil litigation is not expected to have a material adverse effect on BC's financial condition or results of operations and the possibility of loss by BC as a result of such litigation is not likely to exceed the recorded allowance at December 31, 2004 of Ps 13,933 million.

OTHER LEGAL PROCEEDINGS

The legal claims in which the Bank has been linked as defendant are duly provisioned in the cases required, in accordance with Colombian regulations, as shown in the notes to the financial statements. No event has occurred in said legal proceedings that may significantly and negatively impact the regular course of business of the Bank or its results.

In 2004 an arbitration process was initiated by the Bank under the auspices of the Bogota Chamber of Commerce to resolve certain claims related to hidden contingencies and liabilities that the Bank believes are payable by the former owners of Banco de Colombia. This arbitration is currently in the discovery stage. BC's claim under this suit amounts to approximately Ps 50,614 million, not including interest updates.

With respect to the criminal investigation initiated by the sellers of Banco de Colombia against some of the managers of the Bank, the prosecutor's office before the Colombian Criminal Supreme Court confirmed on July 8, 2004 the previous decision of the Special Unit of the prosecutor's office for Crime against Public Administration dated December 26, 2003 declining to initiate criminal action against the President and some of the Vicepresidents of the Bank.

The prosecutor's office's decision is final and there is no appeal against it. Civil liability of the Bank for these actions also cannot be claimed.

In relation to the arbitration initiated by Luis Alberto Duran Valencia and other minority shareholders of the former Banco de Colombia, by means of a class action, the arbitration award was finalized on January 30, 2004. The Arbitration Tribunal decided that the announced capitalization by BIC to the Superintendency of Banking on September 19, 1997 for an amount equal to US$ 150 million, as one of the sources for the financing of the acquisition of 51% of the shares of Banco de Colombia, constituted a binding commitment that should have been duly fulfilled by BIC. Notwithstanding the foregoing, the failure of BIC to complete the capitalization is easily explained. BIC issued and offered shares to its shareholders on January 5, 1998, at a price of Ps 3,800 per share, for a total of Ps 190,760 million. At the exchange rate at that time, the relevant shares were valued at the announced US$ 150 million, but included a term for placement of 45 days and did not allow for dividends during the first year. During the 45 day placement term, the price of the shares decreased, and it became less expensive to purchase shares in the secondary markets which included the right to a dividend than to purchase the offered shares with no dividend. For the foregoing reason, the minority shareholders of BIC did not subscribe Ps 72,123 million of the offering, with the result being that the major shareholders contributed only Ps 118,636 million in total.

The fact of not totally completing the capitalization announced caused, pursuant to the Tribunal's point of view, a liability for the Bank which generated damages to the shareholders of the former Banco de Colombia who entered the merged institution proportionately to their participation in said institution. The damages are estimated at Ps 14,646 million, which updated for inflation and interest, equal Ps 22,208 million, but after deductions ordered by the same Tribunal, leave the Bank with a net liability of Ps 19,214 million under the decision.

Other claims for an amount close to Ps 400,000 million were resolved in favor of the Bank by the Tribunal.

Mr. Rafael H. Gamboa, one of the members of the arbitral panel,

abstained from voting because he believed that BIC's conduct during the process of the merger conformed to the legal norms in force and to the acts of the regulatory authorities, a conclusion that was also reached by the Superintendency of Banking.

The Bank has filed an extraordinary proceeding of annulment of the above mentioned arbitration award before the Superior Tribunal of Bogota by means of which the Bank requests such Tribunal to determine if the arbitrators' decision was taken according to current Colombian procedure and regulations. The proceeding of annulment refers exclusively to the award against Bancolombia. In all matters favorable to the Bank, the arbitration award is final.

On June 2, 2004, another arbitration was initiated by the Sellers of Banco de Colombia against Bancolombia and some of its administrators, based on charges similar to those presented in the past before various administrative and judicial authorities, related to the process of acquisition by BIC of a majority of the stock of the old Banco de Colombia and the later merger of both entities.

The arbitration will be decided by an arbitral tribunal in Bogota, Colombia. This proceeding is currently in the discovery stage.

Additional information of the Bank (unconsolidated) and its Subsidiaries on these and other legal proceedings may be found in Note 26 to Consolidated Financial Statements.

A.3. DIVIDEND POLICY

The declaration, amount and payment of dividends is based on BC's unconsolidated earnings. Dividends must be approved at the ordinary annual shareholders' meeting upon the recommendation of the Board of Directors and the President of BC. Under the Colombian Commerce Code, after payment of income taxes and appropriation of legal and other reserves, and after setting off losses from prior fiscal years, BC must distribute to its shareholders at least 50% of its annual net income, or 70% of its annual net income if the total amount of reserves exceeds its outstanding capital. Such dividend distribution must be made to all shareholders, in cash or in issued stock of Bancolombia, as may be determined by the shareholders, and within a year from the date of the ordinary annual shareholders' meeting in which the dividend was declared. Pursuant to Colombia's Law 222 of 1995, the minimum dividend per share requirement of 50% or 70%, as the case may be, may be waived by an affirmative vote of the holders of 78% of the shares present at the shareholders' meeting.

Under Colombian law, the annual net profits of BC must be applied as follows:

- first, an amount equal to 10% of BC's net profits to a legal reserve until such reserve is equal to at least 50% of the Bank's paid-in capital;
- second, to the payment of the minimum dividend on the Preferred Shares (for more information, see Item 10. Additional Information - B. Memorandum and Articles of Association); and
- third, as may be determined in the ordinary annual shareholders' meeting by the vote of the holders of a majority of the shares entitled to vote, upon the recommendation of the Board of Directors, and may, subject to further reserves required by BC's by-laws, be

distributed as a dividend.

The following table sets forth the annual cash dividends paid on each Common Share and each Preferred Share during the periods indicated:

DIVIDENDS DECLARED WITH RESPECT TO NET INCOME EARNED IN:	CASH DIVIDENDS PER SHARE(1)(2)	CASH DIVIDENDS PER SHARE(1)(3)
	(Ps)	(U.S. DOLLARS)
2000	36	0.016
2001	84	0.036
2002	132	0.045
2003	272	0.101
2004	376	0.159

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(1) Includes Common Shares and Preferred Shares.

(2) Cash dividends were paid in quarterly installments.

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

B. SIGNIFICANT CHANGES

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

ITEM 9. THE OFFER AND LISTING.

A. OFFER AND LISTING DETAILS

BC is a NYSE listed company, where its ADSs are listed under the symbol "CIB". The table below sets forth, for the periods indicated, the reported high and low share prices and share trading volume for the Preferred Shares on the Medellin Stock Exchange until July 3, 2001, when the Medellin Stock Exchange, the Bogota Stock Exchange and the Occidente Stock Exchange merged to form the Colombian Stock Exchange (expressed in nominal pesos). The table also sets forth the reported high and low sale prices, and the trading volume of the ADSs on the NYSE for the periods indicated:

	MEDELLIN/COLOMBIA STOCK EXCHANGE		NEW YORK STOCK EXCHANGE		
	Ps PER PREFERRED SHARE		US$ PER ADS		
	HIGH	LOW	HIGH	LOW	TRADING VOLUME (NUMBER OF ADSs)
YEAR ENDING					
December 29, 2000	1,550	1,550	4.90	1.80	5,304,200
December 31, 2001	1,300	650	3.20	1.00	4,702,300

December 31, 2002	1,800	1,025	2.88	1.35	8,195,800
December 31, 2003	3,800	1,750	5.35	2.32	9,789,400
December 31, 2004	9,030	3,839	14.12	5.30	31,487,800

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

	COLOMBIA STOCK EXCHANGE			NEW YORK STOCK EXCHANGE		
	Ps PER PREFERRED SHARES		TRADING VOLUME (NUMBER OF SHARES)	US$ PER ADS		TRADING VOLUME (NUMBER OF ADSs)
	HIGH	LOW		HIGH	LOW	
	(in nominal pesos)					
2003						
First quarter	2,100	1,750	5,558,711	2.99	2.32	1,314,400
Second quarter	3,610	2,030	5,141,347	5.15	2.70	1,724,300
Third quarter	3,800	3,400	11,882,892	5.35	4.35	3,067,000
Fourth quarter	3,760	3,449	31,504,803	5.35	4.70	3,683,700
2004						
First quarter	5,690	3,839	31,425,717	7.56	5.30	11,619,300
Second quarter	5,420	4,040	17,645,435	8.05	6.20	5,671,600
Third quarter	5,590	3,945	13,801,666	8.89	6.23	4,276,600
Fourth quarter	9,030	5,180	18,496,334	14.12	7.86	9,920,300
2005						
First quarter	9,680	7,670	10,303,797	17.78	12.40	17,090,700

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

	COLOMBIA STOCK EXCHANGE		NEW YORK STOCK EXCHANGE		
	Ps PER PREFERRED SHARE		US$ PER ADS		TRADING VOLUME
	HIGH	LOW	HIGH	LOW	(NUMBER OF ADSs)
MONTH					
December 2004	8,300	6,650	14.25	10.90	3,962,200
January 2005	8,250	7,670	14.38	12.54	3,721,700
February 2005	9,680	8,150	16.74	13.69	5,462,000
March 2005	9,550	7,980	17.78	12.40	7,907,000
April 2005	9,010	8,180	15.45	13.30	2,387,500
May 2005	8,900	8,190	15.15	13.83	2,855,800

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

ADRs evidencing ADSs are issuable by The Bank of New York, as Depositary, pursuant to the Deposit Agreement, dated as of July 25, 1995,

entered into by BC, the Depositary, the owners of ADRs from time to time and the owners and beneficial owners from time to time of ADRs, pursuant to which the ADSs are issued. Copies of the Deposit Agreement are available for inspection at the Corporate Trust Office of the Depositary, currently located at 101 Barclay Street, New York, New York 10286, and at the office of Fiducolombia S.A., as agent of the Depositary, currently located at Carrera 43A, No. 11A-44, Medellin, Colombia or Calle 30A No. 6-38, Bogota, Colombia. The Depositary's principal executive office is located at One Wall Street, New York, New York 10286.

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

BC's ADSs, each of which represents the right to receive four Preferred Shares deposited in Colombia with the Custodian under the Deposit Agreement, have been listed on the NYSE since July 1995. The Preferred Shares have been listed on the Colombian Stock Exchange since July 1995. Through the ADSs, the NYSE is the principal U.S. trading market for the Preferred Shares. On September 30, 1998, BC filed a registration statement with the Commission to register the Preferred Shares issued in connection with the merger between BIC and Banco de Colombia in the form of ADRs, for resale by the holders into the U.S. public market from time to time. On March 14, 2005, BC filed an amendment to the registration statement deregistering the remaining unsold shares.

On December 31, 2004, there were 398,259,608 Common Shares outstanding, none of which were held of record by holders in the United States, and 178,435,787 Preferred Shares outstanding, of which 106,602,171 were directly held by record holders in the United States (represented by 26,650,543 ADSs). Because certain of the Preferred Shares and ADSs are held by nominees, the number of record holders may not be representative of the number of beneficial owners.

The Colombian Stock Exchange is the principal non-U.S. trading market for the Preferred Shares. As of December 31, 2004, the market capitalization for BC's Preferred Shares on the Colombian Stock Exchange was Ps 1,445,330 trillion. There are no official market makers or independent specialists in the Colombian Stock Exchange to assure market liquidity and, therefore, orders to buy or sell in excess of corresponding orders to sell or buy will not be executed. The Colombian Stock Exchange is relatively volatile compared to major world markets. The aggregate equity market capitalization of the Colombian Stock Exchange as of December 31, 2004, was Ps 59,336,819 trillion, with 106 companies listed as of that date. A substantial portion of the trading on the Colombian Stock Exchanges consists of trading in debt securities.

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

BC'S CORPORATE PURPOSE

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

BOARD OF DIRECTORS

The directors of BC must abstain from participating, directly or through an intermediary, in their own interest or in the interest of a third party, in activities that may compete against the company or in conflict-of-interest transactions, unless the General Shareholders Meeting grants express authorization to such director. For such purposes, the directors shall provide the Shareholders Meeting with all the relevant information necessary for the meeting to reach a decision. If the director is a shareholder, his or her vote shall be excluded from the respective decision process. In any case, the General Shareholders Meeting will only grant its authorization if the act does not impair BC's interests.

The Shareholders Meeting, not the Board of Directors Meeting, is the corporate body entitled to determine the compensation to be granted to directors.

Pursuant to the by-laws of BC, the Board of Directors has the power to authorize the execution of any agreement, within the corporate purpose of BC, and to adopt the necessary measures in order for the Bank to accomplish its purpose, but these do not provide for any specific borrowing powers exercisable by the Board of Directors.

The by-laws of BC do not provide for: (i) any age limit requirement for the retirement or non-retirement of directors or (ii) any number of shares required for director's qualification.

DESCRIPTION OF SHARE CAPITAL

VOTING RIGHTS

Common Shares

The holders of Common Shares will be entitled to vote on the basis of one vote per share on any matter put to a vote to the shareholders at any general shareholders' meeting. These general meetings may be ordinary meetings or extraordinary meetings. Ordinary general meetings occur at least once a year during the three months after the end of the prior fiscal year, for the following purposes:

- to consider the approval of BC's annual report, including the financial statements for the preceding

fiscal year;

- to review the annual report of the external auditor;

- to determine the compensation for the members of the Board of Directors, the External Auditor and the Client Representative ("Defensor del Cliente").(6)

- to elect directors, the Client Representative and the External Auditor (each for a two-year term); and

- to determine the dividend policy and the allocation of profits, if any, of the preceding fiscal year, as well as any retained earnings from previous fiscal years.

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(6) The Client Representative acts as spokesman of the clients and users before the Bank, his primary duty is to objectively solve, free of charge and within the terms established by law, the individual complaints submitted by clients.

Directors are elected under a proportional representation voting system. Under that system:

- each holder of Common Shares is entitled at the annual general shareholders' meeting to nominate for election one or more directors;

- each nomination of one or more directors constitutes a group for the purposes of the election;

- each group of nominees must contain a hierarchy as to the order of preference for nominees in that group to be elected;

- once all groups have been nominated, holders of Common Shares may cast one vote for each common share held in favor of a particular group of nominees. Votes may not be cast for particular nominees in a group; they may be cast only for the entire group;

- the total number of votes cast in the election is divided by the number of directors to be elected. The resulting quotient is the quota of votes necessary to elect particular directors. For each time that the number of votes cast for a group of nominees is divisible by the quota of votes, one nominee from that group is elected, in the order of the hierarchy of that group; and

- when no group has enough remaining votes to satisfy the quota of votes necessary to elect a director, any remaining board seat or seats are filled by electing the highest remaining nominee from the group with the highest number of remaining votes cast until all available seats have been filled.

Extraordinary general shareholders' meetings may take place when

duly called for a specified purpose or purposes, or, without prior notice, when holders representing all outstanding shares entitled to vote on the issues presented are present at the meeting.

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

Except when Colombian law or BC's by-laws require a special majority, action may be taken at a general meeting by the vote of two or more shareholders representing a majority of Common Shares present. Pursuant to Colombian law and/or BC's by-laws, special majorities are required to adopt the following corporate actions:

- a favorable vote of at least 70% of the Common Shares represented at a general shareholders' meeting is required to approve the issuance of stock without granting a preemptive right in respect of that stock in favor of the shareholders;

- a favorable vote of at least 78% of the holders of Common Shares present to decide not to distribute as dividend at least 50% of the annual net profits of any given fiscal year as required by Colombian law;

- a favorable vote of at least 80% of the holders of shares present to approve the payment of a stock dividend; and

- a favorable vote of at least 70% of the holders of Common Shares and of subscribed Preferred Shares to effect a decision to impair the conditions or rights established for such Preferred Shares, or a decision to convert those Preferred Shares into Common Shares.

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

Preferred Shares

The holders of Preferred Shares are not entitled to receive notice of, attend or vote at any general meeting of holders of Common Shares except as

described below.

The holders of Preferred Shares will be entitled to vote on the basis of one vote per share at any shareholders' meeting, whenever the shareholders vote on the matters described on Item 3. Key Information - D. Risk Factors - D.3. Risks Relating to Our ADRs - D.3.iii. Our Preferred Shares Have Limited Voting Rights.

BC will cause a notice of any meeting at which holders of Preferred Shares are entitled to vote to be mailed to each record holder of Preferred Shares. Each notice will include a statement stating:

- the date of the meeting;
- a description of any resolution to be proposed for adoption at the meeting on which the holders of Preferred Shares are entitled to vote; and
- instructions for the delivery of proxies.

DIVIDENDS

Common Shares

The holders of Common Shares, once they have approved the financial statements, determine the allocation of distributable profits, if any, for the preceding year. This is done by a resolution adopted by the vote of the holders of a majority of the Common Shares at the annual general meeting of holders of Common Shares pursuant to the recommendation of the Board of Directors and President.

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

Under Colombian law and BC's by-laws annual net profits are to be applied as follows:

- first, an amount equivalent to 10% of net profits is segregated to build a legal reserve until that reserve is equal to at least 50% of BC's paid-in capital;
- second, payment of the minimum dividend on the Preferred Shares; and
- third, allocation of the balance of the net profits is determined by the holders of a majority of the Common Shares entitled to vote on the recommendation of the Board of Directors and President and may, subject to further reserves required by the by-laws, be distributed as dividends.

Under Colombian law, the dividends declared on the Common Shares cannot exceed the dividends declared on the Preferred Shares. BC's by-laws require it to maintain a reserve fund equal to 50% of paid-in capital. All Common Shares that are fully paid and outstanding at the time a dividend or other distribution is declared are entitled to share equally in that dividend or other distribution. Common shares that are only partially-paid participate in a dividend or distribution in the same proportion that those shares have been paid at the time of the dividend or distribution.

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

Preferred Shares

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

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

In the event that the holders of Preferred Shares have not received the minimum dividend for a period in excess of two consecutive fiscal years, they will acquire voting rights. See Item 3. Key Information - D. Risk Factors - D.3. Risks Relating to Our ADRs - D.3.iii. Our Preferred Shares Have Limited Voting Rights.

General

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

Dividends declared on the Common Shares and the Preferred Shares will be payable to the record holders of those shares, as they appear on BC's stock registry, on the appropriate record dates as determined by the general shareholders' meeting.

Any stock dividend payable by BC will be paid in Common Shares to the holders of Common Shares and in Preferred Shares to the holders of Preferred Shares. Nonetheless, a general shareholders' meeting may authorize the payment in Common Shares to all shareholders.

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

Liquidation Rights

BC will be dissolved if certain events take place, including the following:

- its term of existence, as stated in the by-laws, expires without being extended by the shareholders prior to its expiration date;
- losses cause the decrease of its shareholders' equity below 50% of its outstanding capital stock, unless one or more of the corrective measures described in the Colombian Commerce Code are adopted by the shareholders within six months;
- by decision of the general shareholders' meeting.
- in certain other events expressly provided by law and in the by-laws.

Upon dissolution, a liquidator must be appointed by a general meeting of the shareholders to wind up its affairs. In addition, the Superintendency of Banking has the power to take over the operations and assets of a commercial bank and proceed to its liquidation under certain circumstances and in the manner prescribed in the Estatuto Organico del Sistema Financiero Decree 663 of 1993.

Upon liquidation, holders of fully paid Preferred Shares will be entitled to receive in pesos, out of the surplus assets available for distribution to shareholders, pari passu with any of the other shares ranking at that time pari passu with the Preferred Shares as regards participation in BC's surplus assets or the liquidation parity shares, a liquidation distribution of an amount equal to the subscription price of those Preferred Shares before any distribution or payment may be made to holders of Common Shares and any other shares at that time ranking junior to the Preferred Shares as regards BC's participation in BC's surplus assets. If, upon any liquidation, assets that are available for distribution among the holders of Preferred Shares and liquidation parity shares are insufficient to pay in full their respective liquidation preferences, then those assets will be distributed among those holders pro rata in accordance with the respective liquidation preference amounts payable to them.

Subject to the preferential liquidation rights of holders of Preferred Shares, all fully paid Common Shares will be entitled to participate equally in any distribution upon liquidation. Partially paid Common Shares must participate in a distribution upon liquidation in the same proportion that those shares have been paid at the time of the distribution.

To the extent there are surplus assets available for distribution after full payment to the holders of Common Shares of the initial subscription price of the Common Shares, the holders of shares of capital stock will be entitled to receive an amount per share equivalent to the difference between the initial subscription price paid on each of their respective shares and the highest subscription price paid, on any given time, in the issuance of any series or our Preferred Shares. Any surplus assets available after such a distribution is effected will be distributed among all holders of shares of capital stock pro rata in accordance with their respective holdings of shares.

Preemptive Rights and Other Anti-Dilution Provisions

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

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

The Bank's by-laws and Colombian law require that, whenever the Bank issues new shares of any outstanding class, it must offer the holders of each class of shares the right to purchase a number of shares of such class sufficient to maintain their existing percentage ownership of the aggregate capital stock of the Bank. These rights are called preemptive rights. See Item 3. Key Information - D. Risk Factors - D.3. Risks Relating to Our ADRs - D.3.iv. Preemptive Rights May Not Be Available to Holders of ADRs.

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

The Superintendency of Banking will authorize decreases in the outstanding capital stock decided by the holders of Common Shares only if:

- BC has no liabilities;
- BC's creditors consent in writing; or
- the outstanding capital stock remaining after the reduction represents at least twice the amount of BC's liabilities.

No Redemption

Colombian law prohibits BC from repurchasing shares of its capital stock, including the Preferred Shares.

C. MATERIAL CONTRACTS

On December 29, 2003, BC and certain of its subsidiaries acquired 99.99% of Compania Suramericana de Financiamiento Comercial S.A. Sufinanciamiento from Portafolio de Inversiones Suramericana S.A., Compania

Suramericana de Inversiones S.A., Compania Suramericana de Construcciones S.A., Corporacion Financiera Nacional y Suramericana S.A. Corfinsura, and Fundacion Suramericana. The purchase price paid by BC and its relevant subsidiaries was Ps 75,016 million.

On February 28, 2005, Bancolombia, Conavi Banco Comercial y de Ahorro S.A. and Corporacion Financiera Nacional y Suramericana S.A. Corfinsura entered into a merger agreement, whereby the parties agreed to merge Conavi and Corfinsura with and into the Bank, as surviving entity, after Corfinsura has spun-off part of its investment portfolio, which will be transferred to a new entity formed by the shareholders of Corfinsura. Detailed information on this agreement can be found in Item 4. Information on the Company - A. History and Development of the Company.

D. EXCHANGE CONTROLS

The Central Bank has consistently made foreign currency available to Colombian private sector entities to meet their foreign currency obligations. Nevertheless, in the event of renewed shortages of foreign currency, there can be no assurance that foreign currency would continue to be available to private sector companies or that foreign currency needed by BC to service foreign currency obligations could be purchased in the open market without substantial additional cost.

The Foreign Exchange Statute is contained in Law 9 of 1991 and External Resolution No. 8 of 2000, which was regulated by the External Regulating Circular DCIN 83 of 2004 of the Board of Directors of the Central Bank. The International Investment Statute of Colombia is also contained in Decree 2080 of 2000 and Decree 1844 of 2003, as amended, and regulates the manner in which foreign investors can participate in the Colombian securities markets and undertake other types of investment, prescribes registration with the Central Bank of certain foreign exchange transactions and specifies procedures pursuant to which certain types of foreign investments are to be authorized and administered.

Each individual investor who deposits Preferred Shares into the ADS deposit facility for the purpose of acquiring ADSs (other than in connection with or reacquisition of the ADSs pursuant to the ADS offerings) will be required, as a condition to acceptance by Fiducolombia, as custodian of such deposit, to provide or cause to be provided certain information to Fiducolombia, to enable it to comply with the registration requirements under the foreign investment regulations relating to foreign exchange. A holder of ADSs who withdraws Preferred Shares from the ADS deposit facility under certain circumstances may be required to comply directly with certain registration and other requirements under the foreign investment regulations. Under such regulations, the failure of a non-resident investor to report or register foreign exchange transactions relating to investments in Colombia with the Central Bank on a timely basis may prevent the investor from obtaining remittance rights, constitute an exchange control infraction and result in a fine.

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

E. TAXATION

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

Pursuant to the International Investment Statute (see Item 10. Additional Information - D. Exchange Controls) the Preferred Shares deposited under the Deposit Agreement constitute a "Foreign Institutional Capital Investment Fund". Under Article 18-1 of the Estatuto Tributario, Decree 624 of 1989 as amended (the "Fiscal Statute"), dividends paid to foreign institutional capital investment funds are not subject to Colombian income, withholding, remittance or other taxes, provided that such dividends are paid in respect of previously taxed earnings of BC. Therefore, provided that distributions are made by BC to the holders of ADRs through the Depositary, all distributions by BC made on account of Preferred Shares to holders of ADRs evidencing ADSs who are not resident in Colombia, as defined below, will be exempt from Colombian income, withholding and remittance taxes, except in the case of distributions paid out of non-taxed earnings of BC (which would bear a 35% tax).

Dividends paid to a holder of Preferred Shares (as distinguished from the ADSs representing such Preferred Shares) who is not a resident of Colombia, as defined below, and who holds the Preferred Shares in his own name, rather than through another institutional or individual fund, will be subject to Colombian income taxes at a special rate of 7%. However, if such dividends do not correspond to BC's profits that have been taxed at the corporate level, the applicable rate is 35% (and will be the new basis for the especial flat rate of 7%).

In the event that a holder of ADRs who is not a resident of Colombia chooses to surrender its ADSs and withdraw the underlying Preferred Shares, dividends to such non-resident holder would be subject to withholding tax at the rates set forth in the preceding paragraph, unless such non-resident holder takes the necessary actions under Colombian law to hold such Preferred Shares through either an "institutional fund" or an "individual fund" under foreign investment regulations, in which case dividends payable with respect to the Preferred Shares would receive the same preferential treatment as a holder of ADRs.

For purposes of Colombian taxation, an individual is a resident of Colombia if he or she is physically present within Colombia for more than six months during the calendar year or the six months are completed within that taxable period. For purposes of Colombian taxation, a legal entity is a resident of Colombia if it is organized under the laws of Colombia.

Foreign companies and individuals that are non Colombian residents are required by law to file an income tax declaration in Colombia when dividends have been subject to withholding taxes. However, foreign institutional capital investment funds are not required under law to file income tax declaration in Colombia.

In accordance with article 36-1 of the Fiscal Statute, earnings obtained by a non resident of Colombia derived from stock trading are not subject to income, withholding, remittance or other taxes in Colombia when the stock is registered in the Colombian Stock Exchange and the transaction does not involve the sale of 10% or more of the company's outstanding stock by the same beneficiary.

In all cases in which earnings derived from stock trading are subject to income and remittance taxes, the applicable rate for income tax will be 14% and the applicable rate for remittance tax will be 1% (after income tax).

The filing of an income tax declaration is required in this case.

OTHER TAX CONSIDERATIONS

As of the date of this report, there is no income tax treaty and no inheritance or gift tax treaty in effect between Colombia and the United States. Transfers of ADSs or Preferred Shares from non- residents to residents or non-residents of Colombia by gift or inheritance are not subject to Colombian gift or inheritance taxes. Transfers of ADSs or Preferred Shares by gift or inheritance from residents to residents or non residents of Colombia will be subject to Colombian gift or inheritance tax at a flat rate of 35%, in the value of the Preferred Shares transferred. There are no Colombian stamp, issue, registration, transfer or similar taxes or duties payable by holders of Preferred Shares or ADSs.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

BC files periodic reports and other information with the Commission. You may read and copy any document that BC files at the Commission's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Some of our SEC filings are also available to the public from the SEC's website at http://www.sec.gov.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTRODUCTION

The following section describes the market risks that BC is exposed to and the tools and methodology used to measure these risks as of December 31, 2004.

BC's Board of Directors and the senior management has formalized its policies, procedures, strategies and rules of action of the areas involved in the treasury management process in the "Treasury Management Manual". This manual defines the roles and responsibilities of each area and their interrelation to ensure an adequate separation of functions and functional independence between the front, middle and back office. Moreover, the manual contains the process and technical support, the internal auditing procedure and policies, the procedures and methodologies, and the description of the levels of responsibilities of the areas involved in the treasury management process.

The main objective of risk management is to plan, coordinate, monitor, report and propose policies for market and liquidity risks for the Bank. This leads the organization to efficient asset and liabilities administration.

The Bank's Market Risks Management Office is responsible for

identifying, measuring, monitoring and managing the Bank's exposure to market and liquidity risks with the purpose of enabling management to maximize the Bank's earnings and add value to its shareholders. Additionally, this Management Office is in charge of treasury risks, mainly by monitoring the policies, strategies, limits, allotments and procedures authorized by the Board of Directors and to report these to the Board and the Bank's senior management.

The measurement of market risk, performance, results of the Bank's investment portfolio and compliance with policies are reported on a daily basis to the Bank's senior management, specifically to the members of the Assets and Liabilities Management Committee (GAP "Gestion de Activos y Pasivos"), to the Risks Committee and also to the Board of Directors in every meeting.

The Bank's assets comprise trading and non-trading instruments. Trading instruments are those that constitute the treasury book and include primarily fixed income securities. The Bank book comprises the Treasury book and the rest of the Bank's assets and liabilities, including primarily loans, time deposits, checking accounts and savings accounts. These accounts are not included in the Treasury book because they are not considered trading instruments.

The Bank limits trading of derivative instruments. Forward foreign currency operations are used to cover our risk in positions in foreign currencies. For unconventional trading instruments, the Bank has designed a process of approval by different areas. This guaranties that every area involved is prepared to enter a new product into their procedures. Also, the Board of Directors has to approve any new unconventional trading instruments.

Currently, the Bank measures the market risk of each position of the balance sheet, Bank book and Treasury book by computing the corresponding value at risk ("VaR") in accordance with Chapter XXI of the Basic Accounting Circular (Circular 100 of 1995), as updated by the External Circular 031 of 2004, each as issued by the Superintendency of Banking. A risk factor is any market variable capable of influencing the corresponding position's market value when it fluctuates. The VaR calculation represents the probable loss value based on fluctuations of such risk factors. The aggregate VaR is considered in the Bank's solvency calculation, in accordance with Decree 1720 of 2001.

The relevant risk factors for which VaR is computed are:

- interest rate risk for local currency, foreign currency and UVR;
- foreign exchange rate risk; and
- UVR price risk and stock price risk.

Following is a brief explanation of the VaR model used by BC and its Subsidiaries to calculate the market risk based on interest rate risk, foreign exchange rate risk and stock price risk. In addition, there is a presentation of the market risks reports and analysis of BC and its Subsidiaries.

VAR MODEL

INTEREST RATE RISK

BC calculates the interest rate risk for local currency, foreign currency and UVR in accordance with Chapter XXI of the Basic Accounting Circular. The interest rate risk is the probability of loss in the value of a

position of the balance due to fluctuations in market interest rates or market curves. As indicated, the methodology used in this Annual Report to measure such risk consists of computing VaR, which in the case of interest rate fluctuations begins by determining the net present value ("NPV") of the relevant balance position. Such NPV is then multiplied by the Modified Duration of the position and by the interest rate's estimated fluctuation ("(delta)i") with a 99% confidence level, which is established by the Superintendency of Banking according to the market's historic performance.

VAR = MODIFIED DURATION * NPV * (delta)i

NPV:	Sum of the discounted values of a position's cash flows (positive and negative), computed on the basis of the yield and maturity (including expected or established depreciation).
DURATION:	Weighted average of the expected times to each cash flow under an instrument or position. The weight applied to each expected time is the present value of the corresponding cash flow divided by the total cash flow under the instrument or position.
Y:	The instrument or position's yield.
MODIFIED DURATION:	Duration / (1 + Y). Corresponds to the percentage variation of the market value of an investment or a position of the balance before a 1% increase of the interest rate (Y). Consequently, modified duration measures the sensitivity of the value of a position to interest rate changes.
(delta)i:	Maximum probable variation of the interest rate for the instrument or position of the balance.

FOREIGN EXCHANGE RISK

The Foreign Exchange Risk is the probability of loss due to fluctuations in the exchange rates of the currencies in which the Bank maintains positions. As indicated, the methodology used in this Annual Report to measure such risk consists of computing VaR, which in the case of exchange rate fluctuations is derived from multiplying the net position ("NP") held in each of the foreign currencies by the estimated variation of the foreign exchange rate for such currency ("(delta)e") with a 99% confidence level, as the same may be derived from statistical analysis, established by the Superintendency of Banking according to the market's historic performance. The NP is the difference, expressed in pesos, between all the active and passive positions denominated or indexed in each currency. The active or passive positions include commitments to buy and sell in foreign currency (forwards over foreign currencies) and the delta of the options, as the case may be.

VAR = NP * (delta)e

STOCK PRICE RISK

The stock price risk is the probability of loss due to fluctuations in the price of stocks in which the Bank maintains a position ("PosA"). As

indicated, the methodology used in this Annual Report to measure such risk consists of computing VaR, which in the case of fluctuations in the price of publicly traded stocks is derived from multiplying the PosA by the maximum probable variation in the price of such positions ("(delta)p"). In the case of non-publicly traded stocks, the resulting VaR is further augmented by 20%. The (delta)p is determined by reference to the volatility of the price index of the Colombian Stock Exchange, as estimated by the Superintendency of Banking.

For publicly traded stocks:

VAR = PosA* (delta) p

For non-publicly traded stocks:

VAR = PosA* 1.2 * (delta) p

TOTAL MARKET RISK VALUE

Theoretically, a portfolio is built by instruments, which by being mutually related, make the portfolio's aggregate risk lower than the sum of each instrument's individual risk. This is known as correlation, which helps to diversify the risk of a portfolio. Once the correlation is determined between each risk factor and a correlations matrix is built, the overall market risk faced by the Bank can be calculated.

After individually calculating the VaR of a position in the balance sheet in respect of interest rate, exchange rate and stock price risk factors, and taking into account the correlations between such various risk factors, a total VaR, which includes interest rate, exchange rate and stock price risk factors, is computed for each position. Then, taking into account the correlation among the VaR of different assets, a total VaR for all assets is computed. The same procedure is followed to compute the total VaR for all liabilities. Finally, taking into account the correlation between the VaR for assets and the VaR for liabilities, an overall VaR for market risk is calculated (the "Total Market Risk Value"). Such market risk VaR is included in the solvency calculation in accordance with Decree 1720 of 2001.

VaR(TOTAL)= Square Root [Sigma(n)(i=1)(VaR(i))(2)(rho)(2)(i) + Sigma(n)(i=1) Sigma(n)(j=1),(j not equal to i)VaR(i)VaR(j)(rho)(ij)]

The Superintendency of Banking requires Bancolombia, Leasing Colombia, Fiducolombia, Colcorp and Sufinanciamiento to calculate the interest rate VaR of local currency and foreign currency positions in the Banking book which contains all the balance sheet and Treasury book which refers to the securities contained in the organization's portfolio separately for the positions' remaining maturities in the following categories:

- 1 month or less,
- more than 1 month but not more than 2 months,
- more than 3 months but not more than 6 months,
- more than 6 months but not more than 12 months,
- more than 12 months, but not more than 24 months, and
- more than 24 months.

ASSUMPTIONS AND LIMITATIONS OF VAR MODELS

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

BC and its affiliate's VaR model assume that variations in the market risk factors have a normal distribution. In addition, the model assumes that the correlations and variations in market rates or prices included in the historical data are independent and identically distributed random variables, and provide a good estimate of the correlation and the rate or price variations in the future.

According to the Superintendency of Banking regulations, the Bank's checking accounts and savings account's net present values have to be distributed in the time horizon brackets, after matching assets and liabilities positions. The duration of the checking accounts and savings accounts classified in the first bracket is equal to five (5) days and the duration of the values classified in each time horizon bracket is equal to the weighted average duration of the assets for each time horizon. As a result, the duration of the checking accounts and savings accounts on the Bank's information is equal to the weighted average durations of these accounts for each time bracket.

BANCOLOMBIA (UNCONSOLIDATED)

The table below provides information about BC's (unconsolidated) VaR calculations for all balance sheet items that are in pesos. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group

DUR: Weighted average duration for the group

Y: Weighted average yield for the group

(delta)i: Maximum variation of the interest rate

VaR: Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN LOCAL CURRENCY
(Ps MILLION)

VALUE AT RISK FOR PESO (LOCAL CURRENCY)

ASSETS	NPV	DUR	Y

Overnight funds	42,814	0.10	6.65
Trading securities issued by the Colombian government - TES IPC rate	68,192	10.59	10.48
Trading securities issued by the Colombian government - TES fixed rate	845,836	24.18	9.58
Other trading securities issued by the Colombian government	45,447	9.69	10.37
Trading securities issued by financial institutions	317,606	2.68	9.23
Other marketable trading securities	78,565	19.36	11.80
Held to maturity securities issued by the Colombian government - TES fixed rate	169,012	19.99	11.04
Other held to maturity securities issued by the Colombian government	21,066	9.57	11.21
Held to maturity securities issued by financial institutions	89,338	3.08	9.74
Other held to maturity securities	3,721	41.05	4.55
Available for sale securities issued by the Colombian government - TES fixed rate	494,057	30.49	9.97
Available for sale securities issued by financial institutions	19,927	1.90	12.33
Commercial loans - fixed rate	598,156	3.78	15.62
Commercial loans - variable rate	4,997,817	3.55	15.93
Mortgage loans in pesos	282	22.68	15.62
Consumer loans - fixed rate	652,155	6.58	23.79
Consumer loans - variable rate	934,564	2.69	16.05
Small business loans - fixed rate	25,846	11.93	15.62
Small business loans - variable rate	77,282	2.48	16.28
Customers' acceptances	16,020	1.31	0.00
Other assets	67,426	27.62	15.62
Rights buyback trading securities issued by the Colombian government - TES fixed rate	13,923	7.42	8.22
Other rights buyback trading securities issued by the Colombian government	799	10.02	11.13
Rights buyback trading securities issued by financial institutions	25,018	2.05	9.12
Other rights buyback trading securities	4,593	3.19	10.34
Rights buyback available for sale securities issued by the Colombian government - TES fixed rate	703,103	30.65	10.07
LIABILITIES			
Non-interest bearing checking accounts	2,418,539	24.80	0.00
Interest bearing checking accounts	219,527	2.49	2.74
Time deposits	2,074,130	2.37	8.25
DAT	89,584	0.15	8.25
Saving deposits	3,312,383	0.63	4.84
Overnight funds	57,000	0.10	6.65
Repurchase agreements	536,276	0.47	5.25
Bank acceptances outstandings	16,020	1.31	0.00
Interbank borrowings	587,612	3.21	8.52
Long term debt	425,384	2.38	9.96
INTEREST RATES DERIVATIVES			
Interest rate SWAP - Variable part, long position	13,604	2.94	5.05
Interest rate SWAP - Variable part, short position	20,853	4.31	4.87
Forward contracts long position issued by the Colombian government - TES fixed rate	217,886	18.80	9.00
Forward contracts long position securities issued by financial institutions	86,314	2.80	9.37
Forward contracts long position others securities	11,182	7.50	11.67
Forward contracts short position synthetic	(314,491)	1.00	3.46
Forward contracts short position issued by the Colombian government - TES fixed rate	(203,572)	42.19	11.00
Forward contracts long position others securities	202,019	0.11	2.02
FOREIGN EXCHANGE FORWARDS			
Foreign exchange contracts long position in local currency	2,747,671	2.27	10.00
Foreign exchange contracts short position in local currency	(2,227,509)	3.20	10.00

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BC's (unconsolidated) interest rate risk factors in local currency are basically, the DTF, repo ("repurchase agreement") rate, interbanking rate, consumer credit rate, and Colombian Treasury bonds rate (TES). The DTF and the TES are the most volatile and have the largest value at risk outcomes. In the table above the securities that are affected by the DTF's risk factor are all the securities issued by financial institutions and the other securities. Although the largest assets are the loans, their average duration is 3.74 months compared to the average duration of TES, which is 26.70 months, and the average duration of the checking accounts and savings accounts, which provide the principal effect on the DTF risk factor outcome, is 10.52 months.

RISK FACTOR	Ps million VAR
DTF	(48,690.50)
Repurchase Agreements' Rate	(518.62)
Interbank Rate	(1.58)
Consumer Loan Rate	8,307.50
TES Rates	102,382.95

The average VaR for the TES factor in 2004 was Ps 85,382 million with a standard deviation of Ps 21,997 million. The DTF factor includes assets such as commercial loans and other investments different from TES. Also the DTF factor includes all liabilities in local currency except repos, overnight fund and derivatives different from TES and forwards of foreign currency. As a result, the average VaR for the DTF factor for 2004 is Ps (34,104) million with a standard deviation of Ps 16,748 million of local currency. These values can be negative when the assets that are being affected by certain risk factor are smaller than the liabilities affected by the same risk factor.

The table below provides information about BC's (unconsolidated) VaR calculations for all balance sheet items that are in a currency other than the peso or UVR. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group

DUR: Weighted average duration for the group

Y: Weighted average yield for the group

(delta)i: Maximum variation of the interest rate

Var: Value at risk for the group for changes in the interest rate

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INTEREST RATE RISK IN FOREIGN CURRENCY
(U.S. DOLLARS)

ASSETS	NPV	DUR
Overnight funds	11,020,044	0.1
Trading securities issued by the Colombian government - U.S. dollar, denominated TES	224,097	13.7
Trading securities issued by the Colombian government - TES yankees	7,234,636	42.3
Other trading securities issued by the Colombian government	109,195,487	14.0
Other marketable trading securities	10,682,568	12.2
Held to maturity securities issued by the Colombian government - TES yankees	5,436,431	3.7
Held to maturity securities issued by the Colombian government	92,111,366	9.7
Other held to maturity securities	6,444,383	13.7
Available for sale securities issued by the Colombian government - TES yankees	11,480,554	44.0
Available for sale trading securities issued by the Colombian government	26,965,890	21.5
Available for sale securities other held	24,025,284	17.1
Commercial loans - fixed rate	98,437	22.8
Commercial loans - variable rate	284,445,040	1.9
Consumer loans - fixed rate	17,062,887	2.2
Consumer loans - variable rate	223,701	0.2
Rights buyback trading securities issued by the Colombian government - U.S. dollar, denominated TES	560,242	13.7
LIABILITIES		
Non-interest bearing checking accounts	19,649,117	10.4
Interest bearing checking accounts	15,733,515	8.3
Time deposits	164,810,297	3.6
Saving deposits	2,653,163	11.6
Other	5,244	0.0
Interbank borrowings	380,143,986	5.3
INTEREST RATES AND DERIVATIVES		
Forward contracts short position issued by the Colombian government - TES yankees	(2,026,366)	39.2
Other forward contracts short position issued by the Colombian government	(1,825,474)	63.3
Forward contracts long position others securities	5,860,423	0.5
FOREIGN EXCHANGE FORWARDS		
Foreign exchange contracts long position in forex	1,892,591,441	3.7
Foreign exchange contracts short position in forex	(2,118,130,001)	3.1

The risk factors of the interest rate risk in foreign currency are the Libor and the Money Market rates. These rates are not very volatile. The average VaR for the Libor factor in 2004 was Ps 1,405 million with a standard deviation of Ps 743 million. The Libor rate risk factor affects assets such as commercial and consumer loans and long-term investment. The average VaR for the Money Market factor for 2004 is Ps 449 million with a standard deviation of Ps 134 million. The Money Market factor affects Colombian short-term Treasury bonds, liabilities and foreign exchange forwards.

	Ps million
RISK FACTOR	VAR
Libor	373.79
Money Market US$	414.36

The table below provides information about BC's (unconsolidated) VaR calculations for all balance sheet items that are in UVR. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group

DUR: Weighted average duration for the group

Y: Weighted average yield for the group

(delta)i: Maximum variation of the interest rate

VaR: Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN UVR
(UVR)

ASSETS	NPV	DUR	Y	(
Trading securities issued by the Colombian government - TES fixed rate	1,208,624,894	26.22	1.27%	
Trading securities issued by financial institutions	308,077,883	24.73	2.03%	
Other marketable trading securities	422,043,280	49.54	3.04%	
Other held to maturity securities issued by the Colombian government	1,482,215,099	93.72	0.00%	
Other held to maturity securities	169,451,056	49.02	4.70%	
Available for sale securities issued by the Colombian government - TES fixed rate	367,852,794	19.92	2.70%	
INTEREST RATES DERIVATIVES				
Interest rate SWAP - fixed part, long position	55,058,234	7.57	0.00%	
Forward contracts long position issued by the Colombian government - TES fixed rate	155,467,326	19.92	2.70%	
Forward contracts long position securities issued by financial institutions	13,485,746	1.63	0.88%	
Forward contracts short position synthetic	(167,894,194)	0.20	2.12%	
Forward contracts short position issued by the Colombian government - TES fixed rate	(377,047,118)	51.89	4.68%	
Forward contracts long position others securities	372,534,441	0.13	2.02%	

The risk factor for all the positions in UVR is the Real Rate risk factor. The average VaR for the Real Rate factor in 2004 was Ps 2,783 million with a standard deviation of Ps 442 million.

Ps million	
RISK FACTOR	VAR

Real Rate	2,992.92

The table below provides information about BC's (unconsolidated) VaR calculations for changes in the price of a currency other than the peso. It shows the following information for each specific currency:

NET POSITION: Net position for that currency presented in the original currency

PRICE: Price of the currency on the day of calculation

PESOS VALUE: Net position of that currency presented in pesos

(delta)e: Maximum variation of the price of the currency

VaR: Value at risk for the group for changes in the price of the currency

FOREIGN EXCHANGE RISK AND PRICE RISK

FOREIGN CURRENCY

	NET POSITION	PRICE	PESOS VALUE
U.S. Dollars	(23,274,151)	2,390	(55,619,401,827)
Japanese Yen (YEN)	12,090,899	23	280,274,297
British Pound	(127,494)	4,594	(585,746,670)
Venezuelan Bolivar	5,915,893	1	7,381,852
Canadian Dollar	75,515	1,980	149,550,447
Swiss Franc	(96,427)	2,107	(203,152,982)
European Currency Unit (EURO)	7,116,723	3,256	23,173,995,377
Swedish Krone	62,231	361	22,442,799
Danish Krone	200,714	438	87,839,574
VALUE AT RISK			(32,686,817,134)
UVR	4,076,236,199	146	594,854,931,487
Available for sale investments - tradable	626,040,393,364		
Available for sale investments - nontradable - not registered in exchange	26,375,820,332		
Investments in funds	120,985,776,955		
VALUE AT RISK			

The risk factors regarding foreign exchange risk are the TRM (the dollar Representative Market Rate), the EURO and the YEN. The net position could be negative if we have an amount in short position larger than the amount in long positions. The UVR risk factor is considered to be a price risk factor, which means that a UVR position has two kinds of market risk: interest rate risk and price risk. For positions in local stocks, we have the IGBC (Colombian Stock Exchange General Index) risk factor. Finally, two new price risk factors were incorporated in 2004 in the model: risk factor RFOND (Rentability Investments

funds) which is the risk factor that applies for investments in national funds and risk factor (DJIA) which applies for investments in foreign funds (stocks) and investment in foreign funds (other investments). The TRM includes the American Dollar, the British Pound, the Venezuelan Bolivar, the Canadian Dollar, the Swiss Franc, the Swedish Krona and the Danish Krone. The more volatile VaR outcomes are the UVR and TRM risk factors followed by the IGBC. The average VaR for the UVR factor in 2004 was Ps 20,328 million with a standard deviation of Ps 4,788 million. The average VaR for the TRM factor in 2004 was Ps (3,293) million with a standard deviation of Ps 6,381 million. The average VaR for the IGBC factor in 2004 was Ps 38,410 million with a standard deviation of Ps 2,060 million.

	Ps million
RISK FACTOR	VAR
UVR	23,199.34
TRM	(1,476.51)
EURO	1,262.98
YEN	14.52
IGBC	40,411.01
RFOND	17,509.06

After using the VaRTOTAL formula, according to "Total Market Risk Value" section, the Aggregate Market Value at Risk of the Bank (unconsolidated) on December 31, 2004 was equal to Ps 79,735 million of local currency. The Bank follows the Superintendency of Banking regulations. After December 31, 2003 the Bank (unconsolidated) had to include in the solvency rate formula 100% of the Aggregate Market Value at Risk.

SOLVENCY RATE FORMULA:

Capital/Risk_Weighted_Assets+[Var*(100/9)> or = 9%

The Bank's (unconsolidated) average Total Market Risk Value for 2004 was Ps 66,055 million with a standard deviation of Ps 15,370 million. The maximum value during 2004 was Ps 91,797 million in September 2004, and the minimum value during 2004 was Ps 45,964 million in January 2004. Most of the increase in the Total Market Risk Value during 2004 can be explained by an increase in the portfolio duration during September. This VaR increase was a result of the debt exchange of short term securities by long term securities. This exchange was made with the national government and had a direct influence on the average duration of the portfolio increasing the value of VaR for September and having a direct effect on the 2004 average.

COLCORP

The table below provides information about BC's Subsidiary Colcorp's VaR calculations for all balance sheet items that are in pesos. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group

DUR: Weighted average duration for the group

Y: Weighted average yield for the group

(delta)i: Maximum variation of the interest rate

VaR: Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN LOCAL CURRENCY
(Ps MILLION)

VALUE AT RISK FOR PESO (LOCAL CURRENCY)

ASSETS	NPV	DUR	Y
Trading securities issued by the Colombian government - TES fixed rate	2,292	26.60	0.10%
Other trading securities issued by the Colombian government	42	2.97	0.12%
Trading securities issued by financial institutions	6,791	4.49	0.10%
Other marketable trading securities	38,238	12.01	0.12%
Other held to maturity securities issued by the Colombian government	320	8.23	0.06%
Held to maturity securities issued by financial institutions	537	0.69	0.05%
Other held to maturity securities	1,730	65.54	0.06%
Available for sale securities issued by the Colombian government - TES fixed rate	21,797	27.55	0.10%
Mortgage loans in pesos	2,713	2.37	0.13%
Consumer loans - variable rate	873	40.24	0.13%
LIABILITIES			
Time deposits	64,364	1.90	9.31%
Interbank borrowings	2,855	4.91	7.79%
INTEREST RATES DERIVATIVES			
Forward contracts short position others securities	(3,458)	10.38	12.18%
Forward contracts long position others securities	3,137	0.11	2.98%
FOREIGN EXCHANGE FORWARDS			
Foreign exchange contracts long position in local currency	2,386	0.10	8.00%

The table below provides information about Colcorp's VaR calculations for all balance sheet items that are in a currency other than pesos or UVR. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group

DUR: Weighted average duration for the group

Y: Weighted average yield for the group

(delta)i: Maximum variation of the interest rate

VaR: Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN FOREIGN CURRENCY
(U.S. DOLLARS)

ASSETS	NPV	DUR	Y	(DELTA
Other marketable trading securities	1,171,553	57.85	5.66%	12
FOREIGN EXCHANGE FORWARDS				
Foreign exchange contracts short position in local currency	(1,000,000)	0.20	5.00%	12

The table below provides information about Colcorp's VaR calculations for all balance sheet items that are in UVR. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group

DUR: Weighted average duration for the group

Y: Weighted average yield for the group

(delta)i: Maximum variation of the interest rate

VaR: Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN UVR
(UVR)

ASSETS	NPV	DUR	Y
Trading securities issued by financial institutions	19,375,264	36.37	3.67
Other marketable trading securities	6,267,207	49.01	4.70
Other held to maturity securities issued by the Colombian government	18,358,906	96.13	0.00
Other held to maturity securities	15,954,553	40.91	5.01

The table below provides information about Colcorp's VaR calculations for changes in the price of a currency other than the peso. It shows the following information for each group which represent an specific currency:

NET POSITION: Net position for that currency presented in the original currency

PRICE: Price of the currency on the day of calculation

PESOS VALUE: Net position of that currency presented in pesos

(delta)e: Maximum variation of the price of the currency

VaR: Value at risk for the group for changes in the price of the currency

FOREIGN EXCHANGE RISK AND PRICE RISK

FOREIGN CURRENCY

	NET POSITION	PRICE	PESOS VALUE	(DELTA)e	
U.S Dollars	176,805	2,390	422,519,749	2.63%	
VALUE AT RISK					
UVR	60,445,052	146	8,820,891,506	3.90%	
Available for sale investments tradable	58,703,480,150			6.00%	
Available for sale investments nontradable	125,953,358,694			9.00%	1
Investments in mutual funds	9,314,986			12.06%	
VALUE AT RISK					1

Ps million	
RISK FACTOR	VAR
DTF	131.57
Real Rate	51.59
Money Market US$	16.07
TES Rate	1,302.07
UVR	344.01
TRM	11.11
IGBC	17,125.17
RFOND	1.35

Colcorp's main assets are investments and stocks, and were the most relevant positions affecting the IGBC risk factor. Its liabilities are basically CDs, interbank borrowings and repurchase agreements.

The average VaR for IGBC during 2004 was Ps 19,168 million with a standard deviation of Ps 2,046 million, and the average VaR for TES during 2004 was Ps 544 million with a standard deviation of Ps 338 million. As of December 31, 2004, Colcorp's Total Market Risk Value was Ps 16,893 million. Its average Total Market Risk Value during 2004 was Ps 15,516 million, with a maximum value during 2004 of Ps 16,044 million and a minimum value during 2004 of Ps 14,742 million.

LEASING COLOMBIA

The table below provides information about BC's Subsidiary Leasing Colombia's VaR calculations for all balance sheet items that are in pesos. It

shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group

DUR: Weighted average duration for the group

Y: Weighted average yield for the group

(delta)i: Maximum variation of the interest rate

VaR: Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN LOCAL CURRENCY
(Ps MILLION)

VALUE AT RISK FOR PESO (LOCAL CURRENCY)

ASSETS	NPV	DUR	Y	(
Trading securities issued by the Colombian government - TES fixed rate	30,076	10.97	8.31%	
Other trading securities issued by the Colombian government	835	10.64	10.20%	
Trading securities issued by financial institutions	8,026	4.73	9.23%	
Other marketable trading securities	1,546	7.82	8.78%	
Other held to maturity securities issued by the Colombian government	217	8.13	6.36%	
Commercial loans - fixed rate	1,598	12.85	15.79%	
Commercial loans - variable rate	858,367	3.12	15.79%	
Consumer loans - fixed rate	1,025	13.41	15.79%	
Consumer loans - variable rate	10,764	1.86	15.79%	
Small business loans - variable rate	17	6.37	15.79%	
Rights buyback trading securities issued by the Colombian government - TES fixed rate	5,774	17.23	8.70%	
LIABILITIES				
Time deposits	464,635	2.95	9.06%	
Repurchase agreements	5,056	1.13	7.56%	
Interbank borrowings	243,672	1.86	9.99%	
Long term debt	146,905	3.32	9.06%	

The table below provides information about Leasing Colombia's VaR calculations for all balance sheet items that are in a currency other than pesos or UVR. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group

DUR: Weighted average duration for the group

Y: Weighted average yield for the group

(delta)i: Maximum variation of the interest rate

VaR: Value at risk for the group for changes in the interest

rate

INTEREST RATE RISK IN FOREIGN CURRENCY
(U.S. DOLLARS)

LIABILITIES	NPV	DUR	Y	(DELTA)i	VAR
Interbank borrowings	513,710	5.17	3.19%	41.18	907

The table below provides information about Leasing Colombia's VaR calculations for all balance sheet items that are in UVR. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group

DUR: Weighted average duration for the group

Y: Weighted average yield for the group

(delta)i: Maximum variation of the interest rate

VaR: Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN UVR
(UVR)

ASSETS	NPV	DUR	Y
Trading securities issued by financial institutions	17,195,318	15.50	3.15%
Other marketable trading securities	15,854,403	40.89	5.14%
Other held to maturity securities issued by the Colombian government	54,012,300	99.36	0.00%

The table below provides information about Leasing Colombia's VaR calculations for changes in the price of a currency other than pesos. It shows the following information for each group which represent a specific currency:

NET POSITION: Net position for that currency presented in the original currency

PRICE: Price of the currency on the day of calculation

PESOS VALUE: Net position of that currency presented in pesos

(delta)e: Maximum variation of the price of the currency

VaR: Value at risk for the group for changes in the price of the currency

FOREIGN EXCHANGE RISK AND PRICE RISK

FOREIGN CURRENCY

	NET POSITION	PRICE	PESOS VALUE	(DELTA)e	VAR
U.S. Dollars	(496,054)	2,390	(1,185,445,047)	2.63%	(31,177,205)
VALUE AT RISK			(1,185,445,047)		(31,177,205)
UVR	87,062,021	146	12,705,169,643	3.90%	495,501,616
Investments in mutual funds	123,296,337			12.06%	17,843,446
VALUE AT RISK					482,167,857

Ps million

RISK FACTOR	VAR
DTF	410.99
Repo Rate	(11.73)
Real Rate	94.62
Libor	(2.17)
Consumer Loans Rate	24.88
TES Rate	529.40
UVR	495.50
TRM	(31.18)
RFOND	17.84

Leasing Colombia's main assets are the leasing operations that are included in the loan portfolio, where the risk factor is the DTF. Its liabilities are basically CDs and interbank borrowings where the DTF is also the main risk factor.

The average VaR for the DTF during 2004 was Ps 230 million with a standard deviation of Ps 335 million. As of December 31, 2004, Total Market Risk Value was Ps 1,374 million. The average Total Market Risk Value during 2004 was Ps 1,345 million, with a maximum value during 2004 of Ps 3,052 million and a minimum value of Ps 743 million.

SUFINANCIAMIENTO

The table below provides information about BC's Subsidiary Sufinanciamiento's VaR calculations for all balance sheet items that are in pesos. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group

DUR: Weighted average duration for the group

Y: Weighted average yield for the group

(delta)i: Maximum variation of the interest rate

VaR: Value at risk for the group for changes in the interest rate

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INTEREST RATE RISK IN LOCAL CURRENCY
(Ps MILLION)

VALUE AT RISK FOR PESO (LOCAL CURRENCY)

ASSETS	NPV	DUR	Y	(
Other trading securities issued by the Colombian government	343	9.15	7.55%	
Commercial loans and operations of financial leases - fixed rate	3,826	3.16	29.45%	
Commercial loans and operations of financial leases - variable rate	241,879	0.53	29.23%	
Consumer loans - fixed rate	12,772	3.33	29.47%	
Consumer loans - variable rate	225,760	0.52	29.23%	
Other assets	1,656	0.57	29.23%	
LIABILITIES				
Time deposits	405,117	3.27	9.67%	
Interbank borrowings	24,624	0.48	7.76%	
Long term debt	5,154	7.66	7.94%	

The table below provides information about Sufinanciamiento's VaR calculations for changes in the price of a currency other than pesos. It shows the following information for each group which represent a specific currency:

NET POSITION: Net position for the currency presented in the original currency

PRICE: Price of the currency on the day of calculation

PESOS VALUE: Net position of the currency presented in pesos

(delta)e: Maximum variation of the price of the currency

VaR: Value at risk for the group for changes in the price of the currency

FOREIGN EXCHANGE RISK AND PRICE RISK

FOREIGN CURRENCY

	NET POSITION	PRICE	PESOS VALUE	(DELTA)e	
Available for sale investments tradable	9,849			6.00%	
Available for sale investments nontradable	2,730,234,058			9.00%	29
VALUE AT RISK					29

	Ps million
RISK FACTOR	VAR
DTF	(1,251.32)
Consumer Loans Rate	76.32
IBC	294.87

Sufinanciamiento's main assets are loans, where the risk factor is the DTF. Its liabilities are basically CDs and interbank borrowings, where the DTF is also the main risk factor.

The average VaR for the DTF during 2004 was Ps 807 million with a standard deviation of Ps 364 million. As of December 31, 2004, the Total Market Risk Value was Ps 1,438 million. The average Total Market Risk Value of Sufinanciamiento during 2004 was Ps 807 million, a maximum value of Ps 1,438 million and a minimum value of Ps 424 million.

FIDUCOLOMBIA

The table below provides information about BC's Subsidiary Fiducolombia's VaR calculations for all balance sheet items that are in pesos. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group

DUR: Weighted average duration for the group

Y: Weighted average yield for the group

(delta)i: Maximum variation of the interest rate

VaR: Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN LOCAL CURRENCY
(Ps MILLION)

VALUE AT RISK FOR PESO (LOCAL CURRENCY)

ASSETS	NPV	DUR	Y	(DEL
Trading securities issued by the Colombian government - TES fixed rate	15,172	16.46	9.01%	15
Other trading securities issued by the Colombian government	2,014	9.33	11.45%	3
Trading securities issued by financial institutions	13,218	3.52	9.82%	3
Other marketable trading securities	14,660	2.21	8.19%	3
Held to maturity securities issued by the Colombian government - TES fixed rate	8,276	7.38	11.74%	25
Available for sale securities issued by the Colombian government - TES fixed rate	6,561	21.67	9.35%	25

Rights buyback trading securities issued by the Colombian government - TES fixed rate	1,085	69.91	12.65%	15

The table below provides information about Fiducolombia's VaR calculations for all balance sheet items that are in a currency other than pesos or UVR. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group

DUR: Weighted average duration for the group

Y: Weighted average yield for the group

(delta)i: Maximum variation of the interest rate

VaR: Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN FOREIGN CURRENCY
(U.S. DOLLARS)

ASSETS	NPV	DUR	Y	(DEL
Trading securities issued by the Colombian government - U.S. Dollars, denominated TES	33,615	13.58	3.11%	12

The table below provides information about Fiducolombia's VaR calculations for all balance sheet items that are in UVR. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group

DUR: Weighted average duration for the group

Y: Weighted average yield for the group

(delta)i: Maximum variation of the interest rate

VaR: Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN UVR
(UVR)

ASSETS	NPV	DUR	
Trading securities issued by the Colombian government - TES fixed rate	22,200,600	19.83	
Other marketable trading securities	22,986,183	27.15	
Held to maturity securities issued by financial institutions	46,816,070	35.47	

Other held to maturity securities	19,259,223	48.17

The table below provides information about Fiducolombia's VaR calculations for changes in the price of a currency other than pesos. It shows the following information for each group which represent an specific currency:

NET POSITION: Net position for the currency presented in the original currency

PRICE: Price of the currency on the day of calculation

PESOS VALUE: Net Position of that currency presented in pesos

(delta)e: Maximum variation of the price of the currency

VaR: Value at risk for the group for changes in the price of the currency

FOREIGN EXCHANGE RISK AND PRICE RISK

FOREIGN CURRENCY

	NET POSITION	PRICE	PESOS V
U.S. Dollars	33,615	2,390	80,3
VALUE AT RISK			
UVR	111,266,970	146	16,237,4
Available for sale investments - nontradable - not registered in exchange	1,068,804,391		
Investments in mutual funds	118,190,359		
VALUE AT RISK			

Ps million	
RISK FACTOR	VAR
DTF	24.17
Real Rate	54.87
Money Market US$	0.11
TES Rate	816.35
UVR	633.26
TRM	2.13
IGBC	115.43
RFOND	14.25

Fiducolombia's Total Market Risk Value relates to its investments. The most significant risk factor is the TES. The average VaR for the TES during 2004 was Ps 880 million with a standard deviation of Ps 183 million. As of December 31, 2004, the Total Market Risk Value was Ps 1,261 million. The average Total Market Risk Value of Fiducolombia during 2004 was Ps 1,184 million, with a maximum value of Ps 1,570 million and a minimum value of Ps 797 million.

COMISIONISTA DE COLOMBIA - COMICOL

The table below provides information about BC's Subsidiary Comicol's VaR calculations for all balance sheet items that are in pesos. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group

DUR: Weighted average duration for the group

Y: Weighted average yield for the group

(delta)i: Maximum variation of the interest rate

VaR: Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN LOCAL CURRENCY
(Ps MILLION)

VALUE AT RISK FOR PESO (LOCAL CURRENCY)

ASSETS	NPV	DUR	Y	(DE
Trading securities issued by the Colombian government - TES fixed rate	3,490	13.02	8.44%	1
Trading securities issued by financial institutions	3,196	3.30	9.31%	
Other marketable trading securities	2,023	10.32	9.53%	
Other held to maturity securities issued by the Colombian government	52	8.12	7.78%	1
Rights buyback trading securities issued by financial institutions	294	0.10	2.02%	2
FOREIGN EXCHANGE FORWARDS				
Foreign exchange contracts long position in local currency	2,385	0.47	8.19%	

The table below provides information about Comicol's VaR calculations for all balance sheet items that are in a currency other than pesos or UVR. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group

DUR: Weighted average duration for the group

Y: Weighted average yield for the group

(delta)i: Maximum variation of the interest rate

VaR: Value at risk for the group for changes in the

interest rate

INTEREST RATE RISK IN FOREIGN CURRENCY

VALUE AT RISK FOR PESO (FOREIGN CURRENCY)

ASSETS	NPV	DUR	Y	(DELTA)i	VAR
Other marketable trading securities	1,140,400	56.58	6.29%	12	6,449
FOREIGN EXCHANGE FORWARDS					
Foreign exchange contracts short position in forex	(1,000,000)	0.47	2.38%	12	(559)

The table below provides information about Comicol's VaR calculations for all balance sheet items that are in UVR. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group

DUR: Weighted average duration for the group

Y: Weighted average yield for the group

(delta)i: Maximum variation of the interest rate

VaR: Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN UVR
(UVR)

ASSETS	NPV	DUR	Y	(DELTA)i	VAR
Trading securities issued by financial institutions	2,168,523	3.42	1.01%	12.4	76,035
Other marketable trading securities	4,955,029	27.22	1.96%	12.4	709,877

The table below provides information about Comicol's VaR calculations for changes in the price of a currency other than pesos. It shows the following information for each group which represent an specific currency:

NET POSITION: Net position for that currency presented in the original currency

PRICE: Price of the currency on the day of calculation

PESOS VALUE: Net position of that currency presented in pesos

(delta)e: Maximum variation of the price of the currency

VaR: Value at risk for the group for changes in the price of the currency

FOREIGN EXCHANGE RISK AND PRICE RISK

FOREIGN CURRENCY

	NET POSITION	PRICE	PESOS VALUE	(DELTA)e	VAR
U.S. Dollars	140,400	2,390	335,520,900	2.63%	8,824,200
VALUE AT RISK					8,824,200
UVR	7,123,552	146	1,039,557,067	3.90%	40,542,726
VALUE AT RISK					49,366,925

Ps million

RISK FACTOR	VAR
DTF	8.22
Repo Rate	0.06
Real Rate	2.14
Money Market US$	15.33
TES Rate	56.03
UVR	40.54
TRM	71.67

Comicol's Total Market Risk Value is determined by its investments. The most significant risk factor during 2004 was the TES. The average VaR for the TES during 2004 was Ps 477 million with a standard deviation of Ps 484 million. As of December 31, 2004, the Total Market Risk Value was Ps 59.47 million. The average Total Market Risk Value of Comicol during 2004 was Ps 550 million. The reason for the decline of Comicol's Total Market Risk Value during 2004 was the diversification in the portfolio of investments. This portfolio includes investments on securities which contain lower Market Risk, because they have lower volatility.

BANCOLOMBIA PANAMA AND BANCOLOMBIA CAYMAN

BC's Subsidiaries Bancolombia Panama and Bancolombia Cayman apply the same VaR methodology to measure market risk. The only difference is that Bancolombia Panama and Bancolombia Cayman calculate the volatility of the risk factors using the JP Morgan risk metrics methodology. As we mentioned before, BC (unconsolidated) and its local Subsidiaries use the volatilities published by the Superintendency of Banking. Bancolombia Panama and Bancolombia Cayman measure the market value at risk since August 2003.

Bancolombia Panama's and Bancolombia Cayman's market risks are

mainly related to their portfolio of investments, which one year ago were concentrated on securities issued by the Republic of Colombia, but at the end of 2004 were diversified among securities issued in Colombia, Mexico, Brazil, United States, Chile, El Salvador and Peru.

The table below provides information about Bancolombia Panama's and Bancolombia Cayman's VaR calculations for portfolio of investments items that are in U.S. thousands dollars. It shows the following information for each group of investments described in the title of the group:

NPV: Sum of the net present value for the group

DUR: Weighted average duration for the group

Y: Weighted average market yield for the group

(delta)i: Maximum variation of the interest rate

VaR: Value at risk for the group for changes in the interest rate

PORTFOLIO OF INVESTMENTS
(US$ MILLION)

	NPV	DUR
Available for sale securities issued by the Colombian government	81,489	34.7
Trading securities issued by the Colombian government	30,940	15.5
Available for sale securities issued by Colombian corporations	28,481	16.4
Available for sale securities issued by Colombian financial institutions	5,000	11.5
Available for sale securities issued by Mexican corporations	34,775	13.1
Trading securities issued by Mexican corporations	20,211	31.2
Available for sale securities issued by Brazilian financial institutions	24,561	7.6
Available for sale securities issued by the Brazilian government	5,753	26.2
Available for sale securities issued by United States corporations	14,990	11.6
Available for sale securities issued by Chile corporations	5,913	21.4
Available for sale securities issued by Peru corporations	3,333	57.4
Available for sale securities issued by the El Salvador government	1,980	3.7

	Ps million
RISK FACTOR	VAR
Republic of Colombia 2006	20
Republic of Colombia 2007	972
Republic of Colombia 2009	1,081
Republic of Brazil 2006	68
Republic of Brazil 2007	101
Republic of Mexico 2006	29
Republic of Mexico 2007	310
Republic of Mexico 2009	358
US Treasury 2006	3
US Treasury 2007	83

US Treasury 2014	94

As of December 31, 2004, the Total Market Risk Value was US$ 2,546,292. The average Total Market Risk Value was US$ 9,461,603 with a maximum value of US$ 17,308,564 in January and a minimum value of US$ 2,546,292 in December. The decline of the VaR of Bancolombia Panama and Bancolombia Cayman during 2004 was determined by the reduction of the size of portfolio, the reduction of the volatility of the risk factors and the reduction of the portfolio duration.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not Applicable.

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

There has not been a material default in the payment of principal, interest, a sinking or purchase fund installment in BC operation.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

An evaluation has been carried out, under the supervision and with the participation of BC's management, including President Jorge Londono Saldarriaga and Finance Vice-President Jaime Alberto Velasquez Botero, of the effectiveness of the design and operation of our "disclosure controls and procedures" as defined in Exchange Act Rules 13a-15(e). Our disclosure controls and procedures are designed to ensure that the financial and non-financial information required to be disclosed in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Based upon that evaluation, our management, including the President Jorge Londono Saldarriaga and Finance Vice-President Jaime Alberto Velasquez Botero, concluded that our disclosure controls and procedures are effective.

In the first quarter of 2004, BC engaged Price Waterhouse Coopers (Colombia) to assist BC in the evaluation of its internal control in a group-wide program to reinforce effectiveness of its internal control over financial reporting. As of the date of this filing, BC continues to develop this program.

There have been no changes in BC's internal control during the period covered by the Annual Report that has materially affected, or is reasonably likely to materially affect, BC's internal control over financial reporting.

ITEM 16.RESERVED

ITEM.16.A AUDIT COMMITTEE FINANCIAL EXPERT

Luis Alberto Zuleta Jaramillo serves as the board of directors audit committee financial expert, complying with the requirements of Sarbanes Oxley Act regarding audit committee financial experts.

ITEM.16.B CORPORATE GOVERNANCE AND CODE OF ETHICS

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

Corporate Governance in Colombia. In Colombia, a series of laws and regulations set forth corporate governance requirements. Among them, Resolution 275 of the Superintendency of Securities (issued on May 23, 2001) contains the corporate governance standards to be followed by companies issuing securities that may be purchased by Colombian pension funds. Bancolombia's corporate governance standards comply with these legal requirements and follow regional recommendations, including the OECD's White Paper on Corporate Governance for Latin America and the Andean Development Corporation's (CAF) Corporate Governance Code.

Independence of Directors. Colombian law does not require the Board of Directors to be composed of a majority of independent directors. However, Colombian law mandates that all directors exercise independent judgment under all circumstances. Bancolombia's Corporate Governance Code includes a provision stating that directors shall exercise independent judgment and requires that Bancolombia's management recommends to its shareholders a list of directors containing at least two independent directors.

Structure of the Board of Directors. Bancolombia's Board of Directors includes five (5) principal directors and five (5) alternate directors. Even though it is customary that only principal directors attend meetings of the Board of Directors, alternate directors perform an active role in Bancolombia's corporate governance, as they are members of some Committees.

Although there is no prohibition under Colombian regulations for officers to be members of the Board of Directors, it is customary for Colombian companies to maintain separation between the directors and management. Bancolombia's Board of Directors does not include any management members, although the CEO attends the monthly meetings of the Board of Directors (but is not allowed to vote) and Committees have some officers or employees as permanent members to guarantee an adequate flow of information between employees, management and directors. The roles of Bancolombia's CEO and Chairman are completely separate.

Committees of the Board of Directors. The Board of Directors has a "Board Issues Committee", a "Nomination, Compensation and Development Committee" and an "Audit Committee", each of which is composed of both directors and officers. These committees have drafted charters and address various corporate governance subjects, in accordance with NYSE Corporate Governance Standards, and Bancolombia's Audit Committee complies with NYSE Corporate Governance Standards applicable to foreign private issuers.

Bancolombia has adopted an Ethics Code and a Corporate Governance Code, both of which are directed to all employees, officers and directors. English translations of the Ethics Code and the Corporate Governance Code are available at Bancolombia's website at www.bancolombia.com.co. The Spanish versions of these codes will prevail for all legal purposes.

ITEM.16.C PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate fees billed under the caption audit fees for professional services rendered to BC for the audit of its financial statements and for services that are normally provided in connection with statutory or regulatory filings or engagements, totaled Ps 1,509 million at December 31, 2003 and Ps 1,654 million at December 31, 2004.

There were no fees corresponding to audit related fees, tax fees or other fees billed to BC in the last two years.

The Bank's audit committee charter includes the following pre-approval policies and procedures:

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

For those events in which additional services are required to be provided by the external auditors, such services must be previously approved by the audit committee. Whenever this approval cannot be given at a meeting held by the audit committee, the approval will be obtained through the Vice Presidency of Internal Audit, who will be responsible of reaching each of the audit committee members. The approval will be obtained with the favorable vote of the majority of its members.

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

ITEM.16.D PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Bancolombia did not repurchase any shares in 2004.

FINANCIAL STATEMENTS.

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to pages F - 1 through F - 115.

ITEM 19. EXHIBITS

The following exhibits are filed as part of this annual report.

1. -- Corporate by-laws (estatutos sociales) of the registrant, as amended through March 28, 2005, together with an English translation.

12.1-- CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 17, 2005.

12.2-- CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated June 17, 2005.

13.1-- CEO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated June 17, 2005.

13.2-- CFO Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated June 17, 2005.

SIGNATURE

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

Dated: June 17, 2005

BANCOLOMBIA S.A.

By: /s/ JAIME ALBERTO VELASQUEZ B.

Name: Jaime Alberto Velasquez B.
Title: Vice President, Finance.

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[DELOITTE LOGO]

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INDEPENDENT AUDITORS' REPORT

To the Board of directors and shareholders of Bancolombia S.A. :

We have audited the accompanying consolidated balance sheets of Bancolombia S.A. and subsidiaries (the "Bank") as at December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2004. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Bank is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in Colombia.

Accounting principles generally accepted in Colombia vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of net income for each of the two years in the period ended December 31, 2004 and the determination of shareholders' equity as at December 31, 2004 and 2003, to the extent summarized in Note 33 to the consolidated financial statements.

Our audits also comprehended the translation of Colombian pesos amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2(c). Such U.S. dollar amounts are presented solely for the convenience of readers in the United States of America.

[DELOITTE & TOUCHE]
Medellin, Colombia
May 18, 2005

Audit.Tax.Consulting.Financial Advisory.

Una firma miembro de
Deloitte Touche Tohmatsu

[KPMG LOGO]

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Carrera 43 A No. 16 A Sur - 38 Fax 57 (4) 3132554
Medellin - Colombia www.kpmg.com.co

REPORT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Bancolombia S.A.:

We have audited the accompanying consolidated statements of operations, stockholders' equity, and cash flows of Bancolombia S.A. and subsidiaries for the year ended December 31, 2002. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and the cash flows of Bancolombia S.A. and subsidiaries for the year ended December 31, 2002, in conformity with accounting principles generally accepted in Colombia for financial institutions.

As discussed in Note 33i to the financial statements, the Colombia Superintendency of Banking issued External Circular 033, which changes the method for classification and valuation of investment securities, effective September 2, 2002.

Accounting practices prescribed by the Colombia Superintendency of Banking, as described in Note 2 to the consolidated financial statements, vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of accounting principles generally accepted in the United States of America would have affected consolidated results of operations and consolidated stockholders' equity for the year ended December 31, 2002, to the extent summarized in Note 33 to the consolidated financial statements.

[KPMG LTDA.]

Medellin, Colombia
January 21, 2003, except as to the 2003 column in note 24 and note 33, which are as of March 12, 2003.

KPMG Ltda., socidedad Colombiana de responsabilidad limitada KPMG Ltda.
miembro de KPMG International, cooperativa Suiza Nit. 860.000.846-4

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2003 and 2004

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

	2003	2004
ASSETS		
Cash and cash equivalents:		
Cash and due from banks (Note 4)	Ps 848,052	Ps 768,514
Overnight funds	598,409	480,846
TOTAL CASH AND CASH EQUIVALENTS	1,446,461	1,249,360
Investment securities (Note 5):		
Debt securities:	4,171,591	4,922,792
Trading securities	1,644,068	2,245,756
Available for sale	1,805,230	1,943,685
Held to maturity	722,293	733,351
Equity securities	246,172	393,044
Trading securities	17,667	129,964
Available for sale	228,505	263,080
Market value allowance	(81,039)	(65,625
TOTAL INVESTMENT SECURITIES	4,336,724	5,250,211
Loans and financial leases (Notes 6 and 29):		
Commercial loans	6,624,494	7,353,956
Consumer loans	1,273,159	1,655,066
Small business loans	83,854	90,000
Mortgage loans	48,161	56,107
Financial leases	-	880,110
Allowance for loans and financial leases losses (Note 7)	(387,263)	(434,378
LOANS AND FINANCIAL LEASES, NET	7,642,405	9,600,861
Accrued interest receivable on loans and financial leases:		
Accrued interest receivable on loans and financial leases	108,379	125,879
Allowance for accrued interest losses (Note 7)	(5,170)	(4,603
INTEREST ACCRUED, NET	103,209	121,276
Customers' acceptances and derivatives (Note 8)	1,539	43,894
Accounts receivable, net (Notes 9 and 29)	163,310	173,875
Premises and equipment, net (Note 10)	337,964	346,243
Operating leases, net (Note 11)	537,207	8,311
Foreclosed assets, net (Note 15)	27,676	12,206
Prepaid expenses and deferred charges (Note 12)	27,831	15,950
Goodwill (Note 14)	99,910	73,607
Other assets (Note 13)	198,480	315,394
Reappraisal of assets (Note 16)	253,413	267,941
TOTAL ASSETS	Ps 15,176,129	Ps 17,479,129

Memorandum accounts (Note 25)	Ps 59,814,787	Ps 78,232,437

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2003 and 2004

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

	2003	2004
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits (Note 29)		
Non-interest bearing:	Ps 2,319,787	Ps 2,690,679
Checking accounts	2,193,069	2,523,505
Other	126,718	167,174
Interest bearing:	7,912,210	9,171,437
Checking accounts	1,353,123	1,275,618
Time deposits	4,237,345	4,361,206
Savings deposits	2,321,742	3,534,613
TOTAL DEPOSITS	10,231,997	11,862,116
Overnight funds	1,118,139	616,494
Bank acceptances outstanding	35,833	66,593
Interbank borrowings (Note 17)	456,059	246,282
Borrowings from domestic development banks (Note 18)	755,536	857,919
Accounts payable	451,501	729,448
Accrued interest payable	93,818	109,164
Other liabilities (Note 19)	174,317	232,932
Long-term debt (Note 20)	71,818	552,531
Accrued expenses (Note 21)	56,173	71,649
Minority interest in consolidated subsidiaries	41,559	43,278
TOTAL LIABILITIES	13,486,750	15,388,406
Stockholders' equity (Notes 22 and 24)		
Subscribed and paid in capital:	355,119	355,119
Nonvoting preference shares	101,579	101,579
Common shares	253,540	253,540
Retained earnings:	1,209,738	1,589,159
Appropriated (Note 23)	740,354	1,010,481
Unappropriated	469,384	578,678
Reappraisal of assets (Note 16)	30,086	42,237
Gross unrealized net gain or loss on investments	94,436	104,208
STOCKHOLDERS' EQUITY	1,689,379	2,090,723
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	Ps 15,176,129	Ps 17,479,129

Memorandum Accounts (Note 25)	Ps 59,814,787	Ps 78,232,437

See accompanying notes to consolidated financial statements.

(1) See note 2 (bb)

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2002, 2003 and 2004

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

	2002	2003	2004
Interest income:			
Loans in local currency	Ps 671,657	Ps 849,441	Ps 1,040,0
Loans in foreign currency	54,455	69,331	100,8
TOTAL INTEREST ON LOANS	726,112	918,772	1,140,8
Investment securities	247	476,720	532,5
Overnight funds and other	11,825	4,763	7,1
TOTAL INTEREST INCOME	738,184	1,400,255	1,680,5
Interest expense			
Checking accounts	12,975	11,622	13,5
Time deposits	260,278	249,911	267,5
Saving deposits	106,825	113,968	141,2
TOTAL INTEREST ON DEPOSITS	380,078	375,501	422,3
Interbank borrowings	9,404	5,293	7,3
Borrowings from domestic development banks	49,317	58,456	73,5
Overnight funds	26,645	38,423	41,2
Long-term debt	779	2,840	41,2
TOTAL INTEREST EXPENSE	466,223	480,513	585,7
NET INTEREST INCOME	271,961	919,742	1,094,8

Provision for loan and accrued interest losses, net of recoveries (Note 7)	115,154	162,058	104,6
Provision for foreclosed assets and other assets	71,212	68,892	38,9
NET INTEREST INCOME AFTER PROVISION FOR LOANS, AND ACCRUED INTEREST, FORECLOSED ASSETS AND OTHER ASSETS, LOSSES	85,595	688,792	951,2
Other operating income:			
Fees and service charges, net (Note 27)	292,308	333,025	402,3
Foreign exchange gains, net	93,371	39,262	(90,7
Dividend income (Note 5)	19,491	30,734	30,5
Forward contracts	(62,612)	10,489	147,4
Financial leases	39,596	58,774	99,8
Gains on sales of investments, net	372,793	75,540	20,2
Revenues from commercial subsidiaries	52,759	76,446	78,9
Other	21,271	50,377	44,2
TOTAL OTHER OPERATING INCOME	Ps 828,977	Ps 674,647	Ps 732,9

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2002, 2003 and 2004

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

	2002	2003	2004
Operating expenses			
Salaries and employee benefits	Ps 286,307	Ps 343,308	Ps 396,4
Severance benefits	29,575	22,959	15,1
Administrative and other expenses (Note 28)	362,495	402,685	451,0
Depreciation (Note 10)	34,444	40,625	46,8
Losses on sales of loans, net	9,952	-	2
Merger expenses	10,379	-	
Goodwill amortization	22,649	59,773	26,3
TOTAL OPERATING EXPENSES	755,801	869,350	936,1
Non-operating income (expense)			
Other income	131,026	83,041	130,3
Other expense	(51,239)	(45,441)	(58,5
TOTAL NON-OPERATING INCOME	79,787	37,600	71,8
Income before minority interest and provision for income taxes	238,558	531,689	819,9

Minority interest	14,440	330	(2,4
Provision for income taxes (Note 21)	42,618	62,635	238,8
NET INCOME (LOSS)	Ps 210,380	Ps 469,384	Ps 578,6
EARNINGS (LOSS) PER SHARE	Ps 365	Ps 814	Ps 1,0

See accompanying notes to consolidated financial statements.

(1) See Note 2 (bb)

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

Years ended December 31, 2002, 2003 and 2004

Expressed in terms of the purchasing power of Colombian pesos as of December 31, 2004

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

	Non Voting Preference Shares		Voting Common Shares		Retain
	Number	Value	Number	Value	Appro-priated
BALANCE AT DECEMBER 31, 2001	178,435,787	Ps 101,579	398,259,608	Ps 253,540	Ps 438,
Net income	-	-	-	-	
Transfer to appropriated retained earnings	-	-	-	-	156,
Valuation of investment	-	-	-	-	
Dividends declared	-	-	-	-	(48,
Other	-	-	-	-	19,
BALANCE AT DECEMBER 31, 2002	178,435,787	101,579	398,259,608	253,540	566,
Net income	-	-	-	-	
Transfer to appropriated retained earnings	-	-	-	-	210,
Valuation of investment	-	-	-	-	
Dividends declared	-	-	-	-	(76,
Other	-	-	-	-	39,
BALANCE AT DECEMBER 31, 2003	178,435,787	101,579	398,259,608	253,540	740,
Net income	-	-	-	-	
Transfer to appropriated retained earnings	-	-	-	-	469,
Valuation of investment	-	-	-	-	
Dividends declared	-	-	-	-	(156,
Other	-	-	-	-	(42,

BALANCE AT DECEMBER 31, 2004	178,435,787	Ps 101,579	398,259,608	Ps 253,540	Ps 1,010,
BALANCE AT DECEMBER 31, 2004 (UNAUDITED)	178,435,787	US$ 42,506	398,259,608	US$ 106,095	US$ 422,

	Surplus		Total
	Reappraisal of assets	Gross unrealized gain or loss on investments available for sale	Stockholders' equity
BALANCE AT DECEMBER 31, 2001	Ps 20,081	-	Ps 970,451
Net income	-	-	210,380
Transfer to appropriated retained earnings	-	-	-
Valuation of investment	17,287	115,294	132,581
Dividends declared	-	-	(48,442)
Other	-	-	19,378
BALANCE AT DECEMBER 31, 2002	37,368	115,294	1,284,348
Net income	-	-	469,384
Transfer to appropriated retained earnings	-	-	-
Valuation of investment	(7,282)	(20,858)	(28,140)
Dividends declared	-	-	(76,124)
Other	-	-	39,911
BALANCE AT DECEMBER 31, 2003	30,086	94,436	1,689,379
Net income	-	-	578,678
Transfer to appropriated retained earnings	-	-	-
Valuation of investment	12,151	9,772	21,923
Dividends declared	-	-	(156,861)
Other	-	-	(42,396)
BALANCE AT DECEMBER 31, 2004	Ps 42,237	Ps 104,208	Ps 2,090,723
BALANCE AT DECEMBER 31, 2004 (UNAUDITED)	US$ 17,674	US$ 43,606	US$ 874,871

See accompanying notes to consolidated financial statements.

BANCOLOMBIA S.A. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2002, 2003 and 2004

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

	2002	2003	20
Cash flows from operating activities:			
Net income (loss)	Ps 210,380	Ps 469,384	Ps
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation	34,444	40,625	
Amortization	57,943	86,010	
Minority interest	(8,043)	(9,577)	
Provision for loan, accrued interest and accounts receivable losses	153,004	305,673	
Provision for foreclosed assets	17,236	32,458	
Provision for losses on investment securities and equity investments	47,722	29,381	
Provision for premises and equipment	3,548	5,665	
Provision for other assets	2,552	723	
Reversal of provision for investments	(10,022)	(8,400)	
Reversal of provision for loans and accounts receivable	(37,850)	(143,615)	
Reversal of provision for foreclosed assets	(15,333)	(5,493)	
Reversal of provision for other assets	(1,534)	(41)	
Reversal of provision for premises and equipment	(7,905)	(3,016)	
Loss (gain) on sales of premises and equipment	369	393	
Loss (gain) on sales on investments securities	161	(5,878)	
Realized and unrealized loss (gain) on derivative financial instruments	1,299	5,409	(
Loss (gain) on sales on foreclosed assets	7,121	2,867	
Valuation gain (loss) on investment securities	37,736	(246,871)	(
Foreclosed assets donation	8,840	1,029	
(Increase) in accounts receivable	(75,496)	(11,724)	
Decrease (increase) in other assets	56,571	(63,752)	(
Increase in accounts payable	76,639	116,060	
Increase in other liabilities	34,950	3,745	
Other	(47,397)	1,069	
Net cash provided by operating activities	546,935	602,124	

	2002	2003	20

Cash flows from investing activities:			
(Increase) in loans	Ps (947,739)	Ps (1,941,055)	Ps (1,
Decrease (increase) in customers' acceptances	54,254	(17,827)	
Proceeds from sales of premises and equipment	15,048	35,737	
Proceeds from sales of foreclosed assets	24,743	10,384	
(Purchases) of premises and equipment	(143,073)	(290,947)	
(Purchases) sales of investment securities	(1,319,241)	96,942	(
Proceeds from sales of long term investments	32	120,702	
Net cash used in investing activities	(2,315,976)	(1,986,064)	(2,
Cash flows from financing activities:			
Dividends paid	(48,442)	(76,124)	(
Increase in deposits	1,207,310	1,443,839	1,
Increase in long-term debt	54,258	9,036	
Increase (decrease) in overnight funds	407,164	507,981	(
Increase (decrease) in interbank borrowings and borrowings from domestic development banks	286,361	94,580	(
Net cash provided by financing activities	1,906,651	1,979,312	1,
Increase (decrease) in cash and cash equivalents	137,610	595,372	(
Cash and cash equivalents at beginning of year	713,479	851,089	1,
Cash and cash equivalents at end of year	Ps 851,089	Ps 1,446,461	Ps 1,
Supplemental disclosure of cash flows information:			
Cash paid during the year for:			
Interest	Ps 472,795	Ps 459,893	Ps
Income taxes	Ps 6,892	Ps 5,988	Ps

See accompanying notes to consolidated financial statements.

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

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

(1) ORGANIZATION AND BACKGROUND

Bancolombia S.A., ("the Bank") previously known as "Banco Industrial Colombiano S.A." is a private commercial bank incorporated under Colombian law on January 24, 1945. On April 3, 1998, Banco Industrial Colombiano S.A. merged with Banco de Colombia S.A., with the

surviving entity being renamed Bancolombia S.A. The registered office of the Bank is in Medellin.

The Bank has 7,027 employees and operates through 377 branches.

The attached financial statements consolidate the assets, liabilities, earnings, contingent accounts and memorandum accounts of the Bank and subsidiaries in which it holds, directly or indirectly, 50% or more of the outstanding voting shares (the "Subsidiaries"). Compania Suramericana de Financiamiento Comercial S.A. ("Sufinanciamiento"). Sufinanciamiento has been consolidated by the Bank since December 31, 2003. The consolidated Subsidiaries are:

ENTITY	LOCATION	BUSINESS	INDIRECT PARTICIPATION PERCENTAGE 2003
Almacenes Generales de Deposito Mercantil S.A. ALMACENAR	Colombia	Warehousing and logistics	98.25
Fiducolombia S.A.	Colombia	Trust	96.16
Bancolombia Panama S.A.	Panama	Banking	100
Bancolombia Cayman	Cayman Islands	Banking	100
Leasing Colombia S.A.	Colombia	Leasing	99.99
Compania Suramericana de Financiamiento Comercial S.A. SUFINANCIAMIENTO	Colombia	Finance	99.99
Colcorp S.A. Corporacion Financiera	Colombia	Finance	100
Comisionista de Colombia S.A.	Colombia	Securities Brokerage	99.99
Abocol S.A.	Colombia	Chemical	92.32
Valores Simesa S.A.	Colombia	Various Commercial Investments	71.75
Inmobiliaria Bancol S.A.	Colombia	Real estate broker	98.95
Fundicom S.A.	Colombia	Metals engineering	79.86
Unicargo de Colombia S.A.	Colombia	Freight service	98.35
Sistema de Inversiones y Negocios S.A.	Panama	Commercial entity	100
Sinesa Holding Company	British Virgin Islands	Commercial entity	100
Todo 1 Colombia S.A.	Colombia	E-commerce	53.92
Future Net Inc.	Panama	E-commerce	60.02
Compania Metalurgica Colombiana S.A. COMECOL(1)	Colombia	Metals engineering	39.65
Sociedad Portuaria Mamonal S.A.	Colombia	Customs office	92.69
Abocol Costa Rica S.A.	Costa Rica	Chemical products commercial	92.43
Fertillanos Ltda.	Colombia	Chemical products commercial	55.39

(1) Controlled through other subsidiaries (Valores Simesa S.A. and Colcorp S.A.)

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

On December 29, 2003, in accordance with the authorization given by the Superintendencia Bancaria (the "Superintendency of Banking"), the Bank acquired 94.89% of the capital of Sufinanciamiento S.A. The remaining 5.10% of the participation was acquired by other Subsidiaries.

The acquisition price paid by BC was Ps 71,192 and the capital amount registered at November 30, 2003 for acquired stock was Ps 41,565. As such, the acquisition for control of Sufinanciamiento S.A. generated goodwill for the difference, Ps 29,627.

Chapter XVII of 1995 External Circular 100 issued by the Superintendency of Banking establishes that the goodwill will amortize in proportional monthly installments affecting the statement of operations during the time in which it is reasonably expected that future benefits will be obtained and that, in any case, such term may not exceed ten (10) years. Notwithstanding, in consideration that results allow, management amortized one hundred percent of the value of this goodwill in the statement of operations of 2003, in this way avoiding affecting future results. This fact was made known in a timely manner to the Superintendency of Banking.

One of the shareholders of Bancolombia S.A., Conavi Banco Comercial y de Ahorros S.A. and Corfinsura S.A. is Suramericana de Inversiones S.A. At September 14, 2004, Suramericana de Inversiones S.A. required a formal analysis to determine if it is convenient to merge the three companies (refer to Note 32).

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF CONSOLIDATED FINANCIAL STATEMENT PRESENTATION

(a) CONSOLIDATION AND PRESENTATION

Accounting practices and the preparation of financial statements of the Bank and its Subsidiaries follow the special regulations of the Superintendency of Banking, or, in the absence of such regulations, the accounting principles generally accepted in Colombia.

For consolidation purposes, financial statements of foreign Subsidiaries were adjusted as required by Colombian regulations with regard to investments, loans and leased assets. The Bank also unified accounting policies related to inflation adjustments with the Superintendency of Banking.

The Bank consolidates companies in which it holds, directly or indirectly, 50% or more of outstanding voting shares. The Bank's Subsidiary Bancolombia Panama S.A. sub-consolidates Bancolombia Cayman, Sistema de Inversiones y Negocios S.A., Sinesa Holding Company and Future Net Inc. The Bank's Subsidiary Almacenar S.A. subconsolidates Unicargo de Colombia S.A. The Subsidiary Colcorp S.A. subconsolidates Inmobiliaria Bancol S.A., Abocol S.A., Valores Simesa S.A. (a company resulting from a spin-off by Simesa S.A. at December 31, 2000), Fundicom S.A. and Todo Uno Colombia.

The consolidated financial statements are prepared for presentation to the stockholders, but are not taken as a basis for the distribution of dividends or appropriation of profits.

Intercompany operations and balances are eliminated upon consolidation.

Under Colombian GAAP, when financial statement classifications are adopted, prior year financial statements are not restated to reflect the new classifications.

(b) INFLATION ACCOUNTING

From January 1, 1992 to December 31, 2000, the consolidated financial statements were adjusted for inflation based on the variation in the CPI (Consumer Price Index) for middle-income earners. The adjustment was applied monthly to non-monetary assets, equity (except for the reappraisal of assets and exchange adjustment), contingent accounts and memorandum accounts. No adjustment was made to income, costs or expenses, and the financial statements for the preceding period did not have to be re-expressed.

(c) CONVERSION OF FOREIGN CURRENCY TRANSACTIONS AND BALANCES

As an authorized exchange dealer, the Bank and its Colombian Subsidiaries are authorized by the Superintendency of Banking to make direct foreign exchange purchases and sales on the exchange market.

Operations in foreign currencies other than United States Dollars are converted into United States Dollars using the rate of exchange published by Reuters and then re-expressed in Colombian Pesos at the Representative Market Rate calculated on the last business day of the month and certified by the Superintendency of Banking. The Representative Market Rate at December 31, 2004 was Ps 2,389.75.

Before 2004 External Circular 006 entered into effect, the translation of United States Dollars to Colombian Pesos was calculated using the average Representative Market Rate certified by the Superintendency of Banking, solely taking into account the business days in the corresponding month. Said rate at December 31, 2003 was Ps 2,807.20 and at December 31, 2002 was Ps 2,814.89.

Foreign currency position is the difference between assets and liabilities denominated in foreign currency, recorded in and out of the balance, realized or contingent, including those that are settled in Colombian local currency, which correspond to the financial statements that include operations within the national territory.

Spot foreign currency position is the difference between assets and liabilities, denominated in foreign currency, based on the unique chart of accounts; investments available for sale in equity and debt securities, held to maturity and capital contributions in foreign branches and derivates as indicated: forward contracts, futures contracts,

swaps and profit or loss in option valuation. Operations that can be settled in local currency are not included in this position.

The maximum amount of the Bank's foreign currency position cannot exceed twenty percent (20%) of the technical equity (for an explanation of technical equity, see Item 4. Information on the Company - B. Business Overview - B.7. Supervision and Regulation - Capital Adequacy Requirements) and the Bank's spot foreign currency position cannot exceed fifty percent (50%) of the technical equity.

The minimum amount of spot foreign currency position can only be negative one day, without exceeding five percent (5%) of the technical equity.

Pursuant to the provisions set forth in Banco de la Republica (the "Colombian Central Bank") Board of Directors 2004 External Resolution 1 2004, as of March 31, 2004, the spot foreign currency position cannot be negative.

The assets and liabilities in foreign currency of the Subsidiaries abroad included in the consolidated financial statements were converted into Colombian Pesos using the Representative Market Rate calculated the last business day of the month.

The equity accounts were converted into Colombian Pesos using historical exchange rates.

The income accounts were converted at an average rate of Ps 2,877.54 and Ps 2,626.22 per Dollar for the years 2003 and 2004, respectively. Said rates correspond to the average value of the representative market exchange rate on the business days in the period from January 1 to December 31 of each year.

(d) CASH AND CASH EQUIVALENTS

The statement of cash flows was prepared using the indirect method. Overnight funds sold with reselling agreements are considered to be cash equivalents for the purposes of this statement.

(e) USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates are: allowance for loans, accrued interest losses, allowance for foreclosed assets and valuation of investments and derivatives. Actual results could differ from those estimates.

(f) OVERNIGHT FUNDS SOLD AND RESELLING AGREEMENTS

This account records the funds directly placed by the Bank and its Subsidiaries in another financial institution with or without

investment collateral, using surplus liquidity, with or without a commitment to resell, at terms of up to 30 days. The account also includes overnight deposits with banks abroad using Bank funds deposited outside Colombia.

Transactions not repaid within 30 days are reclassified as investments or loans, as the case may be.

The difference between present value (cash received) and future value (resale price) is income booked to financial yields.

(g) INVESTMENTS

This account includes investments acquired by the Bank and its Subsidiaries to maintain secondary liquidity, investments in companies that Bancolombia has less than 50% of outstanding shares, to satisfy requirements of law or regulation, or simply to eliminate or significantly reduce market risks to which assets, liabilities or other balance sheet items are exposed.

1. CLASSIFICATION

The investments are classified as "trading investments", "investments available for sale" and "investments held to maturity". The first two of these groups may include investments in debt or equity securities. The third shall only include investments in debt securities.

Debt securities are those which make the holder the creditor of the issuer, whereas equity investments are those which make the holder a part-owner of the issuer.

TRADING SECURITIES

Trading investments are those acquired for the main purpose of obtaining profits from fluctuations in short-term prices.

HELD TO MATURITY

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

AVAILABLE FOR SALE

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

This classification covers equity investments with low exchange

turnover or which are unquoted and those held as parent or controlling stockholder of the issuer. There is no one-year minimum holding period required for the purposes of sale.

Bank Subsidiary Bancolombia Panama S.A. classifies the investments it maintains for the purpose of exercising control as permanent in accordance with Panama Superintendency of Banking Order 7 of 2000.

2. VALUATION

The purpose of valuation is to record the appropriate amount for a given investment at a determinate date.

2.1 DEBT SECURITIES

Debt securities are valued daily and the result is recorded daily. The procedures are defined in 1995 External Circular 100, Chapter I, numeral 6.1 issued by Superintendency of Banking.

The Bank determines the market value of trading debt securities and of available for sale debt securities by using the prices, reference rates and margins that the Bolsa de Valores de Colombia (the "Colombian Stock Exchange") calculates and publishes daily.

Investments in debt securities held to maturity are valued exponentially as of the internal rate of return calculated on the purchase date.

2.2 EQUITY SECURITIES

Equity investments are valued monthly and the results of the valuation are recorded monthly. They are valued based on the level of exchange volume at the time of valuation, as follows:

- High-volume: They are valued based on the daily weighted average trading price published by the exchange.

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

- Low volume and unquoted: They are valued based on the increase or decrease according to the investor's share of the variations in equity value calculated based on the most recent audited financial statements that cannot be older than six months since valuation date, or more recent statements, if available.

2.3 SECURITIES IN FOREIGN CURRENCY, IN REAL VALUE UNITS (UVR) OR IN OTHER UNITS

First, we determine the market value of the respective security in its original currency or unit.

As of January 2004, pursuant to 2004 External Circular 003 issued by

the Superintendency of Banking, if the security is denominated in a currency other than the United States Dollar, the value of the security determined in its original currency is converted into United States Dollars using the foreign exchange translation rates published on the valuation date on the European Central Bank web page. The value thus obtained is multiplied by the Representative Market Rate effective on the valuation date (which is the current rate for the next day) and certified by the Superintendency of Banking or by the effective unit for the same day, as the case may be.

Before 2004 External Circular 003 issued by the Superintendency of Banking entered into effect, to convert the value in United States Dollars of securities denominated in foreign currency into Colombian Pesos, we multiplied the value by the Representative Market Rate effective on the valuation date and certified by the Superintendency of Banking.

3. RECORDING

3.1 TRADING INVESTMENTS

The difference between current and previous market value is used to adjust the value of the investment and is credited or charged to earnings as income or expense, respectively.

3.2 INVESTMENTS HELD TO MATURITY

The present value corresponds to the exponential valuation using the internal rate of return calculated at the time of purchase and its updated value is recorded as the greater of the investment value and its offsetting entry is recorded as income in the fiscal period operations statement.

These investments are recorded at amortized cost and interest accruals are recorded in earnings.

3.3 INVESTMENTS AVAILABLE FOR SALE

3.3.1 DEBT SECURITIES

Changes in the values of these securities are recorded using the following procedure:

The difference between the present value on the valuation date and the previous present value increases or decreases the value of the investment and is credited to earnings. The present value is arrived at by applying an exponential calculation based on an internal rate of return established at the time of purchase.

The difference between the market value and the present value of the investment increases or decreases its value and is credited to the equity account as unrealized earnings or loss account.

3.3.2 EQUITY INVESTMENTS

The changes found in these securities have accounting entries made according to the investment trading volume, as follows:

3.3.2.1 INVESTMENTS IN SECURITIES WITH LOW VOLUME OR UNQUOTED SECURITIES

If the investment value based on the investor's shares of the equity of the investee is greater than the value at which the investment is registered, the difference will affect, in the first place, the provision or devaluation until it runs out, and the excess is registered as a surplus for valuation in stockholders' equity against reappraisal of the assets account.

If the investment value based on the investor's shares of the equity of the investee is less than the value at which the investment is registered, the difference will affect, in the first place, the surplus for valuation of the corresponding investment until it runs out, and the excess is registered as devaluation of said investment within capital, against devaluation of the assets account.

When the dividends or profits are distributed in kind, including those from capitalizing

the equity revaluation account, the portion recorded as the surplus for valuation must be recorded as income, charged against the investment and the surplus must be reversed. When the dividends or profits are distributed in cash, the value recorded as surplus for valuation must be recorded as income, the surplus reversed and the excess amount of the dividends must be recorded as a lesser investment value.

Investments in Panama and in its affiliates are recorded pursuant to Order 7 of 2000 as permanent investments.

3.3.2.2 HIGH OR MEDIUM - VOLUME

The update of the market value of these securities is recorded as an accumulated unrealized gain or loss, within the equity accounts, crediting or debiting the investment.

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

Before External Circular 049 dated November 30, 2004 issued by Superintendency of Banking became effective, dividends or profits distributed in kind or in cash, including those from capitalizing the equity revaluation account, had to be recorded up to the amount that had been recorded as accumulated unrealized gains, during the fiscal year to which the profits and equity revaluation distributed corresponded, and were charged to the latter. The collection of the dividends in cash had to be recorded as a lesser value of the investment.

4. PROVISIONS OR LOSSES DUE TO CREDIT RISK CLASSIFICATION

The prices of trading and available for sale debt securities that do not have fair exchange prices, those classified as held to maturity as well as

the price for equity securities with low or minimum volume or that are unquoted must be adjusted on each valuation date, based on the credit risk classification.

Internal or external debt securities issued or guaranteed by the Republic of Colombia or the Colombian Guarantee Fund for Financial Institutions ("Fogafin" for its Spanish initials) or issued by the Central Bank are not subject to this adjustment.

4.1 SECURITIES ISSUED ABROAD OR WITH FOREIGN RANKING

Securities that are rated by a rating firm acknowledged by the Colombian Securities Superintendency or securities issued by entities that are rated by those rating firms cannot be registered for an amount that exceeds the following percentages of their nominal net amortization value made up to the valuation date:

LONG TERM RANKING	MAX. AMOUNT %	SHORT TERM RANKING	MAX. AMOUNT %
BB+, BB, BB-	Ninety (90)	3	Ninety (90)
B+, B, B-	Seventy (70)	4	Fifty (50)
CCC	Fifty (50)	5 y 6	Zero (0)
DD, EE	Zero (0)		

Provisions for investments classified as held to maturity, for which it is possible to establish a fair exchange value, correspond to the difference between the recorded value and the fair exchange value.

4.2 SECURITIES FROM ISSUES OR ISSUERS WITHOUT ANY FOREIGN RATING AND EQUITY SECURITIES

These securities are rated and classified according to the methodology defined by the Bank and its Subsidiaries.

CATEGORY	MAX. REGISTERED AMOUNT % (1)	INVESTMENT CHARACTERISTICS
B Acceptable risk, greater than normal	Eighty (80)	Present factors of uncertainty that could affect the capacity to continue adequately fulfilling debt service and weaknesses that could affect their financial situation.
C Appreciable risk	Sixty (60)	Present medium-high probabilities of non-fulfillment of timely payments of capital and interest in their financial situation that

			may compromise the recovery of the investment.
D	Significant risk	Forty (40)	Present non-fulfillment of agreed terms of the security and material deficiencies in their financial situation, the probability of recovering the investment is highly doubtful.
E	Unrecoverable	Zero (0)	Recovery highly improbable.

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(1) On the net nominal amortization values made up to the valuation date for debt securities or the acquisition cost for equity securities.

(h) LOANS AND FINANCIAL LEASE OPERATIONS

These accounts record loans and financial leases made by the Bank and its Subsidiaries in the various modalities permitted. They are funded by the Bank's own capital, public deposits and other internal and external sources.

Loans are recorded at face value, except for factoring operations which are recorded at cost, and foreign currency operations, which are converted into local currency.

The Subsidiary Bancolombia Panama S.A., authorized by the Panama Superintendency of Banking, includes participating credits in its loan portfolio. These are loans for which the subsidiary assumes no credit risk, which, in spite of having been sold and 100% paid up, are not taken out or omitted from the portfolio group. The profit in this business activity is seen in the net interest margin between the loan participation portfolio and the original loan portfolio.

External Circular 040 dated October 23, 2003 modified the treatment of financial leases. Since January 1, 2004 they have been included as part of the loan portfolio. For additional information see Note 2 (o).

The institutions overseen by the Superintendency of Banking must have a Credit Risk Administration System that gathers policies, processes, models, and control mechanisms to enable risk identification, measurement, and proper mitigation.

Credit risk evaluation is done pursuant to effective regulations, using an ongoing monitoring process and periodical portfolio classification as described below.

For provisions, we apply Superintendency of Banking regulations as described below; in addition, we calculate probable expected losses and we test estimating provisions using this methodology.

During the month of December 2004, External Circular 052 modified 1995 External Circular 100 Chapter II issued by the Superintendency of Banking, which sets forth guidelines for credit risk administration. This Circular defines the basic elements of the system for the management of credit risk (SARC, for its initials in Spanish) and introduces reference models and a time

schedule for submitting the internal models to the Superintendency of Banking, among others. The Bank has adopted all required modifications and will continue its in-depth develop of the proposed schemas as described below.

BANCOLOMBIA S. A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

1. CLASSIFICATION

Loans and financial lease contracts are classified as follows:

HOME MORTGAGE LOANS

These are loans, no matter what their value, made to individuals for the purchase of new or used housing or to build a home, all in accordance with 1999 Law 546. This type of loan is not a significant share of the loan portfolio. Therefore, its characteristics are not described here. Total loans of this type accounted for 0.003% of the Bank's total gross loans.

CONSUMER LOANS

These are loans and financial leases, no matter what their value, granted to individuals for the purchase of consumer goods or to pay for non-commercial or business services.

SMALL BUSINESS LOANS

These are loans and financial leases granted to microbusinesses.

"Microbusiness" means any economic exploitation unit owned by an individual or corporate entity, in entrepreneurial, farming and livestock, industrial, commercial or service activities, whether rural or urban, whose staff does not exceed ten (10) workers and whose total assets are under five hundred one (501) effective legal minimum monthly salaries ("SMLVs").

The Subsidiary Bancolombia Panama S.A. does not grant this type of loan.

COMMERCIAL LOANS

These are loans and financial leases, other than mortgage loans, consumer loans, and small business loans.

Loan-related commissions and other receivables are classified within the accounts for the type of loan to which they are related.

2. EVALUATION FREQUENCY

The Bank and its Subsidiaries make continuous evaluations of their lending and financial lease operation risk, making all necessary modifications to the respective classifications when there are new analyses or data to justify such changes.

BANCOLOMBIA S. A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

In the months of May and November, the Bank and its Subsidiaries evaluate all loans and financial leases that are past due after having been restructured and that at the time of the evaluation exceed three-hundred (300) effective SMLVs, as well as loans from debtors whose debt from the different loan types exceeds this same amount.

3. EVALUATION CRITERIA

The Bank and its Subsidiaries evaluate loans and financial leases using the following criteria required by the Superintendency of Banking:

They evaluate the ability to pay of the debtor/co-debtors/guarantors or any other person directly or indirectly unconditionally liable for the debt, and project cash-flow, if any. The following is the minimum information required for the debtor: income and outgoing cash flows, economic solvency, information on its current and past compliance with its obligations as well as the financial and credit history of debtors in risk centers, the number of times loans have been restructured, possible financial risks to cash flow, legal, operational and strategic risks, and the possibility of contagion.

4. CLASSIFICATION

The Bank and its Subsidiaries classify loans and financial leases on the basis of the above criteria into the following credit risk categories:

CATEGORY	COMMERCIAL	CO
"A" Normal Risk	current - and up to 1 month past due	current - and up
"B" Acceptable Risk, Above Normal	1-3 months past due	1-2 mont
"C" Appreciable Risk	3-6 months past due	2-3 mont
"D" Significant Risk	6-12 months past due	3-6 mont
"E" Risk of Unrecoverability	over 12 months past due	over 6 mo

CATEGORY	SMALL BUSINESS LOANS	HOME MO
"A" Normal Risk	current - and up to 1 month past due	current - and u
"B" Acceptable Risk, Above Normal	1-2 months past due	2-5 mont
"C" Appreciable Risk	2-3 months past due	5-12 mont
"D" Significant Risk	3-4 months past due	12-18 mon
"E" Risk of Unrecoverability	over 4 months past due	over 18 mo

Compliance includes capital, interest, exchange adjustments and any other related sum due.

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

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

RULES OF ALIGNMENT

A Bank and/or Subsidiary classification of B, C, D or E for any loan or financial lease would automatically classify all of that debtor's accounts in the same category, unless it can be shown to the Superintendency of Banking that we have sound reasons for a lower risk classification.

Under the terms of the Colombian Commercial Code Articles 260-262, financial institutions that are related will receive the same classification as the parent institution unless the Superintendency of Banking is shown that there are good reasons for maintaining it/them in a lower risk category.

The Superintendency of Banking requires that entities align their classifications with other financial institutions when at least two of them have classified the debtor into a higher risk category, where the debt represents at least 20% of the debtor's total indebtedness according to the most recent information available from credit bureaus. In this event, there may not be more than one level of difference in risk classification.

The Superintendency of Banking can order reclassifications and reranking of the classifications assigned by financial institutions. It can also order loan portfolio reclassifications for an economic sector, geographical zone or for one debtor or a group of debtors, whose borrowings must be accrued pursuant to rules on individual debt limits.

5. SUSPENSION OF ACCRUALS

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

TYPE OF LOAN	ARREARS IN EXCESS OF:
Home mortgage	4 months
Consumer	2 months
Small loans	2 months
Commercial	3 months

As of March 25, 2003, the Bank established as policy that loans of any type that are past due more than thirty (30) days will stop accruing interest in the statement of operations and their entries will be made in memorandum accounts until such time that the customer does not proceed to cancel. It is estimated that at December 31, 2003 and 2004, approximately Ps 280 and Ps 277, respectively, are entered in memorandum accounts due to the Bank adopting this policy. Likewise, the Subsidiary Bancolombia Panama S.A. applied the Bank's policy in 2004 and the Subsidiary Sufinanciamiento S.A. has implemented it since September 1, 2004.

The other Subsidiaries defined as loan institutions will continue applying the instructions of the Superintendency of Banking.

Those loans that become past due and that at some point have stopped accruing interest, exchange rate corrections or adjustments, income from other concepts, will stop accruing said income from their collection. Their entries will be recorded in memorandum accounts until such loans are collected.

6. PROVISIONS

The Bank makes provisions against earnings for each period as follows:

General Provision:

There is a general provision for a minimum of 1% of gross loans and financial leases. This proportion may be higher if the general shareholders' meeting so approves. The provision will be updated every month according to increases or decreases in the loan portfolio volume.

Individual Provisions :

Based on the Superintendency of Banking regulations, minimum allowances for loans and financial leases must correspond to the following percentages, calculated on the basis of unsecured outstanding balances, pending implementation of a internal methodology that permits the calculation of allowances taking into account the expected losses in case of default:

	COMMERCIAL		CONSUMER		SMALL BUSINESS LOANS		MORT
	Capital	Interest/ Other	Capital	Interest/ Other	Capital	Interest/ Other	Capital
B- Acceptable Risk, Above Normal	1	1	1	1	1	1	1
C- Appreciable Risk	20	100	20	100	20	100	10
D- Significant Risk	50	100	50	100	50	100	20
E- Risk of Unrecoverability	100	100	100	100	100	100	30

Notwithstanding, until the new methodology, set forth through Circular 052 dated December 30, 2004 issued by the Superintendency of Banking is implemented, the Bank administration, seeking to anticipate the effects of calculating expected losses decided to increase the provisions since March, 2004 for the Consumer and Small Business categories on an unconsolidated basis, which, at the end of December 2004 were applied as follows:

CLASSIFICATION	CONSUMER	SMALL BUSINESS

	Capital	Interest/ others	Capital	Interest/ others
B- Acceptable Risk, Above Normal	30	30	30	30
C- Appreciable Risk	50	100	60	100
D- Significant Risk	100	100	100	100
E- Risk of Unrecoverability	100	100	100	100

Additional provisions recorded by the Bank due to adopting said policy at the end of December 2004 on an unconsolidated basis represented approximately Ps 18,280.

At the end of December 2004, the Subsidiary Sufinanciamiento S.A. applied 33.5% for the loan portfolio classified "B" and 100% for the loan portfolio classified "C", "D" and "E" in the provision percentages used.

7. THE EFFECT OF SECURITY ON PROVISIONS

For individual provisions, admissible security is valued at no more than 70% of its value. Notwithstanding, depending on whether the security is a mortgage or not and on the length of time the loan has been in arrears, we only take into consideration the percentages of the total security value indicated below.

	TIME ELAPSED FROM DEFAULT DATE TO SECURITY NON-EXECUTION	
% COVER OF SECURITY	APPROPRIATE MORTGAGE SECURITY/ESCROW	NON-MORTGAGE SECURITY
70	0-18 months	0 -12 months
50	18-24 months	12-24 months
30	24-30 months	-
15	30-36 months	-
0	Over 36 months	Over 24 months

The security is admissible when it is formalized and if it has a professionally-established and objective value to provide effective legal backing to repayment of the secured loan, giving the lender or creditor preferential or prior rights to obtain payment, and if it is reasonably marketable.

To calculate provisions, the value of the security represented in pledges on the debtor's commercial or industrial establishments, real estate that is part of the respective establishment or mortgages on real estate where the establishment operates is not taken into consideration.

The Bank and its Subsidiaries do not base their decision to lend on the amount or type of security offered, since we understand that the source of repayment of loans or financing is provided by cash flows of the borrower, whether individual or corporate. In the case of new projects, or for medium and long-term loans, prudence requires the offer of alternative sources of

repayment. To the extent that the Bank and its Subsidiaries are entering the market for Small and Medium Sized Enterprises ("SMEs"), it has been their policy to seek cover under the guarantee funds Fondo Nacional de Garantias (FNG) and Fondo Agropecuario de Garantias (FAG).

8. LOANS TO REGIONAL AUTHORITIES

The evaluation of loans to regional authorities includes not only the criteria applicable to regular borrowers but also the provisions set forth in Law 358 of 1997 and Law 617 of 2000.

9. RESTRUCTURED LOANS

A "restructured loan" is a loan for which a legal agreement exists whose purpose or effect is to modify some of the terms of the loan for the debtor's benefit and at its request. This includes informal or non-moratorium agreements, Law 550 of 1999 agreements, Law 617 of 2000 agreements, and special restructuring as defined in the Superintendency of Banking Circular 39 of 1999.

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

10. WRITE OFFS

The Bank writes off debtors classified as "unrecoverable", following the criteria given below, at the latest at the close of the half-year in which that classification was made, provided they meet the following conditions:

- Provision of 100% of all amounts past due (capital, interest and other items)

- One hundred eighty (180) days past due for consumer and small business loans

- Three hundred sixty (360) days past due for commercial loans

- Five hundred forty (540) days past due for mortgage loans

All write-offs must be approved by the Board of Directors. Even if a loan is written off, management remains responsible for its decisions in respect of the loan, and neither the Bank nor its Subsidiaries are relieved of their obligations to pursue recovery as appropriate.

Write-offs in Bancolombia Panama S.A.

In the case of the affiliate in Panama, we take into account the Republic of Panama Superintendency of Banking Order 6-2000 dated June 28, 2000, which states that Bancolombia Panama will write off all loans classified as unrecoverable at the latest by the end of the fiscal period in which they were

so classified.

(i) ACCEPTANCES AND DERIVATIVES

ACCEPTANCES

The Bank and its Subsidiary Bancolombia Panama S.A. issue local currency and foreign currency bank acceptances for up to 180 days for import or export operations or for local purchases of merchandise, pursuant to legal provisions.

They are treated as active loans and may not exceed the Bank's paid in capital and legal reserve. The asset and liability are initially recorded at the same time.

If unpaid at maturity, the asset is reclassified to a loan account and the liability to "past due bank acceptances" until it is paid, and as of maturity, these acceptances are subject to reserve requirements for on demand liabilities for payment within 30 days.

The term granted by the beneficiary abroad to the client in Colombia to pay for the goods is governed by International Chamber of Commerce rules and may exceed 180 days under the internationally-accepted deferred credit mode for up to one year. The ledgers may therefore contain foreign currency acceptances for more than 180 days.

DERIVATIVES

The Bank and its Subsidiaries record the amount of agreements between two or more parties to purchase or sell assets at a future date, whose compliance or settlement is agreed upon more than two business days following the operation initiation date, in order to provide or obtain hedging, in the terms defined by competent authorities. Therefore, these agreements create reciprocal and unconditional rights and obligations. Operations are formalized by contract or letter of intent. The Bank has contracts for forwards, for options, swaps and futures.

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

The difference between rights and obligations is recorded as income or expense, as the case may be.

NEXT DAY OPERATIONS

These include all agreements or contracts that meet the needs of two parties acting outside the market, for the purpose of accepting or delivering a specific quantity of a product or underlying asset with defined specifications that are performed a maximum of two business days after the date of the agreement.

Such operations entered into force through March 19, External

Circular 012 of 2004 issued by Superintendency of Banking. For the period ending on December 31, 2003, cash operations, also known as "Next Day Operations", were recorded in accounts receivable or in accounts payable depending on their nature.

FORWARD CONTRACTS

A forward contract is any agreement or contract that meets the needs of two parties acting outside the market for the purpose of accepting or delivering a specific quantity of a product or underlying asset with defined specifications regarding price, date, place and means of delivery.

FUTURE CONTRACTS

These are standard contracts for future delivery, specifying due date, quantities, amounts, qualities, etc. The valuation is calculated pursuant to the stock market practices where the securities are traded.

Futures may be liquidated in cash, by a reciprocal operation prior to the due date, by physical delivery of a product or by liquidating against an index.

SWAP CONTRACTS OR FINANCIAL EXCHANGE CONTRACTS

A swap contract or financial exchange contract is a contract between two parties that agree to exchange flows of money within the time set forth in the obligations, which is financially similar to a series of Forward Contracts whose objective is to reduce costs and risks due to variations in exchange rates or in interest rates.

OPTIONS CONTRACTS

In options contracts, the holder of an option has the right, but not necessarily the obligation, to purchase or sell a specific quantity of an asset at a given price on a given date or during a determined period. The Bank has established an accepted technique for valuing these operations, taking into account market risks, operational risks and legal risks.

Derivatives are accounted for at fair value on a daily basis and results of the valuation are recorded on the same basis.

(j) FORECLOSED ASSETS

The Bank and its Subsidiaries record the adjusted value of foreclosed assets received in payment of unpaid loans in this account.

The following criteria apply to the recording of foreclosed assets:

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

- If the property received in payment is not in a sellable condition, its book value is increased by the expenses the Bank and its Subsidiaries incur to put it into a

sellable condition.

- If the proceeds of the sale are more than the settlement value agreed upon with the debtor, that difference is recorded as an account payable to the debtor. If the proceeds of sale are expected to be insufficient to cover the outstanding debt, the difference is recorded as an allowance.

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

LEGAL TERM FOR THE SALE OF FORECLOSED ASSETS

Institutions must sell the goods that have been transferred in payment of debts previously contracted in the course of business or that have been adjusted at public auction due to mortgages in their name no later than two years after the foreclosing date, except when upon the Board of Directors' request, the Superintendency of Banking extends the term. However, in no case may the extension exceed an additional period of two years.

PROVISIONS FOR FORECLOSED ASSETS

With the issuance of the Superintendency of Banking External Circular 034 of August 2003, (Current since October 2003) supervised banks must design and adopt their own internal models for the calculation of provisions for foreclosed assets, by means of which expected losses for all types of assets are estimated. Until such model is presented and approved by the Superintendency of Banking, provisions will be made following the parameters below.

Real estate

A provision equal to 30% of the value of the asset at the time of receipt must be made in proportional monthly installments within the first year following receipt. This provision will increase an additional 30% in proportional monthly installments within the second year following receipt of the asset. Once the legal term for sale has expired without authorization to extend, the provision must be 80% of the value upon receipt. In case the term extension is granted, the remaining 20% of the provision may be constituted within said term.

Moveable Assets

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

The Bank and its Subsidiaries do not have their own internal model for calculating provisions for foreclosed assets through which expected losses are estimated by type of asset and approved by the Superintendency of Banking.

Based on individual analyses related to the feasibility of realizing a return on some foreclosed assets, the Bank records provisions for them, which are higher than the provisions that the Superintendency of Banking requires.

(k) LOAN FEES

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

(l) PROPERTY AND EQUIPMENT

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

Additions, improvements and non-routine repairs that significantly prolong the useful life of an asset are capitalized. Payments for routine maintenance and repairs are charged to expense in the period in which they are incurred.

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

Buildings	5%
Equipment, furniture and fittings	10%
Computer equipment	20%
Vehicles	20%

The individual net book value of real estate (cost less accumulated depreciation) is compared against market values taken from independent professional appraisals. If the market value is higher, a reappraisal is recorded; otherwise, the difference is charged to expenses for the period. Valuations must be made at least every three years.

At December 31, 2003 and 2004, the Bank had insurance cover for fidelity and financial risks and civil liability cover for risks inherent to its business. Other policies protect assets against fire, earthquake, explosion, civil disturbance, riot, terrorism, damage to computers and vehicles.

Maintenance policy:

Corrective maintenance provides for the immediate replacement of parts, accessories or elements that may affect safety or proper operation.

Preventive maintenance consists of regular checks of architectural and electrical items, conducted twice a year and the maintenance of equipment, furniture and fittings is done three to four times a year.

(m) BRANCHES AND AGENCIES

This account records the operations between the Bank's branches and agencies.

Balances are reconciled monthly and pending items are adjusted within thirty (30) calendar days. On the date of the financial statements, the Bank reclassifies net balances representing branch and agency transactions to asset or liability accounts and the respective income or expense is recorded.

(n) PREPAID EXPENSES AND DEFERRED CHARGES

Prepaid expenses are payments made by the Bank and its Subsidiaries in the normal course of business, the benefits of which are recovered over more than one period and are recoverable assuming continuous delivery of services. Deferred charges are goods and services received, for which the Bank expects to obtain future economic benefits.

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

Prepaid Expenses

Interest is amortized monthly during the period prepaid; insurance, over the life of the policy; rent, over the period prepaid; equipment maintenance, over the life of the contract; and other prepaid expenses over the period in which services are received or costs and expenses are incurred.

Deferred Charges

- Remodeling charges are amortized over a period no greater than two years.

- Software is amortized over a maximum of three years.

- The goodwill corresponding to acquiring 51% of the shares of Banco de Colombia is being amortized over ten years. Goodwill arises from the amount paid in the 1998 merger over and above the equity value, plus certain expenses incurred in the process.

- On December 29, 2003, the Bank, its Subsidiary Colcorp S.A duly authorized by the Superintendency of Banking and Inmobiliaria Bancol S.A acquired 99.99% of the stock of the Compania Suramericana de Financiamiento Comercial S.A. Sufinanciamiento. In this operation goodwill was generated, which was totally amortized in the month of December 2003.

- The goodwill generated by acquiring 10.23% of the shares of Fiducolombia S.A. was totally amortized in the month of December 2003.

- Stationery is amortized as and when consumed.

- Bonuses under the voluntary retirement plan are amortized as permitted by the Superintendency of Banking.

- Contributions and affiliations are amortized over the period prepaid.

- Institutional advertising and publicity is amortized during a period equal to the period established for the accounting period. For advertising for new product launching or brand or name changes for the institution or its products, the amortization period cannot exceed three (3) years. Other disbursements corresponding to occasional advertising and publicity cannot be deferred no matter what their amount.

- All other items are amortized over the period in which it is estimated that the expense will be recovered or expected benefits will be realized.

During the year 2004, the Bank did not have any deferred charges for rented property remodeling or enhancement.

(o) LEASED ASSETS

Subsidiaries Leasing Colombia S.A., Sufinanciamiento S.A. and Bancolombia Panama S.A. record the value of assets delivered under financial leases.

Since December 31, 2003 the Companies record the value of the goods delivered under financial leases entered into as of January 1, 1996, as monetary assets for an amount equal to the net present value of lease-payments due and the purchase option calculated at the start of the contract and at the rate agreed in the contract.

During 2003 the Superintendency of Banking modified the accounts chart regarding lease operations and accounts receivable provisions pursuant to External Circulars 022 and 040. Such modifications were applied as of January 1, 2004.

Financial leases that were recorded in an independent line were reclassified to loan portfolio line.

Operational leases entered into by the Companies, are accounted for as assets given in operational lease, after the respective contract is entered into by the parties and the leased asset is given to the user.

Depreciation will be recorded for the lesser of the useful life of

the good and the lease contract term. The Companies use the financial depreciation methodology that requires that the depreciation expense is recorded for each month or fraction thereof.

Also, a general provision of 1% of the value of goods delivered under financial leases will continue to be made, without the sum of the accrued depreciation and the general provision exceeding 100% of the value of the goods delivered under the operating lease contracts.

(p) REAPPRAISALS

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

Starting from October of 2003, with the coming in force of External Circular 034, the Superintendency of Banking prohibited the non-registration of reappraisals for foreclosed assets, and a maximum term is established for reversing those existing, until December of 2003.

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

(q) INTERBANK FUNDS PURCHASED AND REPURCHASE AGREEMENTS

This account records funds obtained by the Bank from other financial institutions to satisfy transient liquidity needs. These transactions have a maximum term of thirty (30) calendar days, except the operations with the Colombian Central Bank. Purchases not repaid within that term are reclassified as bank loans and other financial obligations.

The difference between present value (cash received) and future value (repurchase price) is a financial expense.

(r) DEFERRED INCOME

This account records deferred income and income received in advance in the course of business. Amounts recorded in this account are amortized over the period to which they relate or in which the services are rendered.

The capitalization of yields on restructured loans that have been recorded in memorandum accounts or as written - off loan balances is included here as indicated in Note 2(h).

(s) RETIREMENT PENSIONS

The Bank and its Subsidiaries Almacenar S.A. and Abocol apply the provisions in Decree 1517 of 1998, which requires a distribution of charges to amortize the actuarial calculation by 2010. The distribution is calculated by taking the percentage amortized up to December 1997 and annually adding the minimum percentages needed to complete amortization by 2010. As of December 31, 2004, the Bank has amortized the total actuarial calculation.

(t) ACCRUALS AND PROVISIONS

The Bank records provisions to cover estimated liabilities, where:

- The Bank has acquired a right, and therefore an obligation
- Payment may be demanded or is probable, and
- The provision is justifiable, quantifiable and verifiable

This account also records estimates for taxes.

(u) RECOGNITION OF INTEREST REVENUE

Interest revenue is recognized in current earnings as it accrues. Interest is suspended when due and there is a doubt regarding its collectibility.

(v) CONTINGENT ACCOUNTS

These accounts record operations in which the Bank and its Subsidiaries acquire rights or assume obligations conditioned by possible future events with varying degrees of probability, such as definite, possible or remote. Likewise, they include financial yields as of when loan portfolio and financial lease interest entry into the statement of operations is suspended. Contingent accounts are included in the caption memorandum accounts of the balance sheet.

(w) MEMORANDUM ACCOUNTS

These accounts record third party operations whose nature does not affect the financial situation of the Bank. They also include tax memorandum accounts that record the figures used in preparing tax returns, internal control or management information and reciprocal operations between the Bank and its Subsidiaries.

(x) NET INCOME PER SHARE

To determine net income per share, the Bank uses the weighted average of the number of shares outstanding during the accounting period. For the periods ended December 31, 2002, 2003 and 2004, the weighted average of the Bank's outstanding shares was 576,695,395.

(y) ASSET AND LIABILITY MANAGEMENT

The Bank evaluates asset and liability management and off-balance-sheet positions, estimating and controlling the level of exposure to major market risks, in order to provide protection against losses due to possible variations in asset or liability values.

(z) CAPITAL ADEQUACY

Capital Adequacy for Banks is required to be not less than 9% of

their total credit risk weighted assets and credit contingencies. Under Decree 1720 of 2001 calculation of capital adequacy must incorporate market risk in addition to the credit risk. This new risk for capital adequacy requirement was covered 80% in 2003 and 100% in 2004. Calculations are made each month on an unconsolidated basis and in June and December on consolidated accounts which include the Bank's financial Subsidiaries in Colombia and abroad.

As of June 2004 when Decree 2061 was issued, modifications to Decree 1720 of 2001 were set forth that provide new rules for calculating mandatory convertible bonds and currency-linked bonds in the additional equity of credit institutions , as well as modifications to the classification and weighting of mortgage loans, derivative operations and securities from securitization processes.

As of December 31, 2003 and 2004 the capital adequacy ratio was 13.08% and 13.45%, respectively.

(aa) LEGAL RESERVE

According to Colombian law, credit institutions must constitute a legal reserve that will amount to at least fifty percent (50%) of the subscribed capital, formed with ten percent (10%) of the net income of each period.

(bb) CONVENIENCE TRANSLATION TO U.S. DOLLARS

The Bank maintains its accounting records and prepares its financial statements in Colombian pesos. The U.S. dollar amounts presented in the financial statements and accompanying notes have been converted from peso figures solely for the convenience of the reader at the exchange rate of Ps 2,389.75 per US$ 1, which is approximately the exchange rate, in effect at December 31, 2004. This translation may not be construed to represent that the Colombian peso represents or has been or could be converted into U.S. dollars at that or any other rate.

(cc) INCOME TAX

The income tax is determined as follows: from the ordinary and extraordinary income realized in the period, that being susceptible of produce net increase of shareholders' equity in the moment they incurred and, that have not been excepted, are reduced returns, reductions and discounts to obtain net income. As appropriated, realized costs that have a direct relation with income are reduced to determine income before taxes. Deductions are applied to income before taxes to obtain the taxable income for the ordinary system.

For purposes of income tax, it is presumed that the taxable income is not lower than 6% of shareholder's equity at the last day of the immediately previous taxable period. The excess of taxable income determined under the ordinary system over presumed income becomes taxable income to which the statutory tax rate applies.

When income tax is paid on presumed income, the difference between this and the income tax calculated under ordinary system can be adjusted in the following five years.

BANCOLOMBIA S. A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

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

(3) TRANSACTIONS IN FOREIGN CURRENCY

The Superintendency of Banking sets limits on the amount of foreign-currency assets and liabilities. The Bank was in compliance with the subject rules as of December 31, 2003 and 2004.

Substantially all foreign currency holdings are in U.S. dollars. The consolidated foreign currency assets and liabilities of the Bank at December 31, 2003 and 2004 were as follows:

	2003	2004
ASSETS:		
Cash and due from banks	US$ 63,117	US$ 73,391
Overnight funds	210,093	180,720
Investment securities	637,960	562,723
Loans	627,104	825,371
Customers' acceptances and derivatives	(192,300)	(203,714)
Accounts receivable	8,647	13,574
Premises and equipment, net	44,424	2,433
Other assets	3,046	3,379
Total foreign currency assets	US$ 1,402,091	US$1,457,877
LIABILITIES:		
Deposits	1,071,986	1,176,207
Bank acceptances outstanding	9,807	21,121
Borrowings from domestic development banks	6,455	815
Interbank borrowings	162,460	103,058
Other liabilities	11,660	12,682
Total foreign currency liabilities	1,262,368	1,313,883
NET FOREIGN CURRENCY ASSET POSITION	US$ 139,723	US$ 143,994

The Bank's unconsolidated net foreign currency asset position amounted to US$ 201,620 and US$ 209,513 at December 31, 2003 and 2004, respectively. The Bank has the required net foreign currency position within the legal terms.

At December 31, 2003 and 2004, the Subsidiaries Bancolombia Panama S.A. and Bancolombia Cayman had 86.32% and 67.85% of the

consolidated assets in foreign currency and 83.84% and 83.31% of the consolidated liabilities in foreign currency, respectively.

(4) CASH AND DUE FROM BANKS

The balances of cash and due from banks at December 31, 2003 and 2004 consisted of the following:

	2003	2004
COLOMBIAN PESO DENOMINATED:		
Cash	Ps 436,146	Ps 492,243
Due from the Colombian Central Bank	202,275	52,830
Due from domestic banks	6,014	25,770
Remittances of domestic negotiated checks in transit	26,704	22,625
Provision	(268)	(339)
TOTAL LOCAL CURRENCY	670,871	593,129
FOREIGN CURRENCY:		
Cash	34,951	77,304
Due from the Colombian Central Bank	9,560	8,514
Due from foreign banks	128,313	85,465
Remittances of foreign negotiated checks in transit	4,752	4,276
Provision	(395)	(174)
TOTAL FOREIGN CURRENCY	177,181	175,385
TOTAL CASH AND DUE FROM BANKS	Ps 848,052	Ps 768,514

Reserves against transactions and time deposits with the Colombian Central Bank amounted to Ps 628,071 and Ps 516,648 at December 31, 2003 and 2004, respectively. The restriction, which is prescribed by the Colombian Central Bank, is based on a percentage of deposits maintained at the Bank by its customers.

(5) INVESTMENT SECURITIES

Investment securities at December 31, 2003 and 2004 consisted of the following:

	2003	2004
TRADING SECURITIES		

COLOMBIAN PESO DENOMINATED:		
Colombian government	Ps 823,750	Ps 1,223,762
Colombian Central Bank	657	261
Government entities	22,196	65,478
Financial institutions	419,439	564,115
Corporate bonds	17,229	19,930
Other marketable equity securities	20,776	68,316
Total local currency denominated	1,304,047	1,941,862

	2003	2004
FOREIGN CURRENCY DENOMINATED:		
Colombian government	325,255	282,897
Government entities	29,293	150,961
Other marketable equity securities	3,140	-
Total foreign currency denominated	357,688	433,858
Total trading securities	1,661,735	2,375,720
Allowance for trading securities	(5,652)	(53)
Trading securities, net	Ps 1,656,083	Ps 2,375,667

The foreign currency denominated securities issued or secured by the Colombian government are bonds denominated in U.S. dollars, purchased at par value, with annual average interest rates of 9.08% and 4.60% for 2003 and 2004, respectively.

The Bank had pledged investments securities of Ps 1,309,332 and Ps 787,957 as collateral to secure lines of credit at international banks, domestic development banks and other financial institutions as of December 31, 2003 and 2004, respectively.

The Bank sold Ps 66,720,388 and Ps 118,823,601 of investment securities during the years ended December 31, 2003 and 2004, respectively.

	2003	2004
AVAILABLE FOR SALE - DEBT SECURITIES		
COLOMBIAN PESO DENOMINATED:		

Colombian government	Ps 582,737	Ps 1,279,564
Financial institutions	-	14,687
Total local currency denominated	582,737	1,294,251
FOREIGN CURRENCY DENOMINATED:		
Colombian government	866,072	289,584
Financial institutions	166,406	114,322
Other marketable equity securities	190,015	245,528
Total foreign currency denominated	1,222,493	649,434
Total Available for sale - Debt securities	1,805,230	1,943,685
Allowance for Available for sale - Debt securities	(1,372)	-
Total Available for sale - Debt securities, net	Ps 1,803,858	Ps 1,943,685

	PARTICIPATION PERCENTAGE AT DECEMBER 31, 2004	2003	
AVAILABLE FOR SALE - EQUITY SECURITIES			
Corporacion Nacional de Ahorro y Vivienda S.A. Conavi	28.52%	Ps 88,681	P
Todo Uno Services	39.05%	57,518	
Corporacion Financiera Suramericana S.A. Corfinsura	4.61%	22,123	
Urbanizacion Chico Oriental No. 2 Ltda. (1)	24.37%	7,848	
Carreteras Nacionales del Meta S.A.	8.44%	6,418	
Sociedad Administradora de Fondos de Pensiones y de Cesantias Proteccion S.A.	7.42%	7,014	
Sociedad de Servicios Tecnicos y Administrativos Multienlace S.A.	48.60%	6,957	
Fideicomiso Devinorte	10.31%	5,277	
Concesiones CCFC S.A.	25.50%	4,358	
Venrepa C.A.	99.62%	3,169	
Banco Latinoamericano de exportaciones BLADEX S.A.	0.20%	2,387	
Deposito Centralizado de Valores de Colombia Deceval S.A.	6.98%	1,276	
Compania de Inversiones Bogota S.A.	13.00%	653	
3001 S.A.	5.85%	699	
Urbanizacion Sierras del Chico Ltda. (1)	0.55%	203	
Concesiones Urbanas S.A.	33.32%	783	
Other		13,140	
TOTAL AVAILABLE FOR SALE - EQUITY SECURITIES		228,504	
Allowance for other-than-temporary impairment in value		(70,296)	

TOTAL AVAILABLE FOR SALE - EQUITY SECURITIES, NET	Ps 158,208

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(1) Allowance was increased in compliance with instructions of Superintendency of Banking.

Dividends received from equity investments amounted to Ps 19,491, Ps 30,734 and Ps 30,546 for the years ended December 31, 2002, 2003 and 2004, respectively.

Most of the equity investments were classified as Category "A". The following investments are classified in categories other than "A":

	2003		
	CATEGORY	VALUATION ALLOWANCE	CATEGOR
Todo Uno Services	D	Ps 53,932	D
Urbanizacion Chico Oriental No. 2 Ltda.	E	7,848	E
Urbanizacion Sierras del Chico Ltda.	E	203	E
Industria Colombo Andina Inca S.A.	E	300	E
Venrepa C.A.	E	3,169	E
Compania de Inversiones Bogota S.A.	E	653	E
3001 S.A.	E	699	E
Sociedad Portuaria San Andres	E	3	E
Sociedad Promotora Siderurgica Colombiana E.U.	E	365	E
Tesicol	E	4	E
Prina	E	275	-

	2003	2004
HELD TO MATURITY SECURITIES		
COLOMBIAN PESO DENOMINATED:		
Colombian government	Ps 701,941	Ps 657,771
Government entities	3,764	3,719
Financial institutions	7,045	53,471
Other	9,543	18,390
TOTAL HELD TO MATURITY SECURITIES	722,293	733,351
Allowance for other-than-temporary impairment in value	(3,719)	(4,887)

TOTAL HELD TO MATURITY SECURITIES, NET	Ps 718,574	Ps 728,464

(6) LOANS AND FINANCIAL LEASES

The following represents the classification of the total loan portfolio and financial lease contracts as of December 31, 2003 and 2004 in accordance with the provisions of the Superintendency of Banking:

	DECEMBER 31, 2003				
CLASSIFICATION	MORTGAGE	COMMERCIAL	CONSUMER	SMALL LOAN	T
"A" Normal Risk	Ps 47,676	Ps 5,968,085	Ps 1,195,833	Ps 76,679	Ps 7
"B" Acceptable Risk	4	309,324	32,805	3,164	
"C" Appreciable Risk	-	96,431	11,816	1,368	
"D" Significant Risk	18	180,263	15,048	746	
"E" Unrecoverable	463	70,391	17,657	1,897	
TOTAL LOANS	Ps 48,161	Ps 6,624,494	Ps 1,273,159	Ps 83,854	Ps 8

	DECEMBER 31, 2004				FINA
CLASSIFICATION	MORTGAGE	COMMERCIAL	CONSUMER	SMALL LOAN	LE
"A" Normal Risk	Ps 56,067	Ps 6,803,951	Ps 1,560,599	Ps 81,859	Ps
"B" Acceptable Risk	3	251,638	36,752	2,979	
"C" Appreciable Risk	-	58,548	14,719	1,208	
"D" Significant Risk	-	176,448	21,804	864	
"E" Unrecoverable	37	63,371	21,192	3,090	
TOTAL LOANS AND FINANCIAL LEASES (1)	Ps 56,107	Ps 7,353,956	Ps 1,655,066	Ps 90,000	Ps

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(1) On October 23, 2003, the Superintendency of Banking through its External Circular 040, modified the treatment of financial leases. Since January 1, 2004 it is accounted for as part of the loan portfolio.

Promissory notes by means of which loans amounting to Ps 725,193 and Ps 1,129,825 at December 31, 2003 and 2004, respectively, have been documented were duly endorsed to domestic development banks, as required for laws regulating such type of loans.

The following represents a summary of restructured loans as of December 31, 2003 and 2004:

	2003	2004
Ordinary restructurings	Ps 482,967	Ps 406,964
Extraordinary restructurings	38,928	13,060
Under law 550	71,503	61,255
Under law 617	108,395	156,617
Creditor agreement proceedings	11,364	9,793
Performance Agreement	49,564	3,420
Interest and other receivable items	12,874	9,767
	775,595	660,876
Allowances for loan losses	(192,539)	(205,074)
NET OF RESTRUCTURED LOANS	Ps 583,056	Ps 455,802

BANCOLOMBIA S. A. AND SUBSIDIARIES
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(Stated in millions of pesos and thousands of U.S. dollars)

(7) ALLOWANCE FOR LOANS, FINANCIAL LEASES AND ACCRUED INTEREST LOSSES

An analysis of the activity in the allowance for loans and financial leases losses during the years ended December 31, 2002, 2003 and 2004 is as follows:

	2002	2003	2004
Balance at beginning of year	Ps 271,729	Ps 332,324	Ps 387,2
Allowance for financial lease reclassification (1)	-	-	7,0
Balance at beginning of year (Sufinanciamiento)	-	11,854	
Provision	143,361	286,170	186,4
Charge-offs	(71,592)	(112,393)	(55,0
Effect of changes in exchange rate	10,366	(284)	(12,7
Recoveries	(21,540)	(130,408)	(78,5
Balance at end of year	Ps 332,324	Ps 387,263	Ps 434,3
Ratio of charge-offs to average outstanding loans	1.31%	1.61%	0.

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(1) On October 23, 2003, the Superintendency of Banking through its External Circular 040, modified the treatment of financial leases. Since January 1, 2004 they are accounted for as part of the loan portfolio.

The activity in the allowance for accrued interest losses during the year ended December 31, 2002, 2003 and 2004 is as follows:

	2002	2003	2004
Balance at beginning of year	Ps 27,011	Ps 15,074	Ps 5,1
Balance at beginning of year (Sufinanciamiento)	-	769	
Financial lease reclassification (1)	-	-	4
Provision	4,518	5,316	4,4
Charge-offs	(5,293)	(4,089)	(2,0
Recoveries	(11,834)	(11,897)	(3,3
Effect of changes in exchange rate	672	(3)	(1
Balance at end of year	Ps 15,074	Ps 5,170	Ps 4,6

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(1) On October 23, 2003, the Superintendency of Banking through its External Circular 040, modified the treatment of financial leases. Since January 1, 2004 they are accounted for as part of the loan portfolio.

(8) CUSTOMER ACCEPTANCES AND DERIVATIVES

The Bank's rights and commitments from derivatives operations as of December 31, 2003 and 2004 were as follows:

	2003	2004
CUSTOMER ACCEPTANCES		
Current	Ps 35,806	Ps 64,51
Overdue	-	1,97
Total	35,806	66,49
DERIVATIVES		
(Fair value of derivatives instruments)		
NEXT DAY OPERATIONS		
Foreign exchange rights contracts to buy	-	94,89
Foreign exchange rights contracts to sell	-	9,12
Financial instruments rights to buy (local currency)	-	2,45
Total rights	-	106,46
Foreign exchange commitments contracts to buy	-	(95,13
Foreign exchange commitments contracts to sell	-	(9,10
Financial instruments commitments to buy (local currency)	-	(2,44

Total obligations	–	(106,68
TOTAL NEXT DAY OPERATIONS	–	(21
FORWARD CONTRACTS		
Foreign exchange rights contracts to buy	747,839	2,988,14
Foreign exchange rights contracts to sell	1,744,465	4,142,64
Financial instruments rights to buy (local currency)	165,262	338,54
Financial instruments rights to sell (local currency)	146,542	273,65
Other rights	–	2,38
Total rights	2,804,108	7,745,38
Foreign exchange commitments contracts to buy	(750,146)	(3,078,48
Foreign exchange commitments contracts to sell	(1,773,315)	(4,076,90
Financial instruments commitments to buy (local currency)	(168,213)	(336,54
Financial instruments commitments to sell (local currency)	(146,431)	(275,71
Total obligations	(2,838,105)	(7,767,65
TOTAL FORWARD CONTRACTS	(33,997)	(22,27
FUTURES CONTRACTS		
Foreign exchange rights contracts to buy	Ps 7,720	Ps 14,57
Foreign exchange rights contracts to sell	64,116	52,72
Financial instruments rights to buy (local currency)	258	
Total rights	72,094	67,30

	2003	2004
Foreign exchange commitments contracts to buy	(7,690)	(14,57
Foreign exchange commitments contracts to sell	(64,425)	(52,72
Financial instruments commitments to buy (local currency)	(258)	
Total obligations	(72,373)	(67,30
TOTAL FUTURE CONTRACTS	(279)	
SWAPS		
Interest rate rights contracts	120	8,22
Interest rate commitments contracts	(111)	(8,33
TOTAL SWAPS	9	(11
TOTAL CUSTOMER ACCEPTANCES AND DERIVATIVES	Ps 1,539	Ps 43,89

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

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

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

For forward contracts as of December 31, 2004, the average cost of rights and commitments relating to the purchase of financial instruments is 10.01% with an average maturity of 8 days and the average yield from rights and commitments relating to the sale of financial instruments is 7.38% with an average maturity of 2 days.

The average yield from rights and commitments relating to the sale of foreign currency as of December 31, 2004 is 7.16% annually with an average maturity of 120 days. The average yield from rights and commitments relating to the purchase of foreign currency is 6.65% annually with an average maturity of 109 days.

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

The average value of hedging portfolio during the year 2004 was US$ 218,084 and the average yield was 7.40%.

(9) ACCOUNTS RECEIVABLE

As of December 31, 2003 and 2004, accounts receivable consisted of the following:

	2003	2004
Credit card compensation	Ps 75,914	Ps 90,4
Overnight funds sold	101	6
Commissions	6,986	8,8
Sierras del Chico y Chico Oriental	2,574	3,0

Renting	362	4
Advances to contractors and honoraries	10,951	12,9
Commitment seller	2,387	3,1
Warehousing services	7,358	9,1
Dividends	443	6
Services and properties sells	29,823	34,1
Employee advances	318	2
Banco de Comercio Exterior de Colombia ("Bancoldex")	-	9
Fondo de Garantias de Instituciones Financieras ("Fogafin")	-	8,1
Sale of shares	8,081	
Other receivables	33,379	15,9
TOTAL ACCOUNTS RECEIVABLE	178,677	188,7
Allowance for accounts receivable losses	(15,367)	(14,8
ACCOUNTS RECEIVABLE	Ps 163,310	Ps 173,8

The activity in the allowance for accounts receivable during the years ended December 31, 2002, 2003 and 2004 is as follows:

	2002	2003	2004
Balance at beginning of year	Ps 13,679	Ps 7,140	Ps 15,3
Balance at beginning of year (Sufinanciamiento)	-	593	
Provision for uncollectible amounts	2,689	13,303	6,9
Charge-offs	(3,867)	(1,474)	(2,2
Reversal of provision and recoveries (1)	(5,361)	(4,195)	(5,1
Balance at end of year	Ps 7,140	Ps 15,367	Ps 14,8

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(1) Includes reversal of provisions of the Subsidiary CTI Cargo which was charged off in 2003.

(10) PREMISES AND EQUIPMENT

At December 31, 2003 and 2004 premises and equipment consisted of the following:

	2003	2004
PREMISES AND EQUIPMENT		
Land	Ps 53,491	Ps 49,357
Buildings	221,302	212,036

Warehouses	27,369	29,663
Furniture, equipment and fixtures	114,074	126,099
Computer equipment	178,026	199,196
Vehicles	4,790	4,281
Construction in progress	4,696	17,415
Machinery and equipment	103,071	70,070
Equipment in - transit	35,864	38,113
Rural premises	1,091	-
Total	743,774	746,230
Less accumulated depreciation	(377,186)	(375,069)
Allowance	(28,624)	(24,918)
PREMISES AND EQUIPMENT, NET	Ps 337,964	Ps 346,243

Depreciation expense for the years ended December 31, 2002, 2003 and 2004, amounted to Ps 33,813, Ps 37,738 and Ps 42,832 respectively.

(11) OPERATING LEASES

At December 31, 2003 and 2004 operating leases consisted of the following:

	2003	2004
OPERATING LEASES		
Machinery and equipment	Ps 328,820	Ps 1,358
Vehicles	118,204	2,273
Furniture, equipment and fixtures	2,305	-
Ships, trains and livestock	24,012	-
Computer equipment	24,673	10,396
Real goods	52,707	-
TOTAL	550,721	14,027
Rents	9,758	243
Less accumulated depreciation	(9,547)	(5,878)
Allowance	(13,725)	(81)
OPERATING LEASES, NET (1)	Ps 537,207	Ps 8,311

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(1) On October 23, 2003, the Superintendency of Banking through its External Circular 040, modified the treatment of financial leases. Since January 1, 2004 they are accounted for as part of the loan portfolio. For this reason, the line "leases, net", in the balance sheet of the year 2003, was replaced by the line "operating leases net".

Depreciation expense for the years ended December 31, 2002, 2003 and 2004, amounted to Ps 631, Ps 2,887 and Ps 4,040 respectively.

(12) PREPAID EXPENSES AND DEFERRED CHARGES

At December 31, 2003 and 2004, prepaid expenses and deferred charges consisted of the following:

	2003	2004
PREPAID EXPENSES:		
Insurance premiums	Ps 5,620	Ps 5,242
Interest	72	59
Other	1,054	1,199
TOTAL PREPAID EXPENSES	6,746	6,500
DEFERRED CHARGES:		
Studies and projects	4,333	204
Computer programs	8,513	6,726
Remodeling	593	593
Organization and pre-operating expenses	218	-
Leasehold improvements	212	815
Deferred taxes non-banking entities	318	240
Stationery and supplies	563	239
Contributions	34	5
Other	6,301	628
TOTAL DEFERRED CHARGES	Ps 21,085	Ps 9,450
TOTAL PREPAID EXPENSES AND DEFERRED CHARGES	Ps 27,831	Ps 15,950

(13) OTHER ASSETS

At December 31, 2003 and 2004 other assets consisted of the following:

	2003	2004
OTHER ASSETS:		
Value added tax deductible and withholding taxes	Ps 57,786	Ps 111,532
Investment in Trust	54,458	53,349
Deposits	12,066	20,543
Assets to place in lease contracts	33,224	70,746
Inventory	31,524	52,202

Other	9,422	7,022
TOTAL OTHER ASSETS (1)	Ps 198,480	Ps 315,394

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(1) For year 2004, the line "other assets" in the balance sheet includes the commercial subsidiaries' inventory. In the Annual Report of year 2003 this concept was classified as "foreclosed assets".

(14) GOODWILL

The activity of the goodwill during the years ended December 31, 2002, 2003 and 2004 is as follows:

	2002	2003	2004
Balance at beginning of year	Ps 141,552	Ps 118,903	Ps 99,9
Balance at beginning of year (Sufinanciamiento)	-	4,433	
Additions	-	36,347	
Amortization (2)	(22,649)	(59,773)	(26,3
Balance at end of year (1)	Ps 118,903	Ps 99,910	Ps 73,6

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(1) In the Annual Report of year 2003, goodwill was included in the line "prepaid expenses, deferred charges and other assets" of the balance sheet. For year 2004, goodwill is disclosed independently.

(2) As of December 31, 2003, included the amortization of the goodwill derived from: merger with Banco de Colombia, the acquisition of Sufinanciamiento and the increase in the participation on Fiducolombia.

(15) FORECLOSED ASSETS

At December 31, 2003 and 2004, foreclosed assets consisted of the following:

	2003	2004
Equity securities	Ps 48,248	Ps 54,866
Real estate	112,381	95,637
Other assets	2,137	2,568
TOTAL	162,766	153,071

Allowance	(135,090)	(140,865)
TOTAL FORECLOSED ASSETS, NET (1)	Ps 27,676	Ps 12,206

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(1) In the Annual Report of year 2003, the line "foreclosed assets" in the balance sheet included the commercial subsidiaries' inventory, for year 2004 this concept was classified as "other assets".

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

	2003	2004
Urbanizacion Sierras del Chico Ltda	Ps 11,567	Ps 11,567
Chico Oriental Numero 2 Ltda.	14,053	14,053
Pizano S.A.	3,663	3,663
Convertible Securities Pizano S.A.	3,221	3,221
Patrimonio Lineas Agromar	1,399	1,399
Fideicomiso Emcocables 2 Santa Ana	2,991	837
Fideicomiso Pagos Procam	7,044	7,044
Textiles Fabricato	-	4,313
Conconcreto S.A.	-	2,622
Other	4,310	6,147
TOTAL	Ps 48,248	Ps 54,866

The activity of the valuation allowance for foreclosed assets during the years ended December 31, 2002, 2003 and 2004 is as follows:

	2002	2003	2004
Balance at beginning of year	Ps 105,988	Ps 107,871	Ps 135,0
Balance at beginning of year 2003 (Sufinanciamiento)	-	222	
Provision	17,236	32,458	23,0
Reversals of previously recorded provisions	(15,353)	(5,461)	(17,2
Balance at the end of year	Ps 107,871	Ps 135,090	Ps 140,8

(16) REAPPRAISAL OF ASSETS

The following describes reappraisals of assets at December 31,

2003 and 2004:

	2003	2004
Asset revaluations	Ps 253,413	Ps 267,9
Less: proportional equity revaluations	(198,072)	(198,0
Less: minority interests	(25,255)	(27,6
TOTAL EQUITY REVALUATIONS	Ps 30,086	Ps 42,2

The proportional equity revaluations refer to the acquisition of investments in Colcorp S.A., Almacenar S.A., Comisionista de Colombia S.A., Leasing Colombia S.A., Fiducolombia S.A. and affiliates calculated on acquisition date. Consolidation rules require this value to be unchanged while the investment is held or no new acquisitions are made.

(17) INTERBANK BORROWINGS

Interbank borrowings, primarily denominated in U.S. dollars, at December 31, 2003 and 2004 are summarized as follows:

	2003	2004
FOREIGN BANKS		
Short-term	Ps 249,874	Ps 137,9
Long-term	206,185	108,3
TOTAL	Ps 456,059	Ps 246,2

Short-term interbank borrowings, obtained from other banks for liquidity purposes, are unsecured and generally have maturities ranging from 90 to 180 days.

Interest rates on U.S. dollar denominated short-term borrowings from foreign banks averaged 1.24% and 2.65% in 2003 and 2004, respectively.

For long term interbank borrowings, the average interest rate was 5.84% and 2.26% in 2003 and 2004, respectively, and maturities at December 31, 2004 were as follows:

2004(1)

2005	Ps 59,069
2006	49,248
	Ps 108,317

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(1) The schedule of payments of Interbank Borrowings as of December 31, 2004 differ of the schedule of payments presented in the Annual Report of year 2003, due to the prepayments made by the Bank during year 2004.

(18) BORROWINGS FROM DOMESTIC DEVELOPMENT BANKS

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

Under such programs, the Bank receives a loan request from an applicant operating in a designated economic sector. The Bank then performs a full credit analysis of the applicant based upon its normal credit criteria. If such criteria are met, the Bank applies to the appropriate government agency for funding. The government agency reviews the loan application to determine its compliance with policy objectives and may also perform an independent credit analysis of the applicant. Upon approval, the agency disburses funds to the Bank. The Bank, in turn, disburses the loan to its customer and assumes all credit risk.

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

As of December 31, 2003 and 2004, borrowings from domestic development banks received from certain Colombian government agencies consisted of the following:

	2003	2004
Fondo para el Financiamiento del Sector Agropecuario	Ps 180,648	Ps 216,631
Banco de Comercio Exterior de Colombia ("Bancoldex")(1)	426,068	334,855
Findeter	89,148	220,820
Colombian Central Bank	53	-
Other	59,619	85,613

TOTAL	Ps 755,536	Ps 857,919

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(1) 2003 includes loans transferred from IFI to Bancoldex.

Interest rates on borrowings from domestic development banks averaged 8.26% and 8.38% in 2003 and 2004, respectively, in local currency and 5.29% and 7.45% in 2003 and 2004, respectively, in foreign currency. Maturities at December 31, 2004 were as follows:

2005	Ps 141,764
2006	100,623
2007	148,774
2008	126,730
2009	163,311
2010 and thereafter	176,717
TOTAL	Ps 857,919

(19) OTHER LIABILITIES

As of December 31, 2003 and 2004, other liabilities consisted of the following:

	2003	2004
Unearned income	Ps 11,030	Ps 8,760
Accrued severance Law 50, net of advances	4,510	5,033
Accrued severance pre-Law 50, net of advances to employees of Ps 10,438 and Ps 11,652 in 2003 and 2004, respectively	11,675	12,378
Accrued payroll and other severance benefits	18,610	23,413
Accrued pension obligations net of deferred cost	78,578	86,353
Negative goodwill	2,313	1,426
Deferred interest on restructured loans	32,452	45,286
Other	15,149	50,283
TOTAL	Ps 174,317	Ps 232,932

Unearned income consists of prepayments of interest by customers. Terms for the prepayment of interest are established when the loan is originated. Unearned income is generally amortized on a straight-line basis over the term for which interest has been prepaid.

Colombian labor regulations entitle each employee hired before January 1, 1991 to severance pay in an amount equal to such employee's last monthly salary multiplied by the number of years in service. The Bank increases the accrued liability for such severance benefits whenever an employee's salary is increased. To allow greater flexibility in labor contracts, the Colombian government enacted Law 50 in 1990, which, among other things, permits companies to negotiate a waiver of the retroactivity component of severance pay with their employees. In August 1994, the Bank and its executive employees agreed on a plan, which waived the retroactivity component of severance pay.

In accordance with the Colombian Labor Code, employers must pay retirement pensions to employees who fulfill certain requirements as to age and time of service. However, the Social Security Institute and other private funds have assumed a large portion of this obligation.

Pension obligation

The following is an analysis of the Bank's pension obligations for the years ended December 31, 2002, 2003 and 2004:

	PROJECTED PENSION LIABILITY	DEFERRED COST	NET
BALANCE AT DECEMBER 31, 2001	Ps 72,983	Ps (10,755)	Ps 62,228
Adjustment per actuarial valuation	13,973	(13,973)	-
Benefits paid	(8,393)	-	(8,393)
Pension expense	-	14,487	14,487
BALANCE AT DECEMBER 31, 2002	Ps 78,563	Ps (10,241)	Ps 68,322
Adjustment per actuarial valuation	10,120	(10,120)	-
Benefits paid	(9,245)	-	(9,245)
Pension expense	-	19,501	19,501
BALANCE AT DECEMBER 31, 2003	Ps 79,438	Ps (860)	Ps 78,578
Adjustment per actuarial valuation	17,064	(17,064)	-
Benefits paid	(9,364)	-	(9,364)
Pension expense	-	17,139	17,139
BALANCE AT DECEMBER 31, 2004	Ps 87,138	Ps (785)	Ps 86,353

The present value of the obligation for pensions as of December 31, 2002, 2003, and 2004 was determined on the basis of actuarial

calculations in conformity with Colombian law. The significant assumptions utilized in the actuarial calculations for the years ended December 31, 2002, 2003 and 2004 were as follows:

	2002	2003	2004
Discount rate	24.82%	23.03%	21.23%
Future pension increases	17.14%	15.33%	13.72%

(20) LONG TERM-DEBT

The scheduled maturities of long term-debt at December 31, 2004 are as follows:

2005	Ps 124,966
2006	85,985
2007	150,878
2008	15,630
2009	168,280
2010 and thereafter	6,792
	Ps 552,531

Long term debt consists of bonds issued by the Bank, Leasing Colombia S.A., Abocol S.A., Fundicom S.A., and by Sufinanciamiento S.A. bearing interest at the following rates:

BANCOLOMBIA S.A.

Issue Date	Maturity Date	Rate
11-Feb-04	11-Aug-05	DTF+1.5%
11-Feb-04	11-Feb-06	DTF+1.7%
11-Feb-04	11-Feb-07	DTF+2.00%, CPI+3.9%
11-Feb-04	11-Feb-09	DTF+2.35%, CPI+4.7%

ABOCOL S.A.

Issue Date	Maturity Date	Rate
12-Aug-02	12-Aug-06	CPI+7.9%
13-Aug-02	13-Aug-06	CPI+7.9%
12-Aug-02	12-Aug-07	CPI+8.0%

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FUNDICOM S.A.

Issue Date	Maturity Date	Rate
10-Aug-03	10-Aug-15	CPI

SUFINANCIAMIENTO S.A.

Issue Date	Maturity Date	Rate
11-Mar-04	11-Mar-14	7.82%

LEASING COLOMBIA S.A.

Issue Date	Maturity Date	Rate
09-Dec-02	09-Jun-05	DTF+2.1%
09-Dec-02	09-Dec-05	DTF+2.2%
09-Dec-02	09-Dec-07	DTF+2.6%
09-Dec-02	09-Jun-08	DTF+2.7%
09-Dec-02	09-Dec-08	DTF+3.0%
08-Jun-04	08-Dec-05	DTF+2.0%
08-Jun-04	08-Jun-06	DTF+2.2%
08-Jun-04	08-Jun-07	DTF+2.5%
08-Jun-04	08-Jun-08	DTF+2.8%
08-Jun-04	08-Jun-09	DTF+3.0%
30-Nov-04	30-May-06	DTF+1.9%
30-Nov-04	30-Nov-06	DTF+2.0%
30-Nov-04	30-Nov-07	DTF+2.3%, CPI+4.5%
30-Nov-04	30-Nov-08	DTF+2.7%
30-Nov-04	30-Nov-09	DTF+3.0%

DTF: Average weekly rate of term deposits (issued by commercial and mortgage banks and commercial finance companies) with a maturity of 90 days.

CPI: Consumer price index

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(21) ACCRUED EXPENSES

As of December 31, 2003 and 2004, accrued expenses consisted of the following:

	2003	2004
Interest payable	Ps 218	Ps 1,046
Income tax payable	6,064	10,547
Fines and sanctions (1)	30,200	38,829
Labor obligations	7,446	7,617
Other	12,245	13,610
TOTAL	Ps 56,173	Ps 71,649

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(1) See Note 26(d) as it refers to the Bank.

The statutory income tax rate for 2001 was 35%. For 2002, 2003 and 2004 the statutory income tax was 37% for the Bank, Leasing Colombia S.A., Colcorp S.A. and Fiducolombia S.A. according to an agreement of tax stability and 38.5% for the other Subsidiaries, respectively.

The Bank's tax liability is calculated based on the greater of (i) net taxable income and (ii) presumed income, which, in 2003 and 2004 is 6% of stockholders' equity.

The following is a reconciliation of taxable income before income taxes for the years ended December 31, 2002, 2003 and 2004:

	2002	2003	
Income before income taxes	Ps 252,998	Ps 532,019	Ps
Adjustments for consolidation purposes, net	(7,114)	(26,722)	
Difference between net operating loss carry-forwards and presumed income	54,015	16,404	
Non-deductible provisions, costs and expenses	99,806	107,926	
Nontaxable or exempt income	(251,005)	(420,253)	
Difference between monetary correction for tax purposes and for financial reporting purposes	(27,989)	(40,040)	
Taxable income	Ps 120,711	Ps 169,334	Ps
Statutory tax rate (1)	36.89%	36.84%	
Estimated current income tax	Ps 44,533	Ps 62,391	Ps
Deferred income tax expense (benefit)	(1,915)	244	
TOTAL	Ps 42,618	Ps 62,635	Ps

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(1) The statutory income tax rate for 2003 and 2004 was 37% for the Bank, Leasing Colombia S.A., Colcorp S.A. and Fiducolombia S.A., according to the agreement of tax stability and 38.5% for the other Subsidiaries, respectively.

Income taxes for the years ended December 31, 2003 and 2004 are subject to review by the tax authorities. The Bank management and its legal advisors believe that no significant liabilities in addition to those recorded will arise from such a review.

The following represents a summary of the utilizable date for the fiscal losses to be amortized and the excess of presumed income over ordinary income:

	FISCAL LOSSES TO AMORTIZE	EXCESS OF PRESUMED INCOME OVER ORDINARY INCOME
2005	Ps 8,035	Ps 66,343
2006	2,820	6,133
2007	-	-
2008	-	-
2009	-	-
	Ps 10,855	Ps 72,476

(22) SUBSCRIBED AND PAID-IN CAPITAL

Subscribed and paid-in capital consisted of the following:

	2002	2003
AUTHORIZED SHARES	670,000,000	670,000,000
ISSUED AND OUTSTANDING:		
Common shares with a nominal value of 500 pesos	398,259,608	398,259,608
Preference shares with a nominal value of 500 pesos	178,435,787	178,435,787

Non-voting shares with preferred dividend will be entitled to receive a minimum preferred dividend equal to one percent (1%) of the initial offering price per preferred share for each fiscal year the bank reports profits after the Bank recoups any losses that affect its capital and deducts any contribution to a reserve account that must be made by law, and before the Bank creates or increases any other reserve. In

addition, the dividend per share paid on preferred stock cannot be less than the dividend per share paid on ordinary stock (and will be increased if a higher dividend on ordinary stock is declared).

Each non-voting share with preferred dividend confers on its holder the right to participate in the shareholders' meetings and to vote solely on the matters provided for by law and in the By-laws:

A foreign capital institutional investment fund in Colombia has been constituted to hold certain non-voting preferred shares issued by the Bank and American Depositary Shares (ADSs) related to the non-voting preferred shares have been issued abroad.

(23) APPROPRIATED RETAINED EARNINGS

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

The component "other" in the consolidated statements of stockholders' equity corresponds to the Subsidiaries' retained earnings that are not eliminated in the consolidation process.

Appropriated retained earnings consist of the following:

	2002	2003	2004
Legal reserve	Ps 386,009	Ps 497,075	Ps 638,716
Additional paid - in capital	107,359	107,359	107,359
Other reserves	72,819	135,920	264,406
TOTAL	Ps 566,187	Ps 740,354	Ps 1,010,481

In addition, paid-in capital of Ps 107,359 at December 31, 2002, 2003 and 2004 was recorded as part of the legal reserve, as required by the Superintendency of Banking.

(24) DIVIDENDS DECLARED

The Bank's shareholders declared common stock dividends with respect to the preceding year's earnings of the Bank (the parent company) to be payable during 2003, 2004 and 2005 as indicated below:

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	2003	2004	2005
Preceding year's unconsolidated earnings	Ps 150,923	Ps 309,772	Ps 430,807
Dividends in cash	132 pesos per share payable in four quarterly installments of 33 pesos per share from April 2003 on 398,259,608 and 178,435,787 common and preferences shares, respectively.	272 pesos per share payable in four quarterly installments of 68 pesos per share from April 2004 on 398,259,608 and 178,435,787 common and preferences shares, respectively.	376 pesos per share payable in four quarterly installments of 94 pesos per share from April 2005 on 398,259,608 and 178,435,787 common and preferences shares, respectively.
Total dividends declared	Ps 76,124	Ps 156,861	Ps 216,837
Dividends payable at December 31	Ps 22,776	Ps 44,099	

(25) MEMORANDUM ACCOUNTS

At December 31, 2003 and 2004, memorandum accounts consisted of the following:

	2003	2004
TRUST:		
Investment trusts	Ps 9,566,526	Ps 14,551,133
COMMITMENTS:		
Civil litigation against the Bank	1,000,681	1,982,256
Unused credit card limits	1,387,674	1,721,090
Issued and confirmed letters of credit	385,837	421,643
Uncommitted lines of credit	318,423	347,833
Bank guarantees	306,958	137,375
Approved credits not disbursed	13,262	17,824
Other	471	1,250
TOTAL	Ps 12,979,832	Ps 19,180,404

Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

OTHER MEMORANDUM ACCOUNTS:

	2003	2004
MEMORANDUM ACCOUNTS RECEIVABLE:		
Tax value of assets	Ps 10,764,706	Ps 12,383,426
Assets and securities given in custody	2,639,400	3,985,019
Negotiable investments in debt securities	807,824	2,143,814
Investments available for the sale in debt securities	1,043,085	1,672,536
Quotas of leasing for receive	668,172	1,082,024
Assets and securities given as a collateral	1,508,112	934,208
Investments held to maturity	704,188	767,261
Written-off assets	668,999	638,654
Adjustments for inflation of assets	222,117	217,785
Accounts to receive yields trading investments in debt securities	133,629	165,073
Remittances sent for collection	30,132	27,259
Other memorandum account receivable	1,696,849	1,265,149
TOTAL	Ps 20,887,213	Ps 25,282,208
MEMORANDUM ACCOUNTS PAYABLE:		
Assets and securities received as collateral	Ps 7,650,641	Ps 8,406,554
Qualification commercial loans	6,721,739	7,459,747
Tax value of shareholders' equity	1,742,916	2,205,064
Assets and securities received in custody	2,046,084	1,776,613
Qualification consumer loans	1,273,292	1,653,473
Adjustment for inflation of equity	492,729	490,297
Qualification small business loans	84,979	91,168
Merchandise in owned warehouses	59,490	66,339
Merchandise in third-party warehouses	101,589	47,026
Other memorandum account payable	5,774,283	11,573,544
TOTAL	Ps 25,947,742	Ps 33,769,825
TOTAL MEMORANDUM ACCOUNTS	Ps 59,814,787	Ps 78,232,437

(26) COMMITMENTS AND CONTINGENCIES

THE PARENT COMPANY (THE BANK)

a) CONTINGENCIES COVERED BY FOGAFIN:

During the privatization process of Banco de Colombia (which merged with and into the Bank in 1998), completed on January 31, 1994, the Fogafin made a commitment to assume the cost of contingent liabilities resulting from events that occurred before the date when the stock was sold, that should be claimed within the five (5) subsequent years. Fogafin's guarantee covers eighty percent (80%) of the first Ps 10,000, discounting allowances, and thereafter, one hundred percent (100%), all annually adjusted according to the consumer price index.

As established in the guarantee contract, Banco de Colombia committed to transfer to the Fogafin all the rights that it then had in Sierras del Chico Ltda. and Chico Oriental Numero Dos Ltda. for an amount no lesser than the book value as of December 31, 1993, including inflation adjustments and excluding any valuations. A judicial process was initiated questioning the validity and binding effect of the commitment to transfer these rights to Fogafin, but no final ruling has been made.

At December 31, 2003 and 2004, the civil contingencies covered by the guarantee amounted to approximately Ps 21,500 and Ps 12,185, respectively, with allowances at the same dates amounting to Ps 1,588 and Ps 1,370. Labor contingencies amount to Ps 486 and Ps 305 and have allowances of Ps 244 and Ps 153, respectively.

b) LEGAL PROCESSES

At December 31, 2003 and 2004, other than the litigation discussed under (a) above, there were labor-related claims against the Bank amounting to approximately Ps 9,118 and Ps 10,015, respectively (the final result of such litigation is not predictable due to the controvertible nature of the obligations). The allowances for contingencies on those dates amounted to Ps 4,372 and Ps 4,911, respectively.

At December 31, 2003 and 2004, there were ordinary civil lawsuits, group actions, and civil actions within criminal and executive processes against the Bank with total claims of approximately Ps 85,670 and Ps 301,823, respectively and with allowances on the same dates of Ps 2,998 and Ps 4,327, respectively.

Allowances are recorded when processes are ruled in the first instance against the Bank or based on the opinion of the attorneys handling the litigations.

At December 31, 2004, the Superintendency of Banking has imposed fines on the Bank amounting to Ps 272, for which complete allowances have been created, even though the Bank considers it has filed valid arguments against the decisions of the Superintendency of Banking.

c) CONTINGENCIES RELATED TO THE PURCHASE OF 51% OF FORMER BANCO DE COLOMBIA S.A. ("BANCO DE COLOMBIA") STOCK AND LATER MERGER WITH BANCO INDUSTRIAL COLOMBIANO ("BIC", NOW BANCOLOMBIA)

Contingency guarantee, former Banco de Colombia

The selling shareholders of the majority interest of former Banco de Colombia constituted a guarantee trust in favor of the Bank with Fiduanglo (currently, Lloyds Trust) as trustee, on Bancolombia stock in order to respond for the contingencies and hidden liabilities of the sold bank. The guarantee covers claims between US$ 7,500 and US$ 30,000.

Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

An arbitration proceeding is currently occurring at the Arbitration Center of the Bogota Chamber of Commerce. It is now in the discovery stage. The Bank initiated this proceeding against Jaime Gilinski as one of the debtors severally liable for the whole debt, to determine the validity of the claims that the Bank has filed against the trust and to make the guarantee effective. The claims amount to approximately Ps 50,614, without including updates or interests.

The Gilinski Case

Criminal Investigation

On July 8, 2004, the prosecutor's office before the Colombian Penal Supreme Court, confirmed the previous decision of the Special Unit of the prosecutor's office for Crime against Public Administration in which this Unit declined to initiate penal action against Jorge Londono Saldarriaga and Federico Ochoa Barrera, the Bank's President and Vice-president, respectively.

The investigation was forwarded due to denouncements made by the Gilinski family and by companies that the family controls, stating that, during the Banco de Colombia acquisition process and its later merger with Banco Industrial Colombiano, the crimes of fraud, unauthorized operations with shareholders, and undue use of public resources, among others, were allegedly committed. In addition, the Gilinski family filed several civil legal actions against the Bank, in their condition as civilly liable third parties.

The above-mentioned Unit proffered a decision regarding the appeal filed by the denouncers' attorneys against the decision proffered during the first instance on December 26, 2003, and reiterated that there were no grounds for the alleged crimes, thus confirming the estoppel of the investigation. Consequently, the Bank was also exonerated of having to indemnify the denouncers as civilly liable third parties.

Superintendency of Banking

The administrative court decision is still pending regarding the legality of the sanction of Ps 44 imposed by the Superintendency of Banking for an interbank credit granted by the former Banco de Colombia to Banco Industrial Colombiano when both institutions were in the process of merging. The Superintendency of Banking dismissed the other complaints made by the Gilinski family.

Arbitration

Jaime Gilinski and Isaac Gilinski and some foreign successor companies of Bancol y cia S. en C. resorted to an arbitration over the alleged controversy against the Bank and some of its administrators, in which charges similar to those previously filed with various administrative and judicial agencies were alleged, relating to the

acquisition process of the majority share of the former Banco de Colombia by BIC, and the later merger of these two institutions. The arbitration began on June 2, 2004, and at present the case is in the discovery stage.

The cause of action consists of the declaration of the inefficacy of BIC's acquisition of the majority share in the capital of the former Banco de Colombia, and as secondary causes of action, the declaration that the contract with the commitment to purchase and sell entered into by and between the parties is absolutely null and void and does not even exist, that the acquisition of the Banco de Colombia GDS's and Notes is absolutely null and void, the declaration of the Bank liability regarding the damages caused by alleged fraudulent operations and fraudulent representations regarding the above-mentioned contract; and the last secondary cause of action if none of the above should prosper was the declaration that the Bank had defaulted on the above-mentioned contract.

We consider that the possibility of incurring any liability from this proceeding is remote, given the fact that the legal action lacks legal and probatory support, and considering that there have been prior court pronouncements that have exonerated the Bank and its administrators from similar petitions or petitions related to the petitions made in this proceeding.

Class Action Luis Alberto Duran Valencia

To date, the Bogota Supreme Court decision is still pending on the special appeal for annulment filed by the Bank regarding reviewing the effective regulations on the decision proffered by arbitration following the class action filed by Luis Alberto Duran Valencia and other shareholders of the former Banco de Colombia.

The mentioned decision, proffered on January 30, 2004, declared that the shareholders of the former Banco de Colombia who entered the merged institution had suffered damages derived from a deficit in the capitalization made by BIC in 1998, which the court estimated at Ps 22,408, for a net value to be paid of Ps 19,214, after deductions for costs that the court ordered. The court denied the remaining causes of action in the group action, estimated at an approximate value of Ps 400,000, and it absolved the other shareholder companies of the former BIC that had also been sued.

The appeal solely seeks to annul the part of the decision in dispute, which is limited to the sentence for the Bank. Regarding the other causes of action, the decision declared them res judicata in favor of the Bank legal position.

We consider that a liability to be incurred by the Bank, is unlikely given the existence of serious arguments that may lead to a decision that would acknowledge some of the grounds invoked in the appeal for annulment. The Bank has an allowance in the amount of Ps 15,192, as it awaits the definitive decision regarding this matter.

People's Action Maximiliano Echeverri M

We consider the likelihood of the Bank's liability for this legal action, filed with the Cundinamarca Contentious Administrative Court against the Bank and the Superintendency of Banking and the Securities Superintendency, remote, because the acquisition and merger process obeyed the law and business ethics.

The cause of action of this legal action is the declaration of violation of the group interests for administrative morality and free economic competition, due to alleged omissions by the Colombian state supervision and control agencies in the acquisition process of the former Banco de Colombia and the later merger with BIC, and alleged Bank maneuvers to prevent the shareholders of the first institution from having all of the information they required to make the decisions at hand.

d) NATIONAL TAX AND CUSTOMS AGENCY ("DIAN")

For the taxable year 1996, when determining the income tax and complementary taxes, the former Banco de Colombia requested that donations to universities be considered deductions and a tax discount at the same time. DIAN proceeded to reject the deduction of the mentioned donations, arguing that this constituted dual benefit on one sole economic item, and it deemed that was not allowed pursuant to applicable law.

On April 4, 2000, the Bank filed with the Honorable Cundinamarca Administrative Court a legal action to declare null and reestablish the right against administrative acts that modify private liquidation. On April 26, 2001, the Honorable Court proffered its decision not granting the Bank's petitions. Due to the above, an appeal was filed with the Honorable Council of State on September 18, 2001. On August 9, 2002, the Honorable Council of State revoked the first instance sentence; it annulled the sanction due to inaccuracy and confirmed the greater tax officially settled, not because of the simultaneous nature of the benefits, but because of the destination of the resources that the Bank had donated. On September 24, 2002, a special petition for reconsideration against the sentence was filed with the Open Court of the Honorable Council of State. This sentence is still pending pronouncement.

On July 30, 2003 the Bank reached a conciliation agreement with DIAN, under the terms in 2002 Law 788 Article 98, and paid the sum of Ps 2,538, but on February 26, 2004, the Honorable Council of State rejected the request to approve the conciliation agreement entered into by the parties, and that unfavorable decision was later confirmed for a regular petition for reconsideration.

The allowance that was constituted is Ps 7,076. The contingency is deemed probable because the Honorable State Council Open Court seldom revokes sentences that its regional courts proffer.

The petition for reconsideration filed by the Bank against the Official Revised Settlement of the income tax and complementary taxes for the year 1999, through which the deduction for incentives from collecting customers' taxes in the amount of Ps 4,263 was disregarded, was decided against the Bank on April 30, 2004 and the Official Revised Settlement was confirmed. The dispute pending represents Ps 3,231, which includes the tax in dispute plus late payment interests, and there is a 100% allowance for it. On September 9, 2004, a legal action was filed with the Antioquia Administrative Court, which was admitted on

November 23, 2004.

Regarding the tax on financial transactions for the year 1999, after the conciliation reached with DIAN the year before, on March 15, 2004, DIAN issued the writ to close the dossier due to termination by mutual agreement. From the previous year, a provision of Ps 9,486 had been made, which was recovered during this fiscal period.

At December 31, 2004, DIAN and the District Tax Direction of Bogota have imposed fines on the Bank amounting to Ps 3,433 for tax collection. The Bank has filed the pertinent appeals and legal actions and has made provisions in the amount of Ps 2,020 for such fines.

FIDUCOLOMBIA S.A.

Executive processes have been filed against the Bank's Trust subsidiary (Fiducolombia), which in the opinion of management and attorneys handling the litigations are not likely to result in an unfavorable ruling or to affect the Trust Company.

Carlos Paz Mendez Process

As of December 31, 2004, there is a proceeding underway against Banco de Colombia (currently, the Bank) and the Trust Company at Civil Court 12 of Bogota. The plaintiff is Mr. Carlos Paz Mendez, and the proceedings commenced on July 16, 1993. On November 5, 1998, the tribunal issued a ruling favorable to Fiducolombia and ordered the plaintiff to pay costs. The defendant's appeal was accepted on December 14, 1998. On appeal, the Bank's and Fiducolombia's lawyer requested an audience under Article 360 of the Civil Procedural Code, and that audience was held on May 9, 2001. By means of the decision dated March 25, 2003, proceeding for annulment was admitted which has been decided and the pronouncement confirmed the first instance sentence in favor of the Trust Company and the Bank. At present, the appeal for reversal filed by the plaintiff's attorney against the sentence proffered by the Bogota Judicial District High Court on December 19, 2002, and the pronouncement confirming the first instance sentence in favor of the Trust Company and the Bank, is pending.

This process is expressly covered by the contract of liability contingencies subscribed with Fogafin, contained in Public Deed No. 0182 of January 18, 1994 of Notary Two of Bogota D.C., according to protocol relationship in the aforementioned public document named Annex No. 1. The Trust Company's management and attorneys consider that the likelihood of obtaining a favorable ruling is high. By virtue of the above, Fiducolombia has not made any allowances for this concept.

Silvana Trust

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

Two of the aforementioned proceedings terminated because of

expiration. However, on December 11, 2003, a new ordinary proceeding was initiated against Fiducolombia, following a legal action filed during the month of September 2003. The Circuit Civil Court Nine ordered for all of the proceedings to be consolidated into the Tarazona Bermudez Proceeding, in order to ensure one sole legal proceeding, and it is currently in the discovery stage.

As indicated by the Trust Company's attorneys, management considers that there will be no liability based on the facts established in the processes. The plaintiffs claim amounts to approximately Ps 718.

Grancolombiano Group

The "Grupo Grancolombiano" Trust that was managed by Banco de Colombia S.A. and liquidated on June 29, 1990, is subject to contingencies, among them, labor contingencies. For that purpose, a sum of money has been reserved through the "Contingency Fund" Trust managed by Fiducolombia. These sums were contributed by former trustors of the "Grupo Grancolombiano" trust with the purpose of covering such contingencies. As recommended by the lawyer for, and in compliance with the purpose established in the Minutes of Liquidation of the "Grupo Grancolombiano", 24 of the 29 proceedings filed were reconciled before a judge. Five more reconciliations occurred outside court with charge to the funds of the Contingency Fund of Grupo Grancolombiano. In the proceedings of Jorge Euclides Garcia Prado, on December 4, 2003, the fourth proceeding took place to be followed next by a decision. The proceedings of Jose del Carmen Racero Toribio, Pedro Antonio Alvarez Serpa and David Salcedo Mejia were not reconciled because the employment relationship ended when the building in which they worked was the property of the Compania Nacional de Chocolates S.A. The plaintiff integrated the litis consorcio with this company. In one case, the Court of Law in a first instance ruling limited the payment of a retirement pension, with the possibility of repeating against Nacional de Chocolates S.A. In two cases, it declared that the exception of petition before time was proven. In the remaining case, the court absolved the Bank of any liability. An appeal was filed by the parties, as a result of which the Antioquia High Court confirmed the sentence proffered by the Caucasia Circuit Civil Court. During the years 2003 and 2004 several legal actions have been filed, which were consolidated into the Dagoberto Tulio Correa proceeding, which is being decided by the Caucasia Circuit Civil Court and January 26, 2005 was indicated as the date on which the first process hearing would take place. Appeals are pending before the Superior Court of Antioquia.

The Trust Company's management and legal advisors do not believe that these cases will result in any additional liabilities. If any liability does result, it will affect the trust's reserve fund but not Fiducolombia itself.

Comerintegral Ltda. Process

The Arbitration Court summoned by Comerintegral Ltda., against Fiducolombia, proffered a decision on June 25, 2004 in favor of the Trust Company.

Invico Ltda. Processes

Invico Ltda. has a suit pending against the Bank and Fiducolombia S.A. in Civil Court 6 of Bogota. The plaintiff seeks a ruling declaring that the

Bank and Fiducolombia S.A. must exercise the alternate right contained in Article 1948 of the Civil Code, in reference to the land lot denominated "Granjita", pursuant to the trust mandate contracted claims amount to Ps 4,000. Proceedings began on November 9, 2001, and on January 17, 2002, the court issued a ruling dismissing the claim and ordering the plaintiff to pay costs. By means of writ dated July 16, 2002, a settlement hearing was ordered for November 5, 2002. The diligence of reconciliation was declared a failure. At present, this case is in the discovery stage and we are waiting for the expert appointed who has agreed to give his expert decision. However, it is still premature to give any views regarding said proceeding.

Invico has also pursued "Accountability" proceedings against the Bank and Fiducolombia S.A. in Civil Court 9 of Bogota. In these proceedings Invico seeks to hold the Bank and Fiducolombia S.A. accountable for their time as trustees of its property, as a result of the appointment and choice that the former and its creditors made. The amount sought is Ps 3,000. Settlement hearings on December 4, 2001, failed. The case went to trial on November 27, 2001, beginning with the collection of evidence. On November 19, 2002, the edict dated the 25th of the same month proffered a sentence in favor of the trust company and the Bank. The sentence was appealed by the plaintiff, and such appeal is now underway. There is a large probability of success by the Bank and Fiducolombia S.A. as there is already a sentence in favor of the Trust Company and we believe that the court will not modify it.

LEASING COLOMBIA S.A.

Leasing Colombia S.A. has twenty-one (21) first instance litigations against it, out of which nineteen (19) correspond to extra-contractual civil liability proceedings, as a result of damages caused by company-owned vehicles and leased vehicles. In these proceedings there are defendant petitions for contract lessees and the insurance companies that cover their assets to be summoned to furnish guaranty. Without prejudice to the above, jurisprudence on the matter is clear: no sentence against a leasing company has ever been pronounced regarding such claims.

The two remaining proceedings involve contractual liability claims by virtue of alleged Leasing Colombia S.A. default; these will probably be ruled in our favor as the claims lack legal support.

The economic amount of such contingencies represents the sum of Ps 7,731. This sum has not been provisioned, by virtue of the above considerations.

SUFINANCIAMIENTO

The legal opinion of the various attorneys regarding the proceedings being forwarded against Sufinanciamiento is that an adverse decision is a remote possibility because:

- Most of the proceedings are first instance legal actions with nothing to indicate any adverse decision against Sufinanciamiento.

- For the proceedings in which decisions have been proffered, the decisions were in favor of Sufinanciamiento.

- In the case of extra-contractual civil liability or of third party civil liability claims filed regarding leased goods, jurisprudence has stated that leasing companies should not be summoned to answer because they do not have the material custody of the vehicle.

Taking the above arguments into account, the risk of contingencies is remote and therefore no provisions have been made for such matters. Nonetheless, the claims are recorded in the Sufinanciamiento's. memorandum accounts in the amount of Ps 5,981 at the fiscal period closing corresponding to the year 2004.

ALMACENAR S.A.

At December 31, 2003 and 2004, labor and civil proceedings against Almacenar S.A. were underway. Due to the debatable nature of the obligations, they are difficult to quantify.

At December 31, 2003 and 2004, there are allowances amounting to Ps 296 and Ps 509, respectively, to cover any liability resulting from these proceedings.

ABOCOL S.A.

At December 31, 2004, there are labor proceedings against for an approximate value of Ps 100 for which complete allowances have been created.

BANCOLOMBIA PANAMA S.A. and its subsidiaries do not report contingencies.

(27) FEES AND SERVICE CHARGES

For the years ended December 31, 2002, 2003 and 2004 fees and service charges consisted of the following:

	2002	2003	2004
Service charges	Ps 145,561	Ps 180,888	Ps 232,706
Credit card fees	48,992	59,041	71,113
Credit and debit card annual fees	44,117	57,199	73,369
Checking fees	40,972	45,252	46,839
Warehouse and logistic services, net	38,873	42,705	49,072
Fiduciary activities	22,215	25,647	35,658
Commissions on letters of credit	2,929	4,249	9,187
Commissions expense	(51,351)	(81,956)	(115,600)
TOTAL	Ps 292,308	Ps 333,025	Ps 402,344

(28) ADMINISTRATIVE AND OTHER EXPENSES

Administrative and other expenses for the years ended December 31,

2002, 2003 and 2004 consisted of the following:

	2002	2003	
Public services	Ps 21,089	Ps 27,882	Ps
Advertising	12,522	17,328	
Industry and trade, property, vehicle and other taxes	50,935	44,774	
Communication, postage and freight	34,312	37,003	
Insurance	41,478	47,040	
Security services	18,161	17,167	
Stationery and supplies	14,750	17,458	
Amortization of deferred charges	35,295	27,014	
Rental expenses	14,668	14,167	
Maintenance and repairs	21,854	38,049	
Contributions and membership dues	9,270	10,287	
Temporary services	5,331	7,579	
Travel expenses	8,361	9,942	
Professional fees	14,533	17,614	
Donations	9,455	1,708	
Call center services	13,552	7,094	
Information processes outsourcing	7,760	10,722	
Other	29,169	49,857	
TOTAL	Ps 362,495	Ps 402,685	Ps

BANCOLOMBIA S.A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

(29) RELATED PARTY TRANSACTIONS

Significant balances and transactions with related parties were as follows:

	2002			
	SHAREHOLDERS WITH PARTICIPATING STOCK EQUAL TO OR HIGHER THAN 10% OF BANK'S CAPITAL	NON-CONSOLIDATED INVESTMENTS	BANK'S OFFICERS AND BOARD OF DIRECTORS	SH PARTIC THAN C OPERA T
BALANCE SHEET				
Loans	28,300	7,584	1,744	
Accounts receivable	653	218	15	
TOTAL	Ps 28,953	Ps 7,802	Ps 1,759	Ps
Deposits	575	16,201	213	
Accounts payable	-	7	1	

TOTAL	Ps 575	Ps 16,208	Ps 214	Ps
TRANSACTIONS				
INCOME				
Dividends received	-	11,279	-	
Interest	5,838	1,077	179	
Other	2	300	148	
TOTAL	Ps 5,840	Ps 12,656	Ps 327	Ps
EXPENSES				
Interest	28	140	-	
Other	-	9,160	132	
TOTAL	Ps 28	Ps 9,300	Ps 132	Ps

2003

	SHAREHOLDERS WITH PARTICIPATING STOCK EQUAL TO OR HIGHER THAN 10% OF BANK'S CAPITAL	NON-CONSOLIDATED INVESTMENTS	BANK'S OFFICERS AND BOARD OF DIRECTORS	PART TH OPE
BALANCE SHEET				
Investment securities	-	2,355	-	
Loans	-	11,061	12,246	
Accounts receivable	-	3,085	150	
TOTAL	Ps -	Ps 16,501	Ps 12,396	Ps
Deposits	4	36,561	1,441	
Overnight funds	-	84	-	
Accounts payable	-	141	8	
TOTAL	Ps 4	Ps 36,786	Ps 1,449	Ps
TRANSACTIONS				
INCOME				
Dividends received	-	25,777	-	
Interest	-	2,297	1,205	
Other	-	269	24	
TOTAL	Ps -	Ps 28,343	Ps 1,229	Ps

EXPENSES				
Interest	1	12,330	61	
Other	-	2,261	69	
TOTAL	Ps 1	Ps 14,591	Ps 130	Ps

BANCOLOMBIA S.A. AND SUBSIDIARIES
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2004

	SHAREHOLDERS WITH PARTICIPATING STOCK EQUAL TO OR HIGHER THAN 10% OF BANK'S CAPITAL	NON-CONSOLIDATED INVESTMENTS	BANK'S OFFICERS A BOARD OF DIRECTORS
BALANCE SHEET			
Investment securities	-	21,443	
Loans	-	5,135	14,
Customer's acceptances and derivatives	-	27	
Accounts receivable	-	9,958	3,
TOTAL	Ps -	Ps 36,563	Ps 18,
Deposits	6	32,349	
Overnight funds	-	106	
Accounts payable	-	-	
Bonds	-	10,000	
TOTAL	Ps 6	Ps 42,455	Ps
TRANSACTIONS			
INCOME			
Dividends received	-	25,814	
Interest and fees	-	2,693	1,
Other	-	354	
TOTAL	Ps -	Ps 28,861	Ps 1,
EXPENSES			
Interest	-	4,762	
Fees	-	-	
Other	-	-	
TOTAL	Ps -	Ps 4,762	Ps

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(1) For 2003 and 2004, includes, in addition to the Members of the Board of Directors, the President and the Vice-Presidents, as well as other employees who have legal representation of the Bank.

(30) PURCHASE OF ASSETS AND LIABILITIES

As a growth strategy, the Bank purchased assets and liabilities from the institutions below.

In 2003, from Instituto de Fomento Industrial ("IFI"), the Bank purchased a Loan Portfolio in Foreign Currency in the amount of US$ 1,794, equivalent to Ps 5,169 at the date of purchase. The purchase percentage was 95%.

During 2004, the Bank purchased from Sufinanciamiento S.A., a Loan Portfolio in Local Currency in the amount of Ps 926 and the purchase percentage was 55%. From Comercia S.A. Local Currency Loan Portfolio in the amount of Ps 51,405 and the purchase percentage was 100%. From Central de Inversiones S.A. (CISA) the Bank purchased a loan portfolio in local currency in the amount of Ps 20,544 and the purchase percentage was 90%.

SALE OF ASSETS AND LIABILITIES

In 2003, the Bank sold Local Currency Loan Portfolio to Banco de Credito in the amount of Ps 43,776 and the sale percentage was 100%.

In 2004, the Bank sold Local Currency Loan Portfolio with FINAGRO resources to Leasing del Valle in the amount of Ps 148 and the sale percentage was 100%.

During 2003 and 2004, the Bank made sales of its deteriorated and written-off farming and livestock loan portfolio in the amount of Ps 1,079 and Ps 95, respectively, pursuant to an agreement entered into with Finagro in October 2001, as administrator of the National Farming and Livestock Reactivation Program resources within the legal framework set forth in Ministry of Agriculture and Rural Development Decree 967 of 2000. With this value, the total amount of the loans is understood as paid.

(31) RECLASSIFICATIONS

For better understanding of presentation of the financial statements of the Bank's Annual Report on Form 20-F, certain statement of operations accounts were reclassified from the financial statements as presented to stockholders.

(32) SUBSEQUENT EVENTS

The merger of the Bank, Conavi, and Corfinsura was agreed upon mainly for the following purposes:

- To consolidate an institution with the ability to respond to the demands of present economic dynamics and of the international financial market.

- To take advantage of the complementary aspects of the institutions and of their synergy.

- To diversify risks to a greater extent.

- To generate a broader service-integrated portfolio.

- To enable financing projects of greater magnitude than those that each of the financial institutions could individually finance.

- To rationalize the office network into a single structure.

In its February 18, 2005 meeting, the Bank's Board of Directors authorized the Administration to go forward with the merger process with Conavi and Corfinsura, under the following terms:

1. Business Combination Stages

For the combination process among the three institutions, first, a spin-off of Corfinsura is contemplated. Part of the investment portfolio that this company owns in shares, particularly in the non financial sector, along with a portion of its liabilities and equity, will be spun off to a non-financial investment company that will be created.

Once the above-mentioned spin-off is completed, the merger between Corfinsura (after the spin-off), Conavi and the Bank will be formalized. The entities will combine through a stock for stock merger, in which the Bank will be the surviving entity.

According to the foregoing, the merger of Conavi, Bancolombia and Corfinsura will remain subject to the condition that the spin off of Corfinsura is first perfected.

On March 28, 2005, the general shareholders' meeting of each of the Bank, Conavi and Corfinsura approved the merger.

2. Valuation of the Institutions

In the same meeting, the Board analyzed the independent technical valuation study presented by BNP Paribas S.A. which contains, among other things: (i) the relative valuation of the respective contributions of the Bank, Conavi and Corfinsura for the merger and (ii) the exchange ratio applicable to the contemplated merger between the aforementioned entities.

According to the study, the relative valuation of the respective

contributions is the following:

- The Bank: 75.5%
- Corfinsura after the spin-off: 12.7%
- Conavi: 11.8%

Taking into account the stock that Bancolombia and Confinsura hold of Conavi before completing the merger, which is 28,5188% and 6,4639%, respectively, as well as 4,6131% of the stock that the Bank currently holds of Corfinsura, once the merger is completed, it is estimated that the shareholders of Bancolombia will hold 79,25% of the merged entity, while shareholders of Conavi and Corfinsura will hold the remaining 20.75%.

3. Exchange Ratio

According to the same study, the proposed exchange ratio for Conavi shareholders will be one (1) share of Bancolombia common stock or one (1) share of Bancolombia preferred stock without voting rights, at the shareholder's option, for 115,39184295 shares of Conavi. The proposed exchange ratio for Corfinsura shareholders will be one (1) share of Bancolombia common stock or one (1) share of Bancolombia preferred stock without voting rights, at the shareholder's option, for 1,48709574 shares of Corfinsura, once it has completed the spin off.

4. Fairness Opinion

Credit Suisse First Boston LLC assisted the Bank's Board of Directors in evaluating the exchange ratios provided in the merger agreement and the BNP report.

5. Decisions Taken by the Board of Directors

Finally, based on the foregoing, the Board of directors decided to submit the matter of the contemplated merger described herein to the consideration of the Bank's shareholders at the General Shareholders Meeting for their approval.

Particularly, the directors unanimously decided:

- To authorize the officers of the Bank to sign, on behalf of Bancolombia, the merger agreement with Conavi and Corfinsura based on the terms suggested by the BNP Paribas S.A. valuation study.
- To authorize the officers of the Bank to begin taking all of the steps necessary to consummate the merger, including obtaining any required authorizations, with the objective of completing the merger in a timely fashion.
- To order the notice of the ordinary General Shareholders Meeting on March 28, 2005 at 10:30 a.m. in the Teatro

Metropolitano de Medellin (Medellin Metropolitan Theater), where, in addition to the issues pertaining to the ordinary meeting, the following items will be submitted for the consideration and approval by the shareholders: (i) the approval of the merger agreement that the Entities will sign; (ii) the increase in authorized capital to accomplish the exchange of shares, among other things; and (iii) the issuance of common and preferred shares.

The Board of Directors cautioned that the contemplated transaction would be subject to approval at the General Shareholders Meetings of each of the three Entities and relevant regulatory authorities.

Having obtained the Board's authorization, on February 28, 2005, the Bank's administration signed a Merger Agreement with Conavi and Corfinsura.

On March 18, 2005, the Bank announced its intention to sell its ownership in Almacenar, and for this reason, entrusted Colcorp to structure a possible transaction. The Bank owns a direct participation of 94.33% in the warehouse services company.

(33) DIFFERENCES BETWEEN COLOMBIAN ACCOUNTING PRINCIPLES FOR BANKS AND U.S. GAAP

The Bank's financial statements are prepared in accordance with generally accepted accounting principles and practices prescribed by the Superintendency of Banking and other legal provisions ("Colombian GAAP"). Because these principles and regulations differ in certain significant respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"), this note presents a reconciliation of net income and stockholders' equity to U.S. GAAP.

a) RECONCILIATION OF NET INCOME:

The following summarizes the principal differences between accounting practices under Colombian and U.S. GAAP and their effects on net income for the years ended December 31, 2002, 2003 and 2004:

	2002
CONSOLIDATED NET INCOME UNDER COLOMBIAN GAAP	Ps 210,38
a) Deferred income taxes	47,01
b) Employee benefit plans	(2,50
c) Inflation adjustment	
d) Revaluation of assets	
e) Allowance for loans, financial leases losses and foreclosed assets	(66,10
f) Loan origination fees and costs	12,96
g) Interest recognition on non-accrual loans	9
h) Deferred charges	9,12
i) Investment securities	1,18
j) Investments in unaffiliated companies	(58

k) Investments in affiliates	(19,91
l) Lessee accounting	(8
m) Business combinations	
m.i) Adjustment goodwill	(6,88
m.ii) Adjustment amortization	26,99
n) Foreign currency translation adjustment	(4,53
CONSOLIDATED NET INCOME (LOSS) UNDER U.S. GAAP	Ps 207,15

b) RECONCILIATION OF STOCKHOLDERS' EQUITY:

The following summarizes the principal differences between accounting practices under Colombian GAAP and U.S. GAAP and their effects on stockholders' equity for the years ended December 31, 2002, 2003, and 2004:

	2002
CONSOLIDATED STOCKHOLDERS' EQUITY UNDER COLOMBIAN GAAP	Ps 1,284,34
a) Deferred income taxes	86,10
b) Employee benefit plans	(25,54
c) Inflation adjustment	43,21
d) Revaluation of assets	(37,36
e) Allowance for loans, financial leases losses and foreclosed assets	46,45
f) Loan origination fees and costs	31,63
g) Interest recognition on non-accrual loans	9
h) Deferred charges	(42,48
i) Investment securities	
j) Investments in unaffiliated companies	(6,82
k) Investments in affiliates	31,68
l) Lessee accounting	
m) Business combinations	
m.i) Adjustment goodwill	(21,22
m.ii) Adjustment amortization	23,36
	129,09
CONSOLIDATED STOCKHOLDERS' EQUITY UNDER U.S. GAAP	Ps 1,413,44

C) ANALYSIS OF CHANGES IN STOCKHOLDERS' EQUITY:

The following summarizes the changes in stockholders' equity under U.S. GAAP for the years ended December 31, 2002, 2003 and 2004:

	2002	2003

Balance at beginning of year	Ps 1,147,989	Ps 1,413,445
Net income	207,152	474,419
Dividends declared	(48,442)	(76,124)
Other comprehensive income (loss)	87,368	(18,765)
Other (1)	19,378	39,911
Balance at end of year	Ps 1,413,445	Ps 1,832,886

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(1) Correspond to the Subsidiaries' retained earnings that are not eliminated in the consolidation process.

d) STATEMENT OF COMPREHENSIVE INCOME (LOSS):

	2002	2003
Net Income	Ps 207,152	Ps 474,419
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:		
Foreign currency translation adjustments	4,534	(2,975)
Components of other comprehensive from equity method investees	9,470	-
Unrealized gain or (loss) on securities available for sale	72,635	(13,196)
Additional minimum pension liability offset to shareholder's equity	729	(2,594)
Other comprehensive income (loss)	87,368	(18,765)
Comprehensive income	Ps 294,520	Ps 455,654

OTHER COMPREHENSIVE INCOME (LOSS)

2002

	BEFORE-TAX AMOUNT	(TAX EXPENSE) OR BENEFIT	NET-OF-TAX AMOUNT
Components of other comprehensive from equity method investees	Ps 14,570	Ps (5,100)	Ps 9,47
Unrealized gain or (loss) on securities available for sale	115,294	(42,659)	72,63
Additional minimum pension liability	1,122	(393)	72
Foreign currency translation adjustment	4,534	-	4,53

Other comprehensive income (loss)	Ps 135,520	Ps (48,152)	Ps 87,36

2003

	BEFORE-TAX AMOUNT	(TAX EXPENSE) OR BENEFIT	NET-OF-TAX AMOUNT
Unrealized gain or (loss) on securities available for sale	Ps (20,947)	Ps 7,751	Ps (13,19
Additional minimum pension liability	(4,064)	1,470	(2,59
Foreign currency translation adjustment	(2,975)	-	(2,97
Other comprehensive income (loss)	Ps (27,986)	Ps 9,221	Ps (18,76

2004

	BEFORE-TAX AMOUNT	(TAX EXPENSE) OR BENEFIT	NET-OF-TAX AMOUNT
Unrealized gain or (loss) on securities available for sale	Ps 8,750	Ps (1,034)	Ps 7,71
Additional minimum pension liability	(9,477)	3,512	(5,96
Foreign currency translation adjustment	(10,220)	-	(10,22
Other comprehensive income (loss)	Ps (10,947)	Ps 2,478	Ps (8,46

ACCUMULATED OTHER COMPREHENSIVE INCOME

	ADDITIONAL MINIMUM PENSION LIABILITY	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	UNREALIZED GAINS (LOSSES) ON SECURITIES	COMPONENTS OTHER COMPREHENS INCOME FROM METHOD INVE
Beginning balance 2002	Ps (2,489)	Ps -	Ps (770)	Ps (
Current-period change	729	4,534	72,635	
Ending balance 2002	(1,760)	4,534	71,865	

Beginning balance 2003	(1,760)	4,534	71,865	
Current-period change	(2,594)	(2,975)	(13,196)	
Ending balance 2003	(4,354)	1,559	58,669	
Beginning balance 2004	(4,354)	1,559	58,669	
Current-period change	(5,965)	(10,220)	7,716	
Ending balance 2004	Ps (10,319)	Ps (8,661)	Ps 66,385	Ps

SUMMARY OF SIGNIFICANT DIFFERENCES AND REQUIRED U.S. GAAP DISCLOSURES

a) DEFERRED INCOME TAXES:

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

Under U.S. GAAP, deferred tax assets or liabilities must be recorded for all temporary differences between the financial and tax bases of assets and liabilities. A valuation allowance is provided for deferred tax assets to the extent that it is more likely than not that they will not be realized.

Income tax expense under U.S. GAAP is comprised of the following components for the years ended at December 31, 2002, 2003 and 2004:

	2002	2003	2004
Current income tax expense	Ps 44,533	Ps 62,391	Ps 237,620
Deferred income tax (benefit) expense	(48,930)	140,799	(47,883)
TOTAL	Ps (4,397)	Ps 203,190	Ps 189,737

Temporary differences between the amounts reported in the financial statements and the tax bases for assets and liabilities result in deferred taxes. Deferred tax assets and liabilities at December 31, 2003 and 2004 were as follows:

	2003	2004

DEFERRED TAX ASSETS AND LIABILITIES

DEFERRED TAX ASSETS:		
Accrual of employee benefits	Ps 10,265	Ps 13,410
Allowance for loan losses	14,718	-
Fixed assets	52,866	67,321
Tax losses	37,342	36,357
Forward, future and swaps effect	12,687	8,362
Allowance for foreclosed assets	29,581	27,863
Fiduciary assets	9,892	5,671
Accrued expenses	3,414	17,110
Other	14,401	18,248
Total gross deferred tax assets	185,166	194,342
Less valuation allowance	(83,584)	(5,330)
NET DEFERRED TAX ASSET	Ps 101,582	Ps 189,012
DEFERRED TAX LIABILITIES:		
Unrealized gain on investment securities	Ps 34,908	Ps 35,943
Allowance for loan losses	-	3,677
Loan origination fees and cost	16,039	18,707
Intangible assets	-	26,819
Inflation adjustments	39,508	48,637
Goodwill recognition	24,632	33,012
Excess of accrued income over valuation income	19,162	8,924
Other	12,248	7,848
TOTAL DEFERRED LIABILITIES	146,498	183,567
NET DEFERRED ASSET (LIABILITY)	Ps (44,916)	Ps 5,445

The valuation allowance for deferred tax assets as of December 31, 2003 and 2004 was Ps 83,584 and Ps 5,330, respectively. The net change in the total valuation allowance for the year ended December 31, 2003 was an increase of Ps 22,328 and for the year ended December 31, 2004 was an decrease of Ps 78,254. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31,

2004. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

The 35% income tax nominal rate for year 2002, and the 37% income tax nominal rate for years 2003 and 2004 differs from (2%), 30% and 23% effective rate for years 2002, 2003 and 2004, due to the following:

	2002	2003	2004
Income before tax U.S. GAAP	Ps 202,755	Ps 677,609	Ps 831,863
35% tax (for year 2002) and 37% tax (for years 2003 and 2004)	70,964	250,716	307,789
Nondeductible items / provisions	27,159	26,946	15,433
Nontaxable income	(27,003)	(81,985)	(37,662)
Others	7,177	(14,815)	(17,569)
Increase (decrease) valuation allowance	(82,694)	22,328	(78,254)
Income tax	Ps (4,397)	Ps 203,190	Ps 189,737

As of December 31, 2004, the Bank had the intention of capitalize the results from its off-shore Subsidiaries. Accordingly, no deferred income tax liability was recorded for the undistributed profits of Bancolombia Panama and subsidiaries. The deferred income tax related to the undistributed profits in such Subsidiaries that was not recorded is Ps 222,925 at December 31, 2004.

b) EMPLOYEE BENEFIT PLANS:

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

Pension Plan

In 1967, the Social Security Institute assumed the pension obligation for the majority of the Bank's employees; however, employees who had more than ten years of service prior to that date, continue to participate in the Bank's noncontributory unfunded defined benefit pension plan. Under this plan, benefits are based on length of service and level of compensation. As of December 31, 2004, there were 1,069 participants covered by the Plan.

While Colombian GAAP requires calculation of the estimated liability using actuarial methodology given by the law, the actuarial assumptions, based on nominal discount, salary and pension increase rates, and the method of computing the net periodic pension costs differ from those required by U.S. GAAP.

Severance obligation

Under Colombian labor regulations, employees are entitled to receive one month's salary for each year of service. This benefit accumulates and is paid to the employees upon their termination or retirement from the Bank; however, employees may request advances against this benefit at any time. In 1990, the Colombian government revised its labor regulations to permit companies, subject to the approval of the employees, to pay the severance obligation to their employees on a current basis. Law 50 from 1990, also enabled each worker freely to choose the pension fund that will manage the amount of his/her severance paid accrued during the year. This amount must be transferred by headquarters to the pension funds no later than the following period. In order to entice the employees to change to this new method of receiving the severance benefit on a current basis, in 1999 and 2000, the Bank negotiated settlements with executive employees. These settlements consisted of the current value of their accumulated benefit plus a one-time bonus payment. The Bank elected to expense this settlement of Ps 297 and Ps 124 in its entirety during 1999 and 2000, respectively. The modification of this severance benefit represents a plan curtailment under U.S. GAAP.

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

As of December 31, 2004 there were 2,026 participants remaining in the original severance plan.

DISCLOSURE AND CALCULATION OF DIFFERENCES UNDER U.S. GAAP

The combined costs for the above mentioned benefit plans, determined using U.S. GAAP, for the years ended December 31, 2002, 2003 and 2004 are summarized below:

	2002	2003	2004
CHANGE IN BENEFIT OBLIGATION			
Unfunded benefit obligation at beginning of year	Ps 107,061	Ps 107,257	Ps 113,715
Service cost	1,663	1,557	1,543
Interest cost	26,482	25,616	25,624
Actuarial gain (loss)	(7,088)	(1,025)	7,763
Benefits paid	(20,861)	(19,690)	(21,016)
Unfunded benefit obligation at end of year	Ps 107,257	Ps 113,715	Ps 127,629
Funded status	(107,257)	(113,715)	(127,629)
Unrecognized net transition loss	7,588	6,541	5,493
Unrecognized net actuarial loss (gain)	(3,841)	(4,872)	2,809
Unrecognized prior service cost	1,002	860	716

Accrued benefit cost under U.S.GAAP	(102,508)	(111,186)	(118,611)
Accrued benefit cost under Colombian GAAP	(79,668)	(90,103)	(98,731)
Difference to be recognized under U.S. GAAP	(22,840)	(21,083)	(19,880)
Additional minimum pension liability offset to Stockholders' equity	(2,708)	(6,772)	(16,249)
TOTAL DIFFERENCE TO BE RECOGNIZED UNDER U.S. GAAP STOCKHOLDERS' EQUITY	Ps (25,548)	Ps (27,855)	Ps (36,129)

The actuarial assumptions adopted have been applied net of the effects of price inflation. The resulting significant assumptions used in determining the actuarial present value of pension obligation and the projected pension obligation for the plan years were as follows:

	2002	2003	2004
Discount rate	8%	8%	8%
Rate of compensation increases	2%	2%	2%
Rate of pension increases	0%	0%	0%

	2002	2003	
COMPONENTS OF NET PERIODIC BENEFIT COST			
Service cost	Ps 1,663	Ps 1,557	P
Interest cost	26,482	25,616	
Amortization of prior service	143	143	
Amortization of unrecognized net transition obligation	1,048	1,047	
Amortization of actuarial unrecognized net gain (loss)	7	5	
Net periodic pension cost under U.S. GAAP	29,343	28,368	
Net periodic pension cost under Colombian GAAP	26,841	30,125	
Difference to be recognized under U.S. GAAP	Ps (2,502)	Ps 1,757	P

Estimated Future Benefit Payments

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

	PENSION BENEFITS	OTHER BENEFITS
2005	10,132	8,759
2006	8,761	2,684
2007	7,516	3,159
2008	6,597	3,815
2009	5,753	3,312
Years 2010 - 2014	19,735	28,417

c) INFLATION ADJUSTMENT

Since January 1, 1992, and up to December 31, 2000, the consolidated financial statements were adjusted for inflation based on the variation in the CPI for middle income-earners. The adjustment was applied monthly to non-monetary assets, equity (except for the revaluation surplus and exchange adjustment), contingent accounts and memorandum accounts. No adjustment was made to income, costs and expenses, and the financial statements for the preceding period did not have to be re-expressed.

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

d) REVALUATION OF ASSETS

In accordance with Colombian GAAP, reappraisals of a portion of the Bank's premises and equipment, equity investments and other non-monetary assets are made periodically and recorded in offsetting accounts which are shown under the asset caption "reappraisal of assets" and the stockholders' equity caption "Surplus from reappraisals of assets". The last valuation was in December 2004. Under U.S. GAAP, reappraisals of assets are not permitted.

e) ALLOWANCE FOR LOAN LOSSES

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

Under U.S. GAAP, allowance for loan losses represents management's estimate of probable losses inherent in the portfolio. Attribution of the allowance is made for analytical purposes only, and the entire allowance is available to absorb probable loan losses inherent in the portfolio

including unfunded commitments. Additions to the allowance are made by means of the provision for loan losses. Loan losses are deducted from the allowance, and subsequent recoveries are added. Securities received in exchange for loan claims in debt restructurings are initially recorded at fair value, with any gain or loss reflected as a recovery or charge-off to the allowance, and are subsequently accounted for as securities available-for-sale.

In the corporate portfolio, larger-balance, non-homogeneous exposures representing significant individual credit exposures are evaluated based upon the borrower's overall financial condition, resources, and payment record; the prospects for support from any financially responsible guarantors; and, if appropriate, the realizable value of any collateral. Reserves are established for these loans based upon an estimate of probable losses for individual larger-balance, non-homogeneous loans deemed impaired. This estimate considers all available evidence including, as appropriate, the present value of the expected future cash flows discounted at the loan's contractual effective rate, the secondary market value of the loan and the fair value of collateral. The allowance for loan losses attributed to the remaining portfolio is established via a process that estimates the probable loss inherent in the portfolio based upon various statistical analyses. These analyses consider historical and projected default rates and loss severities; internal risk rating, industry, and other environmental factors. The Bank also considers overall portfolio indicators including trends in internally risk-rated exposures, classified exposures, cash-basis loans, historical and forecasted write-offs, and a review of industry, and portfolio concentrations, including current developments within those segments. In addition, the Bank considers the current business strategy and credit process, including credit limit setting and compliance, credit approvals, loan underwriting criteria, and loan workout procedures.

Each portfolio of smaller-balance, homogeneous loans, including consumer revolving credit, credit cards, and most other consumer loans, is collectively evaluated for impairment. The allowance for credit losses attributed to these loans is established via a process that estimates the probable losses inherent in the portfolio, based upon various statistical analyses. These include migration analysis, in which historical delinquency and credit loss experience is applied to the current aging of the portfolio, together with analyses that reflect current trends and conditions. The Bank also considers overall portfolio indicators including historical credit losses, delinquent, non-performing and classified loans, and trends in volumes and terms of loans; an evaluation of overall credit quality and the credit process, including lending policies and procedures; and economic, geographical, product and other environmental factors.

In general, commercial loans, which are 91 or more days past due, consumer and small business loans, which are 61 or more days past due, together with certain other loans identified by management, are deemed to be impaired.

The following summarizes the allowance for loan and financial lease losses under Colombian GAAP and U.S. GAAP at December 31, 2002, 2003 and 2004:

	2002	2003
ALLOWANCE FOR LOANS, FINANCIAL LEASE LOSSES AND FORECLOSED ASSETS UNDER COLOMBIAN GAAP		
Allowance for loans and financial lease losses	Ps 341,156	Ps 400
Allowance for accrued interest and other receivable	18,073	5
Allowance for foreclosed assets	107,962	135
	Ps 467,191	Ps 541
ALLOWANCE FOR LOAN LOSSES UNDER U.S. GAAP		
Allowance for loans, financial lease, accrued interest losses and other related receivable	348,502	363
Allowance for foreclosed assets	72,235	76
	Ps 420,737	Ps 439
DIFFERENCE TO BE RECOGNIZED AS AN ADJUSTMENT TO COLOMBIAN GAAP STOCKHOLDERS' EQUITY	Ps 46,454	Ps 102

An analysis of the activity in the allowance for loans and financial lease losses under U.S. GAAP during the year ended December 31, 2003 and 2004 is as follows:

	2003	2004
Provision at the beginning of the period	348,502	363,068
Currency Translation and other adjustments	(284)	(12,751
Acquisitions of Business (Sufinanciamiento)	11,854	-
Charge-offs	(112,393)	(55,032
Recoveries	(130,408)	(78,584
Charged to profit and loss account	245,797	176,437
Provision at the end of the period (1)	363,068	393,138
Gross Loans and financial leases	8,029,668	10,035,239
Closing customers provisions as a percentage of gross loans	4.52%	3.92
Customers charges against profits as percentage of gross loans	3.06%	1.76

(1) Includes financial leases.

At December 31, 2002, 2003, and 2004, the carrying value of loans

considered to be impaired, under SFAS No. 114 (not including restructured loans) was approximately Ps 136,718, Ps 329,864 and Ps 118,710, respectively, and the related allowance for loan losses on those impaired loans totaled Ps 121,253, Ps 153,089 and Ps 22,243, respectively.

For the years ended December 31, 2002, 2003 and 2004, the Bank recognized interest income of approximately Ps 5,594, Ps 5,586 and Ps 6,653 respectively, on such impaired loans.

The total amount of loans evaluated under a methodology different than SFAS 114 methodology was Ps 9,500,198.

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

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

Under U.S. GAAP, in order to assess for impairment its foreclosed assets, the Bank applies the methodology described by the SFAS 144 and SFAS 15 with respect to the method to evaluate the recoverability of the assets and to the measurement of the impairment loss. Accordingly, after a troubled debt restructuring, the Bank accounts for assets received in satisfaction of a receivable the same as if the assets had been acquired for cash. The application of SFAS 15 results in the measurement of a new cost basis for the long-lived asset received in full satisfaction of a receivable. A loss is recognized for any initial or subsequent write-down to fair value less cost to sell. A gain is recognized for any subsequent increase in fair value less cost to sell, but not in excess of the cumulative loss previously recognized for a write-down to fair value less cost to sell.

f) LOAN ORIGINATION FEES AND COSTS

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

loan origination fees and certain direct loan origination cost are deferred and recognized over the life of the related loans as an adjustment of yield.

g) INTEREST RECOGNITION - NON-ACCRUAL LOANS

Since March 5, 2002, for Colombian GAAP purposes, interest income is not accrued on (i) commercial loans that are more than 90 days past due, (ii) consumer and small business loans that are more than 60 days past due or (iii) mortgage loans that are more than 120 days past due. Once a loan is non-performing, an allowance is established for 100% of the accrued interest receivable and the Bank ceases to recognize interest income on that loan. The Bank recognizes interest income on a cash basis for non-accrual loans.

Additionally, beginning March 25, 2003, all loans that are past due more than thirty days will stop accruing interest in the statement of operations and their entries will be made in memorandum accounts until such time that the customer does not proceed to cancel. It is estimated that at December 31, 2004, approximately Ps 277 are found entered in memorandum accounts because of the adoption of this policy.

For U.S. GAAP purposes, all accrued interest is reversed against interest income once a loan becomes more than 90 days past due. U.S. GAAP also requires that, if the collectibility of the principal of a non-accrual loan is in doubt, cash payments should be applied to reduce the principal to the extent necessary to remove such doubt.

As a result, for U.S. GAAP purposes, interest income on past-due consumer and small business loans between 61 and 90 days past due for the year 2002, was included as accrued interest. Interest income from past-due mortgage loans between 91 and 120 days past due was reversed for the year 2002.

For the years 2003 and 2004, interest income on past due commercial, consumer and small business loans between 31 and 90 days past due, was accounted as accrued interest.

h) DEFERRED CHARGES

The Bank and its Subsidiaries have deferred certain pre-operating expenses and other deferred charges, which are expensed as incurred under U.S. GAAP.

i) INVESTMENT SECURITIES

Up to August 2002, under Colombian GAAP, securities were classified as "trading", "non-trading held to maturity", "permanent" and "hedges", and the first two types were divided between debt and equity securities.

In September 2002, the Superintendency of Banking issued External Circular 033, which changed the classification of investment securities as "trading", "held to maturity", and "available for sale". According to this norm, an investment will be classified as "trading" when

the Bank acquires it for the purpose of selling it in the near term, as "held to maturity" when the bank has the intention and ability to hold it to maturity, and as "available for sale" when the investment is not classified as trading or held to maturity.

FOREIGN EXCHANGE GAINS AND LOSSES ON SECURITIES AVAILABLE FOR SALE

Under Colombian GAAP, movements resulting from changes in foreign currency exchange rates are reflected in consolidated net income. Under US GAAP, EITF 96-15, Accounting for the Effects of Changes in Foreign Currency Exchange Rates on Foreign-Currency-Denominated Available-for-Sale Debt Securities, as amended by SFAS 133, the change in value of available for sale debt securities as a result of changes in foreign currency exchange rates is reflected in shareholders' equity.

CHANGE IN ACCOUNTING METHOD FOR INVESTMENT SECURITIES

As required by External Circular 033 of 2002, effective September 2, 2002, the Bank changed its method of classification and valuation for investment securities. The effect of the change under Colombian GAAP was a decrease to net income of Ps 20,393. This effect was the result of a change in the methodology used to determine the fair value for investment securities. Due to the effective date of adoption, it is not practical to determine the cumulative effect of this change in accounting method as of January 1, 2002 or prior period pro forma effects.

The effect of the change on net income under Colombian GAAP for the year ended December 31, 2002, is as follows:

	2002	PER SHARE AMOUNTS
Consolidated net income under Colombian GAAP, before change in accounting method for investment securities	230,773	Ps 400.16
Effect of change in valuation method for investment securities at September 2, 2002, net of tax	(20,393)	(35.36)
Consolidated net income under Colombian GAAP as reported	210,380	Ps 364.80

Under U.S. GAAP, investment securities that have readily determinable market values are accounted for as follows:

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

- Debt securities that the Bank has the positive intent and ability to hold to maturity are classified as "held to maturity" securities and are reported at amortized cost.

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

As of December 31, 2003 and 2004, the Bank's portfolio was classified as "trading", "held to maturity" and "available for sale".

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

	FAIR VALUE	GROSS UNREALIZED GAINS	GROSS UNREALI LOSSE
AVAILABLE FOR SALE - DEBT SECURITIES			
DECEMBER 31, 2003			
Securities issued or secured by Colombian government	Ps 1,361,700	Ps 75,869	Ps
Securities issued or secured by government entities	87,808	8,865	
Securities issued or secured by financial entities	93,052	646	
Eurobonds and Euronotes	174,189	5,218	
Other investments	87,109	10	
	Ps 1,803,858	Ps 90,608	Ps 1

	FAIR VALUE	GROSS UNREALIZED GAINS	GROSS UNREALI LOSSE
AVAILABLE FOR SALE - DEBT SECURITIES			
DECEMBER 31, 2004			
Securities issued or secured by Colombian government	Ps 1,569,148	Ps 67,258	Ps
Securities issued or secured by government entities	19,060	34	
Securities issued or secured by financial entities	190,261	3,130	5
Other investments	165,216	466	
	Ps 1,943,685	Ps 70,888	Ps 6

	FAIR VALUE	GROSS UNREALIZED GAINS	GROSS UNREALI LOSSE
HELD TO MATURITY			
DECEMBER 31, 2003			
Securities issued or secured by Colombian government	Ps 650,561	Ps 22,788	Ps 74
Other investments	15,931	-	
	Ps 666,492	Ps 22,788	Ps 74

	FAIR VALUE	GROSS UNREALIZED GAINS	GROSS UNREALI LOSSE
HELD TO MATURITY			
DECEMBER 31, 2004			
Securities issued or secured by Colombian government	Ps 590,444	Ps 17,115	Ps 87
Securities issued or secured by financial entities	20,728	235	2
Other investments	43,325	246	2
	Ps 654,497	Ps 17,596	Ps 91

	FAIR VALUE	GROSS UNREALIZED GAINS	GROSS UNREALI LOSSE
AVAILABLE FOR SALE - EQUITY SECURITIES			
DECEMBER 31, 2003			
Corfinsura	22,015	5,014	
	Ps 22,015	Ps 5,014	Ps

	FAIR VALUE	GROSS UNREALIZED GAINS	GROSS UNREALI LOSSE

AVAILABLE FOR SALE - EQUITY SECURITIES
DECEMBER 31, 2004

Corfinsura	55,749	38,748	
	Ps 55,749	Ps 38,748	Ps

The scheduled maturities of debt securities at December 31, 2004 were as follows:

	HELD TO MATURITY		AV
	AMORTIZED COST	FAIR VALUE	AMORT COS
Due in one year or less	Ps 263,141	Ps 275,595	Ps
Due from one year to five years	214,517	219,173	1,
Due from five year to ten years	245,779	156,555	
Due more ten years	5,027	3,174	
TOTAL	Ps 728,464	Ps 654,497	Ps 1,

Investments classified as "Held to maturity" for purposes of U.S. GAAP are securities issued or secured by the Colombian government, which the bank has the intention and ability to hold to maturity.

The cost of available for sale securities was determined based on its carrying amount plus gross unrealized losses minus gross unrealized gains. The cost of securities classified as Held to maturity is equal to the carrying amount under Colombian GAAP, as these investments are not accounted for at fair value.

The Bank is not required under Colombian GAAP to disclose the proceeds from the sale of investment securities nor gains or losses resulting from such sales. As a result, it is not feasible to obtain that information in a reasonable manner for disclosure under U.S. GAAP.

UNREALIZED LOSSES DISCLOSURE

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

	FAIR VALUE	GROSS UNREALIZED LOSSES	COST BASIS

AVAILABLE FOR SALE			
DECEMBER 31, 2004			
Securities issued or secured by Colombian government	Ps 70,353	Ps 372	Ps 7
Securities issued or secured by financial entities	43,911	5,506	4
Other investments	139,373	647	14
	Ps 253,637	Ps 6,525	Ps 26

	FAIR VALUE	GROSS UNREALIZED LOSSES	COST BASIS
HELD TO MATURITY			
DECEMBER 31, 2004			
Securities issued or secured by Colombian government	Ps 38,176	Ps 24,508	Ps 62
Securities issued or secured by Government entities	3,174	1,852	5
Securities issued or secured by financial entities	8,450	2,084	10
Other investments	30,482	186	30
TOTAL	Ps 80,282	Ps 28,630	Ps 108

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

	FAIR VALUE	GROSS UNREALIZED LOSSES	COST BASIS
IMPAIRMENT AVAILABLE FOR SALE			
DECEMBER 31, 2004			
Securities issued or secured by Colombian government	Ps 3,769	Ps 13	Ps 3,78
TOTAL	Ps 3,769	Ps 13	Ps 3,78

	FAIR VALUE	GROSS UNREALIZED LOSSES	COST BASIS

IMPAIRMENT HELD TO MATURITY			
DECEMBER 31, 2004			
Securities issued or secured by Colombian government	Ps 112,192	Ps 62,933	Ps 175,
TOTAL	Ps 112,192	Ps 62,933	Ps 175,

As of December 31, 2004, most of the investment securities that presented gross unrealized losses were issued by national government, governmental entities and financial entities.

As of December 31, 2004, 281 investment securities presented gross unrealized losses.

No other-than-temporary impairment has been recognized for the investment in debt securities held to maturity because the Bank has the ability and the positive intent to hold these securities until the amortized cost is recovered, there does not appear to be any credit deterioration, and recovery seems probable. Held to maturity investments that presented gross unrealized losses correspond to mandatory investments.

The amount of unrealized holding gain or loss on trading securities included in earnings during 2003 and 2004 was Ps 246,871 and Ps 266,428, respectively.

The Bank conducts regular reviews to assess whether other than temporary impairment exists. A number of factors are considered in performing an impairment analysis of securities.

Those factors include:

(a) the length of time and the extent to which the market value has been less than cost;

(b) the financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer (such as changes in technology that may impair the earnings potential of the investment, or the discontinuance of a segment of a business that may affect the future earnings potential); or

(c) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value.

The Bank also takes into account changes in economic conditions globally, regionally, or related to specific issuers or industries that could adversely affect these values.

j) INVESTMENT IN UNAFFILIATED COMPANIES. HIGH AND MEDIUM VOLUME QUOTATION INVESTMENT SECURITIES CLASSIFIED AS "AVAILABLE FOR SALE " UNDER COLOMBIAN GAAP.

For purposes of Colombian GAAP, an investment in High and Medium volume quotation equity securities of an investee is recorded using the average price published by the exchange. The result of the valuation is recorded as unrealized gain or loss in shareholders' equity. The investee also records common stock dividends as income.

Under U.S. GAAP, an investment in non-marketable equity securities of an investee is recorded at cost if the investor cannot exercise significant influence. However, dividends paid in the form of additional shares of common stock are not recorded as income. Instead, the costs of the shares previously held are allocated equitably to the total shares held after receipt of the stock dividend. When any shares are later disposed of, a gain or loss is determined on the basis of the adjusted cost per share.

k) INVESTMENTS IN AFFILIATES. INVESTMENTS IN LOW, MINIMUM EXCHANGE OR UNQUOTED EQUITY SECURITIES CLASSIFIED AS "AVAILABLE FOR SALE" FOR PURPOSES OF COLOMBIAN GAAP.

Under Colombian GAAP, low and minimum volume and unquoted equity securities are valuated pursuant the shareholders' equity comparison method. Under this method, the Bank accounts for increases of shareholders' equity of the investee as reappraisal, and decreases as devaluation. If at the valuation date the shareholders' equity of the investee is less than its previous value, and the Bank had registered a reappraisal, this reappraisal is affected until it runs out. Once reappraisal runs out, the Bank records a devaluation. Likewise, if on the valuation date the shareholders' equity of the investee is greater than its previous value, and the Bank had registered a devaluation, this reappraisal is affected until it runs out. Once devaluation runs out, the Bank records a reappraisal.

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

l) LESSEE ACCOUNTING

The Bank's Subsidiaries, Bancolombia Panama S.A., Sufinanciamiento S.A. and Leasing Colombia S.A., lease certain assets to third parties under non-cancelable lease arrangements. These lease arrangements involve machinery and equipment, computer equipment, automobile and furniture and fixtures (with terms between three and five years).

Under Colombian GAAP, leases are classified into financial leases and operating leases. Since January 1, 2004, goods given in

financial lease to third parties with a purchase option are recorded in the loan portfolio. Goods given in operating lease are recorded as property, plant, and equipment. For both types of leasing, the initial record must represent the value to be financed of the good given in leasing (that is, the acquisition or construction cost) and the value of the improvement and expenses that can be capitalized, which represent a greater value of the lease operation to be financed.

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

Disclosure lessor accounting.

The following lists the components of the net investment in direct financial leases as of December 31, 2003 and 2004:

	2003	2004
Total minimum lease payments to be received	Ps 665,087	Ps 1,091,505
Estimated residual values of leased property	41,606	55,937
Less: Unearned income	(172,245)	(285,896)
Net investment in direct financial leases	Ps 534,448	Ps 861,546

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

YEAR ENDED DECEMBER 31,	
2005	Ps 346,222
2006	282,999
2007	195,522
2008	112,145
2009	88,417
Later years, through 2010	66,200
TOTAL MINIMUM FUTURE LEASE PAYMENTS TO BE RECEIVED	Ps 1,091,505

m) BUSINESS COMBINATIONS

Purchase method of accounting

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

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

In addition, the Bank deferred and amortized other merger related charges over 36 months under Colombian GAAP, while under U.S. GAAP those charges are being amortized over 120 months.

The reappraisal was allocated to the acquired assets to adjust them to their fair market value. For this reason, this reappraisal was included in the determination of depreciation as of the merger. Under Colombian GAAP, the reappraisal of assets is not subject to depreciation.

On December 29, 2003, the Bank and its Subsidiaries acquired 99.99% of the outstanding common shares of Sufinanciamiento S.A. Under U.S. GAAP, the results of Sufinanciamiento's operations have been included in the consolidated financial statements since that date. Sufinanciamiento is a commercial financing company, specializing in automobile loans.

The acquisition of Sufinanciamiento will allow the Bank and its Subsidiaries to complement its portfolio of products improving commercial financing activities, more specifically automobile financing. The aggregate purchase price was Ps 75,016 paid in cash. The value of the 1,415 million common shares acquired was determined based on the discounted cash flows, prepared based on the historical financial statements from January 1999 to June 2003. Sufinanciamiento's cash flows were estimated by the Bank based on the current economic environment in Colombia and the nature of the business of the acquired entity.

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

	FAIR VALUE OF ASSETS ACQUIRED AND LIABILITIES ASSUMED UNDER U.S. GAA AS OF DECEMBER 31, 2003
TOTAL PURCHASE PRICE, NET OF CASH ACQUIRED	Ps 63,62
Assets acquired	304,25
Premises and equipment, net	7,35
Liabilities assumed	269,26
NET ASSETS ACQUIRED	Ps 42,34
EXCESS OF COST OVER THE FAIR VALUE OF ACQUIRED NET ASSETS	21,27
INTANGIBLE ASSET	1,56
GOODWILL	Ps 19,71

The excess of purchase price amounted to Ps 21,276 and Ps 1,562 was assigned to a contract with Almacenes Exito (intangible assets) while the remaining Ps 19,714 was assigned to goodwill.

In 2003 Sufinanciamiento S.A. signed an agreement with Almacenes Exito, a major retailer in Colombia, whereby the former will be the only financing provider to the latter's clients. Given the significance of this agreement to Sufinanciamiento's operations and the future benefits it will bring to the Bank's strategic and financial positions, this contractual relationship has been identified as an intangible asset and fair valued by the Bank.

The following unaudited pro forma information for 2002 and 2003 reflects the consolidated results of operations as if the acquisition had occurred at the beginning of each year presented and includes the amortization of intangibles, as appropriate. The unaudited pro forma financial information presented is not necessarily indicative of the results of operations that might have occurred had the transaction been completed at the beginning of the year specified, and does not purport to represent what the consolidated results might be for any future period.

	2002
U.S. GAAP Net income	224,272
Revenues	787,051
Earnings per share	504.32

	2003
U.S. GAAP Net income	481,736
Revenues	1,465,973
Earnings per share	1,088.44

Under Colombian GAAP, the Bank consolidated Sufinanciamiento's earnings since January 1, 2003, as if the acquisition had occurred at the beginning of the year. Accordingly, virtually all of the amounts for pre-acquisition periods in the primary financial statements are different from the amounts that would be presented under U.S. GAAP. In effect, the financial statements presented as the primary financial statements are of a different reporting entity than would be required under U.S. GAAP.

The Bank understands that, in these circumstances, reconciliation of net income and stockholders' equity alone will not produce information content substantially similar to U.S. GAAP with respect to the pre-acquisition periods. However, given the insignificance of Sufinanciamiento's operations, the Bank decided not to present a columnar reconciliation removing the acquired business. The Bank also believes that the differences are not so pervasive that U.S. GAAP condensed income and cash flow statements are necessary.

Goodwill and intangible assets

Under U.S. GAAP, from January 1, 2002, the Bank no longer amortizes goodwill, but it is subject to an annual impairment test. The Bank believes it does not have intangible assets with indefinite lives.

Prior to December 31, 2001, the Bank recognized an excess of fair value of acquired net assets over cost (commonly referred to as negative goodwill) on certain business combinations. Under Colombian GAAP, negative goodwill is recorded as a liability and it is amortized over a period of five years.

Under U.S. GAAP, as explained previously, the Bank adopted SFAS No. 141 on January 1, 2002. Upon adoption of SFAS No. 141, any unamortized negative goodwill related to an excess over cost arising from business combinations for which the acquisition date was before July 1, 2001 was written off and recognized as the effect of a change in accounting principle.

The Bank has performed the required impairment test of each reporting unit's goodwill and concluded that there was no impairment of goodwill. Accordingly, the Bank reversed the amortization of goodwill from Colombian GAAP for the year ended 2004.

The activity of the goodwill and intangible assets during the

years ended December 31, 2002, 2003 and 2004 is as follows:

	2002	2003	2004
GOODWILL			
Balance at beginning of year	Ps 141,553	Ps 141,553	Ps 161,267
Additions (Sufinanciamiento acquisition)	-	19,714	-
Balance at end of year	Ps 141,553	Ps 161,267	Ps 161,267

	2003	2004
INTANGIBLE ASSETS		
Balance at beginning of year	Ps -	Ps 1,562
Additions (Sufinanciamiento acquisition)	1,562	-
Amortization	-	(156)
Balance at end of year	Ps 1,562	Ps 1,406

As of December 31, 2004 the total amount of goodwill outstanding is tax deductible in accordance with tax regulations in Colombia. Accordingly, deferred income taxes are recorded for the difference between the unamortized amount of goodwill under Colombian GAAP and the balance under US GAAP.

n) FOREIGN CURRENCY TRANSLATION ADJUSTMENT

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

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

o) GUARANTEES

In order to meet the needs of its customers, the Bank issues financial standby letters of credit and bank guarantees. At December 31, 2003 and 2004, outstanding letters of credits and bank guarantees issued by the Bank totaled Ps 692,795 and Ps 559,018, respectively.

The table below summarizes, at December 31, 2003 and 2004, all

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

	EXPIRE WITHIN ONE YEAR		EXPIRE AFTER ONE YEAR		TOTAL AMOUNT OUTS	
	2003	2004	2003	2004	2003	2
Financial standby letters of credit	Ps 384,995	Ps 402,969	Ps 842	Ps 18,674	Ps 385,837	Ps
Bank guarantees	212,557	69,104	94,401	68,271	306,958	
TOTAL	Ps 597,552	Ps 472,073	Ps 95,243	Ps 86,945	Ps 692,795	Ps

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

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

p) ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

As required by U.S. GAAP, the estimated fair value of the Bank's financial instruments, their carrying values and the major assumptions and methodologies used to estimate fair values at December 31, 2003 and 2004 are presented hereunder. The fair value of a financial instrument is defined as the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

For those financial instruments with no quoted market prices available, fair values have been estimated using present value or other valuation techniques. These techniques are inherently subjective and are significantly affected by the assumptions used, including the discount rates, estimates of future cash flows and prepayment assumptions.

In addition, the fair values presented below do not attempt to estimate the value of the Bank's fee generating businesses and anticipated future business activities, that is, they do not represent the Bank's value as a going concern.

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

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

	DECEMBER 31, 2003		
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CA A
FINANCIAL ASSETS			
Cash and cash equivalents	Ps 1,446,461	Ps 1,446,461	Ps
Investment securities	4,247,301	4,284,642	
Loans and accrued interest receivable on loans, net	7,745,614	7,778,555	
Customers' acceptances	35,806	35,806	
Forward contracts	(33,997)	(33,997)	
Future Contracts	(279)	(279)	
Swaps	9	9	
Next day operations	-	-	
FINANCIAL LIABILITIES:			
Deposits	Ps 10,231,997	Ps 10,231,997	Ps
Overnight funds	1,118,139	1,118,139	
Bank acceptances outstanding	35,833	35,833	
Interbank borrowings	456,059	456,059	
Borrowings from domestic development banks	755,536	755,536	
Long term debt	71,818	76,933	

The following notes summarize the methods and assumptions used in estimating the fair values of financial instruments:

Short-term financial instruments

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

Investment securities

The fair value of these financial instruments which include time deposits in financial entities are calculated by the Colombian Stock Exchange, except for financial instruments classified "held to maturity", for which the fair value was determined using discounted cash flows with actual market rates for similar assets.

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

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

Loans

The Bank has estimated the fair value of the loan portfolio pursuant three methods depending of the type of loan being analyzed. Estimated fair value of the homogeneous loan portfolio, including consumer, mortgage and small business loans, has been determined based upon various statistical analyses. These include migration analysis, in which historical delinquency and credit loss experience is applied to the current aging of the portfolio, together with analyses that reflect current trends and conditions. Estimated fair value of loans with collateral has been calculated using the realizable value of collateral. Estimated fair value of restructured loans has been determined based on the present value of expected future cash flow method discounted at the loan's contractual effective rate.

Derivatives

The Bank's derivatives are recorded at fair value on a daily basis in conformity with the rules prescribed by the Superintendency of Banking, in accordance with the class of instrument, as follows:

Foreign exchange forward contracts:

The purchase or sale value of the exchange rate is estimated to obtain the net value in foreign currency at valuation day and calculate the net gain or loss.

Financial instruments forward contracts:

The fair value without yields is estimated to value the agreed amount to present value and calculate the net gain or loss.

Balance sheet classification:

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

U.S. GAAP restricts the ability to offset where the right of set off exists between two parties (that is, where a debtor-creditor relationship exists).

Typically, under U.S. GAAP, financial assets and liabilities can be offset and the net amount reported in the balance sheet when (a) each of two parties owes the other determinable amounts, (b) the reporting party has the right to set off the amount owed with the amount owed by the other party, (c) the reporting party intends to set off and (d) the right of setoff is enforceable at law.

Consequently, the relevant assets and liabilities would be increased by Ps 229,595 as at December 31, 2004 in a U.S. GAAP balance sheet, with no effect on net income or shareholders' equity.

Futures Contracts

The fair value of futures contracts and other derivatives traded in stock markets are calculated by the respective stock market where the Bank has conducted its operation.

Deposits

In 2003 the carrying amount of the deposits was approximated to their fair value as they were mostly variable rate deposits. In 2004, the participation of fixed rate deposits increased; therefore, the carrying amount of the deposits does not approximate their fair value.

The fair value of time deposits was estimated based on the discounted value of contractual cash flows using the rates currently offered for deposits of similar remaining maturities.

Fair value of deposits with undefined maturities represents the amount payable on demand as of the balance sheet date.

Interbank borrowings and borrowings from domestic development banks

Short-term interbank borrowings and borrowings from domestic development banks have been valued at their carrying amounts because of their relatively short-term nature. Long-term and domestic development bank borrowings have also been valued at their carrying amount because they bear interest at variable rates.

Long term debt

Long term debt are bonds issued by the Bank, Leasing Colombia S.A., Abocol S.A., Fundicom S.A. and Sufinanciamiento S.A.

The fair value of bonds issued by the Bank, Leasing Colombia S.A. and Abocol S.A. were estimated using quoted market prices. Bonds issued by Fundicom S.A. and Sufinanciamiento S.A. are non marketable. For this reason the carrying amounts were considered to approximate fair value.

q) PAID-IN-CAPITAL

In accordance with Colombian GAAP, paid-in capital in excess of par value of shares issued is credited to a legal reserve. Under U.S. GAAP, capital in excess of par value is credited to paid-in capital.

r) UNEARNED INTEREST INCOME

Under Colombian GAAP, unearned interest income is recorded as a liability in the balance sheet. For U.S. GAAP purposes, only the net amounts (loan amount less unearned interest) would be classified as a loan. Under Colombian GAAP, unearned interest is amortized on a straight-line basis whereas U.S. GAAP requires the use of the effective interest method. However, the difference does not have a material impact

on the Bank's financial statements.

s) EARNINGS PER SHARE

Under Colombian GAAP, earnings per share ("EPS") are computed by dividing net income by the weighted average number of both common and preference shares outstanding for each period presented.

U.S. GAAP requires dual presentation of basic and diluted EPS for entities with complex capital structures, as a well as a reconciliation of the basic EPS computation to the diluted EPS computation. Basic EPS is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding. Diluted EPS assumes the issuance of common shares for all dilutive potential common shares outstanding during the reporting period. For the years ended December 31, 2002, 2003 and 2004, the Bank had a simple capital structure. Therefore, there was no difference between basic or diluted EPS for these years.

The following summarizes information related to the computation of basic EPS for the years ended December 31, 2002, 2003 and 2004 (millions of pesos, except per share data):

	2002	2003	
U.S. GAAP net income	Ps 207,152	Ps 474,419	P
Less preferred share dividends	23,554	48,535	
Income attributable to common stockholders	183,598	425,884	
Weighted average number of common shares outstanding used in basic EPS calculation (in millions)	398	398	
Basic and Diluted earnings per share	Ps 461.30	Ps 1,070.06	P

t) CASH FLOW

During 2004, reserves against transactions and time deposits with the Colombian Central Bank amounted to Ps 516,648. Under Colombian GAAP, this amount is classified as cash and cash equivalent, while, for U.S. GAAP purposes, restricted cash does not represent part of cash and cash equivalents for cash flow statement presentation because it cannot be withdrawn without prior notice or penalty.

Also, during 2004 Ps 41,574 related to restructured loans were transferred to foreclosed assets. Such transfers affect the Bank's balance sheet but do not result in cash receipts or cash payments in the period.

u) SEGMENTS DISCLOSURE

The following presents information about reported operating segment profit or loss, and segment assets:

2002

	Retail Banking	Commercial Banking	Small Business Banking	Governmental And Institutional Banking	Corporate Headquarters	Offsh Commer Banki
Revenues from external customers	Ps 176,296	Ps 30,930	Ps 18,975	Ps 7,764	Ps (19,835)	Ps
Revenues from transactions with other operating segments of the same enterprise	22,961	14,308	9,034	21,433	(69,367)	(3
Interest income	338,468	150,885	118,925	71,606	255,965	9
Interest expense	135,141	14,687	12,420	55,261	172,153	7
Net interest revenue	203, 327	136,198	106,505	16,345	83,812	2
Depreciation and amortization expense	-	-	-	-	27,788	
Provision for loan losses	17,269	5,851	3,187	231	39,303	6
Administrative and other expense	254,704	34,542	29,203	30,170	157,202	
Income tax expense or benefit	-	-	-	-	25,364	
Other income or expense, net	1,922	(144)	51	(1,122)	16,344	8
Segment profit before distribution of income (expense) for treasury funds	132,533	140,899	102,175	14,019	(238,703)	1
Distribution of income (expense) for treasury funds (1)	116,985	(85,774)	(55,594)	41,547	(17,164)	
Segment profit	Ps 249,518	Ps 55,125	Ps 46,581	Ps 55,566	Ps (255,867)	Ps 1
Segments assets	Ps 2,334,832	Ps 1,606,634	Ps 1,137,409	Ps 717,142	Ps 3,796,115	Ps 2,98

Manufacturing	All other Segments	Total

Revenues from external customers	Ps (14,820)	Ps 48,564	Ps 321,713
Revenues from transactions with other operating segments of the same enterprise	9,275	2,074	(20,179)
Interest income	1,914	24,099	1,065,919
Interest expense	5,036	22,631	510,536
Net interest revenue	(3,122)	1,468	555,383
Depreciation and amortization expense	1,023	5,247	36,791
Provision for loan losses	329	6,415	141,629
Administrative and other expense	21,686	54,215	614,378
Income tax expense or benefit	1,938	8,453	42,617
Other income or expense, net	21,127	41,613	168,699
Segment profit before distribution of income (expense) for treasury funds	(12,516)	19,389	190,201
Distribution of income (expense) for treasury funds (1)	-	-	-
Segment profit	Ps (12,516)	Ps 19,389	Ps 190,201
Segments assets	Ps 225,413	Ps 530,270	Ps 13,715,590

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(1) Those costs are calculated based on the funds that segments use or provide and do not have an impact in the final result.

2003

	Retail Banking	Commercial Banking	Small Business Banking	Governmental And Institutional Banking	Corporate Headquarters	Offsh Commer Bank
Revenues from external customers	Ps 212,472	Ps 32,502	Ps 34,906	Ps 19,007	Ps (30,675)	Ps
Revenues from transactions with other operating segments of the same enterprise	34,422	22,731	19,795	24,530	(83,150)	(
Interest income	453,975	179,113	132,127	56,075	386,052	15
Interest expense	147,647	17,395	18,361	59,119	139,860	6
Net interest revenue	306,328	161,718	113,766	(3,044)	246,192	8
Depreciation and amortization expense	-	-	-	-	33,544	
Provision for loan losses	62,068	12,781	365	1,133	59,152	5
Administrative and other expense	336,412	40,112	38,541	24,275	168,793	
Income tax expense or benefit	-	-	-	-	35,498	
Other income or expense, net	3,354	(462)	(449)	153	29,576	8
Segment profit before distribution of income (expense) for treasury funds	158,096	163,596	129,112	15,238	(135,044)	11
Distribution of income (expense) for treasury funds (1)	96,777	(75,379)	(49,667)	50,866	(22,597)	
Segment profit	Ps 254,873	Ps 88,217	Ps 79,445	Ps 66,104	Ps (157,641)	Ps 11
Segments assets	Ps 3,127,442	Ps 1,838,100	Ps 1,449,736	Ps 665,609	Ps 4,230,798	Ps 3,74

Manufacturing	All other Segments	Total

Revenues from external customers	Ps 31,400	Ps 97,157	Ps 490,121
Revenues from transactions with other operating segments of the same enterprise	16,555	2,138	30,204
Interest income	(6)	23,951	1,395,429
Interest expense	9,008	15,007	520,654
Net interest revenue	(9,014)	8,944	874,775
Depreciation and amortization expense	2,747	4,262	45,844
Provision for loan losses	237	7,918	199,817
Administrative and other expense	26,035	59,006	736,403
Income tax expense or benefit	1,528	14,938	62,634
Other income or expense, net	(783)	14,815	149,186
Segment profit before distribution of income (expense) for treasury funds	7,611	36,930	499,588
Distribution of income (expense) for treasury funds (1)	-	-	-
Segment profit	Ps 7,611	Ps 36,930	Ps 499,588
Segments assets	Ps 221,222	Ps 596,422	Ps 16,504,931

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(1) Those costs are calculated based on the funds that segments use or provide and do not have an impact in the final result.

2004

	Retail Banking	Commercial Banking	Small Business Banking	Governmental And Institutional Banking	Corporate Headquarters	Offsh Commer Bank
Revenues from external customers	Ps 226,318	Ps 33,013	Ps 34,582	Ps 20,277	Ps 5,661	Ps
Revenues from transactions with other operating segments of the same enterprise	48,585	27,669	36,438	24,402	(104,324)	
Interest income	597,066	208,387	200,207	43,857	512,462	17
Interest expense	138,503	29,896	20,877	81,164	144,037	4
Net interest revenue	458,563	178,491	179,330	(37,307)	368,425	12
Depreciation and amortization expense	-	-	-	-	41,584	
Provision for loan losses	51,614	3,265	4,358	(326)	(24,416)	3
Administrative and other expense	371,517	46,997	46,078	28,622	208,845	
Income tax expense or benefit	-	-	-	-	200,967	
Other income or expense, net	(1,121)	(528)	-	-	(42,172)	1
Segment profit before distribution of income (expense) for treasury funds	309,214	188,383	199,914	(20,924)	(199,390)	11
Distribution of income(expense) for treasury funds(1)	56,937	(46,341)	(74,825)	99,032	(34,803)	
Segment profit	Ps 366,151	Ps 142,042	Ps 125,089	Ps 78,108	Ps (234,193)	Ps 11
Segments assets	Ps 4,064,951	Ps 2,162,364	Ps 2,125,485	Ps 597,028	Ps 5,405,788	Ps 3,46

Manufacturing	All other Segments	Total

Revenues from external customers	Ps 42,285	Ps 98,197	Ps 605,010
Revenues from transactions with other operating segments of the same enterprise	10,720	8,578	56,366
Interest income	444	25,089	1,787,945
Interest expense	11,191	14,255	576,520
Net interest revenue	(10,747)	10,834	1,211,425
Depreciation and amortization expense	958	4,287	52,733
Provision for loan losses	1,735	2,652	96,386
Administrative and other expense	28,645	67,422	851,451
Income tax expense or benefit	4,344	12,866	238,810
Other income or expense, net	(650)	9,794	1,623
Segment profit before distribution of income (expense) for treasury funds	5,926	40,176	635,044
Distribution of income(expense) for treasury funds(1)	-	-	-
Segment profit	Ps 5,926	Ps 40,176	Ps 635,044
Segments assets	Ps 247,032	Ps 584,746	Ps 19,746,508

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(1) Those costs are calculated based on the funds that segments use or provide and do not have an impact in the final result.

The following is a reconciliation of reportable segments revenues, profit or loss and assets, to the Banks' consolidated totals:

	2002	2003	2004
REVENUES			
Total revenues for reportable segments	Ps 1,292,716	Ps 1,792,508	Ps 2,31
Other revenues	254,266	312,598	15
Total	1,546,982	2,105,106	2,46
Elimination of intersegment revenues	20,179	(30,204)	(5
TOTAL REVENUES FOR REPORTABLE SEGMENTS	Ps 1,567,161	Ps 2,074,902	Ps 2,41
PROFIT OR LOSS			
Total profit or loss for reportable segments	Ps 170,812	Ps 462,658	Ps 59
Other profit or loss	19,389	36,930	4
Total	190,201	499,588	63
Elimination of intersegment profits	20,179	(30,204)	(5
NET INCOME (LOSS)	Ps 210,380	Ps 469,384	Ps 57
ASSETS			
Total assets for reportable segments	Ps 13,185,320	Ps 15,908,509	Ps 19,16
Other assets	530,270	596,422	58
Total	13,715,590	16,504,931	19,74
Elimination of intersegment assets	(1,116,008)	(1,328,802)	(2,26
CONSOLIDATED TOTAL	Ps 12,599,582	Ps 15,176,129	Ps 17,47

The following summarizes the Bank's revenues and long-lived assets attributable to Colombia and other foreign countries:

	2003		200
GEOGRAPHIC INFORMATION	REVENUES	LONG LIVED - ASSETS	REVENUES
Republic of Colombia	1,954,038	754,204	2,279,535
Republic of Panama and Cayman Islands	151,068	117,863	183,400
Miami City	-	-	7,002

Total	2,105,106	872,067	2,469,937
Eliminations	(30,204)	(1,958)	(56,366)
TOTAL, NET	2,074,902	870,109	2,413,571

The segments reported embrace the following activities:

RETAIL BANKING: The Bank's Retail Banking segment provides a wide range of financial products and services to individuals and SMEs. This segment is important for the Bank's funding and generation of revenues.

COMMERCIAL BANKING: The Commercial Banking Segment provides commercial banking products and services to all sectors of the economy. Corporate clients are segmented by their economic activity as well as by their size. This segmentation assures adequate support and adequate pricing according to their risk level.

SMALL BUSINESS BANKING: This segment includes legal entities with annual sales of from Ps 250 to Ps 17.1 billion in Bogota and to Ps 11.4 billion in the rest of the country and individuals with independent economic activities (trade, cattle raising, farming, and others) with annual sales of over Ps 250

GOVERNMENTAL AND INSTITUTIONAL BANKING: This segment provides services to institutional customers subject to the supervision of the Superintendency of Banking, the Superintendency of Securities, the Superintendency of Health or the Superintendency of Family Subsidy, and also electric and financial corporations. The governmental customers include public sector entities.

OFFSHORE COMMERCIAL BANKING: Bancolombia Panama S.A. and Bancolombia Cayman, the Bank's international Subsidiaries located in Panama and the Cayman Islands, respectively, provide a complete line of banking services mainly to Colombian customers, which includes loans to private sector companies, trade financing, lease financing, financing for industrial projects as well as a complete portfolio of cash management products, such as checking accounts, international collections and payments and PC Banking. Through these Subsidiaries, the Bank also offers to its high net worth customers and private banking customers investment opportunities in U.S. dollars, in savings accounts and in checking accounts, CD-time deposits, and investment funds.

TRUST: The Bank offers, through its Subsidiary Fiducolombia S.A., a family of five mutual funds and one voluntary retirement fund, all of which are designed to provide customers with the opportunity to diversify their investments. As of December 31, 2004, Fiducolombia S.A. had Ps 2,020,227 in total assets under management, increasing 45.73% from Ps 1,386,307 in 2003. Additionally, Fiducolombia offers a broad range of products and services by type of trust, among which the following stand out: Public trust, management and payment trust, individual investment trust, real estate trust and guarantee trust.

BANCOLOMBIA S. A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

LEASING: Leasing Colombia S.A. and Sufinanciamiento S.A., as the Bank's Subsidiaries specialized in lease activities, offer financial and operational leases. The main activities that require lease financing are infrastructure, import of goods, international leases, real estate, vehicles for executives, leasing for suppliers, and cattle raising.

MANUFACTURING: The manufacturing segment of the Bank provides a wide range of products to individuals and companies such us: metal parts in gray and ductile iron, both wrought and finished, such as brake systems for passenger automobiles and trucks, accessories for aqueducts and agriculture machinery. Another line of production include compound fertilizers, ammonia, ammonium nitrate and nitric acid.

ALL OTHER SEGMENTS: Provide the following products and services:

- Warehouse and logistics services through Almacenar S.A., a Subsidiary of the Bank;

- Colcorp S.A. is a Subsidiary of the Bank that specializes in providing investment banking services to a variety of the Bank's customers; and

- Comicol S.A. Comisionista de Bolsa, a Subsidiary of the Bank, offers brokerage services to the Bank's customers as well as its own customers.

RECENT U.S. GAAP PRONOUNCEMENTS

In December 2004, the FASB revised Statement No. 123, Accounting for Stock-Based Compensation. This Statement supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This Statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, Employers' Accounting for Employee Stock Ownership Plans. The Bank evaluated the impact of applying FASB Statement 123 (R), and determined it will have no impact on net income or stockholders' equity.

BANCOLOMBIA S. A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

In December 2004, the FASB issued Statement No. 153, Exchanges of Non-monetary Assets -an amendment of APB Opinion No. 29. The guidance in APB Opinion No. 29, Accounting for Non-monetary Transactions, is based on the principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This Statement amends Opinion 29

to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. The Bank does not anticipate that the adoption of FASB Statement 153 will have a material impact on its financial position, cash flow and results of operations.

In December 2004, the FASB issued Statement No. 152, Accounting for Real Estate Time-Sharing Transactions -an amendment of FASB Statements No. 66 and 67. This Statement amends FASB Statement No. 66, Accounting for Sales of Real Estate, to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position (SOP) 04-2, Accounting for Real Estate Time-Sharing Transactions. This Statement also amends FASB Statement No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects, to state that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and costs is subject to the guidance in SOP 04-2. This Statement is effective for financial statements for fiscal years beginning after June 15, 2005. FASB Statement 152 will have no impact on the Bank's net income or stockholders' equity.

In April 2004, the FASB issued FSP No. FAS 129-1, Disclosure Requirements under FASB Statement No. 129, Disclosure of Information about Capital Structure, Relating to Contingently Convertible Securities. Statement 129 applies to all contingently convertible securities, including those containing contingent conversion requirements that have not been met and are not otherwise required to be included in the computation of diluted EPS in accordance with FASB Statement No. 128, Earnings per Share. To comply with paragraph 4 of Statement 129, the significant terms of the conversion features of the contingently convertible security should be disclosed to enable users of financial statements to understand the circumstances of the contingency and the potential impact of conversion. This Statement may have an impact if the Bank issues contingently convertible securities.

In December 2003, the AICPA issued Statement of Position 03-3 ("SOP 03-3"), Accounting for Certain Loans or Debt Securities Acquired in a Transfer. SOP 03-3 provides guidance on the accounting for differences between contractual and expected cash flows from the purchaser's initial investment in loans or debt securities acquired in a transfer, if those differences are attributable, at least in part, to credit quality. Among other things, SOP 03-3: (1) prohibits the recognition of the excess of contractual cash flows over expected cash flows as an adjustment of yield, loss accrual or valuation allowance at the time of purchase; (2) requires that subsequent increases in expected cash flows be recognized prospectively through an adjustment of yield; and (3) requires that subsequent decreases in expected cash flows be recognized as an impairment. In addition, SOP 03-3 prohibits the creation or carrying over of a valuation allowance in the initial accounting of all loans within its scope that are acquired in a transfer. SOP 03-3 becomes effective for loans or debt securities acquired in fiscal years beginning after December 15, 2004. The Bank is evaluating the impacts of the SOP 03-3.