

BANCOLOMBIA SA
Form 424B2
July 13, 2010

Table of Contents

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities nor are they soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

**Filed pursuant to Rule 424(b)(2)
Registration No. 333-168077**

SUBJECT TO COMPLETION. DATED JULY 13, 2010.

PRELIMINARY PROSPECTUS SUPPLEMENT

(To the Prospectus dated July 13, 2010)

US\$

Bancolombia S.A.

1 % Subordinated Notes due 2020

We are offering US\$ _____ of our _____ % subordinated notes due 2020. The notes will mature on _____, 2020. Interest is fixed at an annual rate of _____ % and is payable semi-annually on January _____ and July _____ of each year, beginning January _____, 2011. The notes will not be subject to any redemption prior to the maturity date.

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

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

Investment in the notes involves risks. See Risk factors beginning on page S-10 of this prospectus supplement to read about certain risk factors you should consider before investing in the notes.

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

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

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

(1) Plus accrued interest, from _____, 2010, if settlement occurs after that date.

We expect that delivery of the notes will be made to purchasers in book-entry form through The Depository Trust Company (DTC) for the benefit of its participants, including Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme*, on or about _____, 2010.

Joint Book-Running Managers

BofA Merrill Lynch

J.P. Morgan

The date of this prospectus supplement is _____, 2010.

TABLE OF CONTENTS

Prospectus Supplement

<u>About This Prospectus Supplement</u>	ii
<u>Available Information</u>	iii
<u>Incorporation of Certain Information by Reference</u>	iii
<u>Exchange Rates</u>	iv
<u>Forward-Looking Statements</u>	v
<u>Enforcement of Civil Liabilities Against Foreign Persons</u>	vi
<u>Summary</u>	S-1
<u>Risk Factors</u>	S-10
<u>Use of Proceeds</u>	S-21
<u>Capitalization</u>	S-22
<u>Selected Financial Data</u>	S-23
<u>Colombian Banking Regulations</u>	S-26
<u>Description of the Notes</u>	S-36
<u>Tax Considerations</u>	S-48
<u>United States Taxation</u>	S-48
<u>Underwriting</u>	S-53
<u>Validity of the Notes</u>	S-57
<u>Experts</u>	S-57

Prospectus

<u>About this Prospectus</u>	1
<u>Available Information</u>	1
<u>Incorporation of Certain Information by Reference</u>	2
<u>Forward-Looking Statements</u>	3
<u>Bancolombia</u>	4
<u>Use of Proceeds</u>	5
<u>Ratio of Earnings to Fixed Charges and Preferred Share Dividends</u>	6
<u>Capitalization</u>	7
<u>Selected Financial Data</u>	8
<u>Selected Statistical Information</u>	10
<u>The Securities</u>	14
<u>Legal Ownership</u>	14
<u>Description of Debt Securities</u>	17
<u>Description of the Preferred Shares</u>	18
<u>Description of the American Depositary Receipts</u>	22
<u>Description of the Rights to Subscribe Preferred Shares</u>	31
<u>Plan of Distribution</u>	31
<u>Validity of the Securities</u>	33
<u>Experts</u>	33
<u>Enforcement of Civil Liabilities Against Foreign Persons</u>	33

Table of Contents

About This Prospectus Supplement

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

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

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

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

Bancolombia accepts responsibility for the information contained in this prospectus supplement and the accompanying prospectus.

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

Table of Contents

Available Information

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

Incorporation of Certain Information by Reference

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

We incorporate by reference into this prospectus supplement the following documents or information filed by us with the SEC:

- (1) our Annual Report on Form 20-F for the fiscal year ended December 31, 2009, filed on June 11, 2010 (the Annual Report); and
- (2) our reports on Form 6-K, dated and filed on May 10, 2010 and May 27, 2010.

The preceding list supersedes and replaces the documents listed in the accompanying prospectus under the heading Incorporation of certain information by reference.

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

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

Bancolombia S.A.
Carrera 48 # 26-85, Avenida Los Industriales
Medellín, Colombia
Attention: General Secretary
Telephone Number: (574) 404-1837

iii

Table of Contents**Exchange Rates**

This prospectus supplement converts certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. The Federal Reserve Bank of New York does not report a rate for pesos. Unless otherwise indicated, such peso amounts have been converted at the rate of COP 2,044.23 per US\$1.00, which corresponds to the *tasa representativa del mercado* (representative market rate) calculated on December 31, 2009, the last business day of the year. The representative market rate is computed and certified by the *Superintendencia Financiera de Colombia*, the Colombian Superintendency of Finance (the SFC), on a daily basis and represents the weighted average of the buy/sell foreign exchange rates negotiated on the previous day by certain financial institutions authorized to engage in foreign exchange transactions (including us). The SFC also calculates and certifies the average representative market rate for each month for purposes of preparing financial statements, and converting amounts in foreign currency to pesos. You should not construe these convenience conversions as a representation that the peso amounts correspond to, or have been or could be converted into, U.S. dollars at that rate or any other rate. On June 30, 2010, the representative market rate was COP 1,916.46 per US \$1.00. On July 12, 2010, the representative market rate was COP 1,877.66 per US \$1.00.

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

Recent exchange rates of U.S. Dollars per Peso

Month	Low	High	Period End
June 2010	1,886.05	1,971.55	1,913.15
May 2010	1,950.44	2,029.54	1,971.55
April 2010	1,911.07	1,973.05	1,950.44
March 2010	1,888.05	1,934.21	1,921.88
February 2010	1,914.87	2,003.76	1,932.32
January 2010	1,957.82	2,044.23	1,982.29

Source: SFC.

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

Peso/U.S.\$1.00 Representative Market Rate

Period	Period End	Average
2009	2,044.23	2,179.64
2008	2,243.59	1,993.80
2007	2,014.76	2,069.21
2006	2,238.79	2,359.13
2005	2,284.22	2,320.77

Source: SFC.

Table of Contents

Forward-Looking Statements

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

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

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

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

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

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

sovereign risks;

liquidity risks;

increases in defaults by our borrowers and other loan delinquencies;

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

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

adverse determination of legal or regulatory disputes or proceedings;

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

regulatory issues relating to acquisitions;

changes in business strategy; and

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

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

Table of Contents

Enforcement of Civil Liabilities Against Foreign Persons

We are a Colombian company, a majority of our directors and management and certain of the experts named in this prospectus are residents of Colombia, and a substantial portion of their respective assets are located in Colombia. We have been advised by Gómez-Pinzón Zuleta Abogados S.A., that Colombian courts determine whether to enforce a U.S. judgment predicated on the U.S. securities laws through a procedural system known under Colombian law as *exequatur*. Colombian courts will enforce a foreign judgment, without reconsideration of the merits, only if the judgment satisfies the requirements of Articles 693 and 694 of Colombia's Código de Procedimiento Civil (Code of Civil Procedure), which provide that the foreign judgment will be enforced if:

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

the foreign judgment does not relate to *in rem* rights vested in assets that were located in Colombia at the time the suit was filed and does not contravene or conflict with Colombian laws relating to public order other than those governing judicial procedures;

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

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

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

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

The United States and Colombia do not have a bilateral treaty providing for automatic reciprocal recognition and enforcement of judgments in civil and commercial matters. The Colombian Supreme Court has generally accepted that reciprocity exists when it has been proven that either a U.S. court has enforced a Colombian judgment or that a U.S. court would enforce a foreign judgment, including a judgment issued by a Colombian court. However, such enforceability decisions are considered by Colombian courts on a case-by-case basis.

Table of Contents

Summary

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

Company Overview

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

We have grown substantially over the years, through organic growth as well as through acquisitions. As of March 31, 2010, we had, on a consolidated basis:

COP 60,771 billion in total assets;

COP 39,494 billion in total net loans and financial leases;

COP 40,113 billion in total deposits; and

COP 6,802 billion in stockholders' equity.

Our consolidated net income for the year ended December 31, 2009 and for the three months ended March 31, 2010 was COP 1,257 billion and COP 341 billion, respectively, representing an average return on equity of 19.6% and 19.4%, respectively, and an average return on assets of 2.0% and 2.2%, respectively.

We were incorporated in Colombia in 1945, under the name Banco Industrial Colombiano S.A. or BIC. In 1998, we merged with Banco de Colombia S.A., and changed our legal name to Bancolombia S.A. On July 30, 2005, Conavi and Corfinsura merged with and into Bancolombia, with Bancolombia as the surviving entity. Through this merger, Bancolombia gained important competitive advantages, as Conavi and Corfinsura were two of the top financial institutions in the Colombian market at the time. Conavi, the leader in mortgage banking in Colombia and one of the strongest in retail operations, significantly increased the Bank's participation and know-how in these specific markets. On the other hand, Corfinsura, then the largest financial corporation in Colombia and highly regarded for its expertise in handling large and mid-sized corporate credit loans and financial services, its investment bank and its modern and diversified treasury department, materially strengthened our multi-banking franchise.

In May 2007, Bancolombia Panamá acquired Banagrícola which controls several subsidiaries, including Banco Agrícola in El Salvador and is dedicated to banking, commercial and consumer activities, insurance, pension funds and brokerage. Through this first international acquisition, we gained a leadership position in the Salvadorian financial market. We are a *sociedad anónima*, domiciled in Medellín, Colombia and operate under Colombian laws and regulations, mainly the Colombian Code of Commerce and Decree 663 of 1993.

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

Strategy

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

Maintaining our Leading Position in the Colombian Financial Services Market

We intend to continue to capitalize on our strong brand name recognition and leading market position in Colombia to grow our business. We believe that the Colombian financial services market offers new and attractive growth

Table of Contents

potential. In particular, banking penetration, as measured by loans to gross domestic product, in Colombia is lower than in many of the countries in the region. We believe that this low penetration in combination with strong expected growth in the Colombian economy will support growth in the banking market, particularly in retail and mortgage loans. We intend to maintain our relationship with our corporate clients, while focusing additional resources on under-served segments, which include retail and small businesses through tailoring innovative banking products targeted at these clients.

Actively Pursuing Cross-Selling Opportunities

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

Focus on Improving Operating Efficiency

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

Increasing our Profitability by More Effectively Deploying our Assets

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

Recent Developments

First Quarter Results

On May 7, 2010, we announced our results for the three months ended March 31, 2010. Our consolidated net income for the three months ended March 31, 2010 totaled COP 341 billion, representing a 9.60% increase as compared to COP 311 billion for the three months ended March 31, 2009.

Net interest income for the three months ended March 31, 2010 totaled COP 770 billion, representing a 21.87% decrease as compared to the three months ended March 31, 2009. This variation is explained by a sharp decrease in interest from investment securities and also, although to a lesser extent, by lower interest income from loans and financial leases.

For the three months ended March 31, 2010, provisions for loan and interest losses, net of recoveries, amounted to COP 142 billion, representing a decrease of 58.08% as compared to COP 340 billion for the three months ended March 31, 2009. This decrease was mainly due to improved loan portfolio quality during the three months ended March 31, 2010.

Net fees and income from services amounted to COP 412 billion during the three months ended March 31, 2010, increasing 2.83% as compared to the three months ended March 31, 2009. The Bank's interests in IVL S.A. and Metrotel Redes S.A. were sold during the first quarter of 2010. As a result of those transactions, the Bank recorded non-recurring gains on sales of investment securities of COP 34 billion during the three months ended March 31, 2010.

Table of Contents

Operating expenses amounted to COP 731 billion during the three months ended March 31, 2010, representing an increase of 1.98% as compared to the three months ended March 31, 2009, when operating expenses amounted to COP 717 billion.

As of March 31, 2010, our net loans and financial leases totaled COP 39,494 billion, representing a decrease of 9.20% as compared to COP 43,493 billion as of March 31, 2009. As of March 31, 2010, our ratio of past due loans to total loans was 4.2% as compared to 4.0% for the three months ended March 31, 2009, and our ratio of allowances for loan and accrued interest losses to past due loans was 138.1% as compared to 128.5% for the three months ended March 31, 2009.

Investments in debt securities as of March 31, 2010 totaled COP 8,223 billion, representing an increase of 1.9% as compared to COP 8,073 billion as of March 31, 2009.

Fitch Upgraded Bancolombia's Rating

On June 21, 2010, Fitch Ratings upgraded Bancolombia's ratings as follows:

Long-Term Issuer Default Rating (IDR) to BBB- from BB+

Local Currency Long-Term IDR to BBB- from BB+

Foreign Currency Short-Term IDR to F3 from B

Local Currency Short-Term IDR to F3 from B

Individual Rating to C from C/D

Support Floor to BB from BB-

Subordinated debt to BB+ from BB

Fitch Ratings also affirmed its Support Rating of 3. Our Rating Outlook is Stable.

Settlement Agreement with the Gilinski Family

On June 21, 2010, the Bank announced that it entered into a settlement agreement with the Gilinski family, pursuant to which the parties have agreed to end all legal proceedings between the Bank and the Gilinski family relating to the acquisition by the former Banco Industrial Colombiano, now Bancolombia, of Banco de Colombia.

The settlement agreement represents an end to all civil and commercial actions among the parties and a voluntary dismissal of all civil claims relating to criminal proceedings.

Panamanian Branch

On June 21, 2010, our Board of Directors authorized the opening of a branch in Panama. Pursuant to this authorization, the Bank intends to apply to the relevant authorities in Colombia and Panama for a general banking license.

Bancolombia (Panama) S.A. Short Term Debt Program

In the first quarter of 2010, Bancolombia (Panama) S.A. established a \$200 million short term note program, pursuant to which it may issue short-term notes from time to time. During the second quarter of 2010, approximately \$106 million in short term notes were issued under this program.

Appointment of Bancolombia Director as Agriculture Minister

On July 8, 2010, Juan Manuel Santos Calderon, Colombia's President-elect, named Juan Camilo Restrepo Salazar, a member of our Board of Directors, as the Agriculture Minister for the incoming government.

Table of Contents

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

S-4

Table of Contents**The Offering**

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

Issuer	Bancolombia S.A.
Securities offered	US\$ million in aggregate principal amount of % subordinated notes due 2020.
Issue Price	% of the principal amount of the notes, plus accrued interest, if any from July , 2010.
Maturity	The notes will mature on , 2020.
Interest	% payable semi-annually on January and July of each year, beginning on January , 2011.
Form and Denomination	The notes will be issued in registered form, without coupons, and in minimum denominations of US\$2,000 and integral multiples of US\$1,000 in excess thereof.
Payment Currency	All amounts due in respect of principal, interest or the additional amounts, if any, will be paid in U.S. dollars.
Ranking	<p>The notes will be our unsecured subordinated obligations. In the event of our liquidation under Colombian law, the notes will rank:</p> <p style="padding-left: 40px;">junior in right of payment to the payment of all our Senior External Liabilities (as defined in <i>Description of the notes</i>) with or without legal preference, including, without limitation, senior indebtedness. As of March 31, 2010, we have COP 52,746 billion of Senior External Liabilities;</p> <p style="padding-left: 40px;"><i>pari passu</i> with all our other present or future Tier II subordinated indebtedness, including, without limitation, any subordinated bonds subscribed by the Fondo de Garantías de Instituciones Financieras. As of March 31, 2010, we have COP 1,222 billion of outstanding Tier II subordinated indebtedness, of which COP 48 billion has been issued by our subsidiary Sufinanciamiento S.A.; and</p>

Table of Contents

senior in right of payment only to our capital stock and to any other instruments that may qualify as Tier One Capital for purposes of Colombian banking laws other than subordinated bonds subscribed by the Fondo de Garantías de Instituciones Financieras.

Optional Redemption	None.
Merger and Sales of Assets	The indenture governing the notes will contain a covenant that limits our ability to merge or consolidate with another entity or sell, lease or transfer substantially all of our properties or assets to another entity. See Description of the notes Certain Covenants Mergers, Consolidations, Etc.
No Acceleration of Notes	If we fail to make payment of principal, interest or the additional amounts, if any, on the notes (and, in the case of payment of principal, such failure to pay continues for seven days or, in the case of payment of interest or additional amounts, such failure to pay continues for 30 days), each holder of the notes has the right to demand and collect under the indenture, and we will pay to the holders of the notes the applicable amount of such due and payable principal, accrued interest and any additional amounts on the notes; provided, however, that to the extent that the SFC has taken possession of us in order to administer or liquidate us, under the Colombian bankruptcy laws, the holders of the notes would not be able to commence independent collection proceedings to recover amounts owed. There is no right of acceleration in the case of a default in any payment on the notes (whether when due or otherwise) or the performance of any of our other obligations under the indenture or the notes. Notwithstanding the immediately preceding sentence, the holders of the notes shall have the right to accelerate the payments due under the notes during the occurrence of an Event of a Default (as defined herein), provided that there shall have been a change, amendment or modification to the Colombian banking laws that would permit such right without disqualifying the notes from Tier Two Capital status and the holders exercise such right in accordance with applicable Colombian banking law. Subject to the subordination provisions of the notes, if any Event of Default occurs and is continuing, the Trustee may pursue any available remedy (excluding acceleration, except as provided herein) to collect the payment of principal and interest on the notes

Table of Contents

or to enforce the performance of any provision under the indenture. See Colombian banking regulations Bankruptcy Considerations.

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

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

Trustee The Bank of New York Mellon.

Governing Law New York.

Risk Factors

See Risk factors beginning on page S-10 of this prospectus supplement for a discussion of certain factors you should consider carefully before deciding to invest in the notes.

Table of Contents**Summary Financial Data**

The following table presents our selected consolidated financial information and other data as of and for each of the periods indicated. The financial data as of and for the fiscal years ended December 31, 2007, 2008 and 2009 have been derived from the Bank's audited consolidated financial statements included in the Annual Report. The financial data as of and for the three month periods ended March 31, 2009 and 2010 have been derived from the Bank's unaudited interim financial statements. The unaudited financial information as of and for the three month periods ended March 31, 2009 and 2010 includes all adjustments, consisting of only normal recurring adjustments, which in the opinion of management are necessary for the fair presentation of such information. Interim results are not necessarily indicative of the results to be expected for the entire fiscal year.

The Bank's consolidated financial statements for each period were prepared in accordance with Colombian GAAP, which differs in certain important respects from U.S. GAAP. See Item 3. Key Information A. Selected Financial Data Differences between Colombian and U.S. GAAP Results in the Annual Report, which is incorporated by reference herein. The selected consolidated financial data should be read in conjunction with Item 5. Operating and Financial Review and Prospects in the Annual Report, which is incorporated by reference herein, and our consolidated financial statements, including the related notes thereto, included in the Annual Report.

	For the year ended				For the three month period ended		
	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2009	March 31, 2009	March 31, 2010	March 2010
	(in millions of COP and thousands of US\$)(1)						
CONSOLIDATED STATEMENT OF OPERATIONS:							
Interest income	COP 2,808,318	COP 3,560,402	COP 3,802,282	US\$ 1,860,007	COP 985,171	COP 769,675	US\$ 400,400
Interest expense							
Provisions	2,211,283	2,427,235	2,648,908	1,295,797	645,258	627,177	326,300
Operating income ⁽²⁾	1,449,994	1,751,322	1,640,712	802,606	422,010	460,580	239,600
Income before taxes	1,448,806	1,764,699	1,718,863	840,836	428,998	483,406	251,500
Income tax expense	COP 1,086,923	COP 1,290,643	COP 1,256,850	US\$ 614,828	COP 311,125	COP 340,984	US\$ 177,400
OTHER DATA⁽³⁾							
Profitability							
Ratios:							
Interest margin ⁽⁴⁾	7.60%	7.70%	7.22%	7.22%	2.01%	1.48%	1.48%
Return on average assets ⁽⁵⁾	2.52	2.34	2.01	2.01	0.54	0.55	0.55
Return on average equity ⁽⁶⁾	26.13	23.68	19.59	19.59	5.47	5.18	5.18
Efficiency ratio:							
Operating expenses as a percentage of operating income (including salaries, fees, commissions and other expenses)	52.60%	47.79%	50.89%	50.89%	48.47%	54.79%	54.79%
Capital ratios:							
Capital adequacy ratio	9.97	9.90	11.37	11.37	9.36	11.19	11.19

ended							
holders equity							
percentage of							
end total							
s							
end							
ical capital as							
centage of							
end							
weighted							
(7)	12.67	11.24	13.23	13.23	12.73	13.62	13
it quality							
performing							
as a							
centage of total							
(8),(11)	1.77%	2.35%	2.44%	2.44%	2.35%	2.51%	2
D and E loans as							
centage of							
loans(10),(11)	3.10	4.40	5.11	5.11	4.18	5.25	5
vance for loan							
ccrued interest							
s as a							
centage of							
performing							
(11)	223.67	224.53	241.08	241.08	223.58	237.60	237
vance for loan							
ccrued interest							
s as a							
centage of C, D							
E loans(9),(11)	127.38	120.21	115.25	115.25	125.74	113.47	113
vance for loan							
ccrued interest							
s as a							
centage of total							
(11)	3.95	5.29	5.89	5.89	5.26	5.96	5
ating Data:							
ber of							
hes(9)	719	717	713	713	714	719	7

(1) Amounts stated in U.S. dollars have been converted at the rate of COP 2,044.23 per US\$1.00, which is the representative market rate calculated on December 31, 2009, the last

business day of the year, or at the rate of COP 1,921.88 per US\$1.00, which is the representative market rate calculated on March 31, 2010, the last business day of the quarter, as applicable, both as reported by the SFC. Such conversions should not be construed as representations that the peso amounts represent, or have been or could be converted into, United States dollars at that or any other rate.

- (2) *In 2008, the SFC issued External Circulars 025, 030, 044 and 063 (the 2008 External Circulars) establishing new guidelines to be followed by entities under its supervision for the valuation of derivatives and structured products. In accordance with the 2008 External Circulars, the Bank modified the methodology by which it values its portfolio of derivative and structured products. As a result, in 2009 the*

Bank recorded a loss due to reduction in the carrying value of derivatives in the amount of COP 122,765 million. As of March 2009, the Bank recorded a loss due to reduction in the carrying value of derivatives in the amount of COP 61,229 million.

- (3) Ratios were calculated on the basis of monthly averages.*
- (4) Net interest income divided by average interest-earning assets.*
- (5) Net income divided by average total assets.*
- (6) Net income divided by average shareholders equity.*
- (7) For an explanation of risk-weighted assets and Technical Capital, see Item 4.
Information on the Company B. Business Overview B.5. Supervision and Regulation-Capital Adequacy Requirements in the Annual Report, which is incorporated by*

reference herein.

- (8) *Non performing loans are micro-credit loans that are past due 30 days or more, mortgage and consumer loans that are past due 60 days or more and commercial loans that are past due 90 days or more. (Each category includes financial leases.)*

S-8

Table of Contents

- (9) *Number of branches does not include branches of the Bank's subsidiaries.*
- (10) *See Item 4. Information on the Company E. Selected Statistical Information E.3. Loan Portfolio-Risk Categories in the Annual Report, which is incorporated by reference herein, for a description of C, D and E Loans.*
- (11) *In October 23, 2003, the Superintendency of Banking (now the SFC), through its External Circular 040 of 2003, modified the treatment of financial leases. Starting January 1, 2004, instead of recording financial leases as property, plant and equipment, companies must account for them in their loan portfolio.*

	As of the year ended			As of the three month period ended			
	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2009	March 31, 2009	March 31, 2010	March 31, 2010
(in millions of COP and thousands of US\$)(1)							
CONSOLIDATED BALANCE SHEET							
and financial							
net ⁽²⁾	COP 36,245,473	COP 42,508,210	COP 39,610,307	US\$19,376,639	COP 43,492,984	COP 39,493,643	US\$20,5
ent							
s, net ⁽³⁾	5,774,251	7,278,276	8,914,913	4,361,013	8,268,653	8,608,550	4,4
sets	10,131,925	11,996,593	13,339,145	6,525,266	13,182,624	12,668,389	6,5
sets	52,151,649	61,783,079	61,864,365	30,262,918	64,944,261	60,770,582	31,6
LIABILITIES AND EQUITY							
LIABILITIES							
Y							
s	COP 34,374,150	COP 40,384,400	COP 42,149,330	US\$20,618,683	COP 43,515,189	COP 40,113,266	US\$20,8
erest bearing	5,804,724	5,723,460	6,307,780	3,085,651	5,071,172	5,570,111	2,8
bearing	28,569,426	34,660,940	35,841,550	17,533,032	38,444,017	34,543,155	17,9
abilities	12,578,229	15,281,834	12,682,206	6,203,903	15,350,824	13,855,066	7,2
abilities	46,952,379	55,666,234	54,831,536	26,822,586	58,866,013	53,968,332	28,0
lders equity	5,199,270	6,116,845	7,032,829	3,440,332	6,078,248	6,802,250	3,5
abilities and							
lders equity	52,151,649	61,783,079	61,864,365	30,262,918	64,944,261	60,770,582	31,6

(1) Amounts stated in U.S. dollars have been converted at the rate of COP 2,044.23 per US\$1.00, which is the representative market rate calculated on December 31, 2009, the last business day of the year, or at the rate of COP 1,921.88 per US\$1.00, which is the representative market rate calculated on March 31, 2010, the last business day of the quarter, as

applicable, both as reported by the SFC. Such conversions should not be construed as representations that the peso amounts represent, or have been or could be converted into, United States dollars at that or any other rate.

(2) Includes Financial Leases for COP 4,699 billion, COP 5,507 billion, COP 5,470 billion, COP 5,671 billion and COP 5,427 billion as of December 31 2007, 2008, 2009, March 2009, March 2010, respectively.

(3) In 2009, the SFC issued External Circular 047. This new regulation provided that, in cases where the Bank has a positive residual interest, the Bank, as beneficiary of the interest, may

record it as an investment security recognized in income, subject to the conditions defined for this purpose in the rules and regulations of External Circular 047. The recorded value must be updated on the closing date of the fiscal period in question. As a result, the Bank recognized retained interest as held to maturity in the amount of COP 57,358 million and COP 59,512 million as of December 31, 2009 and March 31, 2010, respectively. The impact in results as of March 31, 2010 was COP 2,154 million.

Summary Financial Information (U.S. GAAP)

	For the year ended			
	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2009
	(in millions of COP and thousands of US\$)(1)			
CONSOLIDATED INCOME STATEMENT DATA				
Net income	COP1,015,644	COP849,920	COP1,172,524	US \$573,577

(1) Amounts stated in U.S. dollars

have been converted at the rate of COP 2,044.23 per US\$1.00, which is the representative market rate calculated on December 31, 2009, the last business day of the year, or at the rate of COP 1,921.88 per US\$1.00, which is the representative market rate calculated on March 31, 2010, the last business day of the quarter, as applicable, both as reported by the SFC. Such translations should not be construed as representations that the pesos amounts represent, or have been or could be converted into, United States dollars at that or any other rate.

S-9

Table of Contents

Risk Factors

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

RISK FACTORS RELATING TO COLOMBIA AND OTHER COUNTRIES WHERE THE BANK OPERATES

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

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

In particular, the governments of Colombia and El Salvador have historically exercised substantial influence on each other's economies, and their policies are likely to continue to have an important effect on Colombian and Salvadorian entities (including the Bank), market conditions, prices and rates of return on securities of local issuers (including our securities). On June 1, 2009, Carlos Mauricio Funes Cartagena, a member of the FMLN party, took office as President of El Salvador after 20 years of rule by the ARENA party and, accordingly, significant changes in Salvadorian laws, public policies and regulations may occur. On June 20, 2010, Juan Manuel Santos Calderon was elected president of Colombia. The uncertainties characteristic of a change in government, including potential changes in laws, public policies and regulations, could cause instability and volatility in Colombia and El Salvador, which could have a negative effect on us.

Future developments in government policies could impair our business or financial condition or the market value of our securities, including the notes.

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

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

The recent global economic downturn, which began in the U.S. financial sector and then spread to different economic sectors and countries around the world, has had, and is expected to continue to have, adverse effects on the economies of the countries where the Bank operates. Colombia and El Salvador, for instance, have experienced decreases in economic growth that have resulted in higher past due loans and loan loss provisions for the Bank, as well as in lower demand for its products.

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. Recent

Table of Contents

political tensions between Colombia and Venezuela have produced lower trade levels that have adversely impacted economic activity. Further trade restrictions by Venezuela may deepen these adverse effects, while increasing tensions may cause political and economic uncertainty, instability, market volatility, lower confidence levels and higher risk aversion by investors and market participants that may negatively affect economic activity.

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

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

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

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

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

RISK FACTORS RELATING TO THE BANK'S BUSINESS AND THE BANKING INDUSTRY

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

Changes in banking laws and regulations, or in their official interpretation, in Colombia and in other jurisdictions where we operate, may have a material effect on our business and operations. Since banking laws and regulations change frequently, they could be adopted, enforced or interpreted in a manner that may have an adverse effect on our business.

Our continuous assessment of our capital position aims at ensuring that the Bank and its financial subsidiaries maintain sufficient capital consistent with their risk profile, all applicable regulatory standards and guidelines as well as external rating agency conditions. There can be no assurance, however, that future regulations will not change or require us or our subsidiaries to comply with requirements to hold additional capital. Regulators around the world have not reached consensus as to the appropriate level of capitalization for financial services institutions. Regulators in the jurisdictions where we operate may alter the current Technical Capital requirements to which we are subject.

Table of Contents

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

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

Although the Colombian government is currently undertaking a review of regulations relating to accounting, audit, and information disclosure, with the intention of seeking convergence with international standards, current regulations continue to differ in certain respects from those in other countries.

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

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

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

Moreover, banking and financial services laws and regulations are subject to continuing review and changes, and any such changes in the future may have an adverse impact on the Bank's financial position and operations, including making and collecting loans and other extensions of credit.

The Bank faces uncertainty regarding new consumer protection laws.

Law 1328 of 2009, also referred to as the financial reform law, creates a new customer protection regime with respect to financial institutions. The financial reform law provides a bill of rights for consumers of financial services, including the right to receive clear, complete and reliable information about the services and products offered by financial institutions. The financial reform law also contains specific new obligations for financial institutions, including a duty to maintain a financial ombudsman in charge of consumer protection; a duty to create a customer service center pursuant to terms set by the SFC; an obligation to provide services and products under the same conditions offered to the general public; and a prohibition on the inclusion of predatory or abusive clauses in contracts with consumers. Because the financial reform law has only recently been enacted, there is limited guidance on how it will be interpreted. Any violation of the financial reform law by us could result in monetary or administrative sanctions or restrictions on our operations.

Table of Contents

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

Under the Colombian Constitution, individuals may initiate constitutional collective or class actions to protect their collective or class rights, respectively. In recent years, Colombian financial institutions, including the Bank, have experienced a substantial increase in the aggregate number of these actions. The great majority of such actions are related to banking fees, financial services and interest rates, and their outcome is uncertain. Although during 2009 the aggregate number of such actions brought against the Bank remained stable as compared to 2008 and 2007, the number of such actions might increase in the future and could significantly affect the Bank's business and results of operations.

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

The Colombian Commerce Code limits the amount of interest that may be charged in commercial transactions. In the future, regulations in the jurisdictions where the Bank operates could impose limitations regarding interest rates or fees. Any such limitations could materially and adversely affect the Bank's results of operations and financial position. In particular, there has been an ongoing dispute in Colombia among merchants, payment services and banks regarding interchange fees. Specifically, in 2004, the Superintendency of Industry and Commerce initiated an investigation against Credibanco and Redeban, entities that participate in Colombia's payment services system, for an alleged illegal anticompetitive agreement based on the way in which interchange fees were determined at that time.

The Superintendency of Industry and Commerce fined Redeban, Credibanco and other banks after determining that they had breached certain obligations regarding interchange fees. The decision was confirmed in September 2009.

As a consequence of the dispute described above, interchange fees in Colombia have been declining in recent years, while further pressures may lead to additional decreases, which in turn could impact the Bank's financial results.

The Bank is subject to credit risk.

A number of our products expose the Bank to credit risk, including loans, financial leases, lending commitments and derivatives contracts. Changes in the income levels of the Bank's borrowers, increases in the inflation rate or an increase in interest rates could have a negative effect on the quality of the Bank's loan portfolio, causing the Bank to increase provisions for loan losses and resulting in reduced profits or in losses.

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

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

In addition, the amount of the Bank's non-performing loans may increase in the future, including loan portfolios that the Bank may acquire through auctions or otherwise, as a result of factors beyond the Bank's control, such as the

Table of Contents

impact of macroeconomic trends, social and political events affecting Colombia or other jurisdictions where the Bank operates, or events affecting specific industries to which the Bank is exposed.

The Bank is subject to liquidity risk.

A significant amount of our funding comes from at-sight and term deposits. Our lending activities, on the other hand, often involve loans with maturities of up to fifteen years. Our ability to continue funding long-term credit operations depends largely on our capacity to maintain the level of our deposits. Any significant decrease in the amounts of such deposits could affect the Bank's liquidity and our ability to grant loans in Colombian pesos.

The Colombian Central Bank may impose requirements on the ability of Colombian residents (including the Bank) to obtain loans in foreign currency.

Under Colombian exchange control operations, the Colombian Central Bank is allowed to require a mandatory deposit in connection with loans denominated in a foreign currency obtained by Colombian residents, including the Bank. Most recently, when the Colombian Peso appreciated against foreign currencies in 2008, such mandatory deposit was set at 40% of the amounts to be disbursed under any credit facility denominated in a foreign currency. We cannot predict or control future actions by the Colombian Central Bank, which may involve the establishment of a different mandatory deposit percentage. In the event, the Colombian Central Bank exercises this right, there may be a disincentive for us and our clients to obtain loans in foreign currency.

Insolvency laws in Colombia may limit the ability of the Bank to collect monetary obligations and enforce rights against collateral or under guarantees.

Colombian insolvency laws provide that creditors of a debtor in default are prohibited from initiating collection proceedings outside the bankruptcy or reorganization process of the debtor. In addition, all collection proceedings outstanding at the beginning of the bankruptcy must be suspended and creditors are prevented from enforcing their rights against the collateral of the debtor.

The Colombian Congress recently enacted Law 1380 of 2010, which provides insolvency protection to individuals that are not merchants. The law enables an individual to submit monetary obligations, other than those related to alimony, to extrajudicial conciliation hearings with the individual's creditors. The collection of interest on the debt subject to the proceedings is suspended for a period of 60 days or more. After hearings have been initiated, it is not possible for any creditor, including the Bank, to initiate or continue enforcement actions or collect collateral from the debtor. A perception that loans to individuals may be difficult or impossible to recover may cause the Bank to enhance credit requirements and result in decreased lending to individuals due to increased costs. In addition, increased difficulties in enforcing debt and other monetary obligations due to this new insolvency law could have an adverse impact on our results of operations and financial condition.

The recent economic downturn has adversely affected, and may continue to adversely affect, the Bank's asset quality levels, which in turn have produced higher provision charges.

Recent lower economic activity has affected, and may continue to affect, consumer confidence levels, consumer spending, bankruptcy rates, and levels of incurrence and default on consumer and commercial debt, among other factors, in the markets where the Bank operates. Any of these factors, along with persistently high levels of unemployment, may result in a greater likelihood of delinquencies and past due loans, which in turn, could result in a higher level of loan losses and allowances for credit losses, all of which could adversely affect our earnings and ability to service the notes.

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

Non-traditional sources of credit risk can arise from, among other things: investing in securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to the Bank, and executing securities, futures, currency or commodity trades from the Bank's proprietary trading desk that fail to

Table of Contents

settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Any significant increases in exposure to any of these non-traditional risks, or a significant decline in credit risk or bankruptcy of any of the counterparties, could materially and adversely affect the Bank's results of operations and financial position.

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

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

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

The aggregate outstanding principal amount of the Bank's 25 largest borrowing relationships represented approximately 12% of its total consolidated loan portfolio as of December 31, 2009. Problems with one or more of the Bank's largest borrowers could materially and adversely affect its results of operations and financial position. For more information, see Item 4. Information on the Company E. Selected Statistical Information E.3. Loan Portfolio Borrowing Relationships in the Annual Report.

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

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

The Bank is subject to market risk.

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

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

The Bank holds a substantial portfolio of loans and debt securities that have both fixed and floating interest rates. Therefore, changes in interest rates could adversely affect our net interest margins as well as the prices of these securities. Increases in interest rates may reduce gains or the market value of the Bank's debt securities. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets. On the other hand, decreases in interest rates may cause margin compression and lower net interest income as the Bank usually maintains more assets than

Table of Contents

liabilities at variable rates. Decreasing interest rates also may trigger loan prepayments, which could negatively affect the Bank's net interest income and return on assets. Generally, in a declining interest rate environment, prepayment activity increases, which reduces the weighted average maturity of the Bank's interest earning assets, and adversely affects its operating results. Prepayment risk also has a significant adverse impact on credit card and collateralized mortgage obligations, since prepayments could shorten the weighted average life of these portfolios, which may result in a mismatch in funding or in reinvestment at lower yields. In addition, the Bank may incur costs as it implements strategies to reduce future interest rate exposure, which, in turn, may impact the Bank's results of operations and financial condition.

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

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

The Bank's results could be negatively impacted by the depreciation of sovereign debt securities.

The Bank's debt securities portfolio is primarily composed of sovereign debt securities, including securities issued or guaranteed by the Colombian government. Therefore, the Bank's results are exposed to credit, market and liquidity risk associated with sovereign debt. As of December 31, 2009, the Bank's total debt securities represented 13.6% of its total assets, and 40% of these securities were issued or backed by the Colombian government. A significant decline in the value of the securities issued or guaranteed by the Colombian government could adversely affect the Bank's debt securities portfolio and, consequently, the Bank's results of operations and financial position.

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

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

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

The Bank is subject to operational risks.

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

Table of Contents

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

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

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

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

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

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

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

An element of the Bank's business strategy is to identify and pursue growth-enhancing strategic opportunities. As part of that strategy, the Bank acquired interests in various institutions during recent years. For example, in 2007, the Bank acquired 98.9% of all the issued and outstanding shares of Banagrícola. The Bank will continue to actively consider other strategic acquisitions and partnerships from time to time. The Bank must necessarily base any assessment of potential acquisitions and partnerships on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. The Banagrícola acquisition and future acquisitions, investments and alliances may not produce anticipated financial results, synergies or perform in accordance with the Bank's expectations and could adversely affect its operations and profitability. In addition, new demands on the

Table of Contents

Bank's existing organization and personnel resulting from the integration of new acquisitions could disrupt the Bank's operations and adversely affect its operations and profitability.

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

The Bank's principal source of funds are short-term deposits, which together represented 73.2%, 72.5% and 76.9% of total liabilities at the end of 2007, 2008 and 2009, respectively. Because the Bank relies primarily on short-term deposits for its funding, in the event of a sudden or unexpected shortage of funds in the banking systems and money markets where the Bank operates, the Bank may not be able to maintain its current level of funding without incurring higher costs by borrowing funds at higher interest rates or selling certain assets at prices below their prevailing market value.

The Bank is subject to reputational risk.

Damage to our reputation may limit our ability to attract customers, employees and investors. Harm to our reputation can arise from employee misconduct, legal and regulatory requirements, ethical issues, money laundering, and failing to deliver minimum standards of service and quality, among others. Failure to adequately address these issues may affect our business and prospects.

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

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

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

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

RISKS RELATING TO THE NOTES

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

The insolvency laws of Colombia, particularly as they relate to the priority of creditors (secured or unsecured), the ability to obtain post-petition interest and the duration of insolvency proceedings, may be less favorable to your interests than the bankruptcy laws of the United States. Your ability to recover payments due on the notes may be

Table of Contents

more limited than would be the case under U.S. bankruptcy law. The following is a brief description of certain aspects of insolvency laws in Colombia.

Your ability to enforce your rights under the notes may be limited if we become subject to the proceedings principally set forth in Decree 663 of 1993 and Decree 2211 of 2004, as amended from time to time, which proceedings establish the events under which the SFC may initiate a Taking of Possession (*toma de posesión*) proceeding either to administer the Bank or to liquidate it.

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

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

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

A takeover by the SFC may have one of two different purposes: (i) to manage the financial institution, in which case the financial institution will be allowed to continue its activities subject to the administration of the authorities; or (ii) to liquidate the financial institution. The SFC must decide if it will either manage or liquidate the financial institution within two months following the takeover in the event of a bankruptcy, liquidation or similar proceeding. In view of the broad discretionary powers of the SFC it is impossible to predict how long payments under the notes could be delayed and whether or to what extent you would be compensated for any delay if any of the actions described above were to be taken with respect to us.

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

The holders will have no right to accelerate any payment due under the notes during an Event of Default unless there has been a change, amendment or modification to the Colombian banking laws that would allow such right without disqualifying the notes from Tier Two Capital status. If any Event of Default occurs and is continuing, the Trustee may only pursue other available remedies, if any, excluding acceleration, to collect the payment of principal and interest on the notes or to enforce the performance of any provision under the indenture.

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

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

Colombia is generally considered by investors to be an emerging market country, and securities of Colombian issuers have been, to varying degrees, influenced by economic and market conditions in other emerging market

Table of Contents

countries. Although economic conditions are different in each country, investors' reactions to developments in one country may materially affect the prices of securities of issuers in other countries, including Colombia. We cannot assure you that events elsewhere that are unrelated to our financial performance, especially in other emerging market countries, will not adversely affect any market for the notes that may develop.

The Bank cannot assure you that an active trading market will develop for the notes.

Prior to this offering, there was no market for the notes. Although we have applied to list the notes on the NYSE, there is no guarantee that we will be able to list the notes. Even if your note is listed, there may be a limited or no secondary market for your note. Even if a secondary market for your note develops, it may not provide significant liquidity and we expect transaction costs would be high.

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

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

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

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

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

Table of Contents

Use of Proceeds

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

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

S-21

Table of Contents**Capitalization**

The following table sets forth our consolidated Technical Capital (defined herein) as of March 31, 2010, and as adjusted to give effect to issuance of the US\$ of notes offered hereby as if it had occurred on March 31, 2010.

	As of March 31, 2010 ⁽¹⁾		As Adjusted for this Offering	
	Actual		As Adjusted for this Offering	
	(in millions of COP and thousands of US\$)			
	COP	US\$	COP	\$
Subscribed capital	393,914	204,963		
Legal reserve and other reserves	5,467,382	2,844,809		
Unappropriated retained earnings	66,756	34,735		
Net Income	140,349	73,027		
Subordinated bonds subscribed by Fogafin	2,450	1,275		
<i>Less:</i>				
Long-term investments	(100,715)	(52,404)		
Non-monetary inflation adjustment	(92,400)	(48,078)		
Primary capital (Tier I)	5,877,736	3,058,327		
Provisions for loans	37,754	19,644		
Subordinated bonds ⁽²⁾	1,219,452	634,510		
Others	246,682	128,355		
Computed secondary capital (Tier II)	1,503,888	782,509		
Technical capital	7,381,624	3,840,836		
Risk-weighted assets included market risk	54,207,462	28,205,435		
Technical capital to risk-weighted assets⁽³⁾⁽⁴⁾	13.62%	13.62%	%	%

(1) Amounts stated in U.S. dollars have been converted, solely for the convenience of the reader, at the rate of COP 1,921.88 per US\$1.00, which is the representative market rate calculated on March 31, 2010, the last business day of the quarter, as reported by the

SFC. Such conversions should not be construed as representations that the peso amounts represent, or have been or could be converted into, United States dollars at that or any other rate.

- (2) *Subordinated bonds includes COP 1,171,752 million issued by the Bank and COP 47,700 million issued by Sufinanciamiento S.A., a subsidiary of the Bank.*
- (3) *Capital adequacy requirements for Colombian financial institutions (as set forth in Decree 1720 of 2001, as amended) are based on the standards of the Basel Committee.*
- (4) *Colombian regulations require that a credit institution's Technical Capital be at least 9% of that institution's total risk-weighted assets.*

Table of Contents**Selected Financial Data**

The following table presents our selected consolidated financial information and other data as of and for each of the periods indicated. The financial data as of and for the fiscal years ended December 31, 2009 and 2008 and for each of the three fiscal years in the period ended December 31, 2009 set forth below has been derived from the Bank's audited consolidated financial statements included in the Annual Report. The selected consolidated financial data as of December 31, 2007, 2006 and 2005, and for the fiscal years ended December 31, 2006 and 2005 set forth below have been derived from the Bank's audited consolidated financial statements for the respective periods, which are not included or incorporated by reference in this prospectus supplement.

The Bank's consolidated financial statements for each period were prepared in accordance with Colombian GAAP, which differs in certain material respects from U.S. GAAP. See Item 3. Key Information A. Selected Financial Data Differences between Colombian and U.S. GAAP Results in the Annual Report. The selected consolidated financial data should be read in conjunction with Item 5. Operating and Financial Review and Prospects, and our consolidated financial statements, including the related notes thereto, included in the Annual Report.

CONSOLIDATED STATEMENT OF OPERATIONS:

	As of and for the year ended December 31,					
	2009(1)	2009	2008	2007⁽¹⁰⁾⁽¹¹⁾	2006	2005⁽⁹⁾
	<i>(in millions of COP and thousands of US\$⁽¹⁾, except per share and per American Depositary Share (ADS) amounts)</i>					
Colombian GAAP:						
Interest income	US\$ 3,144,313	COP 6,427,698	COP 6,313,743	COP 4,810,408	COP 3,013,732	COP 3,200,084
Interest expense	(1,284,306)	(2,625,416)	(2,753,341)	(2,002,090)	(1,246,229)	(1,150,274)
Net interest income	1,860,007	3,802,282	3,560,402	2,808,318	1,767,503	2,049,810
Provisions for loans and accrued interest losses, net of recoveries ⁽²⁾	(539,859)	(1,103,595)	(1,155,262)	(617,868)	(195,361)	(123,575)
Provision for foreclosed assets and other assets, net of recoveries ⁽³⁾	(24,351)	(49,779)	22,095	20,833	45,179	(7,465)
Net interest income after provisions	1,295,797	2,648,908	2,427,235	2,211,283	1,617,321	1,918,770
Fees and income from services and other operating	923,061	1,886,949	1,964,084	1,510,129	1,139,094	962,277

income, net ⁽⁴⁾												
Operating expenses	(1,416,252)		(2,895,145)		(2,639,997)		(2,271,418)		(1,871,000)		(1,654,805)	
Net operating income	802,606		1,640,712		1,751,322		1,449,994		885,415		1,226,242	
Net non-operating income excluding minority interest	45,607		93,232		31,888		12,058		45,346		4,650	
Minority interest (loss)	(7,377)		(15,081)		(18,511)		(13,246)		(6,352)		(6,496)	
Income before income taxes	840,836		1,718,863		1,764,699		1,448,806		924,409		1,224,396	
Income taxes	(226,008)		(462,013)		(474,056)		(361,883)		(174,880)		(277,515)	
Net income	US\$ 614,828	COP	1,256,850	COP	1,290,643	COP	1,086,923	COP	749,529	COP	946,881	
Weighted average of Preferred and Common Shares outstanding ⁽⁵⁾			787,827,003		787,827,003		758,313,771		727,827,005		652,882,756	
Basic and Diluted net income per share ⁽⁵⁾	0.78		1,595		1,638		1,433		1,030		1,450	
Basic and Diluted net income per ADS ⁽¹²⁾	3.12		6,380		6,552		5,732		4,119		5,800	
Cash dividends declared per share ⁽⁶⁾			637		624		568		532		508	
Cash dividends declared per share ⁽⁶⁾ (stated in U.S. Dollars)			0.31		0.28		0.28		0.24		0.22	
Cash dividends declared per ADS ⁽⁶⁾			2,547		2,496		2,272		2,128		2,032	
			1.25		1.11		1.13		0.95		0.88	

Cash
dividends
declared per
ADS (stated in
U.S. Dollars)
(6)

**U.S.
GAAP:**(7)

Net income	US\$	573,577	COP	1,172,524	COP	849,920	COP	1,015,644	COP	941,183	COP	891,121
Basic and Diluted net income per common share (8)		0.73		1,488		1,326		1,683		1,619		1,715
Basic and Diluted net income per ADS (8) (12)		2.92		5,952		5,304		6,732		6,476		6,860

(1) Amounts stated
in U.S dollars
have been
converted at the
rate of COP
2,044.23 per US
\$1.00, which is
the
Representative
Market Rate
calculated on
December 31,
2009 (the last
business day of
2009), as
reported and
certified by the
SFC. Such
conversions
should not be
construed as
representations
that the peso
amounts
represent, or
have been or
could be
converted into,
United States
dollars at that
or any other
rate.

- (2) *Represents the provision for loan, accrued interest losses and other receivables, net and recovery of charged-off loans. Includes a provision for accrued interest losses amounting to COP 12,379 million, COP 14,825 million, COP 35,543 million, COP 58,721 million and COP 46,840 million for the years ended December 31, 2005, 2006, 2007, 2008 and 2009, respectively.*
- (3) *Represents the provision for foreclosed assets and other assets and the recovery of provisions for foreclosed assets and other assets.*
- (4) *Represents the total fees and income from services, net and total other operating income.*

(5) *The weighted average of preferred and common shares outstanding for fiscal year 2005 include 198,261,641 preferred shares and 454,621,115 common shares. For fiscal year 2006, it included 218,122,421 preferred shares and 509,704,584 common shares. For fiscal year 2007, it included 253,300,502 preferred shares and 509,704,584 common shares. For fiscal years 2008 and 2009, it included 278,122,419 preferred shares and 509,704,584 common shares.*

S-23

Table of Contents

- (6) *This data is presented on an annualized basis.*
- (7) *See Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP to our Financial Statements included in the Annual Report.*
- (8) *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 (198,261,641 preferred shares and 454,621,115 common shares for 2005; and 509,704,584 common shares for 2006, 2007,*

2008 and 2009).
See Note 31.
*Differences
Between
Colombian
Accounting
Principles for
Banks and U.S.
GAAP to our
Financial
Statements
included in the
Annual Report.*

- (9) *The consolidated statement of operations for the year ended December 31, 2005 includes Conavi and Corfinsura s results since the beginning of the year. For U.S. GAAP purposes, see Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP m) Business combinations to our Financial Statements included in the Annual Report.*

- (10) *The consolidated statement of operations for the year ended December 31, 2007 includes Banagrícola s results since the beginning of the year. For U.S.*

*GAAP purposes,
see Note 31.
Differences
Between
Colombian
Accounting
Principles for
Banks and U.S.
GAAP m)
Business
combinations
to our Financial
Statements
included in the
Annual Report.*

*(11) The consolidated
statement of
operations for
the year ended
on
December 2007
was modified
due to
reclassifications
made
particularly in
commissions
from banking
services and
other services,
administrative
and other
expenses and
other income,
with the purpose
of better
presenting
comparative
information
regarding the
gains on the sale
of mortgage
loans. The
selected
financial data
for year 2006
has not been
reclassified to
the 2008
presentation*

because the amounts are insignificant and do not have a material impact on the consolidated statement of operations for each of the respective years.

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

CONSOLIDATED BALANCE SHEET

As of and for the year ended December 31,

2009⁽¹⁾

2009

2008

2007⁽⁴⁾

2006

2005⁽³⁾

Edgar Filing: BANCOLOMBIA SA - Form 424B2

(in millions of COP and thousands of US\$(¹), except per share and per American Depositary Share (ADS) amounts)

**Colombian
GAAP:**

Assets:												
Cash and due from banks	US\$	2,437,871	COP	4,983,569	COP	3,870,927	COP	3,618,619	COP	1,548,752	COP	1,241,435
Overnight funds		1,168,552		2,388,790		1,748,648		1,609,768		457,614		488,587
Investment securities, net		4,361,013		8,914,913		7,278,276		5,774,251		5,677,761		8,459,703
Loans and financial leases, net		19,376,639		39,610,307		42,508,210		36,245,473		23,811,391		17,920,370
Accrued interest receivable on loans, net		165,639		338,605		505,658		398,560		255,290		198,266
Customers acceptances and derivatives		100,462		205,367		272,458		196,001		166,395		133,420
Accounts receivable, net		394,713		806,885		828,817		716,106		562,598		590,313
Premises and equipment, net		485,288		992,041		1,171,117		855,818		712,722		623,729
Operating leases, net		412,407		843,054		726,262		488,333		167,307		143,974
Foreclosed assets, net		39,461		80,668		24,653		32,294		18,611		31,360
Prepaid expenses and deferred charges		90,895		185,811		132,881		137,901		46,462		26,898
Goodwill		418,605		855,724		1,008,639		977,095		40,164		50,959
Other assets		451,156		922,265		1,093,850		580,642		675,265		563,588
Reappraisal of assets		360,217		736,366		612,683		520,788		348,364		330,915
Total assets	US\$	30,262,918	COP	61,864,365	COP	61,783,079	COP	52,151,649	COP	34,488,696	COP	30,803,517

**Liabilities
and
stockholders
equity:**

Deposits	US\$	20,618,683	COP	42,149,330	COP	40,384,400	COP	34,374,150	COP	23,216,467	COP	18,384,982
Borrowings ⁽⁵⁾		1,975,878		4,039,150		5,947,925		4,851,246		3,516,426		3,927,551

Other liabilities	4,228,025	8,643,056	9,333,909	7,726,983	4,109,191	5,113,694
Stockholders equity	3,440,332	7,032,829	6,116,845	5,199,270	3,646,612	3,377,290
Total liabilities and stockholders equity	US\$ 30,262,918	COP 61,864,365	COP 61,783,079	COP 52,151,649	COP 34,488,696	COP 30,803,517

U.S. GAAP:

(2)

Stockholders equity	US\$ 3,470,875	COP 7,095,266	COP 6,422,815	COP 5,937,554	COP 4,549,018	COP 4,125,996
Stockholders equity per share ⁽⁶⁾	4.41	9,006	8,153	7,830	6,250	6,320
Stockholders equity per ADS ⁽⁶⁾	17.64	36,024	32,612	31,320	25,001	25,280

(1) Amounts stated in U.S. dollars have been converted at the rate of COP 2,044.23 per US\$ 1.00, which is the Representative Market Rate calculated on December 31, 2009 (the last business day of 2009) as reported and certified by the SFC. Such conversions should not be construed as representations that the peso amounts represent, or have been or could be converted into,

United States dollars at that or any other rate.

(2) *Refer to Note 31. Differences between Colombian Accounting Principles for Banks and U.S. GAAP to our Financial Statements included in the Annual Report for the reconciliation to U.S. GAAP.*

(3) *The consolidated balance sheet for the year ended December 31, 2005 includes Conavi and Corfinsura s results. For U.S. GAAP purposes, see Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP m) Business combinations to our Financial Statements included in the Annual Report.*

Table of Contents

- (4) *The consolidated statement of operations for the year ended December 31, 2007 includes Banagrícola s results. For U.S. GAAP purposes, see Note 31. Differences Between Colombian Accounting Principles for Banks and U.S. GAAP m) Business combinations to our Financial Statement included in the Annual Report.*
- (5) *Includes interbank borrowing, domestic development banks borrowings and others, including borrowings outstanding under the Facility Agreement, dated as of November 30, 2007, between Bancolombia (Panamá) S.A. and Wachovia Bank, National Association. As of July 12, 2010, approximately*

US\$25 million of short-term borrowings were outstanding under this facility.

Bancolombia (Panamá) S.A. has pledged 49% of the issued and outstanding capital stock of Banagrícola as collateral for repayment of amounts owed under the Facility Agreement.

- (6) *The weighted average (rounded to the nearest million) of preferred and common shares outstanding was 653 million for the fiscal year ended December 31, 2005, 728 million for the fiscal year ended December 31, 2006, 758 million for the fiscal year ended December 31, 2007, and 788 million for the fiscal years ended December 31, 2008 and 2009. Stockholders equity per share*

*is equal to
Stockholders
equity under
U.S. GAAP
divided by the
weighted
average of
preferred and
common shares
outstanding.*

*Stockholders
equity per ADS
is equal to
stockholders
equity per share
multiplied by
four preferred
shares of the
Bank (each ADS
is equivalent to
four preferred
shares of the
Bank).*

*Stockholders
equity per ADS
should not be
considered in
isolation, or as
a substitute for
net income, as a
measure of
operating
performance or
as a substitute
for cash flows
from operations
or as a measure
of liquidity.*

S-25

Table of Contents

Colombian Banking Regulations

COLOMBIAN BANKING REGULATORS

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

Central Bank

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

Ministry of Finance and Public Credit

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

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

Superintendency of Finance

The SFC is the authority responsible for supervising and regulating financial institutions, including commercial banks such as the Bank, finance corporations, finance companies, financial services companies and insurance companies.

The SFC has broad discretionary powers to supervise financial institutions, including the authority to impose fines on financial institutions and their directors and officers for violations of applicable regulations. The SFC can also conduct on-site inspections of Colombian financial institutions.

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

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

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

Other Colombian Regulators

Self Regulatory Organization

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

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

Table of Contents**Superintendency of Industry and Commerce**

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

REGULATORY FRAMEWORK FOR COLOMBIAN BANKING INSTITUTIONS

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

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

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

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

The recently enacted Law 1328 of 2009 provides a new set of rights and responsibilities for customers of the financial system and a set of obligations for financial institutions in order to minimize disputes. Prior to Law 1328 of 2009, foreign banks were able to operate in Colombia by establishing a Colombian subsidiary authorized by the SFC.

Following the enactment of Law 1328 of 2009, as of June 15, 2013, foreign banks are permitted to operate through their branches and are not required to incorporate a Colombian subsidiary. Law 1328 of 2009 also broadened the scope of permitted business activities by regulated entities. Following its adoption, credit institutions were allowed to operate leasing businesses and banks were allowed to extend loans to third parties so that borrowers could acquire control of other companies.

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

Table of Contents

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

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

KEY INTEREST RATES

Colombian commercial banks, finance corporations and consumer financing companies are required to provide the Central Bank, on a weekly basis, with data regarding the total volume (in pesos) of certificates of deposit issued during the prior week and the average interest rates paid for certificates of deposit with maturities of 90 days. Based on such reports, the Central Bank computes the *Tasa de Captaciones de Corporaciones Financieras* (TCC) and the *Depósitos a Término Fijo* (DTF) rates, which are published at the beginning of the following week for use in calculating interest rates payable by financial institutions. The TCC is the weighted average interest rate paid by finance corporations for deposit with maturities of 90 days. The DTF is the weighted average interest rate paid by finance corporations, commercial banks and consumer financing companies for certificates of deposit with maturities of 90 days. For the week of July 5, 2010, the DTF was 3.42% and the TCC was 3.52%.

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

CAPITAL ADEQUACY REQUIREMENTS

Capital adequacy requirements for Colombian financial institutions (as set forth in Decree 1720 of 2001, as amended) are based on the Basel Committee standards. 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.

S-28

Table of Contents

Technical Capital for the purposes of the regulations consists of the sum of Tier One Capital (basic capital) and Tier Two Capital (additional capital) (Tier One Capital and Tier Two Capital, collectively, Technical Capital).

Tier One Capital consists mainly of:

outstanding and paid-in capital stock;

legal and other reserves;

profits retained from prior fiscal years;

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

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

any representative shares held as a guarantee by Fogafin when the entity is in compliance with a recovery program aimed at bringing the bank back into compliance with capital adequacy requirements (if the SFC establishes that such recovery program has failed, these shares shall not be computed);

subordinated bonds issued by financial institutions and subscribed by Fogafin when they comply with certain requirements stated in the regulations;

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

the value of dividends declared to be paid-in shares; and

the value of the liabilities owed by minority interests.

Items deducted from Tier One Capital are:

any prior or current period losses;

the total value of the capital revaluation account (*revalorización del patrimonio*)(if negative);

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

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

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

Tier Two Capital includes other reserves and retained earnings, which are added to the Tier One Capital in order to establish the total Technical Capital.

Table of Contents

Tier Two 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 or assets received as payment of credits);

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

subordinated payment obligations (such as the notes) as long as said obligations do not exceed 50% of Tier One Capital and comply with additional requirements stated in the regulations;

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

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

The following items are deducted from Tier Two Capital:

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

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

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

In computing Technical Capital, Tier Two Capital may not exceed (but may be less than) the total amount of Tier One Capital.

MINIMUM CAPITAL REQUIREMENTS

The minimum capital requirement for banks on an unconsolidated basis is established in Article 80 of Decree 633 of 1993, as amended. The minimum capital requirement for 2010 is COP 68,913 million. Failure to meet such requirement can result in the Taking of Possession (*toma de posesión*) of the bank by the SFC (See Colombian banking regulations Bankruptcy Considerations).

Capital Investment Limit

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

MANDATORY INVESTMENTS

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

Table of Contents

FOREIGN CURRENCY POSITION REQUIREMENTS

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

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

Resolution 4 also defines foreign currency position in cash (*posicion propia de contado en moneda extranjera*) as the difference between all foreign currency-denominated assets and liabilities. A bank s three business days average foreign currency position in cash cannot exceed 50% of the bank s Technical Capital. In accordance with Resolution 4, the three day average must be calculated on a daily basis and the foreign currency position in cash cannot be negative. Finally, Resolution 4 requires banks to comply with a gross position of leverage (*posicion bruta de apalancamiento*). Gross position of leverage is defined as (i) the value of term contracts denominated in foreign currency, plus (ii) the value of transactions denominated in foreign currency to be settled within two days in cash, plus (iii) the value of the exchange rate risk exposure associated with exchange rate options and derivatives. Resolution 4 sets a limit on the gross position of leverage, which cannot exceed 550% of the Technical Capital.

RESERVE REQUIREMENTS

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

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

Private demand deposits;

Government demand deposits;

Other deposits and liabilities; and

Savings deposits.

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

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

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

FOREIGN CURRENCY LOANS

Residents of Colombia may only obtain foreign currency loans from foreign financial entities registered with the Central Bank and from Colombian currency exchange intermediaries (upon certain events). Foreign currency loans must be either channeled through a foreign exchange intermediary or deposited in offshore compensation accounts.

Table of Contents

According to regulations issued by the Central Bank, every Colombian resident and institution borrowing funds in foreign currency is generally required to post with the Central Bank non-interest bearing deposits for a specified term, although the size of the required deposit is currently zero. No such deposits would be required for foreign currency loans aimed at financing Colombian investments abroad or for short-term exportation loans (provided the loan is disbursed against the funds of *Banco de Comercio Exterior Bancoldex*). In addition, pursuant to Law 9 of 1991, the board of directors of the Central Bank is entitled to impose conditions and limitations on the incurrence of foreign currency indebtedness, as an exchange control policy, in order to avoid pressure in the currency exchange market.

NON-PERFORMING LOAN ALLOWANCE

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

LENDING ACTIVITIES

Through the issuance of Decrees 2360 and 2653 of 1993, as amended, the Colombian government set the maximum amounts that a financial institution may lend to a single borrower (including for this purpose all related fees, expenses and charges). These maximum amounts may not exceed 10% of a bank's Technical Capital. However, there are several circumstances under which the limit may be raised. In general, the limit is raised to 25% when amounts lent above 5% of Technical Capital are secured by guarantees that comply with the financial guidelines provided in Decree 2360 of 1993, as amended. Also, according to Decree 1886 of 1994, a bank may not make loans to any shareholder that holds directly more than 10% of its capital stock for one year after such shareholder reaches the 10% threshold. In no event may a loan to a shareholder holding directly or indirectly 20% or more of the Bank's capital stock exceed 20% of the Bank's Technical Capital. In addition, no loan to a single financial institution may exceed 30% of the Bank's Technical Capital, with the exception of loans funded by Colombian development banks which are not subject to such limit. Also, Decree 2360 set a maximum limit for risk concentrated in one single party, equivalent to 30% of the Bank's Technical Capital, the calculation of which includes loans, leasing operations and equity and debt investments. The Central Bank also has the authority to establish maximum limits on the interest rates that commercial banks and other financial institutions may charge on loans. However, interest rates must also be consistent with market terms with a maximum limit established by the SFC.

OWNERSHIP AND MANAGEMENT RESTRICTIONS

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

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

Colombian financial institutions that are security issuers must comply with special norms regarding the composition of their board of directors. As a consequence thereof, at least, 25% of the board members of the board of directors of the Bank must be independent. To be considered independent, the board members must not be (i) employees or directors of the Bank; (ii) shareholders of the Bank that directly or indirectly address or control the majority of the voting rights or that may determine the majority composition of the management boards; (iii) shareholders or

Table of Contents

employees of entities that render certain services to the Bank in cases in which the service provider receives 20% or more of its income from the Bank; (iv) employees or directors of a non-profit organization that receives donations from the Bank in certain amounts; (v) directors of other entities in whose board of directors one of the legal representatives of the Bank participates; and (vi) any other person that receives from the Bank any kind of economic consideration (except as for the considerations received by the board members, the auditing committee or any other committee of the board of directors).

BANKRUPTCY CONSIDERATIONS

Pursuant to Colombian banking law, the SFC has the power to intervene in the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure. Accordingly, the SFC may intervene in a bank's business, (1) prior to the liquidation of the bank, by taking one of the following preventive measures (*institutos de salvamento*) in order to prevent the bank from entering into a state where the SFC would need to take possession: (i) submit the bank to a special supervision regime; (ii) issue a mandatory order to recapitalize the bank; (iii) place the bank under the management of another authorized financial institution, acting as trustee; (iv) order the transfer of all or part of the assets, liabilities and contracts, as well as certain on-going concerns (*establecimientos de comercio*) of the bank to another financial institution; (v) order the bank to merge with one or more financial institutions that consent to the merger, whether by creating a new institution or by having another institution absorb the bank; (vi) order the adoption of a recovery plan by the bank, including adequate measures to reestablish its financial situation, pursuant to guidelines approved by the government; (vii) order the exclusion of certain assets and liabilities by requiring the transfer of such assets and liabilities to another institution designated by the SFC; and (viii) order the progressive unwinding (*desmonte progresivo*) of the operations of the bank; or (2) take possession of the bank (*toma de posesión*) (Taking of Possession), to either administer the bank or order its liquidation, depending on how critical the situation is found to be by the SFC.

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

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

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

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

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

Table of Contents

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

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

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

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

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

During the liquidation process, claims of creditors rank as follows: (i) amounts owed to employees and former employees for salaries, benefits, indemnities and pensions; (ii) bank deposits and other types of saving instruments; (iii) taxes; (iv) all other credits, except subordinated credits; and (v) subordinated credits. Each category of creditors will collect in the order indicated above, whereby distributions in one category will be subject to completing full distribution in the prior category.

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

DEPOSIT INSURANCE TROUBLED FINANCIAL INSTITUTIONS

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

To protect the customers of commercial banks and certain financial institutions, Resolution No. 1 of 2010 of the board of directors of Fogafin, as amended, requires mandatory deposit insurance. Under this Resolution No. 1, banks must pay an annual premium of 0.3% of total funds received on saving accounts, checking accounts, certificates of deposit and other deposits. If a bank is liquidated, the deposit insurance will cover the funds deposited by an individual or corporation with such bank up to a maximum of COP 20 million regardless of the number of accounts held.

ANTI-MONEY LAUNDERING PROVISIONS

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

Table of Contents

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

RISK MANAGEMENT SYSTEMS

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

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

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

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

S-35

Table of Contents**Description of the Notes**

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

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

The notes are being issued by the Bank as Subordinated Notes due 2020 under the laws of Colombia (with the effects set forth in Article 7(d) of Decree 1720 of 2001). The notes are not treated under the banking laws and regulations of Colombia as bank deposits, and the noteholders are not required to open accounts with the Bank. Noteholders will not have recourse to deposit insurance or any other protections afforded to depositors in financial institutions under the laws of any jurisdiction. The notes are treated under Colombian and New York law as debt instruments.

According to Colombian banking laws, banks are permitted to issue subordinated debt, including the notes, and to include the outstanding aggregate principal amount of such subordinated debt as a component of Tier Two Capital. Technical Capital is comprised of Tier One Capital, which consists of different types of capital, such as Capital Stock and capital reserves, and Tier Two Capital, which includes subordinated debt, such as the notes. However, commencing on the fifth anniversary prior to the final maturity date, the amount of subordinated debt that will be eligible to be included in Tier Two Capital will decrease by 20% of the aggregate outstanding amount of such subordinated debt on an annual basis. As a result, after , 2015, the outstanding aggregate principal amount of the notes that will qualify as Tier Two Capital will decrease by 20% annually. See Colombian banking regulations.

Principal, Maturity and Interest

The notes will mature on , 2020. The notes will bear interest at the rate shown on the cover page of this prospectus supplement, payable semi-annually on January and July of each year (each, an interest payment date), commencing on January , 2011, to Holders of record at the close of business on January or July , as the case may be, immediately preceding the relevant interest payment date. Interest on the notes will be computed on the basis of a 360-day year of twelve 30-day months. If any interest payment date or final maturity date is a day that is not a Business Day, the related payment of the principal and interest will be made on the next succeeding Business Day as if it were made on the date the payment was due, and no interest will accrue on the amounts so payable for the next period from and after the interest payment date or the final maturity date, as the case may be, to the next succeeding Business Day.

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

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

An aggregate principal amount of notes equal to US\$ is being issued in this offering. The Bank may issue additional notes having identical terms and conditions to the notes being issued in this offering (the Additional

S-36

Table of Contents

Notes). Any Additional Notes will be part of the same issue as the notes being issued in this offering and will be treated as one class with the notes being issued in this offering, including for purposes of voting, redemptions and offers to purchase. Pursuant to the Indenture, no Additional Notes may be issued unless the Bank delivers to the Trustee an opinion of counsel to the effect that such Additional Notes will be fungible with, and will constitute a single issue with, the notes being issued in this offering for U.S. federal income tax purposes. For purposes of this

Description of the notes, references to the notes include Additional Notes, if any.

Additional Amounts

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

(1) but for the existence of any present or former connection between the Holder (or the beneficial owner of, or Person ultimately entitled to obtain an interest in, such notes) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) other than the mere holding of the notes or enforcement of rights thereunder or the receipt of payments in respect thereof;

(2) but for the failure to satisfy any certification, identification or other reporting requirements whether imposed by statute, treaty, regulation or administrative practice, provided, however, that the Bank has delivered a request to the Holder to comply with such requirements at least 30 days prior to the date by which such compliance is required; or

(3) if the presentation of notes (where presentation is required) for payment had occurred within 30 days after the date such payment was due and payable or was duly provided for, whichever is later.

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

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

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

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

Table of Contents

the enforcement of the notes or any other such document or instrument following the occurrence of any Event of Default with respect to the notes.

Methods of Receiving Payments on the Notes

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

Notices

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

Subordination of Notes

The payment of all Obligations on or relating to the notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents of all obligations due in respect of Senior External Liabilities of the Bank, whether outstanding on the Issue Date or incurred after that date and will be senior only to all classes of the Bank's Capital Stock. The notes will rank *pari passu* with all other unsecured and subordinated Indebtedness of the Bank, if any, that complies with the requirements set forth in Decree 1720, other than subordinated Indebtedness, that, under its terms, is designated as junior to the notes. Pursuant to Colombian banking laws, the notes will constitute subordinated bonds (*bonos subordinados*).

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

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

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

in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Bank or its assets;

in an assignment for the benefit of creditors; or

in any marshalling of the Bank's assets and liabilities.

As a result of the subordination provisions described above in the event of a liquidation of the Bank, the notes will be senior only to the Bank's Capital Stock and subordinated debt that is expressly junior to the notes, and accordingly, Holders may recover less ratably than creditors of the Bank who are creditors of Senior External Liabilities.

Optional Redemption

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

Table of Contents

Certain Covenants

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

Mergers, Consolidations, Etc.

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

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

Maintenance of Office or Agent for Service of Process

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

Provision of Financial Statements and Reports

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

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

Delivery of such reports, information and documents to the Trustee shall be for informational purposes only and the Trustee's receipt of such reports, information and documents shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Bank's compliance with any of the covenants contained in the Indenture (as to which the Trustee will be entitled to conclusively rely upon an Officers' certificate).

Table of Contents

Further Actions

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

Events of Default

Each of the following is an Event of Default :

- (1) failure by the Bank to pay interest on any of the notes when it becomes due and payable and the continuance of any such failure for thirty (30) days;
- (2) failure by the Bank to pay the principal on any of the notes when it becomes due and payable, whether at stated maturity or otherwise and the continuance of any such failure for seven (7) days;
- (3) the Bank pursuant to or within the meaning of any Bankruptcy Law:
 - (a) commences a voluntary case;
 - (b) consents to the entry of an order for relief against it in an involuntary case;
 - (c) consents to the appointment of a Custodian of it or for all or substantially all of its assets;
 - (d) makes a general assignment for the benefit of its creditors;
 - (e) is subject to any other Intervention Measure or Preventive Measure; or
- (4) a court of competent jurisdiction or relevant entity enters an order or decree under any Bankruptcy Law that:
 - (a) is for relief against the Bank as debtor in an involuntary case;
 - (b) appoints a Custodian of the Bank or a Custodian for all or substantially all of the assets of the Bank; or
 - (c) orders the liquidation of the Bank, and the order or decree remains unstayed and in effect for sixty (60) days. If the Bank fails to make payment of principal of or interest or Additional Amounts, if any, on the notes (and, in the case of payment of principal, such failure to pay continues for seven (7) days or, in the case of payment of interest or Additional Amounts, such failure to pay continues for thirty (30) days), each Holder has the right to demand and collect under the Indenture and the Bank will pay to the Holders the applicable amount of such due and payable principal, accrued interest and Additional Amounts, if any, on the notes; provided, however, that to the extent that the SFC has adopted an Intervention Measure in connection with the Bank, under the Bankruptcy Law, the Holders would not be able to commence proceedings to collect amounts owed outside the intervention proceeding.

Table of Contents

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

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

See Risk factors Risks relating to the notes Holders will not have the right to accelerate the notes.

Satisfaction and Discharge

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

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

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

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

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

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

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

Transfer and Exchange

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

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

Table of Contents

Purchase of Notes

The Bank may at any time purchase notes at any price in the open market, in privately negotiated transactions or otherwise. Notes so purchased by the Bank may be held, resold in accordance with the Securities Act of 1933, as amended, or any exemption therefrom, or surrendered to the Trustee for cancellation.

Amendment, Supplement and Waiver

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

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

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

No Personal Liability of Directors, Officers, Employees and Stockholders

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

Concerning the Trustee

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

Table of Contents

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

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

Unclaimed Amounts

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

No Sinking Fund

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

Listing

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

Governing Law

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

Currency Rate Indemnity

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

Certain Definitions

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

Table of Contents

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

asset means any asset or property.

Bankruptcy Law means the provisions of the Financial Statute concerning bankruptcy of financial institutions, the Decree 2211 of 2004, as amended, and any other Colombian law or regulation regulating the insolvency of financial entities from time to time.

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

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

Capital Stock means any and all classes of shares a Colombian financial institution is authorized to issue under applicable Colombian laws including, but not limited to, common shares, non-voting preferred shares, privileged shares and *acciones representativas de capital garantía* set forth in article 5(f) of Decree 1720 and issued in favor of Fogafin.

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

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

Decree 1720 means Decree 1720 of 2001, as amended from time to time.

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

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

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

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

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

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

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

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

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

S-44

Table of Contents

Officers Certificate means a certificate signed by two Officers.

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

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

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

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

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

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

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

SFC means the Finance Superintendence of Colombia.

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

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

Technical Capital means the *patrimonio técnico* of banks comprised of Tier One Capital basic capital (*patrimonio básico*) and Tier Two Capital additional capital (*patrimonio adicional*) pursuant to Decree 1720 of 2001 issued by the Ministry of Finance and Public Credit, or any other Colombian law or regulation regulating the *patrimonio técnico*