BANCOLOMBIA SA
Form 20-F
March 26, 2004

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 26, 2004

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2003

OR

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

For the transition period from _____ to _____

Commission file number: 1-13850

BANCOLOMBIA S.A.
(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English)

REPUBLIC OF COLOMBIA
(Jurisdiction of incorporation or organization)

CALLE 50 NO. 51-66
MEDELLIN, COLOMBIA
(Address of principal executive offices)

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

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

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

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

Not applicable
(Title of Class)

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

Not applicable
(Title of Class)

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

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

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

Yes [X] No [ ]

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 [ ] Item 18 [X]

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PRESENTATION OF FINANCIAL INFORMATION

BANCOLOMBIA S.A., which may also act under the name of BANCO DE COLOMBIA S.A. ("Bancolombia," "BC," the "Bank," "us" or "we"), is a banking institution organized under Colombian law. We maintain accounting records in Colombian pesos ("peso," "pesos" or "Ps"). The audited consolidated financial statements of BC and its subsidiaries for the years ended December 31, 2001, 2002 and 2003 contained in this annual report on Form 20-F (the "Annual Report") (collectively, including the notes thereto, the "Financial Statements") are expressed in pesos. In this Annual Report, references to "U.S. dollar," "U.S. dollars," and "US$" are to United States dollars.

This Annual Report translates certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, such peso amounts have been translated at the rate of Ps 2,807.2 per US$1.00, which corresponds to the average of the Tasa Representativa del Mercado ("Representative Market Rate") for December 2003. The Representative Market Rate is computed and certified by the Superintendencia Bancaria (the "Superintendency of Banking"), the Colombian banking regulator, on a daily basis and represents the weighted average of the buy/sell foreign exchange rates negotiated on the previous day by certain financial institutions authorized to engage in foreign exchange transactions (including BC). The Superintendency of Banking also calculates and certifies the average Representative Market Rate for each month for purposes of preparing financial statements, and converting amounts in foreign currency to Colombian pesos. Such conversion should not be construed as a representation that the peso amounts correspond to, or have been or could be converted into, United States dollars at that rate or any other rate. On March 8, 2004, the Representative Market Rate was Ps 2,673.29 per US$1.00. As used in this Annual Report, the term "billion" means one thousand million (1,000,000,000).

Colombia experienced two-digit inflation rates until 1999 but has experienced single-digit inflation rates thereafter (7.65%, 6.99% and 6.49% for the years ended December 31, 2001, 2002 and 2003, respectively). From January 1, 1992 to December 31, 1998, Colombia's generally accepted accounting principles ("Colombian GAAP") required that financial statements of Colombian financial institutions (including the Bank) be adjusted for inflation on a one-month's lagging basis, by applying coefficients of changes in the Colombian middle-income consumer price index for the relevant period to non-monetary assets and liabilities, shareholders' equity (other than surplus from reappraisal of assets and cumulative translation adjustments) and results of operations. Effective January 1, 1999, Law 448 of 1998 eliminated the use of inflation adjustments in income, expense and inventory accounts, and in April 2001, the Superintendency of Banking issued External Circular 014, which eliminated the use of inflation adjustments in all the accounts of the financial statements beginning January 1, 2001. See Note 2 to the Financial Statements. Accordingly, financial information in this Annual Report is presented in nominal pesos for the years ended December 31, 2001, 2002 and 2003, without adjustment for inflation.

Accounting practices and the preparation of financial statements of the Bank and its subsidiaries follow the special regulations of the Colombian

Superintendency of Banking, or, in the absence of such regulations, the accounting practices generally accepted in Colombia. Together, these requirements differ in certain significant respects from generally accepted accounting principles in the United States, known as U.S. GAAP. References to Colombian GAAP in this annual report are to Colombian GAAP as supplemented by the applicable rules of the Colombian Superintendency of Banking.

For consolidation purposes, financial statements of the Bank and its subsidiaries must be prepared under uniform accounting policies. In order to comply with this, financial statements of foreign

subsidiaries were adjusted as required by Colombian regulations with regard to investments, loans and leased assets.

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

FORWARD-LOOKING STATEMENTS

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

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

- Changes in general economic, business, political, fiscal or other conditions in Colombia or changes in general economic or business conditions in Latin America;

- Changes in capital markets or in markets in general that may affect policies or attitudes towards lending to Colombia or Colombian companies;

- Increased costs;

- Unanticipated increase in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; and

- The factors discussed under "Item 3 - Key Information - Risk Factors"; Item 5, "Operating and Financial Review and Prospects"; and elsewhere in this Annual Report and in the documents that it incorporates by reference.

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

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

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The selected consolidated financial data as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003 set forth below has been derived from our audited Consolidated Financial Statements included in this Report. The selected consolidated financial data as of December 31, 2000 and 1999 and for each of the two years in the period ended December 31, 2000 set forth below have been derived from our audited consolidated financial

statements for the respective periods, which are not included herein.

	AS OF AND FOR THE YEAR EN			
	1999	2000	2001	
	(Ps million and U.S. dollars thousands (1), Depositary Shares "ADS"			
CONSOLIDATED STATEMENT OF OPERATIONS:				
COLOMBIAN GAAP:				
Interest income	Ps 1,227,269	Ps 842,633	Ps 881,757	Ps
Interest expense	(821,203)	(458,855)	(529,074)	(
NET INTEREST INCOME	406,066	383,778	352,683	
Provisions for loans and accrued interest losses(2)	(250,153)	(152,296)	(73,953)	(
Provision for foreclosed assets and other assets	(50,396)	(112,219)	(63,537)	
NET INTEREST INCOME AFTER PROVISIONS	105,517	119,263	215,193	
Other operating income	330,436	341,971	620,188	
Operating expenses	(699,190)	(618,352)	(696,963)	(
NET OPERATING INCOME (LOSS)	(263,237)	(157,118)	138,418	
Net non-operating income (loss)	55,362	67,792	51,000	
Net monetary inflation adjustment	(2,401)	4,209	-	
INCOME (LOSS) BEFORE TAXES	(210,276)	(85,117)	189,418	
Minority interest (loss)	(249)	(767)	(1,310)	
Income taxes	(29,642)	(28,106)	(31,575)	
NET INCOME (LOSS)	Ps (240,167)	Ps (113,990)	Ps 156,533	Ps
Weighted average of Preferred and Common Shares outstanding(3)	249,934,805	42,137,634	576,695,395	576,
Net operating income (loss) per share(3)(4)	Ps (1,053)	Ps (290)	Ps 240	Ps
Net operating income (loss) per ADS	(4,213)	(1,159)	960	
Net income (loss) per share(3)(4)	(961)	(210)	271	
Net income (loss) per ADS	(3,844)	(840)	1,084	
Cash dividends declared per share(5)	-	36	84	
Cash dividends declared per ADS	-	144	336	
U.S. GAAP:				
Net income (loss)	Ps (168,958)	Ps (38,915)	Ps 226,048	Ps
Net income (loss) per share(6)	(880)	(119)	530	
Net income (loss) per ADS	(3,520)	(476)	2,120	

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(1) Amounts stated in dollars have been translated at the rate of Ps 2,807.20 to US$1.00 which is the average Representative Market Rate for the month of December 2003, as reported and certified by the Superintendency of Banking.

(2) Includes a provision for accrued interest losses amounting to Ps 48,507 million, Ps 20,178 million, Ps 4,945 million, Ps 4,518 and Ps 5,784 million for the years ended December 31, 1999, 2000, 2001, 2002 and 2003 respectively.

(3) Includes Common Shares and 58,060,562 Preferred Shares for 1999; and 178,435,787 Preferred Shares for 2000, 2001, 2002 and 2003.

(4) Reflects all dividends per share distributed through December 31, 1999. Calculated on the basis of average outstanding shares during the period.

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

(6) Reflects all dividends per share distributed up to December 31, 1999. 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 (281 million for 1999 and 398 million for each of 2000, 2001, 2002 and 2003). See Note 30 to the Financial Statements.

	AS OF AND FOR THE YEAR ENDED			
	1999	2000	2001	20
	(Ps million and U.S. dollars thousands(1), except Shares "ADS" amou			
CONSOLIDATED BALANCE SHEET				
COLOMBIAN GAAP:				
ASSETS:				
Cash and dues from banks	Ps 490,293	Ps 428,466	Ps 536,813	Ps 6
Overnight funds	232,252	291,786	176,666	2
Investment securities, net	1,462,601	1,575,304	2,984,552	4,3
Loans, net	4,530,943	4,826,506	5,078,476	5,8
Accrued interest receivable on loans, net	86,635	84,693	77,681	
Customers' acceptances and derivatives	23,251	40,358	39,907	(
Accounts receivable, net	135,867	106,557	106,764	1
Premises and equipment, net	445,922	332,120	320,080	3
Foreclosed assets, net	131,382	99,418	74,656	
Prepaid expenses and deferred charges	154,148	107,848	84,483	
Goodwill	202,750	164,201	141,552	1
Leasing, net	211,083	192,883	241,866	3
Other assets	105,610	94,884	169,236	1
Reappraisal of assets	301,992	262,723	241,727	2
TOTAL ASSETS	Ps 8,514,729	Ps 8,607,747	Ps 10,274,459	Ps 12,5
LIABILITIES AND SHAREHOLDERS' EQUITY:				
Deposits	Ps 5,945,510	Ps 6,116,022	Ps 7,580,848	Ps 8,7
Borrowings	1,094,692	908,103	830,654	1,1
Other liabilities	704,728	717,739	892,506	1,4
Shareholders' equity	769,799	865,883	970,451	1,2

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	Ps 8,514,729	Ps 8,607,747	Ps 10,274,459	Ps 12,5
U.S. GAAP:				
Shareholders' equity	Ps 724,636	Ps 951,191	Ps 1,147,989	Ps 1,4
Shareholders' equity per share(2)	2,899	1,755	1,991	
Shareholders' equity per ADS(2)	11,596	7,020	7,964	

(1) Amounts stated in dollars have been translated at the rate of Ps 2,807.20 to US$1.00 which is the average Representative Market Rate for the month of December 2003, as reported and certified by the Superintendency of Banking.

(2) Shareholders' equity per share is calculated based on the number of Common Shares and Preferred Shares. The weighted average (rounded to the nearest million) of Preferred and Common Shares outstanding amounted to 250 million for the year ended December 31, 1999; 542 million for the year ended December 31, 2000; and 577 million for the years ended December 31, 2001, 2002 and 2003.

	AS OF AND FOR THE	
	1999	2000
	(percentages, exce	
SELECTED RATIOS:(1)		
COLOMBIAN GAAP:		
PROFITABILITY RATIOS:		
Net interest margin(2)	6.69	6.45
Return on average total assets(3)	(2.75)	(1.44)
Return on average shareholders' equity(4)	(22.16)	(11.75)
EFFICIENCY RATIO:		
Operating expenses as a percentage of net operating income(5)	94.93	85.20
CAPITAL RATIOS:		
Period-end shareholders' equity as a percentage of period-end total assets	9.04	10.06
Period-end regulatory capital as a percentage of period-end risk-weighted assets(6) (7)	9.09	11.09
CREDIT QUALITY DATA:		
Non-performing loans as a percentage of total loans(8)	6.29	3.52
"C", "D" and "E" loans as a percentage of total loans(11)	13.33	10.45
Allowance for loan and accrued interest losses as a percentage of non-performing loans	119.27	175.98
Allowance for loan and accrued interest losses as a percentage of "C", "D" and "E" loans(11)	56.27	59.23
Allowance for loan and accrued interest losses as a percentage of total loans	7.50	6.19
OPERATING DATA:		
Number of branches(9)	341	321

Number of employees(10)	8,539	7,688

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

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

(3) Net income divided by average total assets.

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

(5) Net operating income includes net interest income, fees and income from services, net and other operating income.

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

(7) The derivatives' risk-weigh percentage used in the calculation of the total risk-weighted assets was changed by External Circular 076 of 2000 issued by the Superintendency of Banking.

(8) Non performing loans are small business loans and consumer loans that are past due 60 days or more, commercial loans that are past due 90 days or more and mortgage loans that are past due 120 days or more.

(9) Number of branches does not include branches of the Bank's subsidiaries.

(10) The number of employees includes employees of the Bank's consolidated subsidiaries.

(11) See Item 5.E.3 - Classification of the loan portfolio for a description of "C," "D" and "E" Loans.

EXCHANGE RATES

On March 8, 2004 the Representative Market Rate was Ps 2,673.29 per US$1.00. The following table sets forth the high and low Peso/U.S. dollar exchange rates for the last six months:

RECENT EXCHANGE RATES OF PESO PER US$1.00:

MONTH	LOW	HIGH
September 2003.....	2,816.74	2,889.39
October 2003.....	2,857.88	2,907.41
November 2003.....	2,826.60	2,878.05
December 2003.....	2,778.21	2,836.05
January 2004.....	2,721.56	2,778.92
February 2004.....	2,651.94	2,757.14

Source: Superintendency of Banking.

The following table sets forth the average Peso/U.S. dollar Representative Market Rate for each of the five most recent financial years, calculated by using the average of the exchange rates on the last day of each month during the period. The Federal Reserve Bank of New York does not report a rate for Pesos. The Superintendency of Banking calculates the Representative Market Rate based on the weighted averages of the buy/sell foreign exchange rates quoted daily by certain financial institutions, including BC, for the purchase and sale of foreign currency.

PESO/US$1.00	
REPRESENTATIVE MARKET RATE	
PERIOD	AVERAGE
1999	1,770.30
2000	2,104.72
2001	2,301.74
2002	2,534.22
2003	2,875.05

Source: Superintendency of Banking.

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

The factors referred to below, as well as all other information presented in this Annual Report, should be considered by investors when reviewing any forward-looking statements contained in this Annual Report, in any document included in this Annual Report by reference, in any of the Bank's

future public filings or press releases, or in any future oral statements made by the Bank or any of its officers or other persons acting on its behalf. The risks and uncertainties described below are not the only ones that the Bank faces. Additional risk and uncertainties that the Bank does not know about or that the Bank currently thinks are immaterial may also impair our business operations. Any of the following risks, if they actually occur, could materially and adversely affect our business, results of operations, prospects and financial condition.

D.1. RISKS RELATING TO COLOMBIA

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

prevailing in Colombia.

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

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

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

Democratic presidential elections were held in May, 2002, and the new government of President Alvaro Uribe Velez took office on August 7, 2002. The new government has vowed to increase security within a democratic framework, fight corruption and carry out economic and social reforms to ensure the revitalization of the Colombian economy. However, the government may not decide to continue its current economic policies, or these policies may no longer have a positive effect on the economy or the Colombian financial sector.

Colombia has experienced several periods of criminal violence over the past four decades, primarily due to the activities of guerilla groups and drug cartels. In response, the government has implemented various security measures and has strengthened its military and police forces by creating specialized units. Despite these efforts, drug-related crime and guerilla activity continue to exist in Colombia. Due to continued attacks by rebel groups against the Colombian population, on August 10, 2002, the government declared a state of "conmocion interior", which it extended until May 6, 2003, through Decree 245 of 2003. 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.

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

The following information illustrates the main aspects of the political, economic and financial environment in Colombia during year 2003:

POLITICAL

The political environment in Colombia is stable. Despite the recent negative result of a national referendum, which proposed certain amendments to the Constitution that would have enabled financial and political reforms, the Colombian Government maintains transparent and stable policies.

The Democratic Security Policy implemented by the current government has generated progress in combating security problems, even though such problems still persist as a result of the ongoing conflict between the government and various guerilla forces. This progress is reflected in a decrease in the number of homicides, kidnappings, and rebel attacks on the general population. During 2003, the number of homicides, kidnappings, and rebel attacks on the general population were 23,013, 2,200 and 5, respectively, as compared to 28,837, 2,986 and 32, respectively, during 2002.

In the short term, economic and political changes in neighboring countries are unlikely to affect national stability. However, further deterioration in the economic and political situation of these countries could affect the Colombian economy due to Colombia's commercial relationships with these countries.

ECONOMIC

In 2003, the Colombian economy's basic indicators continued to show a positive trend, suggesting a stable macroeconomic environment. According to the National Administrative Department of Statistics ("DANE"), GDP increased 3.64% in 2003 and unemployment declined 3.3%, from 15.6% in 2002 to 12.3% in 2003. Inflation was at 6.49%, at a level close to the target rate set by the Central Bank. Interest rates remained low and stable near 8%, contributing to renewed investment. Relative political calm in Colombia has helped to generate investment incentives and, accordingly, private investment has been estimated to have increased 25.2% as reported by the National Planning Department ("DNP"). The Bank believes these positive economic indicators will help its performance. The exchange rate remained at competitive economic levels.

Colombia's fiscal deficit and growing public debt could affect the economy. According to estimates of the Ministry of Finance, the consolidated public sector deficit was 2.8% of GDP in 2003, which fulfills commitments to the IMF included in the Stand-by Agreement for 2004. In order to meet the IMF commitments, the Colombian Government intends to implement structural reforms and adopt certain measures to ensure greater transparency and fiscal austerity.

The development of clear and favorable economic variables may positively affect BC's performance and results. The political and economic circumstances of neighboring countries do not currently threaten Colombian interests. However, future economic events in those countries could affect the Colombian economy.

FINANCIAL

Trade and Payment Balance

Expectation for foreign trade and international economic relations remain positive. Commercial agreements currently in force and pending completion are expected to sustain and support growth allowing Colombia to meet the increased demand for exports of Colombian products. As a result, Colombia's trade deficit declined in 2003, but the future trends of the trade deficit will depend on exogenous factors related to world markets.

The following table sets forth Colombia's commercial balance:

COLOMBIA'S COMMERCIAL BALANCE

2003
US$ MILLION FOB (FREE ON BOARD)

PERIOD	EXPORTS	IMPORTS	BALANCE
January	834	1,148	-313.2

January- February	1,878	2,104	-226
January- March	2,923	3,140	-217.0
January- April	4,027	4,195	-168.1
January- May	5,153	5,261	-107.1
January- June	6,177	6,231	-53.2
January- July	7,437	7,395	42.0
January- August	8,497	8,463	33.6
January- September	9,551	9,609	-57.9
January- October	10,708	10,774	-65.3
January- November	11,760	11,779	-19.8
January- December*	13,010	13,022	-12.3

Source: Exports DANE and Imports DIAN.

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

As of the third quarter of 2003, the current account balance stood at a deficit of US$370 million and net international reserves stood at US$10,863 million. These levels are considered adequate for a stable macroeconomic environment.

Debt

According to the Ministry of Finance, in September 2003, non-financial public sector debt was estimated at 51.2% of GDP. External debt comprises 59.2% of total debt in this sector and is estimated to be 30.3% of GDP. Private sector external debt remains relatively small, without major implications or risks for creditors. Risk perception of foreign debt in Colombia has enjoyed a downward trend. The JPMorgan EMBI Index decreased the Colombian Sovereign Debt rating from 703 basis points in January 2003 to 363 basis points at the end of 2004.

The debt situation of a country affects its macroeconomic environment. Since BC's investment portfolio holds a high volume of local sovereign debt, sound government financial policies are important to the Bank.

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

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

Investors who wish to participate in the Bank's ADR Facility and hold American Depositary Shares ("ADSs") of the Bank will be required to submit to the custodian of the ADR Facility certain information and comply with certain registration procedures required under the foreign investment regulations in connection with foreign exchange controls restricting the conversion of Pesos into U.S. dollars. Holders of American Depositary Receipts ("ADRs") who wish to withdraw the underlying preferred shares will also have to comply with certain registration and reporting procedures. Under the foreign investment regulations,

the failure of a non-resident investor to report or register with the Central Bank foreign exchange transactions relating to investments in Colombia on a timely basis may prevent the investor from obtaining remittance rights, constitute an exchange control infraction and result in a fine.

Despite the easing of restrictions imposed for foreign investment in Colombia, we cannot assure that the Colombian Government, Colombian Congress or the Central Bank will further eliminate restrictions to foreign investments, nor that they will not implement more restrictive rules in the future. Currently, Colombia has a free float exchange rate system. However, we cannot assure that other restrictive rules for the exchange rate system will not be implemented in the future. In the event that a more restrictive exchange rate system is implemented, financial institutions, including the Bank, may be unable to transfer U.S. dollars abroad to pay their financial obligations. See Item 4 - Information on the Company - B.7 Supervision and Regulation and Item 10 - Additional Information - E. Taxation.

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

Colombian banking regulations are designed to ensure the safety and soundness of the banking system and to limit its exposure to risk. While many of the policies underlying these regulations are similar to those underlying regulations applicable to banks in other countries, including those in the United States, Colombian regulations can differ in a number of material respects from those other regulations. For example, under Colombian GAAP, allowances for non-performing loans are computed by establishing each non-performing loan's individual inherent risk, using criteria established by the Superintendency of Banking that differs from that used under U.S. GAAP (See Item 5. - C. Selected Statistical Information - Allowance for Loan Losses). In addition, capital adequacy requirements for banks under Colombian regulations differ from those under U.S. regulations.

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

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

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

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

If the Bank's loan portfolio continues to grow in all targeted segments such as retail, small and medium-sized-companies and large corporations, the Bank may experience higher levels of past due

and non-performing loans than in the past and may be required to increase its allowances for non-performing loans.

In particular, if the Bank successfully increases the participation of

consumer credits in its loan portfolio, it may experience detrimental changes in its credit risk levels. Furthermore, there can be no assurance that BC will maintain its current level of asset quality and credit risk in the future.

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

The Bank's principal source of funds are short-term savings, checking accounts and demand deposits. Time deposits represented 39.6%, 34.2% and 33.4% of the Bank's total funding at the end of 2001, 2002 and 2003, respectively. Since it relies primarily on short-term deposits for its funding, there can be no assurance that, in the event of a sudden or unexpected shortage of funds in the Colombian banking system and money markets, BC will be able to maintain its current level of funding without incurring higher costs or liquidating certain assets.

D.2.iii. INCREASE IN COMPETITION AND CONSOLIDATION OF THE INDUSTRY COULD ADVERSELY AFFECT OUR OPERATIONS

The Colombian financial system is highly competitive. In the last decade, there has been a recomposition of Colombian banking as a consequence of market deregulations, consumer growth, and the entry of international competition, situation which has lead to a greater level of consolidation of the financial system. We believe this will continue in the following years.

The consolidation will lead to the creation of larger institutions, creating scale economies. We could not assure that the consolidation of the financial system will not affect the financial condition of BC.

D.3. RISKS RELATING TO OUR ADRS

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

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

The devaluation of the peso against the dollar was 2.8% in 2001 and 25% in 2002. During 2003, the Peso appreciated against the U.S. dollar by 3.02%. Absent modifying circumstances, a future peso devaluation would have a negative impact on the U.S. dollar value of dividends paid to holders of American Depositary Receipts ("ADRs"). Conversely, a Peso revaluation would have a positive effect. Although the foreign exchange market is allowed to float freely, there is no assurance that the Colombian Central Bank or the government will not intervene in the exchange market in the future.

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

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

In addition to the above restriction, pursuant to Colombian securities regulations, any transaction involving the sale of publicly traded stock of any Colombian company, including, in the case of BC, any sale of Preferred Shares (but excluding any sale of ADRs) or Common Shares, for 66,000 or more Unidades de Valor Real ("UVR")1, must be effected through the Colombian stock exchange.

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

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

- In the event that changes in BC's by-laws that may impair the conditions or rights fixed for such shares and when the conversion of such shares into common shares are to be approved.

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

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

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

- If at the end of a fiscal period, the Bank does not produce sufficient profits to cancel the minimum dividend, and the Superintendency of Banking by its own decision, or upon petition of holders of Preferred Shares representing at least ten per cent (10%) of these shares, provides that benefits that decrease the profits to be distributed, had been concealed or misled, it may determine that the holders of these shares participate with right to speaking and voting at General Shareholders Meeting, according to the provisions of the Law.

- When the register of shares at the Colombian Stock Exchange or at the National Register of Securities is suspended. In this event, the right to voting shall be maintained until the irregularities that determined such cancellation or suspension disappear.

Holders of ADRs and Preferred Shares are not entitled to vote for the election of directors or to influence BC's management policies.

The Bank's corporate affairs are governed by its by-laws and Colombian laws. Under such

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

laws, BC's preferred shareholders may have fewer rights than they might otherwise have as shareholders of a corporation incorporated in a U.S. jurisdiction.

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

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

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

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

The Bank's ADRs are listed on the New York Stock Exchange ("NYSE") and commenced trading in 1995 under the symbol "CIB." Average daily trading volume of ADRs was 18,000 in 2001, 31,500 in 2002, and 37,600 in 2003. Before 1,995, the Bolsa de Bogota (the "Bogota Stock Exchange"), the Bolsa de Medellin (the "Medellin Stock Exchange") and the Bolsa de Occidente (the "Occidente Stock Exchange") were the only trading markets for our Common Shares and Preferred Shares. These three stock exchanges merged on July 3, 2001 into a single exchange, the Bolsa de Valores de Colombia (the "Colombian Stock Exchange"), headquartered in Bogota and with regional offices in Medellin and Cali. The Colombian Stock Exchange is relatively small and illiquid compared to stock exchanges in major financial centers. In addition, very few issuers represent a disproportionately large percentage of market capitalization and trading volume.

Future regulatory reforms are expected to increase the trading volume on the Colombian Stock Exchange. There can be no assurance that a liquid trading market for the common or preferred stock will continue or expand. A limited trading market may impair the ability of an ADR holder to sell preferred shares obtained upon withdrawal of such shares from the ADR Facility in the Colombian Stock Exchange in the amount and at the price and time such holder desires, and could increase the volatility of the price of the ADRs.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

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

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

Since 1995, the Bank is a New York Stock Exchange, Inc. ("NYSE") listed company, and its ADSs are traded under the symbol "CIB." See Item 9 - The Offer and Listing.

RECENT DEVELOPMENTS

The following are important events in the development of BC's business during 2003:

THE BANK OPENED ITS INTERNATIONAL BANKING AGENCY IN MIAMI:

In order to expand the Bank's current business and to strengthen the international scope of services offered to its corporate and retail customers, the Bank established a banking agency in Miami, Florida.

On March 27, 2003, the Federal Reserve of the United States approved BC's application to open its first international banking agency in the United States. On April 11, 2003, the Office of Financial Institutions of the State of Florida issued its approval, and on December 5, 2003, the Office of Financial Regulation of the State of Florida authorized Bancolombia to open an agency, which began to operate on Monday, December 8, 2003. See Item 4 - B.5.xii. New Products or Services - B.5.xii.a. Bancolombia Miami Agency, for a summary of Bancolombia Miami Agency's main products and services.

THE BANK ACQUIRED SUFINANCIAMIENTO:

The Bank acquired 94.89% of the shares of Compania Suramericana de Financiamiento Comercial S.A. ("Sufinanciamiento") from Portafolio de Inversiones Suramericana S.A., Compania Suramericana de Inversiones S.A. Suramericana, Compania Suramericana de Construcciones S.A., Fundacion Suramericana and Corporacion Financiera Nacional y Suramericana S.A.

Corfinsura. The remaining 5.10% of the shares of Sufinanciamiento have been acquired simultaneously by related other subsidiaries.

On December 24, 2003, BC obtained the approval of the Superintendency of Banking for the purchase of the shares of Sufinanciamiento. The purchase price paid by BC and some of its subsidiaries for the acquisition of 99.99% of Sufinanciamiento was Ps 75,016 million, which corresponds to Ps 50.31 per share. Since Sufinanciamiento's net assets were Ps 43,798 million, the acquisition generated a goodwill of Ps 31,218 million.

Sufinanciamiento is a financial company that specializes in vehicle loans. The acquisition of Sufinanciamiento will allow BC and its subsidiaries to complement their portfolio of products by developing commercial financing activities, mostly in vehicle loans. See Item 4 - New Products or Service - B.5.xiii. Compania Suramericana de Financiamiento Comercial ("Sufinanciamiento") for an explanation of Sufinanciamiento's products.

CAPITAL EXPENDITURES AND DIVESTITURES

During 2001 the Bank invested US$1.37 million (Ps 3,846 million) in new branches and US$697,000 (Ps 1,957 million) in Ethernet technology for the branches.

From 2002 through 2003, the Bank made the following capital investments:

- From 2002 through 2003, the Bank updated the computer technology for its administrative personnel to facilitate new product development, increase employee efficiency and enhance its security. As of December 31, 2003, the Bank had invested US$4.64 million (Ps 13,025 million) in this process.

- During 2003, the Bank increased its processing capacity by upgrading its central bank computer system from IBM AS/400 740 technology to IBM iSeries 840. As of December 31, 2003, the Bank had invested US$3.62 million (Ps 10,162 million), of which US$1.2 million (Ps 3,369 million) is due during the first half of 2004.

- From 2002 through 2003, the Bank adjusted its internal systems and marketing actions to be able to issue American Express cards. As of December 31, 2003, the Bank has invested US $3.68 million (Ps 10,330 million) in this process.

- During 2003, the Bank acquired security equipment to enhance physical security in its branches. As of December 31, 2003, the Bank has spent US$1.73 million (Ps 4,856 million) for equipment and installation.

- On December 29, 2003, the Bank and some of its subsidiaries acquired Sufinanciamiento for a purchase price of Ps 75,016 million, which corresponds to Ps 50.31 per share.

- During 2003, the Bank invested US$2.14 million (Ps 6,007 million) in the opening of Bancolombia Miami Agency in Miami, Florida.

- As of December 31, 2003 the Bank was in the process of

acquiring new ATMs and updating existing ATMs, at a total investment of US$ 2.12 million (Ps 5,951 million) for 2003 and 2004.

All investments referred to above were funded by the Bank's own resources. During 2003, the Bank's total capital expenditures, including investments mentioned above (except for investment in Sufinanciamiento), were Ps 42,099 million, distributed as follows:

- Ps 27,443 million for hardware;
- Ps 8,684 million for furniture and equipment; and
- Ps 5,972 million for software.

The following table summarizes the Bank's capital contributions and divestitures for the years 2001, 2002 and 2003:

CAPITAL CONTRIBUTIONS	2001	2002	2003	TOTAL
Todo 1 Services US$	Ps 16,458,450	Ps 2,500,200	Ps 1,531,373	Ps 20,490,0
Conavi (Ps million)	52,490	-	-	52,4
Multienlace S.A. (Ps million)	3,900	-	-	3,9

DIVESTITURES	2001	2002	2003	TOTA
CTI Cargo S.A. (Ps million) (1)	Ps -	Ps -	Ps 545	Ps
Industrias Forum S.A. (Ps million)(1)	-	-	4,480	4,
Transmetano ESP S.A. (Ps million)(2)	-	-	2,673	2,

(1) Investments Charged-off

(2) Investment Sale

During 2003, and as of the date of this Annual Report, there have been no public takeover offers by third parties in respect to the Bank's shares or by the Bank in respect to another company's shares, with the exception of the Bank's acquisition of Sufinanciamiento, as mentioned above.

B. BUSINESS OVERVIEW

B.1. GENERAL

The Bank provides general banking products and services to large industrial companies, small and medium-sized companies, and individuals. We have two main segments: retail and corporate. Our products and services include depositary services, personal and corporate loans, credit and debit cards, electronic banking, cash management, warehousing services, fiduciary and custodial services, and dollar-denominated products. In addition, BC's customers have access to a large network of branches and ATMs in Colombia. BC believes

that it has the largest service network of any private financial institution in Colombia, with 354 branch offices operating in 123 cities as of December 31, 2003. For the year ended December 31, 2003, BC had a positive return on average assets of 3.4% and a positive return on average shareholders' equity of 31.1%. See Item 5 - Operating and Financial Review and Prospects for a detailed discussion on the results of the Bank's operations.

The following table sets forth the Bank's (unconsolidated) market share of the Colombian banking market according to information compiled by the Superintendency of Banking for the years 2001, 2002 and 2003:

BANCOLOMBIA'S (UNCONSOLIDATED)MARKET SHARE	JANUARY - DECEMBER 2001	JANUARY - DECEMBER 2002	JANUARY - DECEMBER 2003
Total net loans	11.6%	12.4%	13.0%
Total checking accounts	16.6%	16.7%	17.4%
Total savings accounts	9.8%	10.4%	10.6%
Total time deposits	9.5%	11.3%	11.6%

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

B.2. OPERATIONS

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

YEAR ENDED DECEMBER 31, 2001

	Retail Banking	Commercial Banking	Small Business Banking	Governmental and Institutional Banking	Corporate Headquarters	Offshore Commercial Banking
Revenues from external customers	Ps 149,834	Ps 25,125	Ps 12,042	Ps 10,831	Ps (7,463)	Ps 9,234
Revenues from transactions with other operating segments of the Bank	30,138	3,193	3,260	(1,603)	(37,727)	7,170
Interest income	321,459	210,010	112,038	94,154	189,858	132,437
Provision for loans losses	Ps 31,142	Ps 2,890	Ps (2,630)	Ps 4,070	Ps 53,984	Ps 16,790

	Trust	Leasing	Manufacturing	All other Segments	TOTAL

Revenues from external customers	Ps24,309	Ps 26,687	Ps 40,059	Ps 66,167	Ps 356,825
Revenues from transactions with other operating segments of the Bank	888	508	1,535	4,903	12,265
Interest income	6,158	12,385	1,230	25,859	1,105,588
Provision for loans losses	Ps 946	Ps 4,608	Ps 876	Ps 5,826	Ps 118,502

YEAR ENDED DECEMBER 31, 2002

	Retail Banking	Commercial Banking	Small Business Banking	Governmental and Institutional Banking	Corporate Headquarters	Offshore Commercial Banking
Revenues from external customers	Ps 176,296	Ps 30,930	Ps 18,975	Ps 7,764	Ps (19,835)	Ps 6,628
Revenues from transactions with other operating segments of the Bank	22,961	14,308	9,034	21,433	(69,367)	(31,185)
Interest income	338,468	150,885	118,925	71,606	255,965	93,871
Provision for loan losses	Ps 17,269	Ps 5,851	Ps 3,187	Ps 231	Ps 39,303	Ps 64,951

	Trust	Leasing	Manufacturing	All other Segments	TOTAL
Revenues from external customers	Ps34,327	Ps 32,884	Ps (14,820)	Ps 48,564	Ps 321,713
Revenues from transactions with other operating segments of the Bank	1,532	(244)	9,275	2,074	(20,179)
Interest income	6,338	3,848	1,914	24,099	1,065,919
Provision for loans losses	Ps 647	Ps 3,446	Ps 329	Ps 6,415	Ps 141,629

YEAR ENDED DECEMBER 31, 2003

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

	Trust	Leasing	Manufacturing	All other Segments	TOTAL
Revenues from external customers	Ps38,424	Ps 47,186	Ps 31,400	Ps 97,157	Ps 490,121
Revenues from transactions with other operating segments of the Bank	773	(314)	16,555	2,138	30,204
Interest income	5,366	8,174	(6)	23,951	1,395,429
Provision for loans losses	Ps 2,239	Ps 3,564	Ps 237	Ps 7,918	Ps 199,817

The following table sets forth BC's geographic revenues and long-lived assets distribution as of December 31, 2001, 2002 and 2003

	2001		2002		
GEOGRAPHIC INFORMATION (1)	REVENUES	LONG LIVED - ASSETS	REVENUES	LONG LIVED - ASSETS	REVENUES
Republic of Colombia	Ps 1,365,369	Ps 583,217	Ps 1,477,668	Ps 582,318	Ps 1,954,038
Republic of Panama	148,841	1,662	69,314	93,915	151,068
Total	1,514,210	584,879	1,546,982	676,233	2,105,106

Eliminations	(12,265)	87,603	20,179	(2,333)	(30,204
TOTAL, NET	Ps 1,501,945	Ps 672,482	Ps 1,567,161	Ps 673,900	Ps 2,074,902

(1) Information relating to Bancolombia Miami Agency is not included because it has just started operating.

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

	2001	2002	2003
REVENUES			
Total revenues for reportable segments	Ps 1,377,748	Ps 1,292,716	Ps 1,792,50
Other revenues	136,462	254,266	312,59
Total	1,514,210	1,546,982	2,105,10
Elimination of intersegment revenues	(12,265)	20,179	(30,20
TOTAL REVENUES FOR REPORTABLE SEGMENTS	Ps 1,501,945	Ps 1,567,161	Ps 2,074,90

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

	AS OF		
	DEC - 01	DEC - 02	DEC - 03
	(Ps million)		
MAIN FEES AND COMMISSIONS			
Service charges	Ps 132,410	Ps 145,561	Ps 180,888
Credit card fees	39,960	48,992	59,041
Credit and debit card annual fees	39,662	44,117	57,199
Checking fees	37,674	40,972	45,252
Warehouse and logistics services, net	32,973	38,873	42,705
Fiduciary and trust activities	27,101	22,215	25,647
Commissions on letters of credit	2,346	2,929	4,249
Commissions expense	(46,744)	(51,351)	(81,956)
TOTAL	Ps 265,382	Ps 292,308	Ps 333,025

B.3. OUR BUSINESS

The Bank is a universal bank engaged in retail banking, corporate banking and other financial activities directed toward its two major customer segments: retail and corporate. The Bank offers traditional banking products and services, such as checking accounts, saving accounts, time

deposits, lending (including overdraft facilities), credit cards, and cash management services. It also offers non-traditional products and services, such as pension banking, bancassurance, international transfers, fiduciary and trust services, leasing, brokerage services and investment banking.

SEASONALITY OF DEPOSITS

Historically, the Bank has experienced some seasonality in its checking account deposits with higher average balances at the end of the year when customers need increased liquidity and lower balances in the first quarter of the year when customers move their funds from checking accounts to savings and mortgage institutions. During December 2001, the aggregate amount deposited in checking accounts was Ps 2,318 billion which decreased 15.2%, to Ps 1,966 billion by March 31, 2002. During December 2002, the aggregate amount deposited in checking accounts was Ps 2,691 billion, which declined 7.1% to Ps 2,500 billion by March 31, 2003. As of December 31, 2003, deposits in checking accounts represented 34.7% of the Bank's total deposits.

B.3.i. RETAIL BANKING

The Retail Banking segment of the Bank provides a wide range of financial products and services to individuals and small-and-middle-sized companies. This segment of the Bank is important for the Bank's funding and its generation of revenue. The Retail Banking Division of the Bank services more than 1.4 million customers as of December 31, 2003.

The total amount of retail banking loans, which includes all types of credit extended to individuals and small-and-medium-sized companies, was Ps 2,709,217 million in 2003, as compared to Ps 1,911,829 million in 2002 and Ps 1,837,434 million in 2001. As of December 31, 2001, 2002 and 2003, total retail loans represented 34%, 31% and 34%, respectively, of the Bank's total loan portfolio.

As of December 31, 2003, of the total retail loans, 3.07% were past due.

The Retail Banking segment comprises Personal Banking, High-Income and Small-and-Medium-sized Companies.

B.3.i.a. PERSONAL BANKING SEGMENT

The Personal Banking segment provides a broad portfolio of products and services to individuals such as self-employed persons, employees, housewives, retirees, and students with an income of up to 11 current minimum legal monthly salaries (Salario Minimo Legal Vigente, the " SMLV" - One SMLV = Ps 332,000 per month for 2003, as established by the Government and published monthly by the Ministry of Social Protection).

The following table sets forth the number of customers in the Personal Banking sector for each of the last three fiscal years:

NUMBER OF CUSTOMERS IN THE PERSONAL BANKING SECTOR

	2001	2002	2003
SUB-SEGMENTS			

Basic(1)	661,412	772,670	900,211
Medium(2)	126,371	135,986	185,225
Preferred(3)	91,991	96,550	129,175
TOTAL PERSONAL BANKING SEGMENT	879,774	1,005,206	1,214,611

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(1) Individuals with income below 2.5 SMLV.

(2) Individuals with income equal to 2.5 SMLV and below 5 SMLV.

(3) Individuals with income between 5 SMLV and 11 SMLV.

PORTFOLIO

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

Basic Portfolio:

- Savings Accounts
- Debit Card
- Insurance Products
- Credit Card
- Personal Credit (draft, advance on payroll or consumer loan)

Complementary Portfolio:

- Checking Accounts
- CD-Time Deposits
- Pension funds

- International Wire Transfers
- Plan Semilla (investment fund) administered by Fiducolombia
- Fiducuenta (investment fund) administered by Fiducolombia

B.3.i.b. HIGH INCOME SEGMENT

The High Income Segment includes individuals with income or salaries higher than 11 SMLV per month. Although there is no cap on the income or salaries, customers within this segment with income higher than 22 SMLV per month are offered personalized service by an account executive or a branch manager of the Bank and a different portfolio of products and services.

The following table sets forth the number of customers in this segment for each of the last three fiscal years:

NUMBER OF CUSTOMERS IN THE HIGH INCOME SEGMENT

2001	2002	2003
169,327	133,907	147,128

PORTFOLIO

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

Basic Portfolio:

- Checking Account + Available Overdraft + Debit Card
- Savings Account
- Gold Credit Card, Green Amex, or Platinum Credit Card
- Audio Prestamo (loans disbursed by the Telephone or Virtual Branch)

Complementary Portfolio

- Pension Banking
- Accounts in foreign currency
- Investment funds in national and foreign currencies
- Personal Loans / Vehicle Loan
- Bancolombia Cayman Credit Card

B.3.i.c. SMALL-AND-MEDIUM-SIZED COMPANIES SEGMENT

The Small and Medium-Sized Companies Segment includes individuals with an independent economic activity and companies with revenue greater than Ps 250 million and up to Ps 11.2 billion (or Ps 17.1 billion for individuals and companies domiciled in the city of Bogota).

The following table sets forth the number of customers in this segment for each of the last three fiscal years:

NUMBER OF CUSTOMERS IN THE SMALL-AND-MEDIUM-SIZED COMPANIES SEGMENT

2001	2002	2003

64,156	72,067	79,546

PORTFOLIO

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

Basic Portfolio:

- Checking Account + Savings Account
- Company Credit Card
- ITM (Integral Treasury Management)
  - Virtual Branch for Companies
  - Payment orders
  - Collections
- Remittances in national currency
- Payment of credits via internet / Discounting of Invoices
- Payment of national and customs taxes

Complementary Portfolio

- Remittances in foreign currency
- Visa Credit Card Distribution
- Investment funds in national currency
- Foreign Exchange and International Trade
  - Payment means
  - Compensation accounts in Bancolombia Miami Agency and Bancolombia (Panama) S.A.
  - Warehouse and logistics
- Acquiring services
- Special Lines of credit (Guaranteed by the National Guarantee Fund and Agricultural Guarantee Fund)

B.3.ii. CORPORATE BANKING SEGMENT

The Corporate Banking Segment provides commercial banking services to all sectors of the economy and is organized by the size of customers assuring an adequate pricing according to their risk level, as follows:

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

- CORPORATE: Customers with annual sales above Ps 50 billion.

- INSTITUTIONAL: Customers subject to the supervision of the Superintendency of Banking, the Superintendency of Securities, the Superintendency of Health, or the Superintendency of Family Subsidy; and electricity and public utility companies.

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

The total amount of corporate banking loans, which includes all types of credits extended to customers of this segment, was Ps 5,232,794 million in 2003, as compared to Ps 4,247,392 million in 2002 and Ps 3,478,260 million in 2001. As of December 31, 2001, 2002 and 2003, total corporate loans represented 65%, 69% and 66%, respectively, of the Bank's total loan portfolio. As of December 31, 2003, of the corporate banking loans, 0.68% were past due.

BC had as of December 31, 2003, 3,194 corporate customers managed by Account Managers according to their economic sector. This has enabled the Bank to have a better understanding of the customer's needs and financial structure. In addition, this segmentation by sector allows the Bank to develop new products and services. As of December 31, 2003, the customer distribution by the main geographic regions and economic sectors was:

SECTOR / REGION	ANTIOQUIA	BOGOTA	NORTH	SOUTH	TOTAL
Agriculture(1)	58	80	26	53	217
Commerce(2)	146	345	70	105	666
Construction(3)	74	41	20	14	149
Government(4)	11	58	2	11	82
Manufacturing(5)	263	374	83	195	915
Telecom and Media(6)	9	47	10	11	77
Individuals(7)	43	83	42	34	202
Natural Resources	23	61	15	21	120
Financial Services(8)	68	219	12	38	337
Non Financial Services(9)	71	229	68	61	429
TOTAL	766	1,537	348	543	3,194

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

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

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

(4) GOVERNMENT: Central administration, territorial and decentralized

entities constitute this sector.

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

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

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

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

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

B.4. DISTRIBUTION NETWORK

The Bank distributes its products and services through five main channels: ATMs, Internet Banking, Automatic Payment Systems, PC Banking and the Telephone Branch. BC has been consolidating its distribution channels to efficiently provide its portfolio of financial products and services over a broad geographic base across Colombia. As of December 31, 2003, the branch network totaled 354 branch offices located in the most important urban centers and regions of Colombia. This traditional distribution channel is reinforced by a unified management system that includes Internet Banking, the network of ATMs, modern systems of communication technology (e.g., telephone banking and mobile banking) and client on-site branches. Through these channels, customers may carry out most transactions related to deposit accounts or credit cards, including inquiries, cash withdrawals, payment of credit card statements and utility and other bills, transfers and deposits.

B.4.i. BRANCH NETWORK

BC's branch network has grown 4.1% during 2003, adding 14 new branch offices for a total of 354 branches located in 123 Colombian cities. The network is mainly concentrated in the major urban centers with 93 branches in Bogota, 38 in Medellin, 25 in Cali and 18 in Barranquilla.

The Bank has 26 branches located in supermarkets and oriented to individuals and small and medium-sized companies, and 29 client on-site branches that serve our corporate customers and their employees, providing them with the means to solve their transactional requirements during flexible working hours. Additionally, there are 27 mobile branches located in towns where we have no physical presence. BC also maintains its "light" branches, called NOVA, with multifunctional employees and a low cost structure. As of December 31, 2003, of the 354 branches, 36 were NOVA branches.

B.4.ii. ELECTRONIC DISTRIBUTION CHANNELS

BC has a network of alternative electronic distribution channels, enabling cost-effective transactions. To decongest its branch offices, the Bank has worked to transfer customer transactions from branch offices to electronic distribution channels. Transactions effected through electronic distribution channels increased from 71% of all transactions in 2002 to 78% of all transactions in 2003.

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

B.4.ii.a. AUTOMATIC TELLER MACHINES

BC has 472 ATMs, located in 123 urban centers around the country, an increase of 21 ATMs since 2002. A strategic alliance with Conavi (a Colombian commercial bank) gives BC's customers access to 524 additional ATMs at no additional cost, an increase of 4 ATMs since 2002. BC's continued its strategic alliance with Conavi during 2003 in order to take advantage of commercial opportunities, reduce costs and create new joint ventures.

BC's ATMs offer the Cirrus and Plus network's in addition to the Colombian national network, Redeban and Multicolor. This channel is used not only by our customers, but also by other banks' customers, whose transactions during 2003 accounted for approximately 30% of all the transactions carried out through our ATM network.

B.4.ii.b. INTERNET BANKING

The Bank estimates that during 2003 approximately 21% of the Bank's transactions with its

customers were carried out over the Internet. The Bank offers the following Internet channels:

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

During 2003, a monthly average of 110,500 users visited the Virtual Branch, an increase of 20.8% over the monthly average of 91,500 users in 2002. Approximately 2,650,000 transactions were conducted monthly via the Internet during 2003, compared to 1,851,000 transactions during 2002, an increase of 43.2%.

TODO1 Alliance. During 2003, BC continued its alliance with Mercantil Servicios Financieros of Venezuela and Banco del Pichincha of Ecuador through TODO 1 Services ("TODO 1"). TODO1 is coordinating the development of Web-based products and services for individual consumers and corporate customers. This alliance enables BC to improve its e-business development and to provide better services to its customers.

Corporate Virtual Branch also updated its technology platform this year with TODO1, offering a solution for corporate treasury management in accordance with international standards. Through this solution, corporate customers can obtain credits online, pay services to third parties, make payroll payments and pay providers with the possibility of approval from different terminals, a new feature. The Bank launched this new version of the Corporate Virtual Branch in October 2003.

Facturanet. During 2003, the number of customers using the electronic bill payment system developed by TODO1 and available to Conavi and Bancolombia increased 286.6%, totaling as of December 31, 2003, 46,332 customers, as compared to 11,983 customers in 2002. Through Facturanet,

customers can make monthly payments and receive alerts via e-mail when a new bill is available for payment. During 2003, more than 38,600 bills were paid through Facturanet, compared to 15,000 bills in 2002, a 57.3% increase.

B.4.ii.c. AUTOMATIC PAYMENT SYSTEMS

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

During 2003, approximately 11,998,000 payments were conducted via the automatic payment systems, compared to 8,163,000 during 2002, which represents an increase of 47.0%.

B.4.ii.d. PC BANKING

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

During 2003, approximately 28,177,000 transactions were conducted via Enlinea compared to 20,909,000 transactions during 2002, which represents an increase of 34.8%. As of December 31, 2003, there were 4,462 users of Enlinea, as compared to 4,433 in 2002.

B.4.ii.e. TELEPHONE BRANCH

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

During 2003, an average of 237,000 customers used the Telephone Branch, compared to an average of 173,000 customers during 2002, which represents an increase of 36.4%. Approximately 20,787,000 transactions were conducted monthly via the Telephone Branch during 2003, compared to 16,716,000 transactions during 2002, which represents an increment of 24.4%.

B.4.iii. SALES FORCE

BC's sales force includes more than 4,107 employees working as advisors, vendors and customer service personnel, organized as follows:

- 578 Branch and Executive Managers, offering preferential service to managed customers,
- 66 Account managers, divided in market segments according to economic sectors, allowing them to give specialized advice to clients,
- 1,405 commercial advisors who sell products and services in the Bank's branches and other commercial offices,

- 520 specialists who offer more complex and higher added value products, and

- 1,553 tellers and secretaries who refer customers to the other commercial teams.

B.5. PRODUCTS AND SERVICES

B.5.i. LOAN PORTFOLIO

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

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

The main loans available for Personal Banking customers are the following:

- PERSONAL LOAN: Line of credit for free destination investment with short and medium-term financing for individuals who qualify under the Bank's policies.

- AUDIO PRESTAMO: Revolving line of credit exclusively for individuals. Disbursements can be made through the Virtual Branch, the Telephone Branch or the alliance with Conavitel (Conavi's electronic payment system). The funds are disbursed in real time to the customer's primary account.

B.5.i.b. LOAN PORTFOLIO FOR SMALL AND MEDIUM-SIZED COMPANIES

- LOAN PORTFOLIO: Credit granted to an individual or company considering the aggregate funds in that individual or company's Checking Account, Savings Accounts and CD-time deposits.

- TREASURY LOANS: Credit line designed to satisfy the customer's working capital needs resulting from transitory situations of illiquidity and payment of taxes.

- LOANS FUNDED BY COLOMBIAN DEVELOPMENT BANKS: Variable rate loans based on CD-time deposit rates or LIBOR with maturities between six months and five years.

- WORKING CAPITAL LOANS: These loans are predominantly variable rate or based on CD-time deposits, rates with the rate reset every quarter.

- TRADE FINANCING LOANS: Dollar-denominated, variable rate loans. As of December 31, 2003, due to legal restrictions, these loans have maturities of six months or less, whereas some capital assets are financed up to 3 years.

The following table summarizes loans extended to individuals and small and medium-sized companies in 7 categories and the amount past due for each category:

	2002	2003	AS A % OF TOTAL LOAN PORTFOLIO 2002	AS A % OF TOTAL LOAN PORTFOLIO 2003	PAST D LOANS 2
	(Ps million except percentages)				
RETAIL (1)					
Credit cards	Ps 254,876	Ps 335,172	4.1%	4.2%	Ps 12,
Personal loans	561,558	814,885	9.1%	10.1%	32,
Vehicle loans	24,476	229,737	0.4%	2.9%	6,
Overdrafts	68,490	81,294	1.1%	1.0%	7,
Loans funded by domestic development banks	276,157	330,246	4.4%	4.1%	5,
Trade financing	28,112	19,644	0.5%	0.2%	
Working capital loans	698,160	898,239	11.2%	11.2%	18,
TOTAL RETAIL	Ps 1,911,829	Ps 2,709,217	30.8%	33.7%	Ps 83,

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

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

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

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

- Trade financing loans are typically dollar-denominated, variable rate loans. As of

December 31, 2003, due to legal restrictions, the loans have maturities of six months or less, whereas some capital assets are financed up to three years.

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

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

	2002	2003	AS A % OF TOTAL LOAN PORTFOLIO 2002	AS A % OF TOTAL LOAN PORTFOLIO 2003	PAST D LOANS 2
	(Ps million except percentages)				

CORPORATE					
Trade financing	Ps 166,620	Ps 149,582	2.7%	1.9%	Ps 2,
Loans funded by domestic development banks	376,378	394,947	6.1%	4.9%	1,
Working capital loans	3,650,585	4,687,153	58.9%	58.4%	30,
Credit cards	5,218	8,237	0.1%	0.1%	
Overdrafts	48,591	32,371	0.8%	0.4%	1,
TOTAL CORPORATE	Ps 4,247,392	Ps5,272,290	68.6%	65.7%	Ps 35,

B.5.ii. DEPOSIT PRODUCTS

The Bank offers a variety of checking accounts, savings accounts, time deposits and tax collection services to its customers. At December 31, 2003, based on information compiled by the Superintendency of Banking, BC was the largest bank nationwide in terms of deposits, with a total of Ps 6,727,860 million on an unconsolidated basis, representing 12.3% of the Colombian market. 37.8% of BC's (unconsolidated) total deposits are in checking accounts, 30.9% in savings accounts, 28.2% in time deposits (including DATs) and 3.2% in other deposits.

B.5.ii.a. CHECKING ACCOUNTS

An on-site deposit product that allows a customer to deposit sums of money in cash and/or checks and to dispose of balances, totally or partially, through checks, automated withdraws/debits, cash withdrawals and electronic transfers. As of December 31, 2003, on an unconsolidated basis, BC had approximately 377,642 checking accounts with total deposits of Ps 2,542,854 million, an increase approximately 22% from Ps 2,085,981 million in 2002. Checking accounts usually reach their highest level at the end of the year, affected by seasonality.

B.5.ii.b. SAVINGS ACCOUNTS

BC savings accounts are designed for individuals and calculate and disburse daily interest on available balances. BC savings accounts offer different alternatives for yield, handling fee, transactions, and required minimum balances, all according to customer needs. As of December 31, 2003, on an unconsolidated basis, BC had approximately 1,172,927 savings accounts with total deposits

of Ps 2,191,709 million, decreasing approximately 5% from Ps 2,305,795 million in 2002.

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

These certificates, negotiable in the secondary securities market, permit management of liquidity surpluses at terms greater than 30 days, and with interest rates greater than those paid in the savings accounts. As of December 31, 2003, on an unconsolidated basis, BC had approximately 69,577 time deposits totaling Ps 1,870,491 million, as compared to 74,503 time deposits totaling Ps 1,686,350 million in 2002.

B.5.II.D. DAT (TIME DEPOSITS)

A short-term bank deposit agreement that permits its holder to receive interest payments from BC according to a legal regime and specific regulations approved by the Superintendency of Banking.

B.5.iii. CREDIT CARDS

The Bank operates in the Colombian credit card market through the issuance of MasterCard, Visa and American Express cards for individuals and corporate customers. As of December 31, 2003 total credit cards loans (retail and corporate) totaled approximately Ps 343,410 million, representing approximately 4.3% of the Bank's total loans.

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

		OUTSTANDING CARDS	
TYPE OF CARD	SEGMENT	DEC. 31, 2002	DEC. 31, 20
PERSONAL CREDIT CARDS			
Classic Visa and MasterCard	Personal	163,001	162,157
Gold Visa and MasterCard	High Income	35,858	37,843
Platinum MasterCard	High Income	4,812	5,187
BC Exito Visa (1)	Personal	33,155	32,267
Ideal Card (2)	Basic Sub Segment	-	5,086
E-card	Retail	2,012	1,965
TOTAL PERSONAL		238,838	244,505
BUSINESS CREDIT CARDS			
Visa "Empresarial" and MC Corporate	Small-and-medium-sized companies and Corporate	20,200	24,790
Visa Distribution (3)	Major retailers	-	-
TOTAL BUSINESS		20,200	24,790
AMERICAN EXPRESS (4)			
Blue	Personal	10,641	32,702
Green	High Income	9,270	18,784
Gold	High Income	5,182	8,833
TOTAL AMEX		25,093	60,319
TOTAL OUTSTANDING CREDIT CARDS		284,131	329,614

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(1) BANCOLOMBIA EXITO VISA: This co-branding card results from an alliance between Bancolombia and Almacenes Exito, a supermarket chain, and is directed specifically to Personal Banking segment customers. It offers exclusive benefits at Exito stores.

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

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

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

As part of the Bank's strategy for the credit card market, since 2003 the Bank has made its Bancolombia Free Miles program more flexible, giving customers different options for redeeming their miles, including products and tourist packages, and transferring their miles to other frequent flier programs.

The following table shows the Bank's credit card business market share on an unconsolidated basis:

ACCUMULATED CREDIT CARD BILLING (As of December 31, in Ps million)	2002	2003	GROWTH 2003/2002	MKT. 2002
Bancolombia MasterCard	Ps 717,438	Ps 787,331	9.7%	10.6%
Bancolombia VISA	341,758	406,802	19.0%	5.1%
Bancolombia American Express	17,322	240,872	1,290.5%	0.3%
TOTAL BANCOLOMBIA	1,076,518	1,435,005	33.3%	16%
COLOMBIAN CREDIT CARD INDUSTRY	Ps 6,751,628	Ps 8,295,597	22.9%	

Source: Credibanco, American Express and Red Multicolor.

CREDIT CARD MARKET SHARE Number of outstanding credit cards as of December 31,	2002	2003	GROWTH 2003/2002	MKT. 2002
Bancolombia MasterCard	Ps 158,969	Ps 160,113	0.7%	7.2%
Bancolombia VISA	100,069	109,182	9.1%	4.5%
Bancolombia American Express	25,093	60,319	140.4%	1.1%
TOTAL BANCOLOMBIA	284,131	329,614	16.0%	12.8%

COLOMBIAN CREDIT CARD INDUSTRY	Ps 2,216,322	Ps 2,479,554	11.9%

Source: Credibanco, American Express and Red Multicolor.

During 2003, the credit card business showed positive performance. The Bank's accumulated credit card billing and number of outstanding credit cards increased 33% and 16%, respectively, while the industry's accumulated credit card billing and number of outstanding credit cards increased 22.9% and 11.9%, respectively, resulting in greater market share. Since their launch in November 2002, the Bank's American Express cards have shown significant growth. The number of outstanding American Express cards grew 140.4% during 2003 as compared to 2002, and accumulated credit card billing increased 1,290.5% during the same period, as a result of a strong commercial strategy.

B.5.iv. DEBIT CARDS

The Bank offers the following debit cards:

- BANCOLOMBIA MAESTRO DEBIT CARD: The Bank offers the Maestro Debit card to customers with savings accounts at the Bank. After a review of the customer's purchases, the customer is offered various payment options for the handling fee and ATM withdrawal charges. As of December 31, 2003, 1,038,411 Maestro Debit cards issued by the Bank were outstanding.

- BANCOLOMBIA MASTERCARD DEBIT CARD: The Bank offers this card to customers with a checking account at BC. It has worldwide acceptance and assistance from MasterCard. As of December 31, 2003, 150,183 such cards issued by the Bank were outstanding.

- BANCOLOMBIA PREPAID CARD: BC offers this prepaid debit card to individuals without an account at the Bank. Several companies have contracted with BC to credit payroll for their temporary employees to prepaid debit cards, with the Bank offering various awards and incentives in return. As of December 31, 2003, 13,376 of such cards issued by the Bank were outstanding.

B.5.v. OTHER BANKING PRODUCTS

As a complete service bank, BC offers a broad portfolio of financial products and services. Some other important services include:

B.5.v.a. REMITTANCES

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

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

BC offers its customers the convenience of paying national and customs taxes via its network of branches, with BC transferring funds to the governmental entity. This is an important no-cost short-term funding source for the Bank.

B.5.v.c. ACQUIRING BUSINESS

Since November 2002, the Bank has been the exclusive issuer and acquirer agent for American Express credit cards in Colombia. The acquiring business at the Bank is divided into two parts. First, as official partner of American Express in Colombia, BC has responsibility for the franchise as the only acquirer of its transactions in Colombia. BC is responsible for all the processes related to acceptance, compensation and payment of all the American Express merchant members in Colombia. Second, BC has responsibility for signing up new merchants to the Visa, MasterCard and American Express franchises, and the new merchant members receive payment for sales made with credit and debit cards in BC accounts.

During 2003, the Bank has paid Ps 4.1 billion for debit and credit card sales, representing 37.9% of the acquirer market, as compared to Ps 3.4 billion during 2002.

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

The Bank offers, through its branch network, several insurance products (life insurance, home insurance and personal accidents insurance) of Compania Suramericana de Seguros, one of the

main insurance companies in Colombia.

During 2003, BC sold 91,524 insurance policies, compared to 68,174 during 2002, representing an increment of 34%. As of December 31, 2003, 180,432 insurance policies sold by BC were on effect, compared to 138,748 as of December 31, 2002, which represent an increase in outstanding policies of 30%.

During the months of August and September, 2003, the Bank held the campaign Ahorre y Proteja su Familia ("Save and Protect your Family") and sold more than 35,327 life insurance policies and 686 home insurance policies.

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

Through its branch network, the Bank offers a Voluntary Pension Fund "Rentapension," administered by Fiducolombia. The fund allows customers to obtain, through periodic contributions, tax benefits and interest payments, a proposed voluntary saving goal to complement their state pension. BC sold 4,580 pension plans in 2003, as compared to 6,075 pensions plans in 2002.

B.5.v.f. INTERNATIONAL WIRE TRANSFERS

In some of its offices, the Bank provides facilities for customers to transfer funds abroad, exchange foreign currency, sell travelers' checks, pay U.S. dollar-denominated credit card balances and receive MoneyGram wired funds. In 2002, the Bank entered into an alliance with the Colombian supermarket chain Almacenes Exito to offer these services in that company's main stores.

In March 2003, the Bank agreed with the Banco Popular Group to receive wire transfers from Colombian citizens residing in France and Spain. Also during 2003, the Bank agreed with the U.S. government to allow retired persons from the U.S. residing in Colombia to receive their Social Security pension payments in BC accounts.

As of December 31, 2003, BC performed 91,997 wire transfers for its customers totaling US$ 136.7 million, compared to 89,770 wire transfers

totaling US$ 95.3 million in 2002.

B.5.v.g. TREASURY PRODUCTS

The Bank's Treasury Division is responsible for the management of the Bank's treasury operations and its proprietary liquidity, foreign exchange and securities, positions, and participates with the Vice Presidency of Risk in the management of market, liquidity, interest-rate and currency risks. Treasury Products were more dynamic during 2003 due to several reasons, such as an increase in some business lines including foreign exchange derivatives and sovereign debt market. Other factors also contributed to the results of the Bank's Treasury Products the most important of which was the volatility of domestic and foreign interest rates, generating higher income from valuation of portfolios in Colombia and Panama.

BC's treasury results during 2003 resulted primarily from a positive investment portfolio dynamic, not only in local currency, but also with regard to foreign currency.

In 2003, the local market situation was characterized by a good liquidity supply resulting from the Central Bank's decision to reduce interest rates, which, accompanied by high real interest rates in public debt assets ("TES"), generated greater profits.

BC placed first in the Ministry of Finance's raking of Creators of the Public Debt Market, trading an average monthly volume of Ps 300 billion, which produced significant income for the treasury division.

In the international market, high global liquidity levels led to a decrease in interest rates and a fall in debt spreads. The debt spread of the Republic of Colombia bonds fell approximately 160 basis points on average during 2003. Because a high percentage of our investments in foreign currency are concentrated in this issuer, the falling debt spread yielded positive results for BC.

Foreign currency spots and forwards also generated important income for Treasury.

This division conducts, among others, the following operations for the Bank and for its clients:

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

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

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

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

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

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

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

CREDIT DERIVATIVES INVESTMENT PORTFOLIO: BC engages in credit derivatives operations in which one party transfers to the other for a period of time the credit risk associated with an issuer in exchange for a periodic premium, which is defined as a Credit Default Swap ("CDS"). The investments made can be as follows:

- Credit-Linked Note: a security issued by an international bank that implicitly has the risk of a CDS.

- Credit-Linked Deposit: a deposit provided as a guarantee for a CDS.

FORWARD COLOMBIAN PESO/U.S. DOLLAR: BC purchases and sells U.S. dollars in exchange for futures contracts for Colombian pesos, determining a date, price, and specific amount. This is done to fill customer needs, to take a long or short position in connection with an exchange rate swap, or to hedge assets and liabilities denominated in U.S. dollars. Such operations are not standardized with respect to

length or minimum amounts. In forward forex operations, BC performs the same role with currencies other than the U.S. dollar.

B.5.vi. FIDUCIARY

The Bank offers, through its subsidiary Fiducolombia, a family of six mutual funds and one voluntary retirement fund, all of which are designed to provide customers with the opportunity to diversify their investments. As of December 31, 2003, it had Ps 1,386,307 million in total assets under management, increasing 26.0% from Ps 1,100,175 million in 2002.

FIDUCUENTA: This fixed income fund seeks to attain stable income in the short term, preserving the immediate availability of cash. As of December 31, 2003, it had Ps 1,028,183 million in assets under management, increasing 20.8% from Ps 851,460 million in 2002. As of December 31, 2003, Fiducuenta had a market share of 21.9% for this type of funds.

FIDURENTA: This fixed income fund seeks to attain stable income in the medium and long term, with a minimum 30-day investment term. As of December 31, 2003, it had Ps 263,614 million in assets under management, increasing 40.9% from Ps 187,104 million in 2002.

FIDUNACION: This fund, which comprises public debt instruments, seeks to attain stable income in the medium and long term, with a minimum 30-day investment term. As of December 31, 2003, it had Ps 780 million in assets under management, decreasing 59.4% from Ps 1,921 million in 2002.

FIDUDIVISAS: This fund comprises fixed or variable income securities issued in international markets, with a minimum 90-day investment term. As of December 31, 2003, it had Ps 4,695 million in assets under management, decreasing 27.0% from Ps 6,433 million in 2002. This decrease is explained by the volatility of the exchange rate.

PLAN SEMILLA: This savings alternative pursues the goal of capital accumulation, which can, in accordance with a customer's needs, assist in paying for education, purchasing a home, or buying a vehicle. It has a minimum one-year investment term. As of December 31, 2003, it had Ps 26,824 million in assets under management, increasing 104.8% from Ps 13,096 million in 2002.

RENTA PENSION: This long-term programmed savings alternative enjoys tax benefits and can either complement the mandatory state pension or assist in the pursuit of capital accumulation goals. As of December 31, 2003, it had Ps 57,671 million in assets under management, increasing 51.5% from Ps 38,065 million in 2002.

INDEACCION: This investment alternative allows participation in the local and international stock markets with the goal of long-term gains. As of December 31, 2003, it had Ps 4,541 million in assets under management, increasing 116.7% from Ps 2,096 million in 2002.

ASSET MANAGEMENT BUSINESSES

In the area of asset management businesses, as of December 31, 2003, the Fiduciary had Ps 9,566 billion in assets under management, increasing 19.7% from Ps 7,991 billion in 2002. Fiducolombia offers a broad range of products and services by type of trust, among which the following stand out:

PUBLIC TRUST: When managing a public trust for state-owned companies, Fiducolombia performs collection, payment and asset management operations while simultaneously performing follow-up, control and reviews of performance as well as any other activities provided for in the trust contract. As of December 31, 2003, such trusts had Ps 5,131 billion in assets under management, an increase of 28.1% from Ps 4,006 billion in 2002.

MANAGEMENT AND PAYMENT TRUST: Fiducolombia manages assets transferred to it by an individual or company, performing activities such as collection, payment and portfolio control, document control, verification of budgetary performance and presentation of operating results. As of December 31, 2003, such trusts had Ps 1,529 billion in assets under management, an increase of 15.1% from Ps 1,328 billion in 2002.

INDIVIDUAL INVESTMENT TRUST: Fiducolombia manages resources transferred to it by an individual or a company, designing an investment portfolio that takes into account the customer's requirements in terms of liquidity, security and profitability. As of December 31, 2003, such trusts had Ps 1,548 billion in assets under management, an increase of 19.3% from Ps 1,298 billion in 2002.

REAL ESTATE TRUST: Fiducolombia manages third-party resources designated for the development of housing and/or commercial real estate projects during the pre-sale, construction and title transfer stages, thus contributing

to project feasibility as well as promotional and sales activities. As of December 31, 2003, such trusts had Ps 70,097 million in assets under management, an increase of 41.2% from Ps 49,630 million in 2002.

GUARANTEE TRUST: Through this trust business, the trustee or founder of a trust transfers ownership of one or several of his assets to an autonomous entity in order to guarantee other financial obligations that the trustee or founder has incurred. As of December 31, 2003, such trusts had Ps 1,288 billion in assets under management, decreasing 1.6% from Ps 1,309 billion in 2002.

Other products and services offered by the Fiduciary are:

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

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

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

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

B.5.vii. LEASING

Leasing Colombia, as a BC subsidiary specialized in leasing activities, offers the following types of leasing:

- FINANCIAL LEASING: Through financial leasing, Leasing Colombia allows customers to lease previously selected capital goods. Customers lease the capital good with the option to purchase after a determined term.

- OPERATIONAL LEASING: Leasing Colombia delivers leased equipment for a fixed term. If Leasing Colombia initially stipulates the sale of the goods for a commercial value at their return, this value will be deducted from the monthly lease payments.

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

The following table shows Leasing Colombia's number of contracts, clients and the net value of its leased goods and loan portfolio

YEAR	NUMBER OF CONTRACTS OF LEASING AND LOANS	NUMBER OF CLIENTS	NET VALUE OF LEASED GOODS AND LOAN PORTFOLIO (PS MILLION)
2001	1,769	1,202	163,727
2002	3,909	2,442	270,099
2003	5,933	3,814	445,670

B.5.viii. WAREHOUSE AND LOGISTICS

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

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

Almacenar has been expanding its logistics business, which currently represents 62.7% of its portfolio of services.

B.5.ix. INVESTMENT BANKING

Colcorp S.A. is a subsidiary of BC that specializes in providing investment banking services to a variety of the Bank's customers. Colcorp engages primarily in asset management and financial advisory services. As of December 31, 2003, Colcorp had over Ps 234,000 million under management. Colcorp invests in companies in all sectors of the Colombian economy, including agriculture, telecommunications, construction and the public sector. In addition, Colcorp provides specialized financial advisory services to private companies as well as government entities in areas such as mergers and acquisitions, project and structured finance, valuation of business divisions and restructurings, both within Colombia and abroad.

B.5.x. BROKERAGE

Comicol S.A. Comisionista de Bolsa, a subsidiary of BC, offers brokerage services to the Bank's customers as well as its own customers. In this area, Comicol offers two alternatives, fixed and variable yield instruments, as well as portfolio management, foreign currency intermediation, investment banking and management of investment funds.

B.5.xi. OFF-SHORE BANKING

Bancolombia (Panama) S.A. and Bancolombia Cayman, BC's international subsidiaries located in Panama and the Cayman Islands, respectively, provide a complete line of banking services mainly to Colombian customers, including loans to private sector companies, trade financing, lease financing, financing for industrial projects and a complete portfolio of cash management products such as checking accounts, international collections and payments and PC Banking. Through these subsidiaries, BC also offers to its high net worth and private banking customers investment opportunities in U.S. dollars, in savings and checking accounts, CD-time deposits and investment funds. As of December 31, 2003, Bancolombia (Panama) had 8,772 clients, an increase of 4.8%, from 8,368 in 2002. Additionally, Bancolombia Cayman issues Visa credit cards. At December 31, 2003, 5,041 such cards issued by the Bank were outstanding, an increase of 4.7% from 4,814 in 2002.

B.5.xii. NEW PRODUCTS OR SERVICES

During 2003, the Bank launched the following products and services:

B.5.xii.a. BANCOLOMBIA MIAMI AGENCY

On December 2003, the Bank set up its international banking agency in Miami, Florida. According to the applicable rules, the Bank can offer through this agency services and products only to non-U.S. residents. Among other products, the Agency offers its customers savings, money market and checking accounts in U.S. dollars including the product now account, which is offered only to individuals and permits unlimited monthly withdrawals, CD-time deposits and transfers of funds abroad. The Agency also eases the clients' access to credit facilities as working capital facilities (with a maximum term of 5 years), pre-financing exports facilities, letters of credit for the payment of import goods and management of collections of receivables. In addition, the Agency offers international cash management tools to its clients including the Virtual Branch and international payment services, among others.

B.5.xii.b. NEW PERSONAL BANKING SEGMENTS

During 2003, the Bank developed the following new segments:

MICROFINANCING: In order to boost the Colombian economy, for the last two years, under a plan promoted by the government, Colombian banks have agreed to open credit lines for small businesses. These resources are placed with very small businesses, either directly by the Bank or through non-governmental organizations.

Customers served under this initiative must meet the following criteria:

- Annual sales greater than Ps 30 million and less than Ps 250 million;
- Age of business greater than one year;
- Owner between 21 and 69 years of age;
- Assets less than 501 SMLV;
- Up to 10 employees;
- Loans may be used for working capital such as purchasers of

raw goods, renovation of premises and purchasers of machinery, equipment, furniture and fixtures.

PRIVATE BANKING: Since 2003, the Bank has developed its private banking project, a special program servicing high net worth individuals (customers with assets under management in excess of

US$100,000). The portfolio encompasses products of the Bank's subsidiaries, including those in Colombia as well as those abroad. This project is expected to begin in the second quarter of 2004.

The project's goals are:

- To improve the range of products and the quality of service offered to high net worth individuals;

- To take advantage of the opportunities of a "one-stop financial advice" relationship with this group of customers (integrating the sale of services from BC subsidiaries);

- To offer local advice with access to global products;

- To increase the volume of assets under management.

B.5.xiii. COMPANIA SURAMERICANA DE FINANCIAMIENTO COMERCIAL ("SUFINANCIAMIENTO")

In December 2003, the Bank acquired Sufinanciamiento, a Colombian consumer finance company that specializes in the vehicle financing market with a total gross loan portfolio as of December 31, 2003, of Ps 279,354 million, total deposits of Ps 230,447 million and 125,489 customers. Sufinanciamiento also has an agreement with Almacenes Exito, a major retail chain in Colombia, to offer consumer loans to its customers. The acquisition of Sufinanciamiento will allow the Bank and its subsidiaries to complement their portfolio of products by developing commercial financing activities, in particular in vehicle financing.

B.6. COMPETITION

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

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

Additional laws have since been promulgated with the purpose of further deregulating the Colombian financial system. Besides Law 35 and Decree 663, Law 510 of 1999, Law 546 of 1999 and Law 795 of 2003 further

broadened the scope of activities permitted to financial institutions, set forth general circumstances under which the government may intervene in the financial sector, prescribed the rules governing intervention and established the instruments that the government may use.

As of December 31, 2003, the principal participants in the Colombian financial system were: the Central Bank; 28 commercial banks (of which 14 were domestic banks, 9 were foreign banks and 5 were official banks); 4 finance corporations; 13 commercial finance companies, 11 leasing companies; and 9 government-owned development banks. In addition, insurance companies, securities

brokerage firms, cooperatives and bonded warehouse and trust companies were also present in the Colombian financial system.

As of December 31, 2003, 83.95% of the total assets of the financial system were held by private entities, 16.05% were held by state-owned or state-controlled entities. Specifically, of the total assets of the banking system alone, private Colombian banks had a share of 63.5%, private foreign banks 18.1% and state-owned or state controlled banks 18.4%. With respect to deposits in the banking system, private Colombian banks had a share of 66.2%, private foreign banks had a 16.9% share and state-owned or state controlled banks had a 16.9% share

EVOLUTION OF THE FINANCIAL SYSTEM IN 2003

During 2003, the financial system showed a profit of Ps 1.8 trillion, compared to Ps 0.9 trillion during 2002.

The valuation of investments, decrease of costs of funds and the control of management costs made by financial institutions led to the improved climate. Market perceptions regarding the government's capacity to solve fiscal difficulties was reflected in the reduction of spreads for external public debt and the lower rates for internal public debt, which has improved the valuation of bank portfolios. In addition, the current, expansive monetary policy has altered the structure of funds in a manner favorable to financial institutions. Lastly, the capitalizations, strengthening of portfolios, reduction of expenses and diversification of the financial system that has occurred in recent years has allowed greater flexibility in the generation of net income and, as a consequence, greater profit.

B.6.ii. BANCOLOMBIA AND ITS COMPETITORS

BANCOLOMBIA'S INDICATORS AND ITS COMPETITION

The financial sector has been consolidating since the crisis of 1999 and 2000, and the main financial indicators now suggest continuing growth. BC's capital adequacy is 408 basis points above the required level, which could leverage dynamic growth in risk assets. Allowances as a percentage of past due loans are above 90%, and the quality of loan portfolios (past due loans as a percentage of total loans) went from 11.0% in December of 2002 to 6.8% in December of 2003. The management expense index (administrative expenses/total assets) decreased from 6.8% in December 2000 to 5.8% in December 2003, and institutions have made strong investments in technology, which generates greater management efficiency. Among banks with the greatest assets, a bracket that includes BC, all indicators are even stronger. Coverage of past due loan portfolios (allowances as a percentage of total loans) is greater than 100% and loan portfolio quality is less than 3%, which allows these larger banks to

assume greater risks.

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

	ROAE		ROAA		PAST DUE LOAN/ TOTAL LOANS		ALLOWANCES/PAST DUE LOANS		CAPITAL AD
	DEC-02	DEC-03	DEC-02	DEC-03	DEC-02	DEC-03	DEC-02	DEC-03	DEC-02
Bancolombia (unconsolidated)	13.3%	20.1%	1.6%	2.8%	2.3%	1.6%	218.8%	298.5%	11.1%
Banco de Bogota	20.8%	23.2%	2.7%	2.9%	2.7%	2.2%	183.0%	212.8%	9.7%
Banco de Occidente	18.7%	20.7%	2.2%	2.3%	2.6%	2.9%	279.0%	224.7%	10.0%
BBVA	-10.7%	10.9%	-1.0%	0.9%	5.1%	4.1%	189.7%	201.7%	11.5%
Citibank	19.3%	12.6%	2.4%	1.9%	1.2%	1.0%	255.8%	219.4%	10.9%

	ROAE		ROAA		PAST DUE LOAN/ TOTAL LOANS		ALLOWANCES/PAST DUE LOANS		CAPITAL AD
	DEC-02	DEC-03	DEC-02	DEC-03	DEC-02	DEC-03	DEC-02	DEC-03	DEC-02
Davivienda	11.0%	14.6%	1.2%	1.8%	16.7%	10.6%	63.2%	96.7%	13.9%
Banco Popular	11.7%	18.8%	1.2%	1.9%	8.2%	5.5%	94.6%	116.4%	10.3%

Source: Superintendency of Banking

BC is the market leader in the loan and deposit market. BC's principal competitors in the corporate market include Banco de Bogota, Citibank, BBVA and Banco de Occidente. In the retail market, the primary competitors are Banco de Bogota, Banco Popular, Banco de Occidente and Conavi.

The following graphs show BC's (unconsolidated) and its main competitors market share according to information compiled by the Superintendency of Banking for the years 2001, 2002 and 2003:

TOTAL NET LOANS
MARKET SHARE

[BAR CHART]

	JAN-DEC/01	JAN-DEC/02	JAN-DEC/03
BANCOLOMBIA	11.6%	12.4%	13.0%
BOGOTA	8.1%	9.1%	9.4%
BBVA	6.8%	6.7%	6.7%

DAVIVIENDA	7.2%	6.7%	6.4%
POPULAR	5.7%	5.5%	5.4%

CHECKING ACCOUNTS
MARKET SHARE

[BAR CHART]

	JAN-DEC/01	JAN-DEC/02	JAN-DEC/03
BANCOLOMBIA	16.6%	16.7%	17.4%
BOGOTA	14.4%	15.3%	15.2%
BBVA	11.3%	11.1%	10.0%
OCCIDENTE	8.4%	9.0%	9.0%
POPULAR	8.0%	7.4%	6.9%

SAVINGS ACCOUNTS
MARKET SHARE

[BAR CHART]

	JAN-DEC/01	JAN-DEC/02	JAN-DEC/03
BANCOLOMBIA	9.8%	10.4%	10.6%
CONAVI	11.4%	10.6%	9.9%
BOGOTA	6.8%	7.5%	8.4%
DAVIVIENDA	9.4%	8.4%	8.0%
BBVA	7.1%	7.2%	7.5%

TIME DEPOSITS
MARKET SHARE

[BAR CHART]

	JAN-DEC/01	JAN-DEC/02	JAN-DEC/03
BANCOLOMBIA	9.5%	11.3%	11.6%
AV VILLA	8.7%	8.1%	8.1%
DAVIVIENDA	7.3%	7.8%	7.6%
BBVA	5.9%	5.9%	6.1%
CITIBANK	6.1%	4.8%	4.4%

B.7. SUPERVISION AND REGULATION

COLOMBIAN BANKING REGULATORS

The principal bodies regulating the Colombian financial system are the Superintendency of Banking, the Superintendency of Securities, the

Ministry of Finance and the Board of Directors of the Central Bank. Colombia's National Congress prescribes the general framework under which the government may regulate the financial system.

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

- Violations to provisions of Colombia's financial system are subject to administrative sanctions and, in some cases, may have criminal consequences. The Superintendency of Banking may inspect Colombian financial institutions on a discretionary basis, and has

the authority to impose fines on such institutions, their directors and officers for violations of Colombian laws, regulations, or such financial institutions' own by-laws.

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

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

- Superintendency of Securities: The Superintendency of Securities supervises brokerage houses and stock exchanges and monitors and regulates the market for publicly traded securities. Since BC's Common Shares and Preferred Shares are publicly traded on the Colombian Stock Exchange, certain aspects of BC's operations are supervised by the Superintendency of Securities.

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

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

of Finance.

REGULATORY FRAMEWORK FOR COLOMBIAN BANKING INSTITUTIONS

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

In order to implement and enforce the provisions related to Colombia's financial system, the Superintendency of Banking and the Board of Directors of the Central Bank issue periodic circulars and resolutions. In External Circular 007 of 1996, as amended, the Superintendency of Banking compiled all

the rules and regulations covering banking institutions, and in External Circular 100 of 1995, as amended, it compiled all regulations applicable to the accounting and financial treatment of banking institutions.

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

KEY INTEREST RATES

Colombian commercial banks, finance corporations and commercial finance companies are required to report to the Central Bank, on a weekly basis, data regarding the total volume (in pesos) of certificates of deposit issued during the prior week and the average interest rates paid for certificates of deposit with maturities of 90 days. Based on such reports, the Central Bank computes the Tasa de Captaciones de Corporaciones Financieras ("TCC") and the Depositos a Termino Fijo ("DTF") rates, which are published at the beginning of the following week for use in calculating interest rates payable by financial institutions. The TCC is the weighted average interest rate paid by finance corporations during the second week preceding its publication for deposit maturities of 90 days. The DTF is the weighted average interest rate paid by finance corporations, commercial banks and commercial finance companies during the second week preceding its publication, for the average interest rates paid for certificates of deposit with maturities of 90 days. For the week of March 8-15, 2004, the DTF was 8.02% and the TCC was 8.86%.

CAPITAL ADEQUACY REQUIREMENTS

Capital adequacy requirements for Colombian financial institutions are based on the standards of the Basel Committee. The regulations establish four categories of assets, which are each assigned different risk weights, and require that a credit institution's Technical Capital (as defined below) be at least 9% of that institution's total risk-weighted assets.

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

- paid-in capital stock;
- legal and other primary capital reserves;
- earnings retained from prior fiscal years;
- the total value, if positive, of the primary capital revaluation account;
- the balance of the financial statements conversion adjustment;
- current fiscal year profits in a proportion equal to the percentage of prior fiscal year profits that were allocated to the legal reserve, or capitalized, or used to cover accrued losses;
- the total value of capitalized dividends; and
- any representative shares held as guarantee pending compliance with a recovery program aimed at bringing the Bank back into compliance with capital adequacy requirements, if the Superintendency of Banking established that such recovery program has failed;

Items deducted from Primary Capital are:

- any prior or current period losses;
- the total value of the primary capital revaluation account (if negative);

- accumulated inflation adjustment on non-monetary assets (provided that the respective assets have not been transferred);
- capital investments in entities subject to the supervision of the Superintendency of Banking (including purchases of mandatory convertible bonds); and
- investments in foreign financial institutions where the investor holds at least 20% of the capital of said institution.

Secondary Capital consists of other reserves and retained earnings,

which are added to the Primary Capital in order to establish the total Technical Capital. Secondary Capital includes:

- 50% of asset reappraisal (excluding revaluations of assets acquired by foreclosure or paid for in kind);
- mandatory convertible bonds (provided that the terms and conditions of their issuance were approved by the Superintendency of Banking);
- 50% of the accumulated inflation adjustment of non-monetary assets (provided that such assets have not been disposed of);
- general allowances; and
- the difference between the surplus capital account from donations and the investment devaluation account.
- market value of subscribed subordinated bonds as long as said bonds do not exceed 50% of Primary capital, and comply with additional requirements.

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

The following table sets forth certain information regarding the Bank's capital adequacy as of December 31, 2003:

	AS OF DECEMBER 31,
	(Ps million, exce percentages)
Subscribed capital	Ps 355,
Capital Advance Payments	
Legal reserve and other reserves	740,
Unappropriated retained earnings	41,
Net Income	375,
LESS:	
Long - term investments	(149,
Non - monetary inflation adjustment	(196,
Primary capital (Tier I)	Ps 1,167,
Reappraisal of assets	Ps 63,
Provision loans	85,
Non-monetary inflation adjustment	111,
Computed secondary capital (Tier II)	Ps 260,
Primary capital (Tier I)	Ps 1,167,
Secondary capital (up to an amount equal to primary capital) (Tier II)	260,
Technical Capital	Ps 1,427,

Capital ratios

	AS OF DECEMBER 31,
	(Ps million, exce percentages)
Primary capital to risk-weighted assets (Tier I).....	10.
Secondary capital to risk-weighted assets (Tier II).....	2.
Technical capital to risk-weighted assets	13.

As of December 31, 2003, the Bank's Technical Capital ratio was 13.08%, thereby exceeding the requirements of the Colombian government and the Superintendency of Banking by 408 basis points. The Bank's capital has fluctuated over time. There can be no assurance that the Bank will not continue to experience such fluctuations in the future. The Bank expects, however, to be able to continue to meet all capital adequacy requirements under Colombian law.

Liquidity risks are currently regulated and market risks are currently governed by External Circular 100 of 1995, as amended, issued by the Superintendency of Banking. This circular defines new criteria and procedures for measuring the Bank's exposure to interest rate risk, foreign exchange risk, and equity price risk. Under the new regulations, the Bank must send to the Superintendency of Banking information on the net present value, duration, and interest rate of its assets, liabilities, and derivative positions. Since January 2002, Colombian Banks have also been required to calculate, for each position on the balance sheet, a volatility rate and a parametric VaR (value at risk), which is calculated based on net present value, modified duration and a risk factor computed in terms of a basis points change. Each risk factor is calculated and provided by the Superintendency of Banking.

MINIMUM CAPITAL REQUIREMENTS

The minimum capital requirements for banks on an unconsolidated basis is now contained in Law 795 of 2003, and as of January 1, 2004 was Ps 51,366,986,553. Failure to meet such requirements can result in the imposition of a fine by the Superintendency of Banking of up to 3.5% of the difference between the required minimum capital and the Bank's effective capital. The Bank has met all such requirements. As of December 31, 2003, the Bank's total capital consisted of Ps 355,119 million of paid-in capital stock and Ps 740,354 million of legal and other reserve funds.

FOREIGN CURRENCY POSITION REQUIREMENTS

According to Central Bank regulations, the Bank's Foreign Currency Position is the difference between the Bank's foreign currency-denominated rights and obligations (including any off-balance sheet items), made or contingent, including those that may be sold in Colombian legal currency.

Resolution 4 of 2001 of the Board of Directors of the Central Bank provides that a bank's Foreign Currency Position cannot, if assets are greater than liabilities, exceed 20% of the bank's Technical Capital. Currency exchange intermediaries such as BC are permitted to hold a negative Foreign Currency

Position not exceeding the equivalent of 5% of Technical Capital (with penalties being payable after the first day). As of March 7, 2004, BC had dollar-denominated positive net assets position of US$4.9 million, which falls within the aforementioned regulatory guidelines. For further discussion, see Note 3 to the Financial Statements.

The Central Bank also established the Foreign Currency Position in Cash ("Posicion Propia de Contado") as the difference between foreign currency-denominated assets and liabilities. In order to control the Peso appreciation that occurred during 2003, on January 23, 2004, the Board of Directors of the Central Bank issued External Resolution No. 1 forbidding currency exchange intermediaries such as BC to hold negative Foreign Currency Positions in Cash, and therefore established a minimum of zero

for the Foreign Currency Positions applicable as of March 31st, 2004. This measure has not affected BC significantly.

RESERVE REQUIREMENTS

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

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

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

FOREIGN CURRENCY LOANS

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

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

BAD LOAN ALLOWANCE

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

LENDING ACTIVITIES

The government, pursuant to Decrees 2360 and 2653, each of 1993, set the maximum amounts that each financial institution may lend to a single borrower (including for this purpose all related fees, expenses and charges). These maximum amounts may not exceed 10% of a commercial bank's Technical Capital. The limit is raised to 25% when any amounts lent above 5% of Technical Capital are secured by guarantees that comply with the financial institutions' guidelines, in accordance with the requirements set forth in Decrees 2360 and 2653. Also, according to Decree 1886 of 1994, the Bank may not make a loan to any shareholder that holds directly more than 10% of its capital stock, for one year after such shareholder reaches the 10% threshold. In no event may a loan to a shareholder holding directly or indirectly 20% or more of the Bank's capital stock exceed 20% of the Bank's Technical Capital. In addition, no loan to a single financial institution may exceed 30% of the Bank's Technical Capital. As of December 31, 2003, the Bank's lending limit per borrower on an unconsolidated basis was Ps 115,020 million for unsecured loans and Ps 287,551 million for secured loans. If a financial

institution exceeds these limits, the Superintendency of Banking may impose a fine up to twice the amount by which any such loan exceeded the limit. At December 31, 2003, the Bank was in compliance with these limitations.

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

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

OWNERSHIP RESTRICTIONS

The Bank is organized as a sociedad anonima under Colombian law and is governed by laws that regulate the activities of private companies, such as the Colombian Commerce Code. The Commerce Code requires companies such as the Bank to have at least five shareholders at all times and provides that no single shareholder may own 95% or more of the Bank's subscribed capital stock. Article 262 of the Colombian Commerce Code prohibits the Bank's subsidiaries from acquiring capital stock of the Bank.

Pursuant to Decree 663 adopted by the government on 1993, as amended by Law 795 of 2003, any transaction resulting in an individual or corporation holding 10% or more of any class of capital stock of any Colombian financial institution, including in the case of BC, transactions resulting in holding ADRs representing 10% or more of the Preferred Shares underlying ADRs, must receive prior authorization from the Superintendency of Banking. In granting its approval, the Superintendency of Banking will evaluate the proposed transaction based on the criteria and guidelines specified in Law 510 of 1999, as amended by Law 795 of 2003. Transactions entered into without the Superintendency of Banking's prior approval are void and cannot be recorded in the stock registry of the financial institution. These restrictions apply equally to foreign investors and Colombian persons.

In addition to the above restriction, pursuant to Resolution 400 of

1995, as amended, issued by the Superintendency of Securities, any transaction involving the sale of publicly traded stock of any Colombian company, including in the case of the Bank, any sale of the Preferred Shares, for 66,000 UVRs or more, must be effected through one of Colombia's stock exchanges.

These limitations may affect the market liquidity of the Preferred Shares and the ADSs.

DEPOSIT INSURANCE

To protect the customers of commercial banks and certain financial institutions, Resolution No. 1 of 1988 of the Board of Directors of Fogafin, as amended, requires mandatory deposit insurance. Under this Resolution No. 1, banks must pay an annual premium of 0.5% of total funds received on deposit and checking accounts and certificates of deposit. If a bank is liquidated, the deposit insurance will cover 75% of all funds deposited by an individual or corporation with such bank, up to a maximum of Ps 10 million. Thus, the maximum amount that a customer of a liquidated financial institution is entitled to recover under deposit insurance is Ps 7.5 million.

INTERVENTION RIGHTS OF THE SUPERINTENDENCY OF BANKING

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

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

The Superintendency of Banking may immediately seize the operations and

assets of a bank if: (a) its Technical Capital falls below 40% of the minimum capital adequacy requirements, or (b) the term to implement a restructuring program mandated by the Superintendency of Banking has lapsed. Rather than seizing the operations and assets of a bank, the Superintendency of Banking may adopt other preventive measures, such as imposing additional reserve requirements on the commercial bank, ordering the increase of its capital stock or the investment of certain or all of its assets, and placing the bank under special surveillance.

ANTI-MONEY LAUNDERING PROVISIONS

In order to detect and deter money laundering, the Superintendency of Banking has adopted in its External Circular 025 of 2003 an integral plan to prevent money laundering. This plan requires training of employees, adoption of policies and procedures designed to enable the Bank to identify and monitor its customers and employees, and Central Bank monitoring of the Bank's operations. It also requires the implementation of mechanisms to report suspicious activities to the appropriate governmental authorities. In line with this plan, the Bank has developed a system of policies and procedures -- so-called "know your customer" policies -- and has established a strict approval process for deposits. Depositors in time deposits and savings accounts must go through an identification and screening procedure, and depositors in checking accounts are subject to the same credit review process as required for potential borrowers.

TROUBLED FINANCIAL INSTITUTIONS

In response to the crisis faced by the Colombian financial system during the early 1980s, in 1985 the government created the Fondo de Garantias de Instituciones Financieras ("Fogafin"), a fund meant to assist troubled financial institutions. Subject to specific limitations, Fogafin is authorized to provide equity (whether or not reducing the par value of the recipient's shares) and/or secured credits to troubled financial institutions, and to insure deposits of commercial banks and certain other financial institutions. Yet, in 1998 and 1999, to address the adverse effects of the economic crisis, Law 550 (Ley de Reactivacion Economica), Law 546 (Ley de Vivienda), External Circular 039 and External Circular 044 were further adopted. These regulations sought to aid the recovery of the Colombian economy, by helping troubled companies and had some influence on the Bank's credit policies of the Bank for such companies. Notably, under Law 546 of 1999, savings and loan institutions were required to convert into

commercial and savings banks. Also, under this law, commercial banks cannot have participation in other commercial banks for more than 5 years. This provision is applicable to the Bank, who will only be allowed to continue with its participation in Conavi until December 2004.

B.8. RAW MATERIALS

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

C. ORGANIZATIONAL STRUCTURE

The following is a list of BC's significant subsidiaries as of December 31, 2003:

SUBSIDIARIES

ENTITY	JURISDICTION OF INCORPORATION	BUSINESS
Almacenes Generales de Deposito Mercantil S.A.		
ALMACENAR	Colombia	Warehouse and logistics
Fiducolombia S.A.	Colombia	Trust
BC (Panama) S.A.	Panama	Banking
BC (Cayman)	Cayman Islands	Banking
Leasing Colombia S.A.	Colombia	Leasing
Colcorp S.A. Corporacion Financiera	Colombia	Finance
Corporacion Financiera Suramericana S.A. Sufinanciamiento	Colombia	Finance
Comisionista de Colombia S.A.	Colombia	Securities Brokerage
Abocol S.A.	Colombia	Chemical
Valores Simesa S.A.	Colombia	Various Commercial Inves
Inmobiliaria Bancol S.A.	Colombia	Real State Broker
Fundicom S.A.	Colombia	Metals Engineering
Todo UNO Colombia	Colombia	E-commerce
Unicargo de Colombia S.A.	Colombia	Freight Service
Sistema de Inversiones y Negocios S.A.	Panama	Commercial Entity
Sinesa Holding Company	British Virgin Island	Commercial Entity
Future Net Inc.	Panama	E-commerce
Compania Metalurgica Colombiana S.A. COMECOL (1)	Colombia	Metals Engineering
Sociedad Portuaria Mamonal S.A.	Colombia	Custom Office
Abocol Costa Rica S.A.	Costa Rica	Chemical Products Commer
Fertillanos Ltda.	Colombia	Chemical Products Commer

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

D. PROPERTY, PLANT AND EQUIPMENT

The Bank owned as of December 31, 2003, Ps 871,057 million in equipment, of which Ps 541,174 million corresponds to goods given in leasing. Ps 194,983 million correspond to land and building where approximately 90% are administrative real estate and branches, located in 84 municipalities, but mainly in the cities of Bogota, Cali and Barranquilla. Ps 44,040 million correspond to computer equipment, of which 45% corresponds to

the central computer and servers and the rest are PCs, ATMs, telecommunications equipment and other equipment.

In addition to its own branches, the Bank occupies 179 rented offices.

The Bank does not have any liens on its property.

For the purpose of centralizing operations, and in order to meet the Bank's additional physical space requirements in 2004, various offices will be transferred to a sole rented building, for which renovations are estimated to cost Ps 6,306 million.

E. SELECTED STATISTICAL INFORMATION

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

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

Average balances have been calculated as follows: For each month, the actual month-end balances were established. The average balance for each period is the average of such month-end balances. For purposes of the presentation in the following tables, non-performing loans have been treated as non-interest-earning assets. In addition, loan fees are immaterial in amount and are included in "loans" in the tables below.

REAL AVERAGE INTEREST RATES

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

$$R(P) = \frac{1 + N(P)}{1 + I} - 1$$

WHERE:

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

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

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

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

AVERAGE BALANCE SHEET

The following tables show for the years ended December 31, 2001, 2002 and 2003, respectively:

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

liabilities.

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

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

	2001				
	AVERAGE BALANCE	INTEREST EARNED	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE	AVERAGE BALANC
					(Ps million, except percentage
ASSETS(1)					
INTEREST-EARNING ASSETS(2):					
Overnight funds					
Peso-denominated.....	Ps 16,060	Ps 13,395	83.4%	70.4%	Ps 14,221
Dollar-denominated.....	238,230	8,258	3.5%	3.5%	226,535
Total.....	254,290	21,653	8.5%		240,756
Investment securities (5)					
Peso-denominated.....	889,566	12,755	1.4%	-5.8%	1,908,293
Dollar-denominated.....	1,241,754	35,903	2.9%	2.9%	1,663,565
Total.....	2,131,320	48,658	2.3%		3,571,858
Loans(3)					
Peso-denominated.....	4,099,831	747,543	18.2%	9.8%	4,355,031
Dollar-denominated	1,024,660	63,903	6.2%	6.2%	1,046,841
Total.....	5,124,491	811,446	15.8%		5,401,872
Total interest-earning assets(4)					
Peso-denominated.....	5,005,457	773,693	15.5%	7.3%	6,277,545
Dollar-denominated.....	2,504,644	108,064	4.3%	4.3%	2,936,941
Total.....	7,510,101	881,757	11.7%		9,214,486
NON INTEREST-EARNING ASSETS:					
Cash due from banks and Central Bank					
Peso-denominated.....	362,048				386,770
Dollar-denominated.....	44,474				28,403
Total.....	406,522				415,173
Allowance for loan losses					
Peso-denominated.....	(251,987)				(250,972)
Dollar-denominated.....	(44,873)				(42,164)
Total.....	(296,860)				(293,136)
Non-performing loans					
Peso-denominated.....	110,935				130,228

Dollar-denominated.....	26,301			44,536
Total.....	137,236			174,764
Customers' acceptances				
Peso-denominated.....	4,575			(3,799)
Dollar-denominated.....	34,480			23,980
Total.....	39,055			20,181

AVERAGE BALANCE SHEET AND INCOME FROM INTEREST-EARNING ASSETS FOR THE FISCAL YEARS ENDED DECEMBER 31,

	2003			
	AVERAGE BALANCE	INTEREST EARNED	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE
	(Ps million, except percentages)			
ASSETS(1)				
INTEREST-EARNING ASSETS(2):				
Overnight funds				
Peso-denominated.....	Ps 2,158	16	0.7%	-5.4%
Dollar-denominated.....	403,788	4,747	1.2%	1.2%
Total.....	405,946	4,763	1.2%	
Investment securities (5)				
Peso-denominated.....	2,328,676	318,404	13.7%	6.7%
Dollar-denominated.....	1,719,568	158,316	9.2%	9.2%
Total.....	4,048,244	476,720	11.8%	
Loans(3)				
Peso-denominated.....	5,526,391	849,441	15.4%	8.3%
Dollar-denominated	1,485,688	69,331	4.7%	4.7%
Total.....	7,012,079	918,772	13.1%	
Total interest-earning assets(4)				
Peso-denominated.....	7,857,225	1,167,861	14.9%	7.9%
Dollar-denominated.....	3,609,044	232,394	6.4%	6.4%
Total.....	11,466,269	1,400,255	12.2%	
NON INTEREST-EARNING ASSETS:				
Cash due from banks and Central Bank				
Peso-denominated.....	463,495			
Dollar-denominated.....	161,124			
Total.....	624,619			
Allowance for loan losses				
Peso-denominated.....	(293,112)			
Dollar-denominated.....	(69,455)			
Total.....	(362,567)			
Non-performing loans				
Peso-denominated.....	85,318			
Dollar-denominated.....	17,063			
Total.....	102,381			

Customers' acceptances	
Peso-denominated.....	153,776
Dollar-denominated.....	(127,673)
Total.....	26,103

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

	2001				
	AVERAGE BALANCE	INTEREST EARNED	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE	AVERAGE BALANC
					(Ps million, except percentage
Accounts receivable, net					
Peso-denominated.....	165,394				166,091
Dollar-denominated.....	12,003				6,801
Total.....	177,397				172,892
Foreclosed assets, net					
Peso-denominated.....	94,636				74,314
Dollar-denominated.....	-				1,050
Total.....	94,636				75,364
Premises and equipment, net					
Peso-denominated.....	454,825				490,785
Dollar-denominated.....	97,981				152,897
Total.....	552,806				643,682
Other assets					
Peso-denominated.....	780,607				671,958
Dollar-denominated.....	63,684				85,997
Total.....	844,291				757,955
Total non interest-earning assets					
Peso-denominated.....	1,721,033				1,665,375
Dollar-denominated.....	234,050				301,500
Total.....	1,955,083				1,966,875
Total interest and non interest-earnings assets					
Peso-denominated.....	6,726,490	773,693			7,942,920
Dollar-denominated.....	2,738,694	108,064			3,238,441
TOTAL ASSETS.....	Ps 9,465,184	Ps 881,757			Ps 11,181,361

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

	2003		
	AVERAGE BALANCE	INTEREST EARNED	AVERAGE NOMINAL INTEREST RATE
	(Ps million, except percentages)		
Accounts receivable, net			
Peso-denominated.....	217,143		
Dollar-denominated.....	43,232		
Total.....	260,375		
Foreclosed assets, net			
Peso-denominated.....	38,063		
Dollar-denominated.....	-		
Total.....	38,063		
Premises and equipment, net			
Peso-denominated.....	627,628		
Dollar-denominated.....	119,042		
Total.....	746,670		
Other assets			
Peso-denominated.....	804,439		
Dollar-denominated.....	94,429		
Total.....	898,868		
Total non interest-earning assets			
Peso-denominated.....	2,096,750		
Dollar-denominated.....	237,762		
Total.....	2,334,512		
Total interest and non interest-earnings assets			
Peso-denominated.....	9,953,975	1,167,861	
Dollar-denominated.....	3,846,806	232,394	
TOTAL ASSETS.....	Ps 13,800,781	Ps 1,400,255	

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

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

(3) Includes performing loans only.

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

(5) Variation in the average nominal interest rate for 2003, reflect new

regulations issued by the Superintendency of Banking and effective as of September 1, 2002. See note 2 (g) to the financial statements.

AVERAGE BALANCE SHEET AND INTEREST PAID ON INTEREST-BEARING

	ENDED DECEMBER 31,				
	2001				
	AVERAGE BALANCE	INTEREST PAID	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE	AVERAGE BALANCE
					(Ps million, except percentag
LIABILITIES AND SHARE-HOLDERS' EQUITY(1)(2)(3)					
INTEREST-BEARING LIABILITIES:					
Checking deposits					
Peso-denominated	Ps 102,257	Ps 4,171	4.1%	-3.3%	Ps 90,33
Dollar-denominated	506,098	18,156	3.6%	3.6%	576,93
Total	608,355	22,327	3.7%		667,26
Savings deposits					
Peso-denominated	1,646,305	110,828	6.7%	-0.9%	2,077,69
Dollar-denominated	64,045	2,328	3.6%	3.6%	83,79
Total	1,710,350	113,156	6.6%		2,161,49
Time deposits					
Peso-denominated	1,802,223	238,241	13.2%	5.2%	2,167,38
Dollar-denominated	1,165,018	65,771	5.6%	5.6%	1,386,38
Total	2,967,241	304,012	10.2%		3,553,77
Overnight funds					
Peso-denominated	321,138	27,120	8.4%	0.7%	363,62
Dollar-denominated	-	-			81,47
Total	321,138	27,120	8.4%		445,09
Borrowings from domestic development banks					
Peso-denominated	259,401	35,643	13.7%	5.6%	436,13
Dollar-denominated	110,993	5,079	4.6%	4.6%	77,54
Total	370,394	40,722	11.0%		513,67
Interbank borrowings					
Peso-denominated	-	-			
Dollar-denominated	472,975	20,160	4.3%	4.3%	505,83
Total	472,975	20,160	4.3%		505,83
Long-term debt					
Peso-denominated	11,991	1,577	13.2%	5.2%	20,77
Dollar-denominated	-	-			
Total	11,991	1,577	13.2%		20,77
Fiduciary deposits					

Peso-denominated.....	-	-			
Dollar-denominated.....	-	-			
Total.....	-	-			
Total interest-bearing liabilities(4)					
Peso-denominated.....	4,143,315	417,580	10.1%	2.3%	5,155,95
Dollar-denominated.....	2,319,129	111,494	4.8%	4.8%	2,711,96
Total.....	6,462,444	529,074	8.2%		7,867,91
NON-INTEREST-BEARING LIABILITIES:					

AVERAGE BALANCE SHEET AND INTEREST PAID ON INTEREST-BEARING LIABILITIES FOR THE FISCAL YEARS ENDED DECEMBER 31,

	2003			
	AVERAGE BALANCE	INTEREST PAID	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE
	(Ps million, except percentages)			
LIABILITIES AND SHARE-HOLDERS' EQUITY(1)(2)(3)				
INTEREST-BEARING LIABILITIES:				
Checking deposits				
Peso-denominated.....	Ps 154,098	Ps 3,596	2.3%	-3.9%
Dollar-denominated.....	851,005	8,026	0.9%	0.9%
Total.....	1,005,103	11,622	1.2%	
Savings deposits				
Peso-denominated.....	2,452,320	112,875	4.6%	-1.8%
Dollar-denominated.....	118,905	1,093	0.9%	0.9%
Total.....	2,571,225	113,968	4.4%	
Time deposits				
Peso-denominated.....	2,477,658	200,881	8.1%	1.5%
Dollar-denominated.....	1,742,845	49,030	2.8%	2.8%
Total.....	4,220,503	249,911	5.9%	
Overnight funds				
Peso-denominated.....	691,205	35,247	5.1%	-1.3%
Dollar-denominated.....	32,776	3,176	9.7%	9.7%
Total.....	723,981	38,423	5.3%	
Borrowings from domestic development banks				
Peso-denominated.....	654,684	57,537	8.8%	2.2%
Dollar-denominated.....	33,538	919	2.7%	2.7%
Total.....	688,222	58,456	8.5%	
Interbank borrowings				
Peso-denominated.....	-	-		
Dollar-denominated.....	317,258	5,293	1.7%	1.7%
Total.....	317,258	5,293	1.7%	1.7%
Long-term debt				
Peso-denominated.....	64,299	2,840	4.4%	-1.9%

Dollar-denominated.....	-	-		
Total.....	64,299	2,840	4.4%	4.4%
Fiduciary deposits				
Peso-denominated.....	-	-		
Dollar-denominated.....	-	-		
Total.....	-	-		
Total interest-bearing liabilities(4)				
Peso-denominated.....	6,494,264	412,976	6.4%	-0.1%
Dollar-denominated.....	3,096,327	67,537	2.2%	2.2%
Total.....	9,590,591	480,513	5.0%	
NON-INTEREST-BEARING LIABILITIES:				

AVERAGE BALANCE SHEET AND INTEREST PAID
LIABILITIES FOR THE FISCAL YEARS

	2001				
	AVERAGE BALANCE	INTEREST PAID	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE	AVERAGE BALANCE
					(Ps million, except percen
Checking accounts					
Peso-denominated.....	1,182,007				1,437,42
Dollar-denominated.....	23				2
Total.....	1,182,030				1,437,45
Other deposits					
Peso-denominated.....	130,692				48,33
Dollar-denominated.....	40,278				50,51
Total.....	170,970				98,84
Bank Acceptances Outstanding					
Peso-denominated.....	4,607				4,24
Dollar-denominated.....	34,480				23,98
Total.....	39,087				28,22
Fiduciary deposits					
Peso-denominated.....	22,860				
Dollar-denominated.....	-				
Total.....	22,860				
Other liabilities					
Peso-denominated.....	484,984				673,00
Dollar-denominated.....	29,019				45,47
Total.....	514,003				718,47
Shareholders' equity					
Peso-denominated.....	1,002,941				939,77

Dollar-denominated.....	70,849		90,68
Total.....	1,073,790		1,030,45
Total non-interest bearing liabilities(4)			
Peso-denominated.....	2,828,091		3,102,77
Dollar-denominated.....	174,649		210,67
Total.....	3,002,740		3,313,44
Total interest and non-interest bearing liabilities			
Peso-denominated.....	6,971,406	417,580	8,258,72
Dollar-denominated.....	2,493,778	111,494	2,922,63
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	Ps 9,465,184	Ps 529,074	Ps 11,181,36

AVERAGE BALANCE SHEET AND INTEREST PAID ON INTEREST-BEARING LIABILITIES FOR THE FISCAL YEARS ENDED DECEMBER 31,

	2003			
	AVERAGE BALANCE	INTEREST PAID	AVERAGE NOMINAL INTEREST RATE	AVERAGE REAL INTEREST RATE
	(Ps million, except percentages)			
Checking accounts				
Peso-denominated.....	1,685,115			
Dollar-denominated.....	-			
Total.....	1,685,115			
Other deposits				
Peso-denominated.....	64,013			
Dollar-denominated.....	63,641			
Total.....	127,654			
Bank Acceptances Outstanding				
Peso-denominated.....	3,477			
Dollar-denominated.....	28,973			
Total.....	32,450			
Fiduciary deposits				
Peso-denominated.....	-			
Dollar-denominated.....	-			
Total.....	-			
Other liabilities				
Peso-denominated.....	821,364			
Dollar-denominated.....	36,127			
Total.....	857,491			
Shareholders' equity				
Peso-denominated.....	1,130,654			
Dollar-denominated.....	376,826			
Total.....	1,507,480			
Total non-interest bearing				

liabilities(4)		
Peso-denominated.....	3,704,623	
Dollar-denominated.....	505,567	
Total.....	4,210,190	
Total interest and non-interest bearing liabilities		
Peso-denominated.....	10,198,887	412,976
Dollar-denominated.....	3,601,894	67,537
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	Ps 13,800,781	Ps 480,513

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

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

(3) Includes performing loans only.

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

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

The following table allocates, by currency of denomination, changes in the Bank's net interest income to changes in average volume, changes in nominal rates and the net variance caused by changes in both average volume and nominal rate for the fiscal year ended December 31, 2003 compared to the fiscal year ended December 31, 2002; and the fiscal year ended December 31, 2002 compared to the fiscal year ended December 31, 2001. Volume and rate variances have been calculated based on movements in average balances over the period and changes in nominal interest rates on average interest-earning assets and average interest-bearing liabilities. Net changes attributable to changes in both volume and interest rate have been allocated to the change due to changes in volume.

	2001-2002 INCREASE (DECREASE) DUE TO CHANGES IN:			
	VOLUME	RATE	NET CHANGE	VOLUME
	(Ps million)			

INTEREST-EARNING ASSETS:				
Overnight funds				
Peso-denominated	(1,258)	(2,407)	(3,665)	(89
Dollar-denominated	(108)	(6,055)	(6,163)	2,084
Total	(1,366)	(8,462)	(9,828)	1,995
Investment securities				
Peso-denominated	3,391	(9,794)	(6,403)	57,480
Dollar-denominated	(1,549)	(40,459)	(42,008)	5,156
Total	1,842	(50,253)	(48,411)	62,636
Loans				
Peso-denominated	39,358	(115,244)	(75,886)	180,045
Dollar-denominated	1,154	(10,602)	(9,448)	20,479
Total	40,512	(125,846)	(85,334)	200,524
Total interest-earning assets				
Peso-denominated	41,491	(127,445)	(85,954)	237,436
Dollar-denominated	(503)	(57,116)	(57,619)	27,719
TOTAL	40,988	(184,561)	(143,573)	265,155
Peso-denominated				
Dollar-denominated				
INTEREST-BEARING LIABILITIES:				
Checking deposits				
Peso-denominated	(391)	(818)	(1,209)	1,488
Dollar-denominated	1,229	(9,372)	(8,143)	2,585
Total	838	(10,190)	(9,352)	4,073
Savings deposits				
Peso-denominated	21,893	(27,279)	(5,386)	17,243
Dollar-denominated	326	(1,271)	(945)	323
Total	22,219	(28,550)	(6,331)	17,566
Time deposits				
Peso-denominated	35,613	(62,479)	(26,866)	25,156
Dollar-denominated	7,809	(24,677)	(16,868)	10,028
Total	43,422	(87,156)	(43,734)	35,184
Overnight funds				
Peso-denominated	2,637	(7,188)	(4,551)	16,705
Dollar-denominated	4,076	-	4,076	(4,719
Total	6,713	(7,188)	(475)	11,986
Borrowings from domestic development banks				
Peso-denominated	17,719	(9,640)	8,079	19,207
Dollar-denominated	(2,414)	2,930	516	(1,206
Total	15,305	(6,710)	8,595	18,001

	INCREASE (DECREASE) DUE TO CHANGES IN:			
	VOLUME	RATE	NET CHANGE	VOLUME
			(Ps million)	
Interbank borrowings				
Peso-denominated	-	-	-	-
Dollar-denominated	611	(11,367)	(10,756)	(3,146
Total	611	(11,367)	(10,756)	(3,146
Long-term debt				
Peso-denominated	329	(1,127)	(798)	1,922
Dollar-denominated	-	-	-	-
Total	329	(1,127)	(798)	1,922
Fiduciary deposits				
Peso-denominated	-	-	-	-
Dollar-denominated	-	-	-	-
Total	-	-	-	-
Total interest-bearing liabilities				
Peso-denominated	77,800	(108,531)	(30,731)	81,721
Dollar-denominated	11,637	(43,757)	(32,120)	3,865
TOTAL	89,437	(152,288)	(62,851)	85,586
Peso-denominated				
Dollar-denominated				

INTEREST-EARNING ASSETS--NET INTEREST MARGIN AND SPREAD

The following table analyzes the levels of average interest-earning assets and net interest income of the Bank and illustrates the comparative net interest margin and interest spread obtained for the fiscal years ended December 31, 2001, 2002 and 2003, respectively.

	INTEREST-EARNING ASSETS-YIELD SPREAD F YEAR ENDED DECEMBER 31,	
	2001	2002
	(in millions of pesos, except perc	
Total average interest-earning assets		
Peso-denominated	Ps 5,005,457	Ps 6,277,545
Dollar-denominated	2,504,644	2,936,941
TOTAL	7,510,101	9,214,486
Net interest earned(1)		
Peso-denominated	Ps 356,113	Ps 300,890
Dollar-denominated	(3,430)	(28,929)
TOTAL	352,683	271,961
Average yield on interest-earning assets		
Peso-denominated	15.5%	11.0%
Dollar-denominated	4.3%	1.7%

TOTAL.....	11.7%	8.0%
Net interest margin(2)		
Peso-denominated.....	7.1%	4.8%
Dollar-denominated.....	(0.1)%	(1.0)%
TOTAL.....	4.7%	3.0%
Interest spread(3)		
Peso-denominated.....	5.4%	3.5%
Dollar-denominated.....	(0.5)%	(1.2)%
TOTAL.....	3.5%	2.1%

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

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

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

E.2. INVESTMENT PORTFOLIO

The Bank acquires and holds investment securities for liquidity and other strategic purposes, or when it is required by law, such as fixed income debt and equity securities. Since 1995 banks are allowed to maintain equity securities of liquid publicly traded Colombian institutions as investment securities, recording them at cost.

As of September 1, 2002, investments had to be classified as "trading," "available for sale" or "held to maturity." Trading investments are those acquired primarily to obtain profits from fluctuations in short-term prices, and are recorded at market value. The difference between current and previous market value is added to or subtracted from the value of the investment and credited or charged to earnings. "Available for sale" investments are those held for at least one year (except for Bancolombia Panama's "available for sale" investments, which have no term restrictions) and they are recorded at market value with changes to the values of these securities recorded in a separate account in the equity section. "Held to maturity" investments are those acquired to be held them until maturity and are valued at amortized cost. As of December 31, 2003, the value of BC's dollar- and peso-denominated portfolio on a consolidated basis was Ps 4,162,420 million.

Investments are fully reviewed in June and December and partially reviewed in March and September of each year for impairment by considering the related solvency risk, market exposure, currency exchange and country risk. Investment securities with a rating by external agencies recognized by the Superintendency of Banking cannot be recorded on the balance sheet of the Bank for an amount higher than certain percentages of the face value (shown in the table below), including the accrued income or excluding returns received in an anticipated manner. Depending on the results of the review and on the likelihood of loss of the investment, allowances are recorded for 20% to 100% of the cost of the investment, and for 100% of accrued income.

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

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

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

As of December 2003, all of the investment debt securities held by BC were classified as "A".

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

	AS OF DECEMBER 31,		
	2001(1)(2)	2002(1)(2)	2003(
	(in millions of pesos)		
DOLLAR-DENOMINATED			
Securities issued by the Colombian Government	Ps 1,261,055	Ps 1,322,471	Ps 1,3
Euronotes and Eurobonds	178,604	373,339	2
Securities issued by foreign governments (3)	2,552	-	
Others	98,662	92,169	
Subtotal	1,540,873	1,787,979	1,7
PESO-DENOMINATED			
Securities issued by the Colombian Government	740,083	1,692,817	1,8
Securities issued by the Central Bank	3,181	11,767	
Securities issued by government entities	212,742	134,519	1
Securities issued by other financial entities	293,064	261,266	2
Others	9,844	201,337	
Subtotal	1,258,914	2,301,706	2,3
TOTAL	Ps 2,799,787	Ps 4,089,685	Ps 4,1

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(1) Includes debt securities only. The Bank's total long-term investments, net in equity securities were Ps 184,755 million, Ps 253,774 million and Ps 174,304 million for 2001, 2002 and 2003, respectively.

(2) These amounts are net of allowances for decline in value which were Ps 3,168 million for 2001, Ps 10,313 million for 2002 and Ps 9,171 million for 2003.

(3) As of December 31, 2003, BC holds one security issued by the U.S. Treasury Department, for Ps 78,544 million and one security issued by the Republic of Salvador for Ps 8,565 million.

INVESTMENT SECURITIES PORTFOLIO MATURITY

The following table analyzes the remaining maturities and weighted average nominal yields of the Bank's investment securities as of December 31, 2003.

	AS OF DECEMBER 31, 2003					
	MATURING IN ONE YEAR OR LESS		MATURING AFTER ONE YEAR THROUGH FIVE YEARS		MATURING YEARS T Y	
	BALANCE(1)	YIELD %(2)	BALANCE(1)	YIELD%(2)	BALANCE(1)	
	(in millions of pesos, except yields)					
DOLLAR-DENOMINATED:						
Securities issued by the Colombian government.....	Ps 762	4.19%	Ps 915,101	8.22%	Ps 376,648	
Euronotes and Eurobonds.....	71,525	8.55%	226,381	10.91%	-	
Securities issued by foreign Governments.....	87,109	6.34%	-	-	-	
Others.....	2,349	8.86%	88,697	9.40%	-	
Subtotal.....	161,745	7.35%	1,230,179	8.80%	376,648	
PESO-DENOMINATED Securities issued by the Colombian government.....	387,248	11.26%	1,194,393	11.04%	300,598	

	AS OF DECEMBER 31, 2003			
	MATURING AFTER TEN YEARS		TOTAL	
	BALANCE(1)	YIELD%(2)	BALANCE(1)	YIELD%(2)
	(in millions of pesos, except yields)			
DOLLAR-DENOMINATED:				

Securities issued by the Colombian government.....	Ps 10,866	6.94%	Ps1,303,377	9.08%
Euronotes and Eurobonds.....	-	-	297,906	10.34%
Securities issued by foreign Governments.....	-	-	87,109	6.34%
Others.....	7,278	10.22%	98,324	9.45%
Subtotal.....	18,144	8.25%	1,786,716	9.18%
PESO-DENOMINATED				
Securities issued by the Colombian government.....	5,642	7.49%	1,887,881	10.14%

	AS OF DECEMBER 31, 2003				
	MATURING IN ONE YEAR OR LESS		MATURING AFTER ONE YEAR THROUGH FIVE YEARS		MATURING YEARS T Y
	BALANCE(1)	YIELD %(2)	BALANCE(1)	YIELD%(2)	BALANCE(1)
	(in millions of pesos, except yields)				
Securities issued by the Central Bank.....	6,117	0.83%	698	1.84%	-
Securities issued by government entities.....	55,974	8.57%	48,251	9.87%	3,254
Securities issued by other financial entities....	120,787	10.13%	138,553	9.91%	22,847
Others.....	9,617	9.94%	62,124	4.31%	17,857
Subtotal.....	579,743	10.63%	1,444,019	10.59%	344,556
TOTAL.....	Ps 741,488		Ps 2,674,198		Ps 721,204

	AS OF DECEMBER 31, 2003			
	MATURING AFTER TEN YEARS		TOTAL	
	BALANCE(1)	YIELD%(2)	BALANCE(1)	YIELD%(2)
	(in millions of pesos, except yields)			
Securities issued by the Central Bank.....	-	-	6,815	0.93%
Securities issued by government entities.....	-	-	107,479	9.29%
Securities issued by other financial entities....	-	-	282,187	10.09%
Others.....	1,744	7.11%	91,342	6.22%

Subtotal.....	7,386	7.40%	2,375,704	9.94%
TOTAL.....	Ps 25,530		Ps 4,162,420	

(1) These amounts are net of allowances for decline in value which were Ps 9,171 million in 2003.

(2) Yield was calculated using internal return rate (IRR) as of December 31, 2003.

As of December 31, 2003, the Bank had the following investment that exceeded 10% of its shareholders' equity:

	FAIR VALUE	AMORTIZED COST
	(Ps million)	
Securities issued or secured by Colombian government	Ps 3,191,258	Ps 2,915,576

E.3. LOAN PORTFOLIO

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

The current regulations also require that institutions develop a system for the management of credit risk (SARC, for its initials in Spanish), establishing strategies, policies, methods, processes and structures for the evaluation, monitoring, and control of credit risk. See New Provision System (or Credit Risk Management System - "SARC").

The Bank classifies its loan portfolio into the following categories:

- Corporate loans, which include loans to medium and large corporations;

- Retail loans, which include loans to individuals, such as personal lines of credit, vehicle loans and credit card loans, small business loans; and

- Mortgage loans, which consist primarily of mortgage loans to BC employees and a small number of mortgage loans made to customers of the

former Banco de Colombia.

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

	AS OF DECEMBER 31,			
	1999	2000	2001	20
			(Ps million)	
CORPORATE				
Trade financing	Ps 91,987	Ps 92,213	Ps 95,649	Ps 1
Loans funded by domestic development banks	320,250	303,718	292,609	3
Working capital loans	2,735,692	3,053,580	3,040,469	3,6
Credit cards	7,704	4,446	3,892	
Overdrafts	63,449	51,132	22,755	
Other	716	-	22,886	
Total corporate	3,219,798	3,505,089	3,478,260	4,2
RETAIL (1)				
Credit cards	185,981	199,351	231,965	2
Personal loans	376,080	354,223	457,677	5
Vehicle loans	49,916	32,270	15,713	
Overdrafts	60,588	58,128	73,372	
Loans funded by domestic development banks	70,065	79,430	138,415	2
Trade financing	24,650	25,403	38,643	
Working capital loans	803,627	824,899	881,649	6
Total retail	1,570,907	1,573,704	1,837,434	1,9
MORTGAGE	35,254	33,278	34,511	
TOTAL LOANS	4,825,959	5,112,071	5,350,205	6,1
Allowance for loan losses	(295,016)	(285,565)	(271,729)	(3
TOTAL LOANS, NET	Ps4,530,943	Ps4,826,506	Ps5,078,476	Ps 5,8

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

In 2003, the Bank's total loan portfolio increased 29.56% to Ps 8,029,668 million from Ps 6,197,315 million in 2002, due primarily to a recovery of the Colombian economy and the Bank's growth discussed in Item 5.A.2. The Bank's total loan portfolio increased 15.83% in 2002 to Ps 6,197,315 million from Ps 5,350,205 million in 2001 primarily due to a recovery of the customers' economic situation.

In 2003, total corporate loans increased 24.13% to Ps 5,272,290 million due primarily to a 28.39% increase in working capital loans. In 2002, total corporate loans increased 22.11% to Ps 4,247,392 million from Ps 3,478,260 million in 2001, due primarily to a 20.06% increase in working capital loans and a 74.20% increase in trade financing. As of December 31, 2001, 2002 and 2003, total corporate loans represented 65%, 69% and 66%, respectively, of the Bank's total loan portfolio.

Total retail loans increased 41.70% in 2003 to Ps 2,709,217 million, due primarily to a 45.11% increase in personal loans, a 838.6% increase in vehicle loans and a 31.50% increase in credit card loans. In 2002, total retail loans increased 4.05% to Ps 1,911,829 million from Ps 1,837,434 million in 2001, due primarily to a 22.7% increase in personal loans, a 99.51% increase in loans funded by domestic development banks and a 9.88% increase in credit card loans. As of December 31, 2001, 2002 and 2003 retail loans represented 34%, 31% and 34%, respectively, of the Bank's total loan portfolio.

As of December 31, 2003, the aggregate outstanding principal amount of the Bank's 25 largest borrowing relationships represented approximately 26.33% of the total loan portfolio, and no

single borrowing relationship represented more than 9.60% of the total loan portfolio. Approximately 49.85% of such loans are denominated in foreign currencies (U.S. dollars). 100% these loans all are corporate loans and, as of December 31, 2003, 90.51% of these relationships were classified as "A" credits, 4.41% as "B" and 5.08% as "D."

MATURITY AND INTEREST RATE SENSITIVITY OF LOANS

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

	AS OF DECEMBER 31, 2003		
	DUE IN ONE YEAR OR LESS	DUE AFTER ONE YEAR THROUGH FIVE YEARS	DUE AFTER FIVE YEARS
	(Ps million)		
PESO-DENOMINATED LOANS:			
CORPORATE			
Trade financing	Ps 17,600	Ps 7,624	Ps
Loans funded by domestic development banks	58,996	137,094	42,95
Working capital loans	1,382,135	1,460,491	377,80
Credit cards	501	6,146	
Overdrafts	32,371	-	
Other	-	-	
Total corporate	1,491,603	1,611,355	420,75
RETAIL			
Credit cards	76,175	214,978	
Personal loans	99,393	706,599	5,04
Vehicle loans	12,632	216,634	47
Overdrafts	80,927	-	
Loans funded by domestic development banks	31,994	243,965	53,80
Trade financing	5,825	-	
Working capital loans	406,501	445,456	25,03
Total retail	713,447	1,827,632	84,35
MORTGAGE	731	2,173	45,25

TOTAL PESO-DENOMINATED LOANS.....	Ps 2,205,781	Ps 3,441,160	Ps 550,36
DOLLAR-DENOMINATED LOANS			
CORPORATE			
Trade financing.....	Ps 124,358	Ps -	Ps
Loans funded by domestic development banks.....	21,444	134,463	
Working capital loans.....	355,218	380,740	730,76
Credit cards.....	240	1,350	
Overdrafts.....	-	-	
Other.....	-	-	
Total corporate.....	501,260	516,553	730,76
RETAIL			
Credit cards.....	18,137	25,882	
Personal loans.....	3,456	243	15
Vehicle loans.....	-	-	
Overdrafts.....	367	-	
Loans funded by domestic development banks.....	480	-	
Trade financing.....	13,819	-	
Working capital loans.....	21,251	-	
Total retail.....	57,510	26,125	15
MORTGAGE.....	-	-	
TOTAL DOLLAR-DENOMINATED LOANS.....	558,770	542,678	730,91
TOTAL LOANS.....	Ps 2,764,551	Ps 3,983,838	Ps 1,281,27

As of December 31, 2003, approximately 45.34% of the Bank's loans had a maturity of one year or less. The Bank's policy is not to automatically roll over an existing loan without a thorough credit analysis of the borrower.

The following table shows the interest rate sensitivity of the Bank's loan portfolio due after one year as of December 31, 2003:

	AS OF DECEMBER 31, 2003
	(Ps million)
LOANS DUE AFTER ONE YEAR:	
VARIABLE RATE	
Peso-denominated.....	Ps 3,442,146
Dollar-denominated.....	140,389
Total.....	3,582,535
FIXED RATE	
Peso-denominated.....	549,381
Dollar-denominated.....	1,133,201
Total.....	1,682,582

LOANS DUE IN ONE YEAR OR LESS:		
Peso-denominated		2,205,781
Dollar-denominated		558,770
Total		2,764,551
TOTAL LOANS	Ps	8,029,668

LOANS BY ECONOMIC ACTIVITY

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

	AS OF DECEMBER 31, 2003							
	1999	%	2000	%	2001	%	2002	
Agricultural	Ps 57,675	1.2%	Ps 100,346	2.0%	Ps 136,201	2.5%	Ps 135,	
Mining products and oil	38,997	0.8%	10,199	0.2%	43,881	0.8%	103,	
Food, beverage and tobacco	361,164	7.5%	449,171	8.8%	68,651	1.3%	174,	
Chemical production	106,873	2.2%	264,633	5.2%	-	0.0%	11,	
Other industrial and manufacturing products	582,168	12.1%	816,477	16.0%	1,550,141	29.0%	1,738,	
Government	278,367	5.8%	657,050	12.8%	91,146	1.6%	152,	
Construction	106,572	2.2%	160,095	3.1%	181,788	3.4%	163,	
Trade and tourism	412,231	8.5%	731,099	14.3%	712,333	13.3%	816,	
Transportation and communications	100,894	2.1%	213,519	4.2%	302,100	5.6%	299,	
Public services	104,931	2.2%	297,329	5.8%	284,031	5.3%	464,	
Consumer services	532,386	11.0%	303,937	5.9%	1,619,689	30.5%	1,840,	
Commercial services	2,143,601	44.4%	1,108,216	21.7%	360,244	6.7%	297,	
TOTAL LOANS	Ps4,825,959	100.0%	Ps5,112,071	100.0%	Ps5,350,205	100.0%	PS6,197,	

POLICIES FOR THE GRANTING AND REVIEW OF CREDITS

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

To maintain credit quality and manage the risk arising from its lending activities, the Bank has established general loan policies for evaluation of credits, lending limits to a single customer or economic group that conform to those required by law, the level of management authority required to approve a loan, maximum terms of loans, and collateral required for certain types of loans

and their valuation. In addition, the Bank has established a centralized area for credit analysis, the disbursement process and the management and custody of promissory notes and guarantees.

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

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

- uncollateralized loanS to a single customer or economic group not to exceed 10% of the Bank's Technical Capital (the Bank's largest such loan as of December 31, 2003 is for Ps 67,008 million, which represents 5.82% of the Bank's Technical Capital as of that date and is current and performing in accordance with its terms);

- collateralized loans to a single customer or economic group not to exceed 25% of the Bank's Technical Capital (the Bank's largest such loan as of December 31, 2003 is for Ps 116,461 million, which represents 10.12% of the Bank's Technical Capital as of that date and is current and performing in accordance with its terms);

- a loan to a shareholder of the Bank, with a share exceeding 20% of the Bank's Capital, may not exceed 20% of the Bank's Technical Capital (there were not registered shareholders owning more than 20% of the Bank as of December 31, 2003); and

- a loan to a financial institution may not exceed 30% of the Bank's Technical Capital (the Banks' largest such loan as of December 31, 2003 is for Ps 19,008 million, which represents 1.65% of the Bank's Technical Capital as of that date and is current and performing in accordance with its terms).

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

Loan applications, depending on their amount, are presented for approval to branch managers, the zone or regional managers, the vice presidents, the President, the Credit Committee and the Board of Directors of BC. In general, loan application decisions are made by the Bank's managements in the corresponding committee. Loan applications up to a maximum of 200 SMLV or

approximately Ps 66.4 million (approximately US $23,654) must also be submitted for approval to the Bank's centralized credit scoring area.

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

	MAXIMUM LOAN APPROVAL LIMITS (1)			
	UNSECURED LOANS (2)		SECURED LOAN	
	(U.S. dollar)	(Ps million)	(U.S. dollar)	(Ps
AUTHORIZATION LEVEL:				
Branch Managers	6,442	18.1	12,884	
Zone Managers	65,504	183.9	109,174	
Regional Managers Corporate Banking	270,000	757.9	450,000	
Middle-corporate and Personal Banking Regional Managers	360,000	1,010.6	600,000	
Middle-corporate and Personal Banking Vice Presidents	900,000	2,526.5	1,500,000	
Corporate Banking, Finance and International Vice Presidents	900,000	2,526.5	1,500,000	
President	2,100,000	5,895.1	3,500,000	
Credit Committee	All loans, other than those requiring the approval of the Board of Directors, within the limits established by law.		All loans, other requiring the appro Board of Directors, limits establish	

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

(2) Includes loans with a personal guarantee.

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

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

With respect to monitoring outstanding loans, the Bank, in accordance with the requirements of the Superintendency of Banking, has implemented, through the creation of regional committees and a central qualification office, a review policy providing for a biannual evaluation, during the months of May and November of all debtors whose indebtedness for the various credit facilities exceeds 300 SMLV (Ps 99,6 million.). Additionally, all the Bank's Loans are evaluated monthly based on the days they are past due. When reviewing loans, BC evaluates and updates their risk classification and makes corresponding adjustment in the provision, if needed. When monitoring outstanding loans, the Bank examines current financial statements including, for material loans with a term greater than one year,

current cash flow statements. The Bank is currently centralizing its credit review process through its information systems, including the necessary adjustments of credit scoring for vehicle loans, credit cards and personal lines of credit. In addition, the Bank keeps track of the loans reviewed every month and carries out a credit audit process that reviews the 200 largest debtors and randomly reviews a selection of its other debtors.

CLASSIFICATION OF THE LOAN PORTFOLIO

As indicated by External Circular 011 of March 2002, for purposes of classifying loans, the Bank first determines whether the loan has become due and then classifies the loan according to the number of days past due. In addition, whether or nor a loan is past due, the Bank analyzes loans to determine if there are "potential weaknesses," "deficiencies" or "serious deficiencies" based on the existence and magnitude of the following factors:

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

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

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

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

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

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

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

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

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

CREDIT CATEGORIES

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

business loans, mortgages and commercial loans.

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

- Small business loans are loans granted to very small corporations with indebtedness levels with the corresponding entity not higher than 25 SMLV (Ps 8,3 million) (a very small corporation is every unit of economic exploitation, whether individual or corporation, in entrepreneurial, farming and livestock, industrial, commercial or utilities activities, rural or urban, with a staff no larger than 10 workers and with total assets lower than 501 SMLV (Ps 166,3 million).

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

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

As of December 31, 2003, BC's commercial loan portfolio amounted to Ps 6,624,494 million, a 26.91% increase from December 31, 2002. As of December 31, 2002, BC's commercial loan portfolio amounted to Ps 5,219,460 million, which was an increase of 19.87% from December 31, 2001.

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

	LOAN PORTFOLIO BY TYPE OF LOAN AS OF DECEMBER 31,			
	1999(2)	2000(2)	2001	2002(3)
			(Ps million)	
Commercial Loans.....	Ps 3,962,890	Ps 4,286,220	Ps 4,354,031	Ps 5,219,460
Consumer Loans.....	827,816	792,573	961,663	870,898
Small business loans.....	-	-	-	68,863
Mortgages(1).....	35,253	33,278	34,511	38,094
TOTAL LOANS.....	4,825,959	5,112,071	5,350,205	6,197,315
Allowance for Loan Losses.....	295,016	285,565	271,729	332,324
TOTAL LOANS, NET.....	Ps 4,530,943	Ps 4,826,506	Ps 5,078,476	Ps 5,864,991

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

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

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

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

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

LOAN TYPE	NUMBER OF MONTHS PAST DUE
Mortgage	0 - 2
Consumer	0 - 1
Small business loans	0 - 1
Commercial	0 - 1

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

The following types of loans would fall into this category:

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

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

The following types of loans would fall into this category:

LOAN TYPE	NUMBER OF MONTHS PAST DUE (RANGE)
Mortgage	more than 5 and up to 12
Consumer	more than 2 and up to 3
Small business loans	more than 2 and up to 3
Commercial	more than 3 and up to 6

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

The following types of loans would fall into this category:

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

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

The following types of loans would fall into this category:

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

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

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

	AS OF DECEMBER 31,

	1999	%	2000	%	2001	%	2002
				(Ps million, except percentages)			
"A" Normal	Ps 3,466,011	71.8%	Ps 4,017,027	78.6%	Ps 4,228,248	79.0%	Ps 5,115,8
"B" Subnormal	716,707	14.9%	560,961	11.0%	603,068	11.3%	479,4
"C" Deficient	210,658	4.4%	209,851	4.1%	103,761	1.9%	142,7
"D" Doubtful Recovery	141,539	2.9%	135,536	2.6%	259,811	4.9%	180,6
"E" Unrecoverable	291,044	6.0%	188,696	3.7%	155,317	2.9%	278,5
TOTAL	Ps 4,825,959	100.0%	Ps 5,112,071	100.0%	Ps 5,350,205	100.0%	Ps 6,197,3
Loans classified as "C," "D" and "E" as a percentage of total loans	13.3%		10.5%		9.7%		9

(1) In 2000, the Bank reported its loan portfolio as of December 31, 1999 classified by individual risk according to past due term. In 2001, it reported its loan portfolio as of December 31, 2001 classified according to the risk category and reflecting the past due term and debtor's capacity of payment, debt service, and information from external risk agencies. In this report, provisions for both years and for 2001, 2002 and 2003 are based on the latter method.

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

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

Additionally, beginning March 25, 2003, the Bank established as policy that any loans that

are past due more than 30 days will stop accruing interest in the statement of operations and their entries will be made in memorandum accounts until the customer recommences payments. It is estimated that, at December 31, 2003, approximately Ps 280 million of loans are in memorandum accounts because of the adoption of this policy.

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

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

	AS OF DECEMBER 31,						
	1999	%	2000	%	2001	%	2
	(Ps million, except percentages)						
PERFORMING PAST DUE LOANS:(1)							
Consumer loans past due 31 to 60 days	Ps 34,755	30.5%	Ps 18,108	32.4%	Ps 19,543	24.8%	Ps
Small business loans past due from 31 to 60 days(3)	-	0.0%	-	0.0%	-	0.0%	
Commercial loans past due 31 to 120/90 days(2)	79,011	69.5%	37,576	67.3%	59,066	74.9%	
Mortgage loans past due 31 to 90/120 days	21	0.0%	171	0.3%	202	0.3%	
Total performing past due loans	113,787	100.0%	55,855	100.0%	78,811	100.0%	
NON-PERFORMING PAST DUE LOANS:							
Consumer loans past due 61 to 180 days	21,664	7.1%	9,660	5.4%	9,711	4.0%	
Small business loans past due from 61 to 180 days	-	0.0%	-	0.0%	-	0.0%	
Consumer loans past due more than 180 days	68,783	22.7%	40,161	22.3%	10,019	4.1%	
Commercial loans past due more than 120/90 days	212,259	69.9%	128,740	71.6%	224,024	91.8%	
Mortgage loans past due more than 91 days	767	0.3%	1,190	0.7%	138	0.1%	
Total non-performing past due loans	303,473	100.0%	179,751	100.0%	243,892	100.0%	1
Total past due loans	Ps 417,260		Ps 235,606		Ps 322,703		Ps 1
Total non-performing past due loans	303,473		179,751		243,892		1
Allowance for loan losses	(295,016)		(285,565)		(271,729)		(3
Foreclosed assets	173,897		193,009		180,737		1
Allowance for estimated losses on foreclosed assets	(42,515)		(93,591)		(106,081)		(1
Other accounts receivable more than 180 days past due	30,190		22,573		17,875		
Allowance for accounts receivable and accrued interest losses	(98,319)		(50,350)		(42,707)		(
Total non-performing assets, net	Ps 71,710		Ps (34,173)		Ps 21,987		Ps(1
Loans at least one day past due as a percentage of total loans		8.6%		4.6%		6.0%	
Allowance for loan losses as a percentage of loans at least one day past due		70.7%		121.2%		84.2%	
Allowance for loan losses as a percentage of loans classified as "C," "D" and "E"		45.9%		53.5%		52.4%	
Percentage of performing loans to total loans		93.7%		96.5%		95.5%	

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

(2) In the second quarter of 1999, the Superintendency of Banking changed the classifications for commercial loans.

(3) During the first quarter of 2002, the Superintendency of Banking changed the classification of the commercial, consumer and mortgage loan categories, and introduced the new category of "Small business loans".

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

	AS OF DECEMBER		
	1999	2000	2001
	(Ps million, except percenta		
Loans secured by real guarantees as a percentage of total loans	34.7%	35.4%	44.8%
Loans classified as "A" as a percentage of total loans	71.8%	78.6%	79.0%
Loans classified as "B as a percentage of total loans	14.9%	11.0%	11.3%
Loans classified as "C," "D" and "E" as a percentage of total loans	13.3%	10.5%	9.7%
Total allowance for loan losses as a percentage of non-performing loans	97.2%	158.9%	111.4%
Total allowance for loan losses as a percentage of loans classified as "C," "D" and "E"	45.9%	53.5%	52.4%
Non-performing loans as a percentage of total loans	6.3%	3.5%	4.6%
Loans classified as "C," "D" and "E"	Ps 643,241	Ps 534,083	Ps 518,889
TOTAL NON-PERFORMING LOANS	Ps 303,473	Ps 179,751	Ps 243,892

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

	AS OF DECEMBER 31,							
	1999	%	2000	%	2001	%	20	
	(Ps million, except percentages)							
CORPORATE								
Trade financing	Ps 6,172	1.5%	Ps 9,329	4.0%	Ps 5,398	1.6%	Ps	
Loans funded by domestic development banks	5,931	1.4	10,073	4.3	7,950	2.5		

Working capital loans.....	238,602	57.2	145,506	61.8	210,281	65.2	7
Credit cards.....	117	0.0	48	0.0	103	0.0	
Overdrafts.....	7,233	1.7	1,408	0.6	1,583	0.5	
Other.....	29	0.0	-	0.0	-	0.0	
Total corporate.....	258,084	61.8%	166,364	70.6%	225,315	69.8%	7
RETAIL (1)							
Credit cards.....	17,435	4.2	11,686	5.0	10,606	3.3	1
Personal loans.....	36,006	8.6	10,734	4.6	17,442	5.4	2
Vehicle loans.....	3,455	0.8	1,402	0.6	323	0.1	
Overdrafts.....	8,327	2.0	8,924	3.8	8,491	2.6	
Loans funded by domestic development banks.....	3,695	0.9	-	0.0	6,843	2.1	
Trade financing.....	4,935	1.2	1,320	0.6	1,841	0.6	
Working capital loans.....	84,536	20.3	33,815	14.4	50,563	15.7	3
Total retail.....	158,389	38.0%	67,881	28.8%	96,109	29.8%	7
MORTGAGE.....	787	0.2%	1,361	0.6%	1,279	0.4%	
TOTAL PAST DUE LOANS....	Ps 417,260	100.0%	Ps 235,606	100.0%	Ps 322,703	100.0%	Ps 15

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

The past-due portfolio decreased by 22.87% between 2002 and 2003, from Ps 155,144 million at December 31, 2002, to Ps 119,653 million at December 31, 2003, mainly due to a recovery of past-due corporate working capital loans, which decreased from Ps 75,333 million at December 21, 2002, to Ps 30,706 million at December 31, 2003. This recovery was primarily the result of an improvement of our customer's economic situation and the implementation of a defaulted loans recovery strategy through a specialized department for asset recovery. These situations explain a decrease of 51.92% between 2001 and 2002.

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

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

	AS OF DECEMBER 31,						
	1999	%	2000	%	2001	%	
	(Ps million, except percentages						
SECURED							
Current.....	Ps 1,502,187	31.1%	Ps 1,701,775	33.3%	Ps 2,203,986	41.2%	Ps 2
Past due from 31 to 60 days (consumer).....	-	0.0	-	0.0	-	0.0	
Past due from 61 to 90 days (consumer).....	6,879	0.2	2,903	0.1	4,009	0.1	

Past due from 31 to 60 (small business loans).....	-	0.0	-	0.0	-	0.0	
Past due from 61 to 90 (small business loans).....	-	0.0	-	0.0	-	0.0	
Past due from 31 to 90/120 days (mortgage).....	21	0.0	171	0.0	202	0.0	
Past due from 91 to 180 days (consumer)	4,487	0.1	1,572	0.0	1,823	0.0	
Past due from 91 to 180 days (small business loans).....	-	0.0	-	0.0	-	0.0	
Past due from 91 to 180 days (mortgage)	13	0.0	3	0.0	-	0.0	
Past due from 31 to 90 days (commercial)(2)	54,519	1.1	14,268	0.3	51,414	1.0	
Past due from 181 days to 360 days (consumer).....	8,331	0.2	2,784	0.1	2,835	0.1	
Past due from 181 days to 360 days (mortgage).....	421	0.0	1,083	0.0	138	0.0	
Past due from 91 to 180 days (commercial)(2)	13,921	0.3	29,198	0.6	35,933	0.7	
Past due from 121 to 360 days (commercial)	40,178	0.8	10,368	0.2	47,628	0.9	
Past due more than 360 days....	43,744	0.9	43,321	0.8	50,554	0.9	
TOTAL.....	Ps 1,674,701	34.7%	Ps 1,807,446	35.4%	Ps 2,398,522	44.9%	Ps 2
UNSECURED(1)							
Current.....	Ps 2,906,512	60.2%	Ps 3,174,690	62.1%	Ps 2,823,516	52.8%	Ps 3
Past due from 31 to 60 days (consumer).....	27,876	0.6	15,205	0.3	15,534	0.3	
Past due from 31 to 60 days (small business loans).....	-	0.0	-	0.0	-	0.0	
Past due from 61 to 90 days (small business loans).....	-	0.0	-	0.0	-	0.0	
Past due from 91 to 180 days (consumer).....	17,177	0.4	8,088	0.2	7,888	0.1	
Past due from 91 to 180 days (small business loans).....	-	0.0	-	0.0	-	0.0	
Past due from 31 to 90 days (commercial)(2)	24,492	0.5	23,308	0.4	7,652	0.1	
Past due from 181 days to 360 days (consumer).....	49,625	1.0	31,649	0.6	7,184	0.1	
Past due from 91 to 180 days (commercial)(2).....	13,822	0.3	5,537	0.1	3,493	0.1	
Past due from 121 to 360 days (commercial)	29,186	0.6	7,001	0.1	34,077	0.6	
Past due more than 360 days....	82,568	1.7	39,147	0.8	52,339	1.0	
TOTAL.....	Ps 3,151,258	65.3%	Ps 3,304,625	64.6%	Ps 2,951,683	55.1%	Ps 3
TOTAL CURRENT LOANS.....	Ps 4,408,699	91.3%	Ps 4,876,465	95.4%	Ps 5,027,502	94.0%	Ps 6
Past due from 31 to 60 days (consumer).....	34,755	0.8	18,108	0.4	19,543	0.4	
Past due from 61 to 90 days (consumer).....	-	0.0	-	0.0	-	0.0	
Past due from 31 to 60 days (small business loans).....	-	0.0	-	0.0	-	0.0	
Past due from 61 to 90 days (small business loans).....	-	0.0	-	0.0	-	0.0	
Past due from 31 to 90/120							

days (mortgage).....	21	0.0	171	0.0	202	0.0
Past due from 31 to 90 days (commercial)(2).....	79,011	1.6	37,576	0.7	59,066	1.1
Past due from 91 to 180 days (consumer)	21,664	0.5	9,660	0.2	9,711	0.2
Past due from 91 to 180 days (small business loans).....	-	0.0	-	0.0	-	0.0
Past due from 91/121 to 180 days (mortgage).....	13	0.0	3	0.0	-	0.0
Past due from 91 to 180 days (commercial)(2)	27,743	0.6	34,735	0.7	39,426	0.7
Past due from 121 to 360 days (commercial)	69,364	1.4	17,369	0.3	81,705	1.5
Total Past due from 181 days to 360 days (consumer).....	57,956	1.2	34,433	0.7	10,019	0.2

	AS OF DECEMBER 31,				
	1999	%	2000	%	2001
	(Ps million except Percentage				
SECURED					
Past due from 181 days to 360 days (mortgage).....	421	0.0	1,083	0.0	138
Total past due more than 360 days....	126,312	2.6	82,468	1.6	102,893
TOTAL PAST DUE LOANS.....	417,260	8.7	235,606	4.6	322,703
Total gross loans.....	4,825,959	100.0	5,112,071	100.0	5,350,205
Allowance for loan losses.....	(295,016)	(6.1)	(285,565)	(5.6)	(271,729)
TOTAL LOANS, NET.....	Ps 4,530,943	93.9%	Ps 4,826,506	94.4%	Ps 5,078,476

	AS OF DECEMBER 31,	
	2003	%
	(Ps million except Percentages)	
SECURED		
Past due from 181 days to 360 days (mortgage).....	-	0.0
Total past due more than 360 days....	21,454	0.4
TOTAL PAST DUE LOANS.....	119,653	1.5
Total gross loans.....	8,029,668	100%
Allowance for loan losses.....	(387,263)	(4.8%)
TOTAL LOANS, NET.....	Ps 7,642,405	95.2%

(1) Includes loans with personal guarantees.

(2) In the second quarter of 1999 the Superintendency of Banking changed the classifications for commercial loans, modifying the ranges to assign the classification based on the loan maturity as follows:
Category "B," current maturity 30-90 days, previous maturity 30-60 days;
Category "C," current maturity 91-180 days, previous maturity 61-120 days;
Category "D," current maturity 120-360 days, previous maturity 181-360 days;
For categories "A" and "E", ranges did not suffer any modification.

E.4. SUMMARY OF LOAN LOSS EXPERIENCE

ALLOWANCE FOR LOAN LOSSES

The Bank complies with Colombian regulations regarding allowances for loan losses by setting aside specific allowances on past-due performing and non-performing loans based on the length of time such loans have been past due. The Superintendency of Banking, through External Circular 044 of July 23, 1999, tightened loan allowance rules for Colombian banks. In addition, banks started to accumulate a general allowance, which should amount to 1% of the total loans of a bank within three years starting July 31, 1999. The current regulations contained in External Circular No. 070 dated October 5, 2000 ratified this general 1% provision and eliminated the risk coefficient and the obligation to make additional provision for this item. The regulations of the Superintendency of Banking required the Bank to review commercial loans every six months, and consumer and mortgage loans at least monthly. The new regulation contained in External Circular 011 of March, 2002, requires that all debtors whose indebtedness for the different categories of credit exceeds 300 SMLV (Ps 99,6 million for 2003), be evaluated twice a year. Additionally, the regulation requires that all loans be evaluated every month on their past-due days basis.

The Bank establishes its loan allowances by classifying its loan portfolio according to the loan classification system determined by the Superintendency of Banking and by applying to each such classification the applicable allowance percentage formula, also as specified by the Superintendency of Banking. The Bank believes that its application of the loan classification system and allowance formula results in the establishment of allowances that are reasonable and adequate for the credit risk associated with BC's loan portfolio. Every six months, the Bank evaluates all debtors whose indebtedness for the various credit facilities exceeds 300 SMLV (Ps 99,6 million); additionally, these credits, and those which do not meet this condition, are evaluated monthly based on the days they are past due. In addition, the Bank's loan policy division performs an ongoing review of the loan portfolio from time to time to adjust its allowances for loan losses as necessary.

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

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

follows:

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

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

For mortgage-backed guarantees:

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

For guarantees not backed by mortgages:

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

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

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

	YEAR ENDED DECEMBER 31,			
	1999	2000	2001	2
			(Ps million)	
Balance at beginning of period	Ps 182,292	Ps 295,016	Ps 285,565	Ps 2
Balance at beginning of period (Sufinanciamiento)	-	-	-	
Provisions for loan losses (1)	180,711	264,756	86,793	1
Effect of revaluing to constant pesos (3)	(15,403)	(19,008)	-	
Effect of difference in exchange interest rate (4)	-	-	-	
Charge-offs	(51,113)	(148,056)	(83,586)	(
Recovering from previous fiscal years	(1,471)	(107,143)	(17,043)	(
BALANCE AT END OF PERIOD (2)	Ps 295,016	Ps 285,565	Ps 271,729	Ps 3

(1) The provision for past due accrued interest receivable, which is not included in this item, amounted to Ps 48,507 million, Ps 20,178 million, Ps 4,965, Ps 4,518 and Ps 5,798 million for the years ended December 31, 1999, 2000, 2001, 2002 and 2003 respectively.

(2) The allowance for past due accrued interest receivable, which is not included in this item, amounted to Ps 66,939 million, Ps 30,771 million, Ps 27,011 million, Ps 15,074 and Ps 5,170 million for the years ended December 31, 1999, 2000, 2001, 2002 and 2003 respectively.

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

(4) For years 1999, 2000 and 2001, the effect of difference in exchange interest rate was included as a part of recoveries.

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

	AS OF DECEMBER 31,			
	1999	2000	2001	2
			(Ps million)	
Commercial Loans	Ps 210,695	Ps 212,428	Ps 178,471	Ps 2
Consumer Loans	70,296	46,537	46,723	
Small business loans	-	-	-	
Mortgages	843	1,667	1,116	
General(1)	13,182	24,933	45,419	

TOTAL ALLOWANCE FOR LOAN LOSSES.....	Ps 295,016	Ps 285,565	Ps 271,729	Ps 3

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

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

	AS OF DECEMBER 31,							
	1999	%	2000	%	2001	%	200	
	(Ps million, except percenta							
CORPORATE								
Trade financing.....	Ps 1,402	0.5%	Ps 1,413	0.5%	Ps 491	0.2%	Ps 3	
Loans funded by domestic development banks.....	5,598	1.9	1,972	0.7	845	0.3		
Working capital loans....	143,419	48.6	180,470	63.2	177,135	65.2	212	
Credit cards.....	57	0.0	46	0.0	-	0.0		
Overdrafts.....	2,158	0.7	923	0.3	-	0.0	1	
Other.....	-	0.0	-	0.0	-	0.0		
Total corporate.....	152,634	51.7	184,824	64.7	178,471	65.7	217	
RETAIL (1)								
Credit cards.....	12,978	4.4	8,039	2.8	5,823	2.1	9	
Personal loans.....	26,996	9.2	14,316	5.0	5,947	2.2	9	
Vehicle loans.....	1,832	0.6	741	0.3	99	0.0		
Overdrafts.....	6,615	2.2	3,332	1.2	2,727	1.0	3	
Loans funded by domestic development banks.....	2,468	0.8	847	0.3	851	0.3	1	
Trade financing.....	1,774	0.6	734	0.3	349	0.1		
Working capital loans....	75,694	25.7	46,132	16.1	30,927	11.3	25	
Total retail.....	128,357	43.5	74,141	26.0	46,723	17.2	50	

	AS OF DECEMBER 31,							
	1999	%	2000	%	2001	%	2	
	(Ps million, except percentag							
MORTGAGE.....	843	0.3	1,667	0.6	1,116	0.4		
GENERAL(2).....	13,182	4.5	24,933	8.7	45,419	16.7		
TOTAL ALLOWANCE FOR LOAN LOSSES	Ps 295,016	100.0%	Ps 285,565	100.0%	Ps 271,729	100.0%	Ps	

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

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

As of December 31, 2003, the allowance for loan losses increased 16.5% to Ps 387,263 million from Ps 332,324 million at December 31, 2002, due primarily to an increase in general allowances and loans funded by domestic development banks. As of December 31, 2002, the allowance for loan losses increased 22.29% compared to December 31, 2001 due primarily to an increase in general allowance.

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

Through External Circular 011 of March 05, 2002, which modifies Chapter II of External Circular 100 of 1995 (Basic and Accounting Circular), regarding management of credit risk, the Superintendency of Banking requires entities subject to its supervision to develop a system for the management credit risk ("Sistema de Administracion de Riesgo Crediticio" - "SARC"). As a consequence, the Bank must establish strategies, policies, methodologies, processes and structures to evaluate, rate, monitor, and control its credit risks.

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

PHASE	DESCRIPTION	MAXIMUM DEA
I	Preparation and submission of the document supporting the development of the SARC to the Superintendency of Banking, taking into account risk management polices, adequate organizational structure, appropriate methodologies and processes for risk management, suitable infrastructure and human resources, as well as a general auditing process. Additionally, significant advances shall be provided regarding reconstruction of historical information necessary for the implementation of the SARC by the Bank.	June 28 of
II	Conclusion of the process of reconstruction of historical information and the information and/or computer programs which will assure adequate assessment and management of credit risk.	December 3 2002

PHASE	DESCRIPTION	MAXIMUM DEA
	During this phase, the entity shall begin estimating expected losses by applying the methodology defined for such purpose. The foregoing, in order to calibrate any relevant variables which guarantee the results of	December 3

	the methodology.	2003
III	The Superintendency of Banking extended the SARC phase III due date through the External Circular 030 of June 2003. The regulator required the banks to have SARC working as a parallel provision system during 2004, in order for them to test its correct operation. The SARC provisions will be calculated and applied to the accounting system as of January 1st, 2005.	December 3 2004

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

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

- Estimate or quantification of the expected loss that may be incurred by the entity, should the foregoing event occur, during a determined lapse of time (e.g., 12 months). For this estimate, it is important, among other things, to compute the value or rate of recovery of the active value, in the event that the credit would become unrecoverable. The existence and suitability of the collateral that supports the credits are an important factor that should be taken into account in the context.

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

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

EXPECTED LOSS = PD X EAD X LGD

Where:

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

The Bank has adequately fulfilled each one of the phases established by the Superintendency of Banking and, through December 31, 2003, has initiated a parallel calculation of the expected losses and provision according to the internal defined internal method.

CHARGE-OFFS

The following table shows the allocation of the Bank's charge-offs by type of loan as of December 31, 1999, 2000, 2001, 2002 and 2003:

	YEAR ENDED DECEMB		
	1999	2000	2001
			(Ps million)
Trade financing	Ps -	Ps 54	Ps -
Loans funded by domestic development banks	-	-	-
Working capital loans	15,734	111,652	49,460
Credit cards	4,592	20	-
Personal loans	24,246	16,366	17,338
Vehicle loans	1,089	2,377	506
Overdrafts	5,332	13,563	13,902
Mortgage & other	120	4,024	2,380
TOTAL CHARGE-OFFS	Ps 51,113	Ps 148,056	Ps 83,586

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

Charge-offs are only made after the manager of the branch and the attorney handling the case have exhausted all means to secure payment of the judgment against any known assets of the borrower and the charge-off has been approved by the Board of Directors. The Bank informs to the Superintendency of Banking, on a quarterly basis, the amount of charge-offs. As of December 31, 2003, the Bank registered Ps 28,687 million in recoveries of charge-off loans in previous periods.

CROSS - BORDER OUTSTANDING

As of December 31, 2003, total outstanding loans to borrowers in foreign countries amounted to approximately US$162 million, of which US$93 million was investments and US$68 million was loans granted to banks and corporate clients. As of December 31, 2003, total amounts outstanding loans to borrowers in foreign countries represented 3.0% of total assets.

The following table presents information with respect to the Bank's outstanding loans to borrowers in foreign countries for the year ended on December 31, 2003:

	2003
	(U.S. thousand dollars)
Mexico	US$ 52,249
Brazil	42,790
United States	29,000
Cayman Islands	11,712
Panama	7,552
Dominican Republic	4,696
Peru	3,403
El Salvador	3,000

Other Countries	7,816
TOTAL CROSS-BORDER OUTSTANDING	US$ 162,218

E.5. DEPOSITS

The following table shows the composition of the Bank's deposits for 2001, 2002 and 2003:

	AS OF DECEMBE	
	2001	2002
		(Ps million
NON-INTEREST BEARING DEPOSITS:		
Checking accounts	Ps 1,709,575	Ps 1,876,02
Other deposits	66,693	94,57
Total	1,776,268	1,970,59
INTEREST BEARING DEPOSITS:		
Checking accounts	608,087	815,36
Time deposits	3,426,629	3,603,46
Savings deposits	1,769,864	2,398,72
Total	5,804,580	6,817,55
TOTAL DEPOSITS	Ps 7,580,848	Ps 8,788,15

The following table shows the time deposits held by the Bank at December 31, 2003, by amount and maturity for deposits:

	AT DECEMBER 31	
	PESOS	DOLLARS
		(Ps million
Up to 3 months (1)	Ps 568,413	Ps 683,77
From 3 to 6 months (1)	258,105	311,08
From 6 to 12 months (1)	207,193	352,08
More than 12 months (1)	473,800	105,99
Time deposits less than Ps 280,7 million (2)	924,734	352,16
TOTAL	Ps 2,432,245	Ps 1,805,10

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(1) Time deposits higher than Ps 280,7 million (the equivalent of

US$100,000 at the Representative Market Rate as of December 31, 2003).

(2) The equivalent of US$100,000 at the Representative Market Rate as of December 31, 2003.

For a description of the average amount and the average rate paid of deposits, see Item 4. E.1.Distribution of assets, liabilities and stockholders' equity; interest rates and interest differential.

E.6. RETURN ON EQUITY AND ASSETS

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

	FOR THE FISCAL YEAR ENDED DECEMBER 31,	
	2001	2002
	(in percentages)	
Net income as a percentage of:		
Average total assets	1.65	1.88
Average shareholders' equity	14.58	20.42
Dividends declared per share as a percentage of net income per share(1)	31.00	36.18
Average shareholders' equity as a percentage of average total assets	11.34	9.22
Return on interest-earning assets(2)	11.7	8.0

(1) Dividends are paid based on unconsolidated earnings. Net income per share is calculated using the average number of Common Shares outstanding during the year.

(2) Defined as total interest earned divided by average interest-earning assets.

E.7. INTERBANK BORROWINGS

The following table sets forth the Bank's interbank borrowings by the Bank for the periods indicated:

	AS OF DECEMBER 31,				
	2001		2002		
	AMOUNT	RATE(1)	AMOUNT	RATE(1)	A
	(Ps million, except percentages)				
End of period	Ps 399,595	2.88%	Ps 403,962	2.44%	Ps
Weighted average during period	472,975	4.30%	505,832	1.86%	
Maximum amount of borrowing at any month-end	(2)474,653		(3)594,810		(4

Interest paid during the year.....	20,160	9,404

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(1) At the end of the year, the Bank typically increases its dollar-denominated interbank borrowings, which represent the great majority of interbank borrowings and which have lower interest rates.

(2) March.

(3) September.

(4) November.

ITEM 2. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. OPERATING RESULTS

During 2003, BC's main drivers of income growth were the expansion of its loan portfolio, its increasingly profitable investment securities portfolio, and the 7.2% nominal interest rate spread between its interest-earning assets and its interest-bearing liabilities.

The Bank's loan portfolio grew 29.6% during 2003, resulting in a 26.5% increase of interest income from the loan portfolio despite a slight decline in the average nominal rate of return for the portfolio, from 13.4% to 13.1%. In addition, the investment securities portfolio grew by 13.3% from 2002 to 2003, with its overall rate of return increasing by 11.8% on the year.

With regard to expenses, the Central Bank's policy of reducing interest rates and maintaining monetary stability allowed BC to restrain the growth of aggregate interest expenses even as the volume of time deposits and savings accounts rose. The average volume of time deposits increased by 18.8% during 2003, and the average volume of savings deposits rose 19%. Over the same period, however, the Bank's aggregate interest expense increased only 3.1%, largely due to a decline in the nominal rate of return for time deposits, from 7.3% to 5.9%, and for savings deposits, from 4.9% to 4.4%.

By expanding its volume of time deposits and savings accounts, the Bank accessed funding with which to expand both the loan portfolio and the investment securities portfolio. The Bank has also taken advantage of the spread between lower short-term interest rates on time deposits and savings accounts and higher longer-term interest rates on its interest-earning assets. This funding structure, which assumes a mismatch between the duration of the Bank's interest-bearing liabilities and the duration of its interest-bearing assets, is one of the most significant drivers of the Bank's profitability and, at the same time, one of the most significant risks borne by the Bank (See Item 3.D.2.ii "Concentration and Reliance on Short-term Deposits May Increase BC's Funding Costs" and Item 11, "Quantitative and

Qualitative Disclosures About Market Risk"). BC's management believes that its current strategy, however, is sustainable in the medium term, given the expectation that the Colombian economy will experience continued growth, and that the Central Bank will maintain its policies of monetary stability into 2004-05. BC's management also believes it has sufficient access to funding to cover its short-term liabilities as necessary.

A.1. GENERAL DISCUSION OF THE CHANGES IN RESULTS

RESULTS FROM OPERATIONS

BC's net income for 2003 totaled Ps 469,384 million, an increase of 123.1% from Ps 210,380 million in 2002. The main factors influencing this growth are the following:

- Income from investments was a determining factor, with income from interest totaling Ps 1,400,255 million at December 31, 2003, an increase of 89.7% from 2002.

- As a result of greater market liquidity, interest expense increased only 3.1% from 2002 to 2003, allowing net interest income to reach Ps 919,742 million at December 31, 2003. This represents an increase of 238.2% from 2002, when net interest income was Ps 271,961 million.

- Operating expenses totaled Ps 869,350 million at December 31, 2003, an increase of 15% from Ps 755,801 million in 2002. However, if non-recurrent expenses due to the amortization of goodwill and expenses related to the merger with Banco de Colombia S.A. are excluded, the increase would have been 12.1%.

BC's net income for 2002 amounted to Ps 210,380 million, a 34.4% increase compared to the net income of Ps 156,533 million in 2001. This increase was mainly explained by the decreasing growth rate of the Bank's operating expenses and by the reduction of expenses related to the merger with Banco de Colombia S.A. Operating expenses increased 10.4% in 2002 compared to 14.2% in 2001, and expenses related to the merger were Ps 33,028 million in 2002, Ps 9,179 million lower than in 2001. Although the net interest income decreased 22.9% in 2002 compared to 2001, other operating income increased 33.7% for 2001 to 2002.

	YEAR ENDED DECEMBER 31,		
	2001	2002	
		(Ps million)	
NET INCOME:			
Net interest income	Ps 352,683	Ps 271,961	Ps
Provision for loan and accrued interest losses	(73,953)	(115,154)	
Provision for foreclosed assets and other assets	(63,537)	(71,212)	
Other operating income	620,188	828,977	
Non-operating income	51,000	79,787	
Operating expenses	(696,963)	(755,801)	
Income before taxes	189,418	238,558	
Minority interest	(1,310)	14,440	
Income tax	(31,575)	(42,618)	
NET INCOME	Ps 156,533	Ps 210,380	Ps

INTEREST INCOME

During 2003, interest income rose to Ps 1,400,255 million. The main drivers of this growth were the loan portfolio and the debt securities portfolio.

The average loan portfolio grew from Ps 5,401,872 million in 2002 to Ps 7,012,079 million in 2003, an increase of 29.8%, reflecting the expansion of and increased confidence in the Colombian economy. Although the average rate of return for the loan portfolio remained relatively stable, decreasing from 13.4% in 2002 to 13.1% in 2003, interest income from the loan portfolio increased 26.5% in the same period.

The volume average of investment securities grew 13.3% from 2002 to 2003. However, the rate of return increased 11.8%, rising from Ps 247 million at December 31, 2002, to Ps 476,720 million at December 31, 2003. These numbers, however, also reflect new regulations issued by the Superintendency of Banking and effective as of September 1, 2002. See note 2(g) to the Financial Statements.

Due to the reduction of interest rates and despite a 5.4% growth in average loans, interest income from loans dropped 10.5% in 2002 as compared to 2001. Interest income from overnight funds and investment securities also decreased, although gains from the sale of investment securities, reflected in our Financial Statements under "other operating income", increased 133.2% in 2002.

INTEREST EXPENSE

Interest expense rose from Ps 466,223 million at December 31, 2002, to Ps 480,513 million at December 31, 2003, an increase of 3.1%. This increase resulted from a decrease in the nominal rates of return for time deposits, which fell from 7.3% in 2002 to 5.9% in 2003, and for savings deposits, which fell from 4.9% in 2002 to 4.4% in 2003. However, the average volume of time deposits rose 18.8% in 2003, and the volume of savings deposits rose 19%. These increases reflect efforts made by the commercial areas of BC to attract additional low-cost deposits, as well as a general decrease in Colombian market rates due to high liquidity.

BC's interest expenses dropped 11.9% between 2001 and 2002, from Ps 529,074 million in 2001 to Ps 466,223 million in 2002. This decrease is explained by a substantial decline in average nominal interest rates for interest-bearing liabilities from 8.2% in 2001 to 5.9% in 2002 (due to market rates), with the average volume of interest-bearing liabilities increasing 21.7%.

NET INTEREST INCOME

BC's net interest income at December 31, 2003, totaled Ps 919,742 million, an increase of 238.2% from Ps 271,961 million in 2002. This increase resulted in part from BC's efforts to improve the funding mix through an increase in low-cost deposits and an increase in interest-earnings assets. The nominal rate of return for interest-earning assets rose from 8.0% in 2002 to 12.2% in 2003. The nominal rate of return for interest-bearing liabilities registered a decrease of 0.9%, registering 5.0% at December 31, 2003, compared to 5.9% for 2002.

AVERAGE NOMINAL INTEREST RATE
1999 - 2003

[LINE GRAPH]

1999	2000	2001	2002	2003
20.2%	14.2%	11.7%	8.0%	12.2%
13.2%	8.6%	8.2%	5.9%	5.0%

BC's net interest income, decreased 22.9% during 2002, from Ps 352,683 million for 2001 to Ps 271,961 million for 2002. This decrease was mainly the result of an overall reduction of interest rates, which determined a 16.3% decrease of interest income, without a correlative offsetting reduction of interest expense, which dropped only 11.9%. While the average yield on interest-earnings assets dropped 370 basis points, from 11.7% in 2001 to 8.0% in 2002, the average cost on interest-bearing liabilities dropped only 200 basis points, from 7.0% in 2001 to 5.0% in 2002. The combination of these two factors determined a reduction of the net interest margin from 4.7% for the year 2001 to 3.0% for 2002, which was not offset by the balance's dynamics, despite a 22.7% increase in total average interest-earning assets.

The following table shows components of the Bank's consolidated net interest income before provisions for loan and accrued interest losses:

	YEAR ENDED DECEMBER	
	2001	2002
	(Ps million, except perc	
INTEREST INCOME:		
Loans	Ps 811,446	Ps 726,1
Investment securities	48,658	2
Overnight funds	21,653	11,8
TOTAL INTEREST INCOME	881,757	738,1
INTEREST EXPENSE:		
Time deposits and checking accounts	326,339	273,2
Savings deposits	113,156	106,8
Borrowings from domestic development banks	40,722	49,3
Interbank borrowings	20,160	9,4
Amortized premium on investments	27,120	26,6
Long-term debt	1,577	7
TOTAL INTEREST EXPENSE	529,074	466,2
NET INTEREST INCOME	Ps 352,683	Ps 271,9
Average nominal interest rates on loans	15.8%	13
Average nominal interest rates on time deposits	10.2%	7
Average nominal interest rates on savings deposits	6.6%	4

PROVISIONS FOR LOAN AND ACCRUED INTEREST LOSSES

Provisions for loan portfolio and accrued interest losses in 2003 totaled Ps 162,058 million, a 40.7% increase from Ps 115,154 million in 2002. This increase resulted mostly from the growth in the average volume of the loan portfolio, from Ps 5,576,636 million in 2002 to Ps 6,856,595 million in 2003, an increase of 23%.

The Bank's provisions for loan and accrued interest losses, net of recoveries, increased 55.71%, from Ps 73,953 million in 2001 to Ps 115,154 million in 2002. This increase was a result of higher general provisions.

As of December 31, 2003, 63.7% of the Bank's overdue loans were non-performing. Allowances for loan and accrued interest losses, as a percentage of the non-performing loans, were 515.13% in 2003, and 316.80% in 2002 mainly due to an increase in general provisions and improvement in the financial situations of our clients.

The allowances for loan losses under U.S. GAAP differ from those under Colombian GAAP. Under Colombian GAAP, an allowance for loan losses is created for each individual loan based on the risk classification system established by the Superintendency of Banking. Additionally, the Superintendency of Banking requires a general allowance of 1% of the total loans. This general reserve, not tied to any specific loans, is established to absorb losses inherent in the existing loan portfolio in future periods. Under U.S. GAAP, FASB Statement No. 114 established an individual test for impaired loans. This is measured based on the present value of expected future cash flows, market price or fair value of collateral, if the loan is collateral dependent. As of December 31, 2001, 2002 and 2003, the allowances for loan losses existing under Colombian GAAP were Ps 271,729 million, Ps 332,324 million and Ps 387,263 million, respectively, and the allowances that would have been required under U.S. GAAP were Ps 223,227 million, Ps 339,612 million and Ps 354,322 million, respectively.

OTHER OPERATING INCOME

BC's other operating income consists largely of fees and service charges. Fees include credit card merchant fees, credit and debit card annual fees, checking fees, warehouse and logistic services fees, commissions and fees from fiduciary activities and letters of credit. Service charges consist primarily of money transfer fees, remittances, bank acceptances and automated services. Fees and service charges increased from Ps 292,308 million at December 31, 2002, to Ps 333,025 million at December 31, 2003, an increase of 15%. This increase resulted in part from the incorporation of new financial services into the BC portfolio and our customers' increasing use of electronic channels. At December 31, 2003, 78% of the Bank (unconsolidated) transactions were effected through distribution channels different from the branches.

Foreign exchange operations (including income from forward contracts), another component of operating income, also yielded gains in 2003, rising from Ps 30,759 million at December 31, 2002, to Ps 49,751 million at December 31, 2003, an increase of 61.7%.

Income from dividends grew from 19,491 in 2002 to Ps 30,734 million in 2003, a 57.7% increase. This dividend income resulted mainly from BC's investments in Conavi S.A., Corfinsura S.A. and Proteccion S.A., non-affiliate companies.

Income from leasing operations increased 50% in 2003, from Ps 39,596 million at December 31, 2002, to Ps 58,774 million at December 31, 2003. We expect leasing operations to

continue to grow due to recent tax reforms (Law 863 of December 29, 2003) that provide an Incentive for Colombian companies to enter into leasing contracts. BC affiliates Bancolombia (Panama) S.A. and Leasing Colombia provides lease financing to commercial customers, while Sufinanciamiento provides lease financing to consumers.

Commercial subsidiaries also provide revenue from the production and commercialization of agro-chemical fertilizers, load transportation, and royalties stemming from mining operations. Revenue from these operations totaled Ps 76,446 million at December 31, 2003, a 45% increase from Ps 52,759 million at December 31, 2002. Growth in the Colombian economy, which was 3.64% for 2003, directly influenced the results of these companies.

The total of other net operating income increased 33.7%, from Ps 620,188 million in 2001 to Ps 828,977 million in 2002. This growth resulted primarily from a 133.2% increase in net gains from the sales of investments, which totaled Ps 212,910 million and became the largest non-operating income component in the Financial Statements for 2002. Net income from fees and service charges increased 10.1%, from Ps 265,382 million in the year 2001 to Ps 292,308 million in 2002, and net income from foreign exchange transactions increased by 358.9%, from Ps 20,345 million in 2001 to Ps 93,371 million in 2002. In contrast, forward contracts decreased from a net income of Ps 52,890 million in 2001 to a net loss of Ps 62,612 million in 2002.

The following table summarizes the components of the Bank's other operating income for the last three fiscal years:

	YEAR ENDED DECEMBE	
	2001	2002
		(Ps million)
OTHER OPERATING INCOME:		
Fees and service charges, net	Ps 265,382	Ps 292,308
Foreign exchange gain (loss), net	20,345	93,371
Dividend income (1)	2,665	19,491
Forward contracts	52,890	(62,612)
Financing leases	35,410	39,596
Revenues from commercial subsidiaries	47,619	52,759
Gains on sales of investments, net	159,883	372,793
Other	35,994	21,271
TOTAL OTHER OPERATING INCOME	Ps 620,188	Ps 828,977

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(1) Income from dividends represents only the recognition of income from unconsolidated subsidiaries under Colombian GAAP.

OTHER OPERATING EXPENSES

BC operating expenses increased nearly 15% in 2003, largely due to the amortization of goodwill in connection with the acquisition of Sufinanciamiento S.A. and increased investment in Fiducolombia, as well as increases in salary and administrative and other expenses.

In 2003, BC and some of its subsidiaries amortized Ps 31,218 million of goodwill related to the acquisition of Sufinanciamiento S.A. BC also amortized Ps 6,721 million of the goodwill derived from its increased investment in Fiducolombia S.A.

Salary expenditures rose from Ps 286,307 million at December 31, 2002, to Ps 343,308 million at December 31, 2003. This increase resulted largely from the complete amortization of the Bank's outstanding pension liability, increases in salaries and the hiring of 420 contract employees during 2003.

BC's operating expenses increased 10.4% in 2002, from Ps 654,756 million in 2001 to Ps 722,773 million in 2002. Operating expenses for 2001 had increased 14.2% from 2000. This reduced increase in total operating expenses resulted from administrative and other expenses and depreciation, which together increased 7.5% between 2001 and 2002 as opposed to 17% between 2000 and 2001. The growth of salaries and employee benefits resulted from the hiring of 63 employees and a reduction in labor compensation of Ps 5,439 million in 2002 compared to 2001.

MERGER EXPENSES

BC completed its merger with Banco de Colombia S.A. on April 3, 1998. For fiscal year 2003, merger expenses totaled Ps 22,649 million, resulting from the amortization of goodwill recorded in connection with that merger. As of December 31, 2003, outstanding goodwill from the merger totaled Ps 96,254 million, which the Bank intends to amortize at Ps 22,649 million each year for the next five years.

For fiscal year 2002, merger-related expenses totaled Ps 33,028 million, as a result of Ps 22,649 million for the amortization of goodwill recorded in connection with the Merger; Ps 5,061 million in amortization of severance payments for reduction of personnel; and Ps 5,318 million in amortization of general merger expenses.

The following table summarizes the principal components of BC's operating expenses for the last three fiscal years:

	YEAR ENDED DEC	
	2001	2002
		(Ps mill
OPERATING EXPENSES:		
Salaries and employee benefits	Ps 250,456	Ps 286,
Severance benefits	35,014	29,
Administrative and other expenses	333,321	362,
Depreciation	35,965	34,
Losses on sales of loans, net	-	9,
Merger expenses	42,207	33,
Goodwill amortization	-	
TOTAL OPERATING EXPENSES	Ps 696,963	Ps 755,

NON-OPERATING INCOME (EXPENSES)

Non-operating income includes profits from the sale of foreclosed assets, real estate, and other assets. For 2003, net non-operating income totaled Ps 37,600 million, a decrease of 50% from Ps 79,787 million for 2002. This decrease is partially explained because a result of the improvement in the Colombian economy, which allowed the quality of the Bank's loan portfolio to improve and therefore it has received less foreclosed assets.

Net non-operating income increased 56.4% between 2001 and 2002 from Ps 51,000 million in 2001 to Ps 79,787 million in 2002. This increase is due to a 38.5% increase in non-operating income, compared to a 17.5% increase in non-operating expenses.

The following table summarizes the components of BC's non-operating income and expenses for the last three fiscal years:

	YEAR ENDED DEC	
	2001	2002
		(Ps millio
NON-OPERATING INCOME (EXPENSES):		
Other income	Ps 94,597	Ps 131,02
Other expenses	(43,597)	(51,23
TOTAL NON-OPERATING INCOME (EXPENSES), NET	Ps 51,000	Ps 79,78

INCOME TAX EXPENSES

For 2003, BC's income tax expense totaled Ps 62,635 million, an increase of 47% over Ps 42,618 million in 2002. This increase results primarily from BC's higher taxable fiscal income and higher shareholders' equity, which from the basis for computing Colombia's income tax and presumed income tax, respectively.

Law 788 of 2002 established a surcharge tax that increased the income tax rate for corporations from 35% to 38.5%. This surcharge tax, however, did not apply to those corporations that had been accepted in the stability regime established by the Colombian government. Bancolombia and Leasing Colombia are covered by this regime for ten years beginning on January 2001. Fiducolombia, Colcorp and Sufinanciamiento have requested to be covered by the regime of tax stability, but a definite decision has not been given yet.

Pursuant the tax stability regime, Bancolombia and Leasing Colombia agreed to be taxed at a total income tax rate of 37% beginning on January 1, 2001 (2% higher than the prevailing income tax rate at that time), in exchange for exemption from increases in the income tax rate and from any other new taxes until December 31, 2010. As a result, these companies currently benefit from a 37% income tax rate, rather than the 38.5% rate generally applicable to other corporations.

BC's income tax expenses in 2002 amounted to Ps 42,618 million, a 35.0% increase compared to Ps 31,575 million for 2001. This Ps 11,043

million increase resulted primarily from BC's higher taxable fiscal income and higher shareholders' equity, which are the basis for computing Colombia's income tax and presumed income tax, respectively. It also resulted from a 200 basis point increase in the income tax of Bancolombia, Leasing Colombia, Fiducolombia and Colcorp pursuant to a new tax stability regime.

NET INCOME INFORMATION UNDER U.S. GAAP

The Financial Statements included elsewhere in this Annual Report have been prepared in accordance with Colombian GAAP, which differs in certain significant respects from U.S. GAAP. The principal differences between U.S. and Colombian GAAP that affect net income include the methods of accounting for income taxes, employee benefit plans, loan origination fees and costs, business combinations and allowances for loan losses. For a summary of the most significant adjustments required to calculate net income under U.S. GAAP, see Note 30 to the Financial Statements.

A.2. IMPACT OF ECONOMIC, FISCAL AND MONETARY POLICIES OR POLITICAL FACTORS IN BANCOLOMBIA'S RESULTS

Various macroeconomic factors affect the Bank's operations, including the growth of the Colombian economy, the dynamic of the lending business, the Central Bank's monetary policies, the level of domestic prices, the evolution of the exchange rate, the character of fiscal policy, the behavior of external markets and competition of other financial institutions.

In 2003 the Colombian economy and its financial system grew dynamically, consolidating the economic recovery that began in the middle of 2002. In the fourth quarter of 2003, in annual terms, the economy grew 4.34%, with the financial sector growing at close to 16%.

Economic changes significantly influence the financial sector; high rates of economic growth produce better results for financial institutions through such factors as increases in the number of loans and the collection of commissions and decreases in loans that are past due or in default. In the late 1990s, Colombia's economic crisis had a negative effect on financial institutions, resulting in higher reported losses. This led to a series of measures, including capitalizations and reparations, to counteract the crisis. By 2003, such measures, along with improvements in macroeconomic indicators, permitted greater stability and consolidation in Colombia's financial sector.

Future prospects for the financial sector as a whole, and for Bancolombia specifically, will depend on regulatory and legal changes, including those that result from the globalization of financial services, privatizations, and continued economic growth, which will depend in part on the conclusion of government initiatives regarding tax and pension reform as well as other factors listed in the following chart:

FAVORABLE FACTORS FOR THE COLOMBIAN ECONOMY - MID-TERM	UNFAVORABLE FACTORS FOR THE COLOMBIAN ECONOMY - MID-TERM
- Policies supporting macroeconomic stabilization	- Higher unemployment expectations due to fiscal adjustments
- Achievements in security, improving confidence	- Reduction of proven oil reserves

- Greater confidence in the economy
- Growth of aggregated demand
- Low current levels of financial services as a percentage of GDP
- Lower interest rates
- Greater use of installed capacity
- Increased exports to the United States
- Foreign demand for coal, gas and non-traditional products
- Expectations of recovery of sales to Venezuela

- New taxes to cover fiscal debt
- Modification of income, company capital and financial transactions taxes
- New structural tax reforms, presented in February 2004

There is no guarantee of sustained economic growth, and new fiscal restrictions could result in a reduction in demand and slow the rate of economic growth. Such events could negatively affect BC's results.

MONETARY POLICY MEASURES OF THE CENTRAL BANK

The Central Bank, has aided the country's economic recovery by successfully restraining

interest rates. Nominal interest rates remain close to 7.8%, a rate that does not cause monetary instability or inflationary pressures. We anticipate that, in conformity with the Central Bank's monetary strategy, rates will remain stable, preserving macroeconomic balance. Additionally, stable monetary policies have permitted BC greater flexibility, with current interest rates producing sufficient liquidity to reduce the cost of funding resources.

There is no guarantee that the current monetary policy will continue, and in the event of higher interest rates BC's results could be affected by the increasing of the cost of funding.

THE LEVEL OF DOMESTIC PRICES

The inflation rate remained low in 2003, closing the year at 6.49%, slightly above the Central Bank's target of 6%. We anticipate inflation to remain close to this level in 2004. Low interest rates and low inflation remain important to financial sector's results. Fluctuations in inflation could affect loan portfolios, given their relationship to interest rates, and thus affect BC's results.

EVOLUTION OF THE EXCHANGE RATE

The index of the real exchange rate remains above 135%, making our products for export competitive. Exchange rate volatility could affect BC's business conducted in U.S. dollars, which accounts for roughly 10% of the Banks total assets.

Such exchange rate levels also strengthen trade under ATPDEA (Andean Trade Promotion and Drug Eradication Act), promote the negotiation of

bilateral agreements and support Colombia's participation in AFTA (America's Free Trade Agreement) in 2006. Nominal currency devaluations in the currencies of countries that compete with Colombia in international markets threaten Colombian exports. It is believed that controlling inflation will become Colombia's greatest competitive strength.

THE CHARACTER OF FISCAL POLICY

One challenge for the Colombian economy in future years will be financing the public sector budget. The public, non-financial sector deficit was 3.6% of GDP in 2003, and it is projected, to be 2.8% of GDP in 2004. This will be accompanied by a high level of debt, both internally and externally. As of June 2003, the internal and external levels of debt was 25,4% and 25,2% of GDP, respectively. With regard to internal debt, the Colombian financial system has invested significantly in government treasury securities, holding 56% of government treasury securities. The Bank is the largest holder of Colombian public debt, with a market share of 24%. As a result, exposure to public sector debt could affect the Colombian financial sector, including Bancolombia.

In order to manage the non-financial sector deficit the government has put in place structural reforms. The government's prior tax reform, effective as of January 1, 2004, included an increase in the tax on financial movements, from 0.3% to 0.4%. This will likely have a negative effect on the financial sector, increasing reliance on cash rather than credit, increasing demand on cash resources for financial institutions, reducing the use of electronic services at the Central Bank, and increasing the cost of deposits. BC, however, is protected by a tax stability regime explained before that grants an exemption from this increase in the tax on financial movements. See Item 5 Operating and Financial Review and Prospects - A. Operating Results - A.1.General Discussion of the Changes in Results - Income Tax Expenses for more information on the tax stability regime.

It is expected that in 2004, the government will propose a new package of tax reforms. If these reforms increase taxes, they could affect demand and limit future growth.

EXTERNAL MARKET BEHAVIOR

Foreign trade has provided the Colombian economy with an opportunity for growth. Free trade agreements including ATPDEA, the Free Trade Agreement with the United States currently being negotiated, and AFTA, which enters into force in 2006, all facilitate the export of Colombian goods.

Support for the Colombian economy from multilateral lending institutions, the IMF, IBRD and countries such as the United States have been and will continue to be of great importance. Bancolombia may benefit from this support and from the strength of Colombian exports by offering a range of products that facilitate the export process.

In 2002, remittances of foreign currency by Colombians outside the country surpassed income from the export of traditional products such as coffee, approaching nearly US$2,770 million. In 2003, remittances are estimated to have reached US$3,145 million. The Bank will be able to maintain and increase its market participation in remittances, broadening channels for the receipt of wired funds.

COMPETITION FROM OTHER FINANCIAL INSTITUTIONS

The Colombian financial market is highly competitive. In the

last decade, market deregulation, consumer growth, and the introduction of international competitors led to a re-shaping of the Colombian banking system. The Colombian financial system has experienced consolidation, which we believe will continue in coming years. Consolidation will lead to the creation of larger institutions, generating economies of scale. Such consolidation could also affect BC's financial condition.

Although the conversion of savings and loan corporations to commercial and savings banks has not yet generated strong competition through deposits in checking accounts, we anticipate such competition will emerge in the medium-term, potentially reducing BC's net interest margin through a higher cost of deposits.

An increase in the competition and consolidation of the industry could adversely affect our operations.

B. LIQUIDITY AND CAPITAL RESOURCES

B.1. LIQUIDITY AND FUNDING

The Central Bank establishes reserve requirements that determine the minimum amount of liquidity for Colombian banks. In order to meet its own working capital needs, to honor withdrawals of deposits, to make payments upon maturity of liabilities, and to extend loans, we maintain a proper balance between maturity distribution and diversity of funding sources.

Interest rate volatility and political uncertainty in the Colombian f1inancial system have led investors to prefer short-term investments, making medium and long-term financing harder to acquire. BC's deposit base is short-term, but its stable nature has enabled the Bank to offer longer-term loans with a wider margin. We believe that longer term funding will soon become more available and will enable financial institutions to minimize liquidity risks. We believe that our working capital is sufficient for present requirements.

BC maintained a short-term negative gap during 2003 in terms of maturities. However, we have various sources of liquidity, including short-term and marketable investments, domestic interbank

credit lines, international commercial bank credit lines, interbank borrowing and securities repurchase transactions, and access to funds from the Central Bank, all of which have been used from time to time on a short-term basis.

Checking accounts and time deposits are our most important sources of funding; other sources include savings deposits, interbank borrowings, overnight funds, development fund borrowings and outstanding bank acceptances.

The following chart shows checking and time deposits as a percentage of BC's overall deposits for the years 2001, 2002 and 2003:

	2001	2002	2003
Checking deposits	26.8%	25.4%	28.0%
Time Deposits	39.60%	34.0%	33.4%

BC relies primarily on short-term deposits for its funding but manages its risk and maintains reserves with the intention, although not the guarantee, that in the case of a sudden shortage of funds in the Colombian banking system and money markets, BC will be able to maintain its levels of funding while minimizing funding costs and avoiding liquidation of assets.

As part of the Bank's strategy to acquire longer-term financing, on February 11, 2004, Bancolombia issued ordinary bonds totaling Ps 400 billion in the Colombian market. The bonds were offered in Colombia and are registered with the Colombian Stock Exchange. The following table sets forth the aggregate face value, term and interest rate of each series of bonds:

Series A 18 months: Ps 100 billion at DTF (interest rate) + 1.5%
Series B 24 months: Ps 51,260 million at DTF + 1.7%
Series C CPI (consumer price index) at 36 months: Ps 25 billion at CPI + 3.9%
Series C DTF at 36 months: Ps 75 billion at DTF + 2%
Series D CPI at 60 months: Ps 37,890 million at CPI + 4.7%
Series D DTF at 60 months: Ps 110,850 million at DTF + 2.35%

As a result of this offering, Bancolombia has improved its liability structure by extending the duration of its liabilities. This provides the Bank with greater liquidity to fund its long-term loans, reducing reliance on short-term borrowings and thus reducing risk. The Bank may intend to continue and increase the use of this type of funding in the future.

Cash flows for the Bank include net cash provided for operating activities, net cash used in investing activities and net cash provided by financing activities. The following table shows those flows for the years ended December 31, 2001, 2002 and 2003:

PS MILLION	2001	2002	2003
Operating Activities	Ps 371,755	Ps 546,935	Ps 602,124
Investing activities	(1,720,964)	(2,315,976)	(1,986,064)
Financing activities	1,342,436	1,906,651	1,979,312

In the event that the Bank has a liquidity shortfall, it might be required to sell assets at a discount in order to increase liquidity. The Bank manages this risk by analyzing the maturity of its assets and liabilities. In addition, Management believes that the relative high volume and quality of net liquid assets is sufficient to maintain the Bank's liquidity and its ability to comply with its commitments when due. However, no assurance can be given that, in the event of a liquidity shortfall, BC would not be required to sell assets at a discount.

	AS OF DECEMBER		
2001	% OF TOTAL FUNDING	2002	% F

(Ps million, except p

CHECKING DEPOSITS				
Peso-denominated	Ps 1,805,085	20.9%	Ps 2,083,931	
Dollar-denominated	512,577	5.9%	607,462	
Total	2,317,662	26.8%	2,691,393	
TIME DEPOSITS				
Peso-denominated	2,112,815	24.4%	1,959,190	
Dollar-denominated	1,313,814	15.2%	1,644,276	
Total	3,426,629	39.6%	3,603,466	
SAVINGS DEPOSITS				
Peso-denominated	1,700,913	19.7%	2,294,374	
Dollar-denominated	68,951	0.8%	104,352	
Total	1,769,864	20.5%	2,398,726	
OTHER DEPOSITS				
Peso-denominated	39,664	0.5%	64,581	
Dollar-denominated	27,029	0.3%	29,992	
Total	66,693	0.8%	94,573	
INTERBANK BORROWINGS				
Peso-denominated	-	0.0%	-	
Dollar-denominated	399,595	4.6%	403,962	
Total	399,595	4.6%	403,962	
OVERNIGHT FUNDS				
Peso-denominated	202,994	2.3%	550,807	
Dollar-denominated	-	0.0%	59,351	
TOTAL	202,994	2.3%	610,158	
DOMESTIC DEVELOPMENT BANK BORROWINGS				
Peso-denominated	376,450	4.4%	673,654	
Dollar-denominated	54,609	0.6%	39,399	
Total	431,059	5.0%	713,053	
BANK ACCEPTANCES OUTSTANDING				
Peso-denominated	8,185	0.1%	3,456	
Dollar-denominated	22,881	0.3%	27,594	
Total	31,066	0.4%	31,050	
LONG TERM DEBT				
Peso-denominated	8,253	0.1%	62,782	
Dollar-denominated	-	0.0%	-	
Total	8,253	0.1%	62,782	
TOTAL FUNDING				
Peso-denominated	6,254,359	72.2%	7,692,775	
Dollar-denominated	2,399,455	27.8%	2,916,388	
Total	Ps 8,653,814	100.0%	Ps 10,609,163	1

B.2. FINANCIAL INSTRUMENTS AND TREASURY ACTIVITIES

The Treasury Division, through its currency desks, is able to make all operations in local or foreign currency legally authorized in Colombia. These include derivative operations, purchase and sale of fixed income securities, and securities indexed to a rate or index, operations with agreements of repurchase or resale, short sales, temporary securities transfers, simultaneous operations, and operations on the foreign exchange market.

Among the Treasury Division's liquidity controls, is the daily verification that the difference between the interbank asset funds and the interbank liability funds does not exceed 7.5% of the sum of deposits, credits from banks and other financial liabilities, and other obligations and outstanding investment securities.

According to limits set by the Board of Directors, the sum of repurchase commitments and interbank borrowings must not exceed 10% of the Bank's total liabilities.

With regard to investments in local and foreign currency, the Division must verify the availability of funds for investment as well as each investment's compatibility with the Bank's liquidity structure before taking any additional positions.

Investments in local and foreign currencies are kept in electronic custody by local custody providers (Deposito Centralizado de Valores - Deceval). Foreign securities are kept in the custody of Clearstream Bank.

The Treasury Division has to comply with investment limits which are calculated as percentage of technical capital (TC) of the Bank according to the following classification:

CONCEPT	LIMIT %
Negotiable investments, local currency	180%
Available investments for sale, local currency	70%
Investments through due date, local currency	65%
Negotiable investments, foreign currency	50%
Investments available for sale, foreign currency	10%
Investments through due date, foreign currency	25%

The foreign currency portfolio is made up of fixed rate bonds issued by the Republic of Colombia and denominated in U.S. dollars and in Euros, although there is no exposure to these currencies as there are forward sale agreements at terms of 180 and 360 days. Generally, the maximum maturity term of the securities is 10 years, although there is a duration close to 2 years.

The local currency portfolio is divided into public debt, primarily local treasury securities issued at a fixed rate or at a floating rate indexed to inflation (TES UVR), and private debt, as all issues made by the financial and public sectors are classified. Private debt securities are issued at a fixed

rate or at a floating rate indexed to DTF or CPI.

In the foreign subsidiaries, a fixed income investment portfolio is held in dollars and comprises fixed rate investments and floating rate investments, such as those indexed to the Libor rate. With regard to the management of issuers, the foreign subsidiaries manage Latin American issuers for which an individual credit study has been made according to the methodology defined in the Bank's Treasury Division manuals. As at Bancolombia, portfolio maturity must not be greater than 10 years, always maintaining a maximum duration of three years.

The Bank's investment portfolio includes a credit derivatives portfolio of structured notes, that the Bank acquired to take advantage of market opportunities when a default swap has traded above its credit reference bonds. The Bank has also been offering structured notes in order to provide protection for those investors who are exposed to Colombian sovereign debt. As a result, BC's exposure to Colombia's sovereign debt has increased.

Additionally, the Bank trades foreign exchange forward agreements with two main purposes:

- To protect against foreign exchange rate volatility in its foreign exchange position (cash and investment portfolio).

- As a speculative position through which, by selling and buying forward agreements, the Bank takes advantage of market opportunities.

For each foreign exchange forward operation, the Bank has set volume caps per operation for each trader, as well as credit caps for issuers and limits for counterparties.

B.3. COMMITMENT FOR CAPITAL EXPENDITURES

See Item 4. Business Overview - Capital Expenditures and Divestitures.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

BC is not dependent on research and development of patents or licenses.

D. TREND INFORMATION

During 2004, the Colombian economy continues to show the strong dynamism that it displayed during the previous year. Economic indicators suggest a stable macroeconomic environment: inflation remains at low levels, interest rates are stable and the unemployment rate is decreasing. Confidence in Colombia's economic recovery, the Colombian President's high popularity and incentives for local and foreign investment have also stimulated the economic growth.

Foreign trade may also provide important opportunities to strengthen the economic growth. Agreements like ATPDEA, the Free Trade Agreement which the United States, which is under negotiation, and the AFTA, which enters in force in 2006, could all aid economic growth. In addition, Colombian industries may be working near their installed capacity's limit, which may increase demand for loans.

In the latest tax reform, the government approved the devolution of two percentage points of the Value Added Tax if the buyer pays with either debit or credit cards. This measure may incentivize the

use of such cards, generating higher fees for banks, including BC.

Colombia's most significant economic challenges are financing the public sector and managing its debt. In consequence, the government may seek to implement structural reforms such as tax and pension reforms.

BC reported unconsolidated net income of Ps 72,502 million for the two months ended February 29, 2004, which is 109% higher than Ps 34,673 million, for the same period in 2003. These results are the outcome of higher net interest income, lower net provisions and higher dividends paid to the Bank by some of its subsidiaries. Total assets amounted to Ps 11.5 trillion in February 2004, as compared to Ps 9.6 trillion in February 2003, which constitutes a 19.0% increase. Total assets increased as a result of a larger loan portfolio.

The acquisition of Sufinanciamiento may allow BC to increase its consumer loans, especially vehicle loans, which usually have a higher yield.

The level of fiscal losses to be amortized and the excess of presumed income that BC carried during the last two fiscal years will not exist during 2004. As a result, BC believes that its income tax will be based on taxable income generating an increase in income tax expenses during 2004 as compared to 2003.

E. OFF-BALANCE SHEET ARRANGEMENTS

The following are the off-balance sheet arrangements in which BC is involved: standby letters of credit, bank guarantees and Credit Default Swaps (CDS).

In order to meet the needs of its customers, BC issues financial standby letters of credit and bank guarantees. At December 31, 2002 and 2003, outstanding letters of credits and bank guarantees issued by BC totaled Ps 429,361 million and Ps 692,795 million, respectively.

Financial standby letters of credit include guarantees of payment of credit facilities, promissory notes and trade acceptances.

Bank guarantees are performance guarantees that are issued to guarantee a customer's tender bid on a construction or systems installation project or to guarantee completion of such projects in accordance with contract terms. They are also issued to support a customer's obligation to supply specified products, commodities, or maintenance or guaranty services to a third party.

Credit Default Swaps (CDS) are contracts whereby one party transfers to the other for a period of time the credit risk associated with an issuing entity in exchange for a periodic premium. These investments made can be as follows:

- Credit-Linked Note: Issued by an International Bank vehicle which implicitly has the risk of a CDS.

- Credit-Linked Deposit: Deposit constituted as guarantee for the constitution of a CDS.

The table below summarizes at December 31, 2002 and 2003 all of BC's guarantees where the Bank is the guarantor. The maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties, without

consideration of possible recoveries under recourse provisions or from collateral held or pledged. Such amounts bear no relationship to the anticipated losses on these guarantees and greatly exceed anticipated losses.

	EXPIRE WITHIN ONE YEAR		EXPIRE AFTER ONE YEAR		TOTAL AMOUNT OUTSTAN	
	2002	2003	2002	2003	2002	200
Financial standby letter of credit	Ps 343,689	Ps 384,995	Ps 8,741	Ps 842	Ps 352,430	Ps 385
Bank guarantees	56,691	212,557	20,240	94,401	76,931	306
Credit default swaps	-	21,054	-	126,324	-	147
TOTAL	Ps 400,380	Ps 618,606	Ps 28,981	Ps 221,567	Ps 429,361	Ps 840

As of December 31, 2003, the bank held Ps 3,191 billion of securities issued by the Republic of Colombia government that exceeded 10% of the Bank's shareholders' equity.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table shows BC's known contractual obligations as of December 31, 2003:

CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS
		(Ps millions)		
Long-term debt obligations (1)	Ps 99,450	Ps 20,350	Ps 37,177	Ps 38,986
Time deposits	4,237,345	3,289,755	578,315	327,999
Commitments to originate loans	13,262	13,262	-	-
Commitments of repurchase of investments	1,088,139	1,088,139	-	-
Capital (finance) lease obligations	122	40	82	-
Employee benefit plans (2)	78,578	10,538	22,846	25,428
TOTAL	Ps 5,516,896	Ps 4,422,084	Ps 638,420	Ps 392,413

(1) Includes principal and interest and does not reflect the Ps 400 billion of bonds issued on February 11, 2004. See Item 5 Operating and Financial Review and Prospects B. Liquidity and Capital Resources B.1. Liquidity and Funding.

(2) In 2003, the Bank amortized the total actuarial calculation.

G. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following are considered critical accounting policies, given their significant impact on the financial condition and operating performance of BC. This information must be analyzed taking into account Note 2 of the Consolidated Financial Statements.

EVALUATION OF LOAN PORTFOLIO RISK AND DETERMINATION OF ALLOWANCES FOR LOANS LOSSES: BC currently evaluates loan portfolio risk according to the rules issued by the Superintendency of Banking, which establishes qualitative and quantitative standards for to assigning a risk category to individual assets. The qualitative analysis include the evaluation of "potential weaknesses," "deficiencies" or "serious deficiencies" based on the existence and magnitude of the specific factors, according to the management judgment. For the quantitative evaluation, the Bank first determines whether the loan has

become due and then classifies the loan according to the number of days past due.

The Superintendency of Banking requires minimum allowances levels for each category of credit risk and each type of loan in the Bank's portfolio. In addition, the Superintendency of Banking requires BC to maintain general allowance equal to 1% of the gross loan portfolio.

Under U.S. GAAP, allowance for loan losses represents management's estimate of probable losses inherent in the portfolio.

In the corporate portfolio, larger-balance, non-homogeneous exposures representing significant individual credit exposures are evaluated based upon the borrower's overall financial condition, resources, and payment record; the prospects for support from any financially responsible guarantors; and, if appropriate, the realizable value of any collateral. Reserves are established for these loans based upon an estimate of probable losses for individual larger-balance, non-homogeneous loans deemed impaired. This estimate considers all available evidence including, as appropriate, the present value of the expected future cash flows discounted at the loan's contractual effective rate, the secondary market value of the loan and the fair value of collateral. Management judgment is required in deriving the expected future cash flows to be use in the determination of reserves. The allowance for loan losses attributed to the remaining portfolio is established via a process that estimates the probable loss inherent in the portfolio based upon various statistical analyses.

Each portfolio of smaller-balance, homogeneous loans, including consumer revolving credit, credit cards, and most other consumer loans, is collectively evaluated for impairment. The allowance for credit losses attributed to these loans is established via a process that estimates the probable losses inherent in the portfolio, based on migration analysis, in which historical delinquency and credit loss experience is applied to the current aging of the portfolio, together with analyses that reflect current trends and conditions. The Bank also considers other overall portfolio indicators.

ALLOWANCE FOR FORECLOSED ASSETS: BC establishes allowances for foreclosed assets according to instructions from the Superintendency of Banking, which require that the Bank take into account how long such assets have been on the Bank's balance sheet.

Under U.S. GAAP, in order to assess for impairment its foreclosed assets BC applies the methodology described by the SFAS 144 and SFAS 15 with

respect to the method to evaluate the recoverability of the assets and to the measurement of the impairment loss.

The measurement of a new cost basis for the long-lived asset, implies an analysis of the likelihood of realization. This process involves assumptions used by the management to determine the fair value of the foreclosed asset.

AMORTIZATION OF GOODWILL: The Superintendency of Banking requires that goodwill derived from mergers and acquisitions be entered as an asset on the Bank's balance sheet, and permits that goodwill to be amortized at a term no greater than 10 years. BC chose to amortize 100% of the goodwill generated by the acquisition of Sufinanciamiento S.A. in its statement of results for 2003.

GOODWILL IMPAIRMENT: Under U.S. GAAP from January 1, 2002, the Bank no longer amortizes goodwill, but it is subject to annual impairment test. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired.

However, if the carrying amount of a reporting unit exceeds its fair value, it is necessary to compare the implied fair value of reporting unit goodwill with the carrying amount of that goodwill.

Management judgment will be required in deriving the fair value of a reporting unit.

For 2003, the Bank has performed the required impairment test at each reporting unit's goodwill and concluded that there was no impairment of goodwill.

H. RECENT U.S. GAAP PRONOUNCEMENTS

In December 2003, the FASB issued a revision to Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46R" or the "Interpretation"). FIN 46R clarifies the application of ARB No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. FIN 46R requires the consolidation of these entities, known as Variable Interest Entities ("VIEs"), by the primary beneficiary of the entity. The primary beneficiary is the entity, if any, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both.

Among other changes, the revisions of FIN 46R (a) clarified some requirements of the original FIN 46, which had been issued in January 2003, (b) eased some implementation problems, and (c) added new scope exceptions. FIN 46R deferred the effective date of the Interpretation for public companies, to the end of the first reporting period ending after March 15, 2004, except that all public companies must at a minimum apply the provisions of the Interpretation to entities that were previously considered "special-purpose entities" under the FASB literature prior to the issuance of FIN 46R by the end of the first reporting period ending after December 15, 2003. BC does not anticipate that the adoption of FIN 46 will have a material impact on its financial position, cash flows and results of operations.

In December 2003, the FASB revised Statement 132 "Employers'

Disclosures about Pensions and Other Postretirement Benefits -- an amendment of FASB Statements No. 87, 88, and 106". This Statement revises employers' disclosures about pension plans and other postretirement benefit plans. It does not change the measurement or recognition of those plans required by FASB Statements No. 87, Employers' Accounting for Pensions, No. 88, Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, and No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. This Statement retains the disclosure requirements contained in FASB Statement No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits, which it replaces. It requires additional disclosures to those in the original Statement 132 about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The required information should be provided separately for pension plans and for other postretirement benefit plans. BC evaluated the recent guidelines of Statement 132 and applied them in its annual report.

The requirement to disclose the estimated future benefit payments for each of the next five years and in the aggregate for the five years thereafter, is effective for the year ending December 31, 2004.

In December 2003, the AICPA issued Statement of Position 03-3 ("SOP 03-3"), Accounting for Certain Loans or Debt Securities Acquired in a Transfer. SOP 03-3 provides guidance on the accounting for differences between contractual and expected cash flows from the purchaser's initial

investment in loans or debt securities acquired in a transfer, if those differences are attributable, at least in part, to credit quality. Among other things, SOP 03-3: (1) prohibits the recognition of the excess of contractual cash flows over expected cash flows as an adjustment of yield, loss accrual or valuation allowance at the time of purchase; (2) requires that subsequent increases in expected cash flows be recognized prospectively through an adjustment of yield; and (3) requires that subsequent decreases in expected cash flows be recognized as an impairment. In addition, SOP 03-3 prohibits the creation or carrying over of a valuation allowance in the initial accounting of all loans within its scope that are acquired in a transfer. SOP 03-3 becomes effective for loans or debt securities acquired in fiscal years beginning after December 15, 2004.

I. RELATED PARTY TRANSACTIONS

See Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

On December 31, 2003, the following persons acted as current directors, alternate directors and senior management of BC:

DIRECTORS

Nicanor Restrepo Santamaria has been President of Suramericana de Inversiones S.A. since 1984. Mr. Restrepo Santamaria served previously in the public sector as Governor of the Department of Antioquia from 1983 to 1984 and as High Commisioner for the Peace from 1984 to 1985. During 1999 he participated as representative of the Colombian Government in the peace talks. In the private

sector he was President of Corporacion Financiera Nacional from 1982 to 1983, and Vice President of Finance of Compania Suramericana de Seguros y Filiales from 1979 to 1982. From 1968 through 1982 he held management in several financial and industrial companies.

Mr. Restrepo Santamaria is the president of the Board of Directors of Compania Nacional de Chocolates S.A., Smurfit Carton de Colombia S.A., Compania de Cemento Argos S.A. and is a member of the Board of Directors of La Positiva Seguros y Reaseguros (Peru) and Interoceanica de Seguros (Panama). He is currently a member of the advisory counsel of the Deutsche Bank Latin America Advisory Board (United States of America) and of the Banco Latino Americano de Exportaciones - BLADEX (Panama).

Carlos Enrique Piedrahita Arocha, President of Compania Nacional de Chocolates since 1999, was president of Corfinsura from 1993 to 2000, President of Banco Corfinsura Internacional Inc. (Puerto Rico) from 1998 to 2000, Compania Suramericana de Seguros S.A. from 1989 to 1993, Vice President of personal banking of the Banco Industrial Colombiano and General Manager of Suleasing S.A. from 1981 to 1984.

Mr. Piedrahita Arocha is also member of the Board of Directors of Suramericana de Inversiones S.A., Industrias Alimenticias Noel S.A., Compania de Cemento Argos S.A. and Corfinsura S.A. He is also a member of the Board of Directors of the following civic associations: Hospital San Vicente de Paul, Corporacion de Investigaciones Biologicas CIB and Proantioquia.

Juan Manuel Ruiseco Vieira is an independent advisor and was President of Compania de Cemento Argos S.A. since November 1999 to November 2003. Previously he was President of Cementos del Caribe S.A. since 1971.

Mr. Ruiseco Vieira is also member of the Board of Directors of Cementos del Caribe S.A., Carbones del Caribe S.A. and Suramericana de Inversiones S.A.

Jose Alberto Velez Cadavid assumed the Presidency Compania de Cemento Argos S.A. since November 2003. Since 1984, he held several managerial positions at Suramericana de Seguros S.A., including Vice President of Marketing and Sales, Vice President of Investments, Vice President of Enterprise Development and President of Inversura S.A. and of Suramericana de Seguros S.A.

Mr. Velez Cadavid is also member of the Board of Directors of Corfinsura S.A., Almacenes Exito S.A., Cementos del Caribe S.A. and Fabrica de Calcetines Crystal S.A.

Ricardo Sierra Moreno is the President of Productora Distrihogar S.A. since 1989. Before he had held positions as Regional Manager of Corporacion Financiera Suramericana S.A. Corfinsura from 1979 to 1982 and Chief Financial Officer of Suramericana de Seguros S.A. from 1982 to 1989.

Mr. Sierra Moreno is also member of the Board of Directors of Corporacion Financiera Nacional y Suramericana S.A. Corfinsura, Industrias Alimenticias NOEL S.A., Productora y Comercializadora de Alimentos S.A. (Helados Mimo's) and Sociedad Medica Antioquena.

ALTERNATE DIRECTORS

Luis Mariano Sanin Echeverri is the President of Fabricato Tejicodor S.A. since the year 2000. Previously he was President of Tejidos El Condor S.A. from 1996 to 2000, General Manager of Cryogas S.A. from 1984 to 1996, Technical

Vice President of Corporacion Financiera Nacional from 1977 to 1984, Manager of Exportations and Planning of Pantex and Fabricato from 1973 to 1977. He also held positions at the National Industrials Association (ANDI) from 1968 to 1969 and from 1971 to 1973.

Mr. Sanin Echeverri is member to the Board of Directors of Compania Colombiana de Tabaco S.A., Colombiana de Inversiones S.A, Industrias Estra S.A., Diagonal, Ascoltex, Inexmoda, Promotora de Hoteles S.A. and Fabrisedas.

Hector Arango Gaviria has worked for 31 years for the Compania Nacional de Chocolates S.A. assuming positions such as Director of the Commercial Department and Financial and Administrative Vice President. He currently acts as Executive Vice President of the same company. Previously he had served at Scott de Colombia S.A. and Hospital Pablo Tobon Uribe.

Mr. Arango Gaviria is also currently President of the Board of Directors of Textiles Fabricato - Tejicondor S.A., Almacenar S.A., Haceb S.A., Inversiones La Merced S.A., Poblado Country Club S.A. and alternate member of the Boards of Directors of Compania de Cemento Argos S.A. He is also member of the Board of Directors of the following civic associations: Corporacion Pueblo de los Ninos, Fundacion Francisco y Clara de Asis, Corporacion San Pablo, Fundacion Ximena Rico Llano, Consiliario de la Universidad Catolica de Oriente and Corporacion Country Club Ejecutivos.

German Botero Arango is the General Manager of Cementos El Cairo S.A. since 1986. Previously he was the Director of the Colombian Institute of Cement Producers.

Mr. Botero Arango is member of the Board of Directors of Cementos del Valle S.A., Omya

de Colombia S.A., Cementos Paz del Rio S.A., Suramericana de Inversiones S.A., National Industrials Association ("ANDI") and Colombo American Chamber of Commerce.

Federico Echavarria Restrepo is the General Manager of Merilectrica y Cia. SCA since 1997. Previously he had been Vice President of Investment Banking of Corfinsura S.A. from 1994 to 1997, Associate for Investment Banking Latin America for Merryl Lynch & Co., Inc. form 1993 to 1994 and had held several management positions at Suramericana de Seguros.

Mr. Echavarria Restrepo is currently a member of the Board of Directors of Enka de Colombia S.A., Confecciones Colombia S.A. and Acolgen (Association of Power Generators).

SENIOR MANAGEMENT

Jorge Londono Saldarriaga is the President of BC since 1996, and was previously a member of its Board of Directors for three years. Before he had been President of Suvalor S.A. Comisionista de Bolsa and Vice President of Investing of Suramericana de Seguros.

Leonardo Hincapie Naranjo is the Vice President of Risk Management since 1996, and has held different managerial positions at BC since 1971 such as Planning Assistant, Manager of Antioquia Region, Internal Inspector, and Vice President of Finance.

Santiago Perez Moreno is the Vice President of Personal and Medium and

Small Business Banking since 1998, and has held different managerial positions at BC since 1981 such as Personal Banking Manager for Bogota Region, International Commerce Manager for Bogota Region, and assistant at the Vice Presidency of International Commerce.

Jaime Alberto Velasquez Botero is the Vice President of Finance since 1997. From 1988 through 1997 he held several managerial positions in the Economic Department and Investor Relations Department. Before he had worked at C.I. Banacol.

Leonardo Uribe Correa is the Legal Vice President and Secretary General of BC since 1984. Before he held positions at Colcarburo S.A., Empresas Publicas de Medellin, Universidad Pontificia Bolivariana and Personeria de Medellin.

Gabriel Jaime Agudelo Tobon is the actual Vice President of Services and Technology, and has held several positions at BC since 1973.

Gonzalo Toro Bridge is the Vice President of Corporate Banking since 2003. Since 1988 he assumed positions as Assistant of the Vice Presidency of Corporate and International Banking and from 1994 to 2003 as Vice President of Corporate and International Banking.

Federico Ochoa Barrera is the Executive and Services Vice President of BC since 1998. Before the merger, he held several positions at Banco de Colombia, including National Branches Vice President, Administrative Vice President, Executive and Commercial Vice President and Executive President.

Hernan Dario Ramirez Giraldo is the Vice President of Internal Audit, has worked at BC for 18 years, holding positions such as General Accountant, Operations Manager of FiduBIC and Internal Auditor.

Luis Fernando Montoya Cusso is the Vice President of Operations since 1998. Since 1973 he has occupied several positions at BC, including messenger, computers assistant, Manager of Northern, Bogota and Cucuta Regions, and Operations Manager.

Jairo Burgos de la Espriella is the Vice President of Human Resources since 1998. Since 1990 he held several positions in the Human Resources Department.

There are no family relationships between the directors and senior management of BC listed above.

No arrangements or understandings have been made by major shareholders, customers, suppliers or others pursuant to which any of the above directors or members of senior management were selected.

B. COMPENSATION

BC compensates each of its directors Ps 500,000 per meeting. The directors receive no other compensation or benefit. Consistent with Colombian law, we do not disclose to our shareholders, or otherwise make public, information regarding the compensation of our individual officers. The aggregate amount of remuneration paid by BC and consolidated subsidiaries to all directors, alternate directors and senior management during the fiscal year ended December 31, 2003 was Ps 17,174 million.

BC has established an incentive compensation plan that awards bonuses

bi-annually to its vice presidents, department directors and certain managers. In determining the amount of any bonuses, the Bank takes into consideration the overall return on equity of BC and its executives achievement of individual goals. Depending on the amount awarded, the bonuses are payable in cash or as a combination of cash, a right to receive in three years an amount in cash determined with reference to the value of BC Common or Preferred Shares and an entitlement to a share in a pool of unvested bonuses. The pool of unvested bonuses is an account of preliminary bonuses, payable once it is established that the results that are the basis of such bonuses have been sustained over time and were not the result of a particular, extraordinary transaction that does not reflect better performance, according to guidelines designed by the Bank.

As far as compensation, the Bank paid a total of Ps 315,172 million for the concept of salaries of personnel employed directly by the Bank and upper management of its affiliates. The sum of Ps 9,392 million that was paid for the incentive compensation plan is included in that amount.

C. BOARD PRACTICES

The following are the current terms of office and the period during which the current and alternate directors have served BC, as of December 31, 2003:

NAME	FIRST ELECTED TO THE BOARD	TERM EXPIRES
Nicanor Restrepo Santamaria	1984	2004
Carlos Enrique Piedrahita Arocha	1994	2004
Juan Manuel Ruiseco Vieira	2000	2004
Jose Alberto Velez Cadavid	1996	2004
Ricardo Sierra Moreno	1996	2004
Luis Mariano Sanin	2002	2004
Hector Arango Gaviria	1988	2004
German Botero Arango	2002	2004
Federico Echavarria Restrepo	2002	2004

On February 26, 2004, the General Shareholders' Meeting elected a new Board of Directors replacing some of the previous directors. The election of the new members does not mean that different companies are represented in BC's Board of Directors, the change is a result of new managers in some of BC's major shareholders. The new directors will assume their positions as soon as they are presented and accepted by the Superintendency of Banking according to applicable regulations.

The following are the current terms of office and the period during which the members of senior management have served BC. There are no defined expiration terms.

NAME	PERIOD SERVED

PRESIDENT	
Jorge Londono Saldarriaga	Since 1996
VICE PRESIDENTS	
Leonardo Hincapie Naranjo	Since 1971
Santiago Perez Moreno	Since 1981
Jaime Alberto Velasquez Botero	Since 1988
Leonardo Uribe Correa	Since 1984
Gabriel Jaime Agudelo Tobon	Since 1973
Gonzalo Toro Bridge	Since 1988
Federico Ochoa Barrera	Since 1984
Hernan Dario Ramirez Giraldo	Since 1985
Luis Fernando Montoya Cusso	Since 1973
Jairo Burgos de la Espriella	Since 1990

Neither BC nor its subsidiaries have any service contracts with BC's directors providing for benefits upon termination of employment.

BC, in accordance with requirements of External Circular 007 of 2001 issued by the Superintendency of Banking, has an audit committee whose main purpose is to support the Board of Directors in supervising the effectiveness of the Bank's internal controls. The committee consists of three directors who are elected by the Board of Directors for a period of two years, one of whom must be a financial expert. The current members are Hector Arango Gaviria, Jose Alberto Velez Cadavid, and Ricardo Sierra Moreno. The audit committee may also designate independent advisors to support its activity.

As established by the Superintendency of Banking, the audit committee has a charter that establishes its composition, organization, objectives, duties, responsibilities and extension of its activities. The audit committee must meet at least quarterly and must present a report of its activities at the General Shareholders' Meeting.

BC currently complies with applicable requirements of the Sarbanes Oxley Act of 2002 for foreign issuers with respect to the composition and functions of its audit committee, and the rules thereunder by the Securities and Exchange Commission. As soon as they are applicable to foreign issuers, BC will comply with additional requirements required the mentioned issue.

The Board of Directors of BC has established a remuneration committee whose members are Ricardo Sierra Moreno and Carlos Enrique Piedrahita. The main function of this committee is to determine policies for hiring, compensations and developing of the Bank's executive officers. The committee will also supervise de goals established in the compensation programs and recommend the

adoption of new remuneration programs for BC's executive officers.

D. EMPLOYEES

The following table sets forth the number of employees of BC for the last three fiscal years:

AS OF DECEMBER 31	TOTAL NUMBER OF EMPLOYEES EMPLOYED BY BC AND ITS CONSOLIDATED SUBSIDIARIES	NUMBER OF EMPLOYEES EMPLOYED BY BC DIRECTLY

2001	7,518	6,258
2002	7,581	6,364
2003	8,001	6,473

On December 31, 2003, Bancolombia and its consolidated subsidiaries had 8,001 employees of which 6,473 were employed directly by the Bank. Of the 6,473 employees directly contracted by the Bank, 4,638 belong to operations personnel and 1,835 are management employees. Of the 6,473 employees, approximately 27.8% are located in the Bogota Region, 10.3% in the South Region, 13.0% in the Antioquia Region, 20.8% in the Medellin headquarters, 12.1% in the Central Region and 16.0% in the North Region. During 2003, the Bank contracted an average of 116 employees per month through temporary personnel service companies.

Of the employees, approximately 27.5% belong to a labor union called Sintrabancol and 13.8% are members of an industry union called Uneb. A collective bargaining agreement with both unions has been in effect since November 1, 2003 and is set to expire on October 31, 2005. The Bank is satisfied with the existing collective bargaining agreement, both for the labor costs and its implications, as well as for the relationship it has helped to develop with the labor unions and BC employees.

E. SHARE OWNERSHIP

Luis Santiago Perez Moreno is the only executive officer of BC who owned any Preferred Shares in BC as of December 31, 2003. His shareholding did not exceed one percent of BC's outstanding Preferred Shares. The following directors and managers owned Common Shares in BC as of December 31, 2003: Nicanor Restrepo Santamaria, Ricardo Sierra Moreno, Hector Arango Gaviria, German Botero Arango, Jorge Londono Saldarriaga, Luis Santiago Perez Moreno and Gonzalo Toro Bridge. None of their shareholdings, individually or in the aggregate, exceeded one percent of BC's outstanding Common Shares. As of December 31, 2003, BC had no outstanding options to acquire any of its outstanding Common Shares or Preferred Shares.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The following table sets forth, solely for purposes of United States securities laws, certain information regarding the beneficial ownership of BC's capital stock by each person known to BC to own beneficially more than 5% of each class of BC's outstanding capital stock as of December 31, 2003. A beneficial owner includes anyone who has the power to receive the economic benefit of ownership of the securities.

NAME	COMMON SHARES	PREFERRED SHARES	% OWNERSHIP OF COMMON SHARES(1)
Fideicomiso Cititrust-Suramericana-IFC	69,070,000	-	17.3%
Portafolio de Inversiones Suramericana S.A. (2)	51,305,519	-	12.9%

Suramericana de Inversiones S.A.	26,970,424	-	6.8%
Cementos del Valle S.A.	29,658,125	4,120,038	7.4%
Compania de Cemento Argos S.A	24,375,687	3,386,177	6.1%
Emmery Equity Corporation	24,387,619	-	6.1%
Lorange Industrial Corporation	20,612,331	-	5.2%
Fondo de Pensiones Obligatorias Proteccion	5,559,375	28,242,573	1.4%
BIC ADR Program Sufibic	-	113,484,588	-

(1) Common Shares have one vote per share; Preferred Shares have limited voting rights under certain circumstances specified in the By-laws of BC filed as Exhibit 1 to this Annual Report.

(2) Represents ownership by Suramericana de Inversiones S.A. directly and through its subsidiary Suramericana de Construcciones S.A. and Inversura S.A.

As of December 31, 2003, a total of 398,259,608 Common Shares and 178,435,787 Preferred Shares were registered in the Bank's shareholder registry in the name of 14,742 shareholders. As of December 31, 2003, a total of 113,484,588 Preferred Shares, representing 63.6% of outstanding Preferred Shares, were directly held by one record holder in the United States. No Common Shares were held directly by record holders in the United States.

There has not been any significant change in the percentage ownership held by any major shareholders during the past three years.

Major shareholders of the Bank do not have different voting rights. They all vote according to their participation in the Bank's outstanding shares.

There are no arrangements known to the company whose operation may at a subsequent date result in a change in control of the company.

To the extent known to the Bank, and in accordance with Colombian law, BC is not directly or indirectly owned or controlled by any other entity or person.

B. RELATED PARTY TRANSACTIONS

From time to time, BC lends to affiliates and other related parties and engages in other transactions with such parties. Such loans have been made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and have not involved more than the normal risk of collectibility or present other unfavorable features.

None of the related party transactions are considered material to the company or to the related party and there are no transactions that are unusual in their nature or conditions.

BC had a total amount of Ps 23,307 million of loans outstanding to related parties (for purposes of United States securities laws). This amount includes the largest amount outstanding as of March 15, 2004, which is a working capital loan to Multienlace S.A. outstanding for Ps 9,991 million and accrued interest for Ps 151 million. The average rate for this loan is 12.3%.

During 2003, significant balances and transactions with related parties were as follows:

	2003	
	ENTERPRISES THAT DIRECTLY OR INDIRECTLY THROUGH ONE OR MORE INTERMEDIARIES, CONTROL OR ARE CONTROLLED BY, OR ARE UNDER COMMON CONTROL WITH, THE COMPANY AND ASSOCIATES (1)	KEY MANAGEMENT PERSONNEL
	(PS MILLION)	
BALANCE SHEET		
Investment securities	Ps 2,355	Ps -
Loans	11,061	12,246
Accounts receivable	3,085	150
TOTAL	Ps 16,501	Ps 12,396
Deposits	Ps 120,358	Ps 1,441
Overnight funds	84	-
Account Payable	141	8
TOTAL	Ps 120,583	Ps 1,449
TRANSACTIONS		
INCOME		
Dividends received	Ps 25,777	Ps -
Interest	2,371	1,205
Other	269	24
TOTAL	Ps 28,417	Ps 1,229
EXPENSES		
Interest	Ps 18,214	Ps 61
Other	2,261	69
TOTAL	Ps 20,475	Ps 130

(1) For 2003, includes, in addition to the members of the Board of Directors, the President and the Vice-Presidents, as well as other employees who have legal representation of the Bank.

C. INTEREST OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION.

A. CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

A.1. CONSOLIDATED FINANCIAL STATEMENTS

Reference is made to pages F- 1 through F - 100.

A.2. LEGAL PROCEEDINGS

The Bank is involved in normal collection proceedings, restructuring proceedings with respect to certain borrowers and other legal procedures in the ordinary course of business. For the purpose of its audited financial statements, the Bank has various contingent liabilities, including contingent liabilities relating to ordinary litigation outstanding at December 31, 2003 amounting to Ps 529,661 million. As of December 31, 2003, Ps 21,500 million of these liabilities are covered in a guarantee contract entered into by Fogafin and private investors when Banco de Colombia was sold to investors. This guarantee contract remains in force in connection with litigation that was commenced before the privatization of Banco de Colombia. In the opinion of management, after consultation with its external Colombian legal counsel, the outcome of these contingent liabilities relating to ordinary litigation is not expected to have a material adverse effect on BC's financial condition or results of operations and the possibility of loss by BC as a result of such litigation is not likely to exceed the recorded allowance at December 31, 2003.

OTHER LEGAL PROCEEDINGS

The legal claims in which the Bank has been linked as defendant are duly provisioned in the cases it is required, according to Colombian regulations, as it is showed in the financial statement's notes. No event has occurred in said legal proceedings that may impair the regular course of business of the Bank nor its results could be significantly affected.

An arbitration process was initiated by the Bank as plaintiff for the resolution of claims related to hidden contingencies and liabilities from the former owners of Banco de Colombia under the auspices of the Bogota Chamber of Commerce. BC's claim under this suit amounts to approximately Ps 47,000 million, not including interest updates.

Within the criminal investigation initiated by the sellers of Banco de Colombia against some of the managers of the Bank, the District Attorney decreed by means of providence of December 26, 2003, to close the investigation due to the non-typification of any of the accused crimes, decision upon which the counterpart appealed, proceeding that is pending resolution.

The complaints that had been presented before the Superintendency of Banking in relation to the acquisition of Banco de Colombia and merger process with BIC, that were pending, have been definitively resolved in the Bank's favor.

In the different Arbitration Tribunal promoted by Luis Alberto Duran Valencia and other minority shareholders of the former Banco de Colombia, by means of a class action, the respective arbitration award was produced on January 30, 2004. The Tribunal considered that the announced capitalization by the BIC to the Superintendency of Banking on September 19, 1997 for an amount of US$150 million, as one of the sources for the financing of the acquisition of 51% of the shares of Banco de Colombia, constituted a binding commitment that should have been duly fulfilled by BIC. Notwithstanding, the capitalization failure is easily explained in the fact that BIC issued shares and offered its shareholders on January 5, 1998, at a price of Ps 3,800 per share, for a total of Ps 190,760 million, that at the exchange rate of the moment were equal to the announced US$150 million, with a term for placement of 45 days, and without dividends during the first year. During the 45 days term, the price of the shares that were registered in the exchange decreased, being less expensive to purchase shares in the secondary markets and with dividend earning, than purchasing issued shares with no dividend. For the foregoing reason, the minority shareholders of BIC did not subscribe the part that corresponded to them for Ps 72,123 million, with the result being the allocation shares of the

major

shareholders, who contributed Ps 118,636 million in total.

The fact of not totally completing the capitalization announced caused, in the view of the Tribunal, a liability for the Bank which generated damages to the shareholders of the former Banco de Colombia who entered the merged institution proportionately to their participation in said institution, which was estimated in Ps 14,646 million, which updated, sum up to Ps 22,208 million, for a net value to pay, after deductions ordered by the same Tribunal, of Ps 19,213 million.

In the other charges, for an amount close to Ps 500,000 million, the Tribunal resolved in favor of the Bank, exonerating it.

From the arbitral award one of the arbitrators, Mr. Rafael H. Gamboa, separated himself by "saving his vote," considering that BIC's conduct during the process of the merger adjusted itself to the legal norms in force and to the acts of the regulatory authorities, conclusion also reached by the Banking Superintendency when the point was considered.

The Bank has filed an extraordinary proceeding of annulment of the above mentioned arbitration award before the Superior Tribunal of Bogota, for the purpose of its review, to verify if arbitrators decision was taken according to current Colombian procedure regulations.

A.3. DIVIDEND POLICY

The declaration, amount and payment of dividends is based on BC's unconsolidated earnings. Dividends must be approved at the ordinary annual shareholders' meeting upon the recommendation of the Board of Directors and the President of BC. Under the Colombian Commerce Code, after payment of income taxes and appropriation of legal and other reserves, and after setting off losses from prior fiscal years, BC must distribute to its shareholders at least 50% of its annual net income, or 70% of its annual net income if the total amount of reserves exceeds its outstanding capital. Such dividend distribution must be made to all shareholders, in cash or as may be determined by the shareholders, and within a year from the date of the ordinary annual shareholders' meeting in which the dividend was declared. Pursuant to Colombia's Law 222 of 1995, the minimum dividend per share requirement of 50% or 70%, as the case may be, may be waived by an affirmative vote of the holders of 78% of the Common Shares present at the shareholders' meeting.

Under Colombian law, the annual net profits of BC must be applied as follows:

- first, an amount equal to 10% of BC's net profits to a legal reserve until such reserve is equal to at least 50% of the Bank's paid-in capital;

- second, to the payment of the minimum dividend on the Preferred Shares (for more information, see Item 10. Additional Information); and

- third, as may be determined in the ordinary annual shareholders' meeting by the vote of the holders of a majority of the Common Shares entitled to vote, upon the recommendation of the Board of Directors, and may, subject to further reserves required by BC's

by-laws, be distributed as a dividend.

The following table sets forth the annual cash dividends paid on each Common Share and, where applicable, each Preferred Share during the periods indicated.

DIVIDENDS DECLARED WITH RESPECT TO NET INCOME EARNED IN:	CASH DIVIDENDS PER SHARE(1)(2)	CASH DIVIDENDS PER SHARE(1)(3)
	(PS)	(U.S. DOLLARS)
1999	--	--
2000	36	0.016
2001	84	0.036
2002	132	0.045
2003	272	0.101

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(1) Includes Common Shares and Preferred Shares.

(2) Cash dividends for 2000, 2001 and 2002 were paid in quarterly installments and cash dividends for 2003 will be paid in quarterly installments.

(3) Amounts have been translated from pesos at the Representative Market Rate in effect at the end of the month in which the dividends were declared (February or March, as applicable).

B. SIGNIFICANT CHANGES

There has not been any significant change since the date of the annual financial statements included in this document.

ITEM 9. THE OFFER AND LISTING.

A. OFFER AND LISTING DETAILS

BC is a New York Stock Exchange, Inc. ("NYSE") listed company, where its ADSs are listed under the symbol "CIB". The table below sets forth, for the periods indicated, the reported high and low share prices and share trading volume for the Preferred Shares on the Medellin Stock Exchange until July 3, 2001 and, from that day on, on the Colombian Stock Exchange, expressed in nominal pesos. The table also sets forth the reported high and low sale prices, and the trading volume of the ADSs on the NYSE for the periods indicated.

MEDELLIN/COLOMBIA STOCK EXCHANGE		NEW YORK STOCK EXCHAN		
PS PER PREFERRED SHARE		US$ PER ADS		
HIGH	LOW	HIGH	LOW	TRADING (NUMBER

YEAR ENDING					
December 31, 1999	2,372	1,820	7.4	3.0	7,88
December 29, 2000	1,550	1,550	4.9	1.8	5,30
December 31, 2001(1)	1,300	1,177	3.2	1.0	4,70
December 31, 2002	1,800	1,025	2.88	1.35	8,19
December 31, 2003	3,800	1,750	5.35	2.32	9,78

(1) Until July 3, 2001.

Source: NYSENet (Composite Index), Medellin Stock Exchange and Colombia Stock Exchange.

	COLOMBIA STOCK EXCHANGE			NEW YORK	
	PS PER PREFERRED SHARES		TRADING VOLUME (NUMBER OF	US$ PER ADS	
	HIGH	LOW	SHARES)	HIGH	LOW
	(in nominal pesos)				
2002					
First quarter	1,200	1,025	725,997	2.45	1.55
Second quarter	1,600	1,061	720,874	2.88	1.65

	COLOMBIA STOCK EXCHANGE			NEW YORK	
	PS PER PREFERRED SHARES		TRADING VOLUME (NUMBER OF	US$ PER ADS	
	HIGH	LOW	SHARES)	HIGH	LOW
	(in nominal pesos)				
Third quarter	1,589	1,360	1,870,660	2.5	1.35
Fourth quarter	1,800	1,233	8,847,306	2.34	1.37
2003					
First quarter	2,100	1,750	5,558,711	2.99	2.32
Second quarter	3,610	2,030	5,141,347	5.15	2.7
Third quarter	3,800	3,400	11,882,892	5.35	4.35
Fourth quarter	3,760	3,449	31,504,803	5.35	4.7

Sources: Colombia Stock Exchange, NYSENet (Composite Index).

COLOMBIA STOCK EXCHANGE		NEW YORK STOCK EXCHANGE
PS PER PREFERRED SHARE	US$ PER ADS	
		TRADING V

	HIGH	LOW	HIGH	LOW	(NUMBER OF
MONTH					
September 2003	3,601	3,400	5.24	4.70	1,324,2
October 2003	3,640	3,489	5.26	4.73	975,4
November 2003	3,600	3,449	5.04	4.70	829,1
December 2003	3,760	3,450	5.35	4.81	1,879,2
January 2004	4,540	3,760	6.66	5.25	3,890,1
February 2004	5,150	4,225	7.31	5.8	5,708,0

Source: NYSENet (Composite Index) and Colombia Stock Exchange.

ADRs evidencing ADSs are issuable by The Bank of New York, as Depositary, pursuant to the Deposit Agreement, dated as of July 25, 1995, entered into by BC, the Depositary, the owners of ADRs from time to time and the owners and beneficial owners from time to time of ADRs, pursuant to which the ADSs are issued. Copies of the Deposit Agreement are available for inspection at the Corporate Trust Office of the Depositary, currently located at 101 Barclay Street, New York, New York 10286, and at the office of Fiducolombia S.A., as agent of the Depositary, currently located at Carrera 43A, No. 11A-44, Medellin, Colombia. The Depositary's principal executive office is located at One Wall Street, New York, New York 10286.

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

BC's ADSs, each of which represents the right to receive four Preferred Shares deposited in Colombia with the Custodian under the Deposit Agreement, have been listed on the NYSE since July 1995. The Preferred Shares have been listed on the Colombian Stock Exchange since July 1995. Through the ADSs, the NYSE is the principal U.S. trading market for the Preferred Shares. On September 30, 1998, BC filed a registration statement with the Commission to register the Preferred Shares issued in connection with the merger between BIC and Banco de Colombia in the form of ADRs, for resale by the holders into the U.S. public market from time to time. BC filed a registration statement with the Commission to register the Preferred Shares issued in the Capitalization Program. The SEC declared this

registration statement effective on October 12, 2000.

On December 31, 2003, there were 398,259,608 Common Shares outstanding, none of which were held of record by holders in the United States, and 178,435,787 Preferred Shares outstanding, of which 113,484,588 were directly held by record holders in the United States (represented by 28,371,147 ADSs). Because certain of the Preferred Shares and ADSs are held by nominees, the number of record holders may not be representative of the number of beneficial owners.

The Colombian Stock Exchange is the principal non-U.S. trading market for the Preferred Shares. As of December 31, 2003, the market capitalization for BC's Preferred Shares on the Colombian Stock Exchange was Ps 670,919 million. There are no official market makers or independent specialists in the Colombian Stock Exchange to assure market liquidity and, therefore, orders to buy or sell

in excess of corresponding orders to sell or buy will not be executed. The Colombian Stock Exchange is relatively volatile compared to major world markets. The aggregate equity market capitalization of the Colombian Stock Exchange as of December 31, 2003, was approximately Ps 39,634,308 million, with 106 companies listed as of that date. A substantial portion of the trading on the Colombian Stock Exchanges consists of trading in debt securities.

D. SELLING SHAREHOLERS

Not applicable.

E. DILUSION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Reference is made to the information contained under the headings "Description of Share Capital" and "Description of American Depositary Receipts" in BC's Registration Statement on Form F-3, which was filed with the Commission on September 29, 2000 (File No. 333-12658) and declared effective on October 12, 2000. All such information is incorporated by reference into this Annual Report.

C. MATERIAL CONTRACTS

On February 18, 2003, BC purchased from Suramericana de Inversiones 17,333,504 shares of Fiducolombia S.A. (9.60% of the outstanding shares) for a total price of Ps 11,908,032,000. After this

purchase agreement was executed, BC had 82.76% of the outstanding shares of Fiducolombia.

On December 29, 2003, BC and some of its subsidiaries acquired 99.99% of the Compania Suramericana de Financiamiento Comercial S.A. Sufinanciamiento from Portafolio de Inversiones Suramericana S.A., Compania Suramericana de Inversiones S.A., Compania Suramericana de Construcciones S.A., Corporacion Financiera Nacional y Suramericana S.A. Corfinsura, and Fundacion Suramericana. The purchase price paid by BC and some of its subsidiaries was Ps 75,016 million. With the acquisition of Sufinanciamiento, BC intends to complement its portfolio of products by developing commercial financing activities, mostly in vehicle financing.

D. EXCHANGE CONTROLS

The Central Bank consistently has made foreign currency available to Colombian private sector entities to meet their foreign currency obligations. Nevertheless, in the event of renewed shortages of foreign currency, there can be no assurance that foreign currency would continue to be available to private

sector companies or that foreign currency needed by BC to service foreign currency obligations could be purchased in the open market without substantial additional cost.

The International Investment Statute of Colombia contained in Law 9 of 1991, Decree 2080 of 2000 and Decree 1844 de 2003, as amended (the "Foreign Investment Law"), regulates the manner in which foreign investors can participate in the Colombian securities markets and undertake other types of investment, prescribes registration with the Central Bank of certain foreign exchange transactions and specifies procedures pursuant to which certain types of foreign investments are to be authorized and administered.

Each individual investor who deposits Preferred Shares into the ADS deposit facility for the purpose of acquiring ADSs (other than in connection with or reacquisition of the ADSs pursuant to the ADS offerings) will be required, as a condition to acceptance by Fiducolombia, as custodian of such deposit, to provide or cause to be provided certain information to Fiducolombia, to enable it to comply with the registration requirements under the foreign investment regulations relating to foreign exchange. A holder of ADSs who withdraws Preferred Shares from the ADS deposit facility under certain circumstances may be required to comply directly with certain registration and other requirements under the foreign investment regulations. Under such regulations, the failure of a non-resident investor to report or register foreign exchange transactions relating to investments in Colombia with the Central Bank on a timely basis may prevent the investor from obtaining remittance rights, constitute an exchange control infraction and result in a fine.

Under Colombian law and the by-laws of BC, foreign investors receive the same treatment as Colombian citizens with respect to the ownership and the voting of ADSs and Preferred Shares. For a detailed discussion of ownership restrictions see Item 4. Information on the Company -- B. Business Overview -- Supervision and Regulation -- Ownership Restrictions.

E. TAXATION

Pursuant to Resolution 56 of 1992, issued by CONPES (Consejo Nacional de Politica Economica y Social) the Deposit Agreement constitutes a Fondo Institucional de Capital Extranjero (a "Foreign Institutional Capital Investment Fund"). Under Law 223 of 1995, dividends paid to foreign institutional capital investment funds are not subject to Colombian income, withholding, remittance or other taxes, provided that such dividends are paid in respect of previously taxed earnings of the Company. Therefore, provided that distributions are made by BC to the holders of ADRs through the

Depositary, all distributions by BC made on account of Preferred Shares to holders of ADRs evidencing ADSs who are not resident in Colombia, as defined below, will be exempt from Colombian income, withholding and remittance taxes, except in the case of distributions paid out of non-taxed earnings of BC (which would bear a 35% Colombian tax that BC would be required to withhold and pay over to the Colombian tax authorities).

Dividends paid to a holder of Preferred Shares (as distinguished from the ADSs representing such Preferred Shares) who is not a resident of Colombia, as defined below, and who holds the Preferred Shares in his own name, rather than through another institutional or individual fund, will be subject to Colombian income taxes at a especial flat rate of 7% for 1996 and thereafter, which tax must be withheld by the payor. However, if such dividends do not

correspond to BC profits that have been taxed at the corporate level, the applicable rate is 35%, (and will be the new basis for the especial flat rate of 7%). BC would in all such cases withhold and pay to the Colombian tax authorities, within the legally prescribed period, the appropriate percentage of the amount of such dividends, and would have no liability or obligation to any holder of Preferred Shares with respect to any amount properly so withheld and paid over.

In the event that a holder of ADRs who is not resident in Colombia chooses to surrender its ADSs and withdraw the underlying Preferred Shares, dividends to such non-resident holder would be subject to withholding tax at the rates set forth in the preceding paragraph, unless such non-resident holder takes the necessary actions under Colombian law to hold such Preferred Shares through either an "institutional fund" or an "individual fund" under foreign investment regulations, in which case dividends payable with respect to the Preferred Shares would receive the same preferential treatment as a holder of ADRs.

For purposes of Colombian taxation, an individual is a resident of Colombia if he or she is physically present within Colombia for more than six months during the calendar year or the six months are completed within that taxable period. For purposes of Colombian taxation, a legal entity is a resident of Colombia if it is organized under the laws of Colombia.

SALES AND OTHER DISPOSITIONS

Gain or loss realized by a non-resident of Colombia from the sale or other disposition of ADSs, including by way of redemption or liquidation, will not be subject to Colombian taxation, regardless of the place at which such sale or disposition occurs. Gain or loss realized by a non-resident of Colombia from the sale or other disposition of Preferred Shares including by way of redemption or liquidation (as distinguished from sales or other dispositions of ADSs representing such Preferred Shares) will not be subject to Colombian taxation provided the sale or other disposition is effected on or through the facilities of a recognized stock exchange, doesn't represent 10% or more of the outstanding shares of the company and belong to a same beneficiary. Deposits and withdrawals of Preferred Shares in exchange for ADSs will not be subject to Colombian taxation.

In all cases in which the gain or loss realized upon a sale or other disposition of Preferred Shares is subject to Colombian taxation, such taxation will correspond to a 14% income tax applied over the gain and a 1% remittance tax applied over the difference once the 14% is subtracted. Such gain or loss will be measured by the difference, if any, between the amount realized upon the sale or disposition and the cost of acquisition plus inflation adjustments through percentage increases of the Consumer Price Index for employees of the Preferred Shares or ADSs, as the case may be, sold or disposed of by the holder. The Tax Basis of Preferred Shares withdrawn by a holder in exchange for ADSs immediately after such withdrawal shall equal the holder's Tax Basis in the ADSs exchanged for such Preferred Shares immediately before such withdrawal. The Tax Basis of ADSs received by a holder in exchange for a deposit of Preferred Shares immediately after such deposit shall equal the holder's Tax Basis in the

Preferred Shares deposited in exchange for such ADSs immediately before such deposit. The Tax Basis of additional Preferred Shares or ADSs distributed to a holder of Preferred Shares or ADSs on account thereof, whether by stock dividend, revaluation of the assets of the Company or otherwise, shall equal the value of such additional Preferred Shares or ADSs at the time of such dividend or revaluation.

OTHER TAX CONSIDERATIONS

As of the date of this report, there is no income tax treaty and no inheritance or gift tax treaty in effect between Colombia and the United States. Transfers of ADSs to non-residents of Colombia by gift or inheritance are not subject to Colombian gift or inheritance taxes. Transfers of Preferred Shares (as distinguished from the ADSs representing such Preferred Shares) will be subject to Colombian gift or inheritance tax at a flat rate of 35% of the unrealized appreciation, if any, in the value of the Preferred Shares transferred. There are no Colombian stamp, issue, registration, transfer or similar taxes or duties payable by holders of Preferred Shares or ADSs.

For a more detailed description of the tax consequences relating to U.S. holders, see the information contained under the heading "Taxation" in BC's Registration Statement on Form F-3, which was filed with the Commission on September 29, 2000 (File No. 333-12658) and declared effective on October 12, 2000. All such information is incorporated by reference into this Annual Report.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS.

Not applicable.

H. DOCUMENTS ON DISPLAY

BC files periodic reports and other information with the Commission. You may read and copy any document that BC files at the Commission's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Some of our SEC filings are also available to the public from the SEC's website at http://www.sec.gov.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTRODUCTION

The following section describes the market risks that BC is exposed to and the tools and methodology used to measure these risks as of December 31, 2003.

BC's Board of Directors and the senior management has formalized its policies, strategies and rules of action of the areas involved in the treasury management process in the "Treasury Management Manual". This manual defines the roles and responsibilities of each area and their

interrelation to ensure an adequate separation of functions and functional independence between the front, middle and back office. Moreover, the manual contains the process and technical support, the internal auditing procedure and the policies, the procedures and methodologies, and the description of the levels of responsibilities of the areas involved in the treasury management process.

The main objective of risk management is to plan, coordinate, monitor, report and propose policies for market and liquidity risks for the Bank. This leads the organization to efficient asset and liabilities administration.

The Bank's Market Risks Management Office is responsible for identifying, measuring, monitoring and managing the Bank's exposure to market and liquidity risks with the purpose of enabling management to maximize the Bank's earnings and add value to its shareholders. Additionally, this Management Office is in charge of treasury risks, mainly by monitoring the policies, strategies, limits, allotments and procedures authorized by the Board of Directors and to report these to the Board and the Bank's senior management.

The measurement of market risk, the performance, the results of the Bank's investment portfolio and the compliance with policies are reported in a daily basis to the Bank's senior management, specifically to the members of the Assets and Liabilities Management Committee ("CAP"), to the Risks Committee and also to the Board of Directors in every meeting.

The Bank's assets comprise trading and non-trading instruments. Trading instruments are those that constitute the treasury book, primarily fixed income securities. The Bank book comprises the Treasury book and the rest of the Bank's assets and liabilities, primarily loans, time deposits, current accounts and savings accounts. These accounts are not included in the Treasury book because they are not considered trading instruments.

The Bank's limits trading of derivative instruments. Forward foreign currency operations are used to cover our risk in positions in foreign currencies. For unconventional trading instruments, the Bank has designed a process of approval by different areas. This guaranties that every area involved is prepared to enter a new product into their procedures. Also the Board of Directors has to approve any new unconventional trading instruments.

Currently, the Bank measures the market risk of each position of the balance sheet, bank book and treasury book, by computing the corresponding value at risk ("VaR") in accordance with Chapter XXI of the Basic Accounting Circular (Circular 100 of 1995) issued by the Superintendency of Banking. A risk factor is any market variable capable of influencing the corresponding position's market value when it fluctuates. The VaR calculation represents the probable loss value based on fluctuations of such risk factors. The aggregate VaR is considered in the Bank's solvency calculation, in accordance with Decree 1720 of 2001.

The relevant risk factors for which VaR is computed are:

- interest rate risk for local currency, foreign currency and UVR;
- foreign exchange rate risk, and
- stock price risk.

Following is a brief explanation of the VaR model used by BC and its subsidiaries to calculate the market risk based on interest rate risk, foreign exchange rate risk and stock price risk. In addition, there is a presentation of the market risks reports and analysis of the BC and its subsidiaries.

VaR MODEL

INTEREST RATE RISK

BC calculates the interest rate risk for local currency, foreign currency and UVR in accordance with Chapter XXI of the Basic Accounting Circular. The interest rate risk is the probability of loss in the value of a position of the balance due to fluctuations in the market interest rates or market curves. As indicated, the methodology used in this Annual Report to measure such risk consists of computing VaR, which in the case of interest rate fluctuations begins by determining the net present value ("NPV") of the relevant balance position. Such NPV is then multiplied by the Modified Duration of the position and by the interest rate's estimated fluctuation ("(delta)i") with a 99% confidence level, which is established by the Superintendency of Banking according to the market's historic performance.

VaR = MODIFIED DURATION * NPV * (delta)I

NPV:	Sum of the discounted values of a position's cash flows (positive and negative), computed on the basis of the yield and maturity (including expected or contractually convened depreciation).
DURATION:	Weighted average of the expected times to each cash flow under an instrument or position. The weight applied to each expected time is the present value of the corresponding cash flow divided by the total cash flow under the instrument or position.
Y:	The instrument or position's yield.
MODIFIED DURATION:	= Duration / (1+Y). Corresponds to the percentage variation of the market value of an investment or a position of the balance before a 1% increase of the interest rate (Y). Consequently, modified duration measures the sensitivity of the value of a position to interest rate changes.
(delta)I:	Maximum probable variation of the interest rate for the instrument or position of the balance.

FOREIGN EXCHANGE RISK

The Foreign Exchange Risk is the probability of loss due to fluctuations in the exchange rates of the currencies in which the Bank maintains positions. As indicated, the methodology used in this Annual Report to measure such risk consists on computing VaR, which in the case of exchange rate fluctuations is derived from multiplying the net position ("NP") held in each of the foreign currencies by the estimated variation of the foreign exchange rate for such currency ("(delta)e") with a 99% confidence level, as the same may be derived from statistical analysis, established by the Superintendency of Banking according to the market's historic performance. The NP is the difference, expressed in pesos, between all the active and passive positions denominated or indexed in each currency. The active or

passive positions include commitments to buy and sell in foreign currency (forwards over foreign currencies) and the delta of the options, as the case may be.

VaR = PN * (delta)E

STOCK PRICE RISK

The stock price risk is the probability of loss due to fluctuations in the price of stocks in which the Bank maintains a position ("PosA"). As indicated, the methodology used in this Annual Report to measure such risk consists on computing VaR, which in the case of fluctuations in the price of publicly traded stocks is derived from multiplying the PosA by the maximum probable variation in the price of such positions ("(delta)p"). In the case of non-publicly traded stocks, the resulting VaR is further augmented by 20%. The (DELTA)p is determined by reference to the volatility of the price index of the Colombian Stock Exchange, as estimated by the Superintendency of Banking.

For publicly traded stocks:

VaR = POSA* (delta) P

For non-publicly traded stocks:

VaR = POSA* 1.2 * (delta) P

TOTAL MARKET RISK VALUE

Theoretically, a portfolio is built by instruments, which by being mutually related, make the portfolio's aggregate risk lower than the sum of each instrument's individual risk. This is known as correlation, which helps to diversify the risk of a portfolio. Once the correlation is determined between each risk factor and a correlations matrix is built, the overall market risk faced by the Bank can be calculated.

After individually calculating the VaR of a position in the balance sheet in respect of interest rate, exchange rate and stock price risk factors, and taking into account the correlations between such various risk factors, a total VaR, which includes interest rate, exchange rate and stock price risk factors, is computed for each position. Then, taking into account the correlation among the VaR of different assets, a total VaR for all assets is computed. The same procedure is followed to compute the total VaR for all liabilities. Finally, taking into account the correlation between the VaR for assets and the VaR for liabilities, an overall VaR for market risk is calculated (the "Total Market Risk Value"). Such market risk VaR is included in the solvency calculation in accordance with Decree 1720 of 2001.

VaR (TOTAL) = Sqr [Sigma limit (n) (i=1) (VaR (i)) (2) rho (2) (i) +
Sigma limit (n) (i=1) Sigma limit (n) (j=1), (j not = i)
VaR (i) VaR (j) rho (ij)]

The Superintendency of Banking requires Bancolombia, Leasing Colombia, Colcorp and Sufinanciamiento to calculate the interest rate VaR of local currency and foreign currency positions in the banking book which contains all the balance sheet and treasury book which refers to the securities contained in the organization's portfolio separately for the positions' remaining maturities in the following categories:

- 1 month or less,

- more than 1 month but not more than 2 months,
- more than 3 months but not more than 6 months,
- more than 6 months but not more than 12 months,
- more than 12 months, but not more than 24 months, and
- more than 24 months.

To simplify the presentation of this information, the table below provides the sum of the interest rate VaR of local and foreign currency positions of Bancolombia, Leasing Colombia, Colcorp and Sufinanciamiento.

ASSUMPTIONS AND LIMITATIONS OF VaR MODELS

Although VaR models represent a recognized tool for risk management, they have inherent limitations, including reliance on historical data that may not be indicative of future market conditions or trading patterns. Accordingly, you should not view VaR models as a predictor of future results. We may incur losses that could be materially in excess of the amounts indicated by the models on a particular trading day or over a period of time, and there have been instances when results have fallen outside the values generated by our VaR models. A VaR model does not estimate the greatest possible loss. The results of these models and analysis thereof are subject to the judgment of our risk management personnel.

BC and its affiliate's VaR model assume that variations in the market risk factors have a normal distribution. In addition, the model assumes that the correlations and variations in market rates or prices included in the historical data are independent and identically distributed random variables, and provide a good estimate of the correlation and the rate or price variations in the future.

According to the Superintendency of Banking regulation, the Bank's current accounts and savings account's net present values have to be distributed in the time horizon brackets, after matching assets and liabilities positions. The duration of the current accounts and savings accounts classified in the first bracket is equal to five (5) days and the duration of the values classified in each time horizon bracket is equal to the weighted average duration of the assets for each of them. As a result, the duration of the current accounts and savings accounts on the Bank's information is equal to the weighted average durations of these accounts for each time bracket.

BANCOLOMBIA

The table below provides information about BC's VaR calculations for all Balance Sheet items that are in pesos. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV:	Sum of the net present value for the group
DUR:	Weighted average duration for the group
Y:	Weighted average yield for the group
(delta)i:	Maximum variation of the interest rate
VaR:	Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN LOCAL CURRENCY
(PS MILLION)

VALUE AT RISK FOR PESO (LOCAL CURRENCY)

	NPV	DUR	Y
ASSETS			
Overnight Funds	4,011	0.53	8.9
Trading Securities Issued By The Colombian Government-TES IPC Rate	2,036	13.02	10.9
Trading Securities Issued By The Colombian Government-TES Fixed Rate	93,841	20.52	11.1
Other Trading Securities Issued By The Colombian Government	29,801	9.61	9.1
Trading Securities Issued By Financial Institutions	175,000	2.40	9.6
Other Marketable Trading Securities	3,650	3.02	11.8
Held To Maturity Securities Issued By The Colombian Government-TES Fixed Rate	328,094	5.61	13.9
Held To Maturity Securities Issued By The Colombian Government--Other Than TES-	1,387	0.03	7.8
Other Held To Maturity Securities	3,789	45.83	4.5
Available For Sale Securities Issued By The Colombian Government - TES Fixed Rate	10,616	25.26	11.5
Commercial Loans - Fixed Rate	615,264	3.65	15.1
Commercial Loans - Variable Rate	4,405,297	3.30	15.3
Mortgage Loans In Pesos	945	18.10	15.1
Consumer Loans - Fixed Rate	469,029	7.06	23.1
Consumer Loans - Variable Rate	683,966	2.77	15.7
Small Loans - Fixed Rate	27,648	10.96	15.1
Small Loans - Variable Rate	68,737	2.51	15.7
Other Assets	56,998	29.45	15.1
Rights Buyback Trading Securities Issued By The Colombian Government-TES IPC Rate	3,784	14.66	12.8
Rights Buyback Trading Securities Issued By The Colombian Government-TES Fixed Rate	376,108	22.58	11.4
Rights Buyback Other Trading Securities Issued By The Colombian Government (TES Not Included)	15,451	8.32	11.4
Rights Buyback Trading Securities Issued By Financial Institutions	133,110	1.85	9.7

Rights Buyback Other Marketable Trading Securities	12,789	2.24	11.3
Rights Buyback Available For Sale Issued By The Colombian Government- TES Fixed Rate	567,777	24.65	11.5
LIABILITIES			
Non-Interest Bearing Checking Accounts	2,186,433	22.51	0.0
Interest Bearing Checking Accounts	356,388	3.90	2.4
Time Deposits	1,896,069	2.08	8.4
Savings Deposits	24,331	0.38	8.4
Saving Deposits	2,167,489	0.89	4.4
Overnight Funds	30,014	0.07	7.5
Repurchase Agreements	1,016,574	0.28	6.2
Bank Acceptances Outsanding	8,304	1.34	0.0
Interbank Borrowings	584,695	2.49	4.5
SECURITY DERIVATIVES			
Forward Contracts Rights Issued By The Colombian Government- TES IPC Rate	34,784	21.16	13.8
Forward Contracts Rights Issued By The Colombian Government- TES Fixed Rate	114,112	24.67	11.6
Forward Contracts Rights Issued By The Colombian Government- Other Than TES-	235	23.83	7.0
Forward Contracts Rights Issued By Financial Institutions	21,508	2.28	9.2
Other Forward Contracts Rights	2,845	7.83	11.6
Forward Contracts Commitments To Discount	(158,719)	0.64	3.7
Forward Contracts Rights To Discount	78,900	1.00	3.6
FOREIGN EXCHANGE FORWARDS			
Foreign Exchange Contracts Rights In Local Currency	1,083,436	6.31	10.0
Foreign Exchange Contracts Commitments In Local Currency	(548,567)	6.00	10.0

BC's interest rate risk factors in local currency are basically, the DTF, the repo rate, interbanking rate, consumer credit rate, and Colombian Treasury bonds rate (TES). The DTF and the TES are the most volatile and largest value at risk outcomes. In the table above the securities that are affected by the DTF's risk factor are all the securities issue by financial institutiONS and the other securities. Although the largest asset are the loans, there average duration is 3.59 months compared to the duration of TES of which is 19.25 average months and the duration of the current account and savings accounts which provides the principal effect on the DTF risk factor outcome, is 11.16 months.

RISK FACTOR	Ps million VaR
DTF	(39,380)
Repurchase Agreements' Rate	(585)
Interbank Rate	-
Consumer Loan Rate	6,530
TES Rates	50,148

The average VaR for the TES factor in 2003 was Ps 60.630 million with a standard deviation of Ps 11,714 million. The DTF factor includes asset such as commercial credit and other investments different from TES. Also the DTF factor includes all liabilities in local currency except repos and interbanking operations and derivatives different from TES and forwards of foreign currency. As a result, the average VaR for the DTF factor for 2003 is Ps -49,778 million with a standard deviation of Ps 19,527 million of local currency. This values can me negative when the assets that are being affected by certain risk factor is smaller than the liabilities affected by the same risk factor. The VaR of this risk factor is lower than the average because this volatility of them is lower than the first semester of 2003. As mentioned before this volatilities are the ones published by the Superintendency of Banking.

The table below provides information about BC's VaR calculations for all Balance Sheet items that are in a currency other than the peso or UVR. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV:	Sum of the net present value for the group
DUR:	Weighted average duration for the group
Y:	Weighted average yield for the group
(delta)i:	Maximum variation of the interest rate
VaR:	Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN FOREIGN CURRENCY
(U.S. DOLLARS)

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US DOLARS

	NPV	DUR	
ASSETS			
Overnight Funds	6,370	0.07	0
Trading Securities Issued By The Colombian Goverment-Tes Index Trm	815	24.37	3
Trading Securities Issued By The Colombian Goverment-Tes Yankees	2,661	39.97	4
Other Trading Securities Issued By The Colombian Goverment (Other Than Tes)	123,037	20.78	5
Trading Securities Issued By Financial Institutions	7	27.48	4
Held To Maturity Securities Issued By The Colombian Goverment - (Other Than Tes)	70,474	20.60	9
Other Available For Sale Issued By The Colombian Goverment (Tes Not Included)	14,238	38.95	7
Commercial Loans-Fixed Rate	2,262	4.61	3
Commercial Loans-Variable Rate	107,753	1.14	3
Consumer Loans -Fixed Rate	9,922	3.09	15
Consumer Loans -Variable Rate	681	1.24	3
LIABILITIES			
Interest Bearing Checking Accounts	12	8.33	3
Savins Deposits	33	10.94	3
Other	4,772	0.03	3
Interbank Borrowings	165,280	3.37	1
FOREIGN EXCHANGE FORWARDS			
Foreign Exchange Contracts Rights In Foreign Currency	589,536	2.82	2
Foreign Exchange Contracts Commitments In Foreign Currency	-724,880	3.86	2

The risk factors of the interest rate risk in foreign currency are the Libor and the Money Market rates. These rates are not very volatile. The average VaR for the Libor factor in 2003 was Ps 1,524 million with a standard deviation of Ps 605 million. The Libor rate risk factor affects assets such as commercial and consumer loans and long-term investment. On the other hand the average VaR for the Money Market factor for 2003 is Ps 412 million with a standard deviation of Ps 152 million. The Money Market factor affects Colombian short-term Treasury bonds, liabilities and foreign exchange forwards.

	Ps million
RISK FACTOR	VaR
Libor	1,521
Money Market USD	427

The table below provides information about BC's VaR calculations for all Balance Sheet items that are in UVR. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV:	Sum of the net present value for the group
DUR:	Weighted average duration for the group
Y:	Weighted average yield for the group
(delta)i:	Maximum variation of the interest rate
VaR:	Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN UVR

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UVR				
	S NPV	DUR	Y	(d
ASSETS				
Trading Securities Issued By The Colombian Government -TES Fixed Rate	154,780,606	32.27	4.86%	
Trading Securities Issued By Financial Institutions	236,186,808	14.20	9.53%	
Other Marketable Trading Securities	109,184,310	31.20	3.88%	
Held To Maturity Securities Issued By The Colombian Government - Other Than TES-	1,154,910,599	99.55	0.00%	
Rights Buyback Trading Securities Issued By The Colombian Government- TES Fixed Rate	503,773,012	4.87	2.38%	
Rights Buyback Trading Securities Issued By Financial Institutions	70,477,172	8.37	17.29%	
Other Rights Buyback Trading Securities	243,379,407	28.01	3.52%	
SECURITY DERIVATIVES				

Forward Contracts Rights To Discount	484,141,198	0.00	0.00%

The risk factor for all the positions in UVR is the Real Rate risk factor. The average VaR for the Real Rate factor in 2003 was Ps 1,744 million with a standard deviation of Ps 779 million.

	Ps million
RISK FACTOR	VaR
Real Rate	1,943

The table below provides information about BC's VaR calculations for changes in the price of a currency other than the peso. It shows the following information for each specific currency:

NET POSITION:	Net position for that currency presented in the original currency
PRICE:	Price of the currency on the day of calculation
PESOS VALUE:	Net position of that currency presented in pesos
(delta)i:	Maximum variation of the price of the currency
VaR:	Value at risk for the group for changes in the price of the currency

FOREIGN EXCHANGE RISK AND PRICE RISK

FOREIGN CURRENCY	NET POSITION	PRICE	PESOS VALUE
U.S dollars	(86,110)	2,778	(239,233)
Japanese Yen	1,281	26	33
British Pound	150	4,943	742
Venezuelan Bolivar	8,261	2	14
Canadian Dollars	179	2,139	382
Swiss Franc	34	2,231	75
Euro	202	3,482	702
Swedish Krona	17	383	6
Danish Krone	60	468	28
VALUE AT RISK			(237,251)

UVR	2,956,833,112	137,84	407,583
STOCK			
Trading Investments - Tradable		-	
Trading Investments - Nontradable - Not Registered In Exchange		-	
Permanent Investments - Available For Sale - Tradable	541,421		
Permanent Investments - Available For Sale - Nontradable - Not Registered In Exchange	19,198		
Investments Held To Maturity - Equity Securities		-	
Investments In Investment Funds		-	
VALUE AT RISK			

The risk factors regarding foreign exchange risk are the TRM (the dollar representative market rate), the EURO and the YEN. The net position could be negative if we have an amount in short position larger that the amount in the long position. The UVR risk factor is considered to be similar to foreign exchange, which means that a UVR position has two kinds of market risk, interest rate risk and price risk. Finally, the last risk factor is the IGBC (Colombian Stock Exchange General Rate) which is the one that applies for all stock. The TRM includes the American Dollar, the British Pound, the Venezuelan Bolivar, the Canadian Dollar, the Swiss Franc, the Swedish Krona and the Danish Krone. The more volatile VaR outcomes are the UVR and TRM risk factors followed by the IGBC. The average VaR for the UVR factor in 2003 was Ps 11,807 million with a standard deviation of Ps 3,531 million. The average VaR for the TRM factor in 2003 is Ps-10,889 million with a standard deviation of Ps 4,562 million. The average VaR for the IGBC factor in 2003 is Ps 35,754 million with a standard deviation of Ps 2,684 million.

	Ps million
RISK FACTOR	VaR
UVR	15,896
TRM	(6,259)
EURO	38
YEN	2
IBC	34,558

After using the VaR(TOTAL) formula, according to "Total Market Risk Value" section, the Aggregate Market Value at Risk of the Bank in December

31, 2003 was equal to Ps 39,635 million of local currency. The Bank follows the Superintendency of Banking regulations, until December 31, 2003 the Bank must include in the solvency rate formula 80% of the Aggregate Market Value at Risk, Ps 31,708 million of local currency.

SOLVENCY RATE FORMULA:

Capital/Risk_Weighted_Assets+(Var*(100/9))] > or = 9%

The Bank's average Total Market Risk Value for 2003 was Ps 46,897 million with a standard deviation of Ps 8,661 million. The maximum value during 2003 was Ps 58,822 million in March 2003, and the minimum value during 2003 was Ps 37,286 million in November 2003. Most of the decline in the Total Market Risk Value during 2003 can be explained by a reduction in the volatility of the local currency risk factor. In addition, since the most influential factor of the outcome of the Total Market Risk Value is the match between the TES risk factor and the DTF risk factor during 2003, was that the duration of the TES has had a reduction and causing a reduction on the duration of the current account, resulting in a lower Aggregate VaR. This happens because as was mentioned before the duration of the current accounts and savings accounts classified in the first bracket is equal to five (5) days and the duration of the values classified in each time horizon bracket is equal to the weighted average duration of the assets for each of them.

COLCORP

The table below provides information about Colcorp's VaR calculations for all Balance Sheet items that are in pesos. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV:	Sum of the net present value for the group
DUR:	Weighted average duration for the group
Y:	Weighted average yield for the group
(delta)i:	Maximum variation of the interest rate
VaR:	Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN LOCAL CURRENCY
(PS MILLION)

VALUE AT RISK FOR PS (LOCAL CURRENCY)

	S NPV	DUR	Y
ASSETS			
Trading Securities Issued By The Colombian Government -TES IPC Rate	950	17.31	12.76%
Trading Securities Issued By The Colombian Government -(TES Not Included)	48	3.00	11.48%
Trading Securities Issued By Financial Institutions	12,151	2.64	10.27%
Other Marketable Trading Securities	16,218	12.55	14.48%

Held To Maturity Securities Issued By The Colombian Government - TES Fixed Rate	2,175	0.27	10.05%
Available For Sale Issued By The Colombian Government- (TES Not Included)	1,649	2.31	5.41%
Other Held To Maturity Securities	1,603	3.56	6.34%
Commercial Loans- Variable Rate	10,830	4.24	12.17%
Mortgage Loans In Pesos	626	38.97	13.71%
Rights Buyback Trading Securities Issued By The Colombian Government- TES IPC Rate	285	1.83	8.25%
Rights Buyback Trading Securities Issued By The Colombian Government- TES Fixed Rate	3,386	13.28	10.57%
Rights Buyback Trading Securities Issued By Financial Institutions	833	5.08	10.29%
Rights Buyback Held To Maturity Securities Issued By The Colombian Government - (Other Than TES)	1,384	0.91	5.08%
LIABILITIES			
Time Deposits	51,335	1.65	10.59%
Repurchase Agreements	5,103	0.77	7.98%
Interbank Borrowings	10,920	4.66	8.59%
SECURITY DERIVATIVES			
Other Forward Contracts Rights	8,673	11.31	0.00%
Forward Contracts Commitments To Discount	(7,229)	0.07	0.00%
Forward Contracts Rigths To Discount	906	0.07	12.34%
FOREIGN EXCHANGE FORWARDS			
Foreign Exchange Contracts Rights In Local Currency	5,556	0.30	8.00%

The table below provides information about Colcorp's VaR calculations for all Balance Sheet items that are in a currency other than pesos or UVR. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group

DUR: Weighted average duration for the group
Y: Weighted average yield for the group
(delta)i: Maximum variation of the interest rate
VaR: Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN FOREIGN CURRENCY
(U.S. DOLLARS)

U.S. DOLLARS

ASSETS	S NPV	DUR	Y	(delta)I	VaR
Trading Securities Issued By Financial Institutions	1,109	27.47	4.74%	12	3
FOREIGN EXCHANGE FORWARDS					
Foreign Exchange Contracts Commitments In Foreign Currency	2,000	0.30	5.00%	12	-

The table below provides information about Colcorp's VaR calculations for all Balance Sheet items that are in UVR. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group
DUR: Weighted average duration for the group
Y: Weighted average yield for the group
(delta)i: Maximum variation of the interest rate
VaR: Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN UVR

UVR

ASSETS	S NPV	DUR	Y	(del
Trading Securities Issued By Financial Institutions	7,494,984	22.12	5.22%	1
Held To Maturity Securities Issued By The Colombian Government - (Not Included TES)	14,148,200	102.36	0.00%	1

The table below provides information about Colcorp's VaR calculations for changes in the price of a currency other than peso. It shows the following information for each group which represent an specific currency:

NET POSITION:	Net position for that currency presented in the original currency
PRICE:	Price of the currency on the day of calculation
PESOS VALUE:	Net position of that currency presented in pesos
(delta)i:	Maximum variation of the price of the currency
VaR:	Value at risk for the group for changes in the price of the currency

FOREIGN EXCHANGE RISK AND PRICE RISK

FOREIGN CURRENCY	NET POSITION	PRICE	PES
U.S dollars	2,619	2,778,21	
VALUE AT RISK			
UVR	21,643,184	137,84	
STOCK			
Permanent Investments - Available For Sale - Tradable	55,549		
Permanent Investments - Available For Sale - Nontradable - Not Registered In Exchange	126,522		
Investments In Investment Funds	10		
VALUE AT RISK			

Ps million	
RISK FACTOR	VaR
DTF	27
Repo Rate	(8)
Real Rate	23
Money Market USD	8
TES Rate	77
UVR	116
TRM	191
IBC	16,998

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Colcorp's main assets are investments and stocks, and were the most relevant factor affecting the IGBC risk factor and the TES risk factor during 2003. Its liabilities are basically Certificates of Deposit, Interbanking operations and repurchase agreements.

The average VaR for the IGBC during 2003 was Ps 19,168 million with a standard deviation of Ps 2,046 million, and the average VaR for TES during 2003 was Ps 544 million with a standard deviation of Ps 338 million. As of December 31, 2003, Colcorp's Total Market Risk Value was Ps 16,893 million. Its average Total Market Risk Value during 2003 was Ps 18,271 million, with a maximum value during 2003 of Ps 20,776 million and a minimum value during 2003 of Ps 16,319 million. The main reason for the decline of Colcorp's Total Market Risk Value during 2003 was the reduced volatility of the local currency risk factor.

LEASING COLOMBIA

The table below provides information about Leasing Colombia's VaR calculations for all Balance Sheet items that are in pesos. It shows the following information for each group of assets and

liabilities described in the title of the group:

NPV:	Sum of the net present value for the group
DUR:	Weighted average duration for the group
Y:	Weighted average yield for the group
(delta)i:	Maximum variation of the interest rate
VaR:	Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN LOCAL CURRENCY
(PS MILLION)

VALUE AT RISK FOR PESO (LOCAL CURRENCY)

	S NPV	DUR	Y	(
ASSETS				
Overnight Funds	1,500	0.07	7.57%	
Trading Securities Issued By The Colombian Government -TES Fixed Rate	4,288	15.01	10.64%	
Trading Securities Issued By The Colombian Government -Other Than TES-	827	10.68	11.37%	
Trading Securities Issued By Financial Institutions	1,814	1.10	9.22%	
Held To Maturity Securities Issued By The Colombian Government - Other Than TES-	215	8.16	7.66%	

Held To Maturity Securities Issued By Financial Institutions	4,159	0.99	4.98%
Commercial Loans- Fixed Rate	337	15.55	14.94%
Commercial Loans- Variable Rate	10,151	3.49	14.94%
Consumer Loans - Fixed Rate	2,869	16.26	14.94%
Consumer Loans - Variable Rate	24,049	2.78	14.94%
Small Loans - Fixed Rate	24	13.72	14.94%
Small Loans - Variable Rate	293	3.55	14.94%
Contingencies	514,981	6.10	14.94%
LIABILITIES			
Time Deposits	297,248	3.07	9.28%
Repurchase Agreements	2,858	0.77	7.98%
Interbank Borrowings	137,477	9.64	9.31%
Long-Term Debt	36,994	3.46	9.28%
SECURITY DERIVATIVES			
Forward Contracts Rights Issued By The Colombian Government- TES Fixed Rate	2,257	13.28	10.57%
Forward Contracts Commitments To Discount	(2,264)	1.13	5.31%

The table below provides information about Leasing Colombia's VaR calculations for all Balance Sheet that are in a currency other than pesos or UVR. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV:	Sum of the net present value for the group
DUR:	Weighted average duration for the group
Y:	Weighted average yield for the group
(delta)i:	Maximum variation of the interest rate
VaR:	Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN FOREIGN CURRENCY

126

(U.S. DOLLARS)

U.S. DOLLARS

LIABILITIES	S NPV	DUR	Y	(de
Interbank Borrowings	265	0.56	2.14%	4

The table below provides information about Leasing Colombia's VaR calculations for all Balance Sheet items that are in UVR. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV:	Sum of the net present value for the group
DUR:	Weighted average duration for the group
Y:	Weighted average yield for the group
(delta)i:	Maximum variation of the interest rate
VaR:	Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN UVR

UVR

ASSETS	S NPV	DUR	Y
Trading Securities Issued By Financial Institutions	17,385,763	54.60	12.53%
Held To Maturity Securities Issued By The Colombian Government - Other Than TES-	34,164,000	101.79	0.00%
Rights Buyback Trading Securities Issued By The Colombian Government- TES Fixed Rate	21,101,800	4.87	2.38%

The table below provides information about Leasing Colombia's VaR calculations for changes in the price of a currency other than pesos. It shows the following information for each group which represent a specific currency:

NET POSITION:	Net position for that currency presented in the original currency
PRICE:	Price of the currency on the day of calculation
PESOS VALUE:	Net position of that currency presented in pesos
(delta)i:	Maximum variation of the price of the currency
VaR:	Value at risk for the group for changes in the price of the currency

FOREIGN EXCHANGE RISK AND PRICE RISK

FOREIGN CURRENCY	NET POSITION	PRICE	PESOS VALUE	(d

U.S. dollars	(265)	2,778,21	(736)
VALUE AT RISK			(736)
UVR	72,651,563	137,84	10,015
STOCK			
Investments In Investment Funds	1,191,127		
VALUE AT RISK			

Ps million	
RISK FACTOR	VaR
DTF	855
Repo Rate	(4)
Real Rate	64
Consumer Loans Rate	85
TES Rate	116
UVR	391
TRM	(19)
IBC	86

Leasing Colombia's main assets are the leasing operations that are shown in the contingency entry, where the risk factor is the DTF. Its liabilities are basically Certificates of Deposit and loans form banks where the DTF is also the main risk factor.

The average VaR for the DTF during 2003 was Ps 912 million with a standard deviation of Ps 862 million. As of December 31, 2003, Total Market Risk Value was Ps 1,342 million. The average Total Market Risk Value during 2003 was Ps 1,403 million, with a maximum value during 2003 of Ps 1,831 million and a minimum value of Ps 870 million. The main reason for the decline of Leasing Colombia's Total Market Risk Value during 2003 was the reduced volatility of the local currency risk factor.

SUFINANCIAMIENTO

The table below provides information about Sufinanciamiento's VaR calculations for all Balance Sheet items that are in pesos. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV:	Sum of the net present value for the group
DUR:	Weighted average duration for the group
Y:	Weighted average yield for the group
(delta)i:	Maximum variation of the interest rate
VaR:	Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN LOCAL CURRENCY
(PS MILLION)

VALUE AT RISK FOR PESO (LOCAL CURRENCY)

	S NPV	DUR	Y	(delta)
ASSETS				
Overnight Funds	501	0.33	7.92%	135
Trading Securities Issued By The Colombian Government -Other Than TES-	332	22.75	8.21%	30
Other Marketable Trading Securities	3,135	22.29	8.97%	30
Commercial Loans- Fixed Rate	4,194	3.35	25.62%	126
Commercial Loans- Variable Rate	128,178	0.52	29.73%	126
Consumer Loans - Fixed Rate	12,640	3.28	26.18%	222
Consumer Loans - Variable Rate	153,786	0.51	29.72%	30
Other Assets	1,335	0.54	29.72%	126
LIABILITIES				
Time Deposits	235,543	2.92	10.07%	126
Interbank Borrowings	19,739	0.74	7.94%	126

The table below provides information about Sufinanciamiento's VaR calculations for changes in the price of a currency other than pesos. It shows the following information for each group which represent an specific currency:

NET POSITION:	Net position for the currency presented in the original currency
PRICE:	Price of the currency on the day of calculation
PESOS VALUE:	Net position of the currency presented in pesos
(delta)i:	Maximum variation of the price of the currency

VaR: Value at risk for the group for changes in the price of the currency

FOREIGN EXCHANGE RISK AND PRICE RISK

FOREIGN CURRENCY	NET POSITION	PRICE	PESOS VALUE
STOCK			
Permanent Investments - Available For Sale - Tradable	9,849		

Ps million

RISK FACTOR	VaR
DTF	(606)
Consumer Loans Rate	74
IBC	-

Sufinanciamiento's main assets are loans, were the risk factor is the DTF. Its liabilities are basically Certificates of Deposit and loans form banks where the DTF is also the main risk factor.

The average VaR for the DTF during 2003 was Ps -627 million with a standard deviation of Ps 183 million. As of December 31, 2003 Total Market Risk Value was Ps 536 million. The average Total Market Risk Value of Sufinanciamiento during 2003 was Ps 571 million, a maximum value of Ps 869 million and a minimum value of Ps 359 million. The main reason for the decline of Sufinanciamiento's Total Market Risk Value during 2003 was the reduced volatility of the local currency risk factor.

FIDUCOLOMBIA

The table below provides information about Fiducolombia's VaR calculations for all Balance Sheet items that are in pesos. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV: Sum of the net present value for the group
DUR: Weighted average duration for the group
Y: Weighted average yield for the group

(delta)i: Maximum variation of the interest rate
VaR: Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN LOCAL CURRENCY
(PS MILLION)

VALUE AT RISK FOR PESO (LOCAL CURRENCY)

ASSETS	S NPV	DUR	Y	(del
Trading Securities Issued By The Colombian Government -TES Fixed Rate	7,351	5.19	10.37%	1
Other Trading Securities Issued By The Colombian Government (Other Than TES)	2,051	9.51	10.08%	
Trading Securities Issued By Financial Institutions	15,752	2.16	9.73%	
Other Marketable Trading Securities	6,557	5.46	10.89%	
Held To Maturity Securities Issued By The Colombian Government - TES Fixed Rate	9,331	10.74	12.69%	2
Available For Sale Securities Issued By The Colombian Government - TES Fixed Rate	4,092	30.03	12.59%	2
Available For Sale Issued By The Colombian Government- TES Fixed Rate				

The table below provides information about Fiducolombia's VaR calculations for all Balance Sheet items that are in a currency other than pesos or UVR. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV:	Sum of the net present value for the group
DUR:	Weighted average duration for the group
Y:	Weighted average yield for the group
(delta)i:	Maximum variation of the interest rate
VaR:	Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN FOREIGN CURRENCY
(U.S. DOLLARS)

U.S. DOLLARS

ASSETS	S NPV	DUR	Y	(delta)I	V
Trading Securities Issued By The Colombian Government -TES Index TRM	133	10.60	2.13%	12	

The table below provides information about Fiducolombia's VaR calculations for all Balance Sheet items that are in UVR. It shows the following information for each group of assets and liabilities described in the title of

the group:

130

NPV:	Sum of the net present value for the group
DUR:	Weighted average duration for the group
Y:	Weighted average yield for the group
(delta)i:	Maximum variation of the interest rate
VaR:	Value at risk for the group for changes in the interest rate

INTEREST RATE RISK IN UVR

UVR				
ASSETS	S NPV	DUR	Y	(delta)I
Other Marketable Trading Securities	43,9091.49	27.87	3.57%	12.4

The table below provides information about Fiducolombia's VaR calculations for changes in the price of a currency other than pesos. It shows the following information for each group which represent an specific currency:

NET POSITION:	Net position for the currency presented in the original currency
PRICE:	Price of the currency on the day of calculation
PESOS VALUE:	Net Position of that currency presented in Pesos
(delta)i:	Maximum variation of the price of the currency
VaR:	Value at risk for the group for changes in the price of the currency

FOREIGN EXCHANGE RISK AND PRICE RISK

FOREIGN CURRENCY	NET POSITION	PRICE	PESOS
U.S dollars	133	2,778,21	
VALUE AT RISK			
UVR	43,909,149	137,84	6,
STOCK			
Permanent Investments - Available For Sale - Nontradable - Not Registered In Exchange	1,052		

Investments In Investment Funds	108

VALUE AT RISK

Ps million	
RISK FACTOR	VaR
DTF	22
Real Rate	17
TES Rate	502
UVR	236
TRM	10
IBC	121
	131

Fiducolombia's Total Market Risk Value relates to its investments. The most significant risk factor is the TES. The average VaR for the TES during 2003 was Ps 436 million with a standard deviation of Ps 134 million. As of December 31, 2003, the Total Market Risk Value was Ps 606 million. The average Total Market Risk Value of Fiducolombia during 2003 was Ps 509 million, with a maximum value of Ps 658 million and a minimum value of Ps 338 million. The main reason for the decline of Fiducolombia's Total Market Risk Value during 2003 was the reduced volatility of the local currency risk factor.

COMICOL

The table below provides information about Comicol's VaR calculations for all Balance Sheet items that are in pesos. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV:	Sum of the net present value for the group
DUR:	Weighted average duration for the group
Y:	Weighted average yield for the group
(delta)i:	Maximum variation of the interest rate
VaR:	Value at risk for the group for changes in the interest rate.

INTEREST RATE RISK IN LOCAL CURRENCY
(PS MILLION)

VALUE AT RISK FOR PESO (LOCAL CURRENCY)

	NPV	DUR

ASSETS		
Trading Securities Issued By The Colombian Government -TES Dtf Rate	2,814.23	1.96
Other Trading Securities	2,667.10	7.17
Available For Sale Issued By The Colombian Government- (TES Not Included)	53.55	27.30
Rights Buyback Trading Securities Issued By The Colombian Government-TES IPC Rate	25,638.16	31.24
Rights Buyback Other Trading Securities Issued By The Colombian Government (TES Not Included)	240.17	50.34
Rights Buyback Trading Securities Issued By Financial Institutions	502.05	2.84
Rights Buyback Other Marketable Trading Securities	2,246.31	7.13
LIABILITIES		
Repurchase Agreements	65,069	0.12

The table below provides information about Comicol's VaR calculations for all Balance Sheet items that are in UVR. It shows the following information for each group of assets and liabilities described in the title of the group:

NPV:	Sum of the net present value for the group
DUR:	Weighted average duration for the group
Y:	Weighted average yield for the group
(delta)i:	Maximum variation of the interest rate
VaR:	Value at risk for the group for changes in the interest rate.

INTEREST RATE RISK IN UVR

UVR

ASSETS	NPV	DUR	Y
Trading Securities Issued By The Colombian Government-TES Fixed Rate	8,738,991	30.89	3.76%
Rights Buyback Trading Securities Issued By The Colombian Government-TES Fixed Rate	265,961,500	36.10	5.60%

The table below provides information about Comicol's VaR

calculations for changes in the price of a currency other than pesos. It shows the following information for each group which represent an specific currency:

NET POSITION:	Net position for that currency presented in the original currency
PRICE:	Price of the currency on the day of calculation
PESOS VALUE:	Net position of that currency presented in pesos
(delta)i:	Maximum variation of the price of the currency
VaR:	Value at risk for the group for changes in the price of the currency

FOREIGN EXCHANGE RISK AND PRICE RISK

FOREIGN CURRENCY	NET POSITION	PRICE	PESOS VALUE	(delta)I
UVR	255,811,275	137.84	35,262	3.90%
Stock				
Trading Investments - Tradable	500			6.00%
Value at risk				

RISK FACTOR	Ps million VaR
DTF	14
Repo Rate	(17)
Real Rate	140
TES Rate	992
UVR	1.375
IBC	30

Comicol's Total Market Risk Value is determined by the Company's investment. The most significant risk factor during 2003 was the TES. The average VaR for the TES during 2003 was Ps 1,222 million with a standard deviation of Ps 682 million. As of December 31, 2003, the Total Market Risk Value was Ps 2,156 million. The average Total Market Risk Value of Comicol during 2003 was Ps 1,571 million. The main reason for the decline of Comicol's Total Market Risk Value during 2003 was the reduced volatility of the local currency risk factor.

BANCOLOMBIA (PANAMA) AND BANCOLOMBIA CAYMAN

RISK FACTORS	VaR
Republic of Colombia 2008	2,662
Republic of Colombia 2004	5
Republic of Colombia 2009	4,258
Republic of Colombia 2011	70
Republic of Colombia 2006	393
Republic of Colombia 2012	271
Republic of Colombia 2010	47
Republic of Colombia 2016	189
Libor 3 months	4
Republic of Colombia 2005	7
C-Bond	72
Corporate 2006 (Enersis S.A)	233
Corporate 2004 (Ecopetrol)	0
INMEX	208
Corporate 2006 (FEN)	317
Republic of Panama 2026	31
Structured notes	1,064
Libor 1 month	2
Corporate 2004 (ABN Amro)	1
Corporate 2004 (Itau)	202
Corporate 2004 (Unibanco)	14
Corporate 2004 (Bradesco)	6,867
Libor 12 months	375,258
Libor 6 months	179,370

Bancolombia Panama and Cayman apply the same VaR methodology to measure the market risk. The only difference is that the Bank calculates the volatility of the risk factors using the JP Morgan risk metrics methodology. As we mentioned before in Bancolombia we use the volatilities published by The

Superintendency of Banking. Bancolombia Panama and Cayman measure the market value at risk since August, 2003.

Bancolombia Panama and Cayman's market risks are mainly related to their portfolio of investments, which are concentrated on securities issued by the Republic of Colombia. As of December 31, 2003, the Total Market Risk Value was US$9,125,739. The average Total Market Risk Value during this short period of time was US$10,267,616 with a maximum value of US$12,108,114 and a minimum value of US$8,759,259. The increment of the market VaR of November was determined principally by the volatility of the Colombian securities due to the uncertainty of the Referendum result and impact on the Colombian economy.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not Applicable.

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

There has not been a material default in the payment of principal, interest, a sinking or purchase fund installment in BC operation.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

An evaluation has been carried out, under the supervision and with the participation of BC's management, including President Jorge Londono Saldarriaga and Finance Vice-President Jaime Alberto Velasquez Botero, of the effectiveness of the design and operation of our "disclosure controls and procedures" as defined in Exchange Act Rules 13a-14(c) and 15d-14(c). Our disclosure controls and procedures are designed to ensure that the financial and non-financial information required to be disclosed in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Based upon that evaluation, our management, including the President Jorge Londono Saldarriaga and Finance Vice-President Jaime Alberto Velasquez Botero, concluded that our disclosure controls and procedures are effective.

There have been no changes in BC's internal control during the period covered by the Annual Report that has materially affected, or is reasonably likely to materially affect, BC's internal control over financial reporting.

ITEM 16. RESERVED

ITEM.16.A AUDIT COMMITTEE FINANCIAL EXPERT

Jose Alberto Velez Cadavid serves as the board of directors audit committee financial expert, complying with the requirements of Sarbanes Oxley Act regarding audit committee financial experts.

ITEM.16.B CODE OF ETHICS

BC has adopted a Code of Ethics, approved on December 18, 2003 by its Board of Directors according to Colombian law and BC's by-laws, which applies to all its directors, officers and employees. The text of such Code of Ethics is available ON WWW.BANCOLOMBIA.COM. We are not incorporating by reference the website or any material it contains into this filing.

ITEM.16.C PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate fees billed under the caption audit fees for professional services rendered to BC for the audit of its financial statements and for services that are normally provided in connection with statutory or regulatory filings or engagements, totaled Ps 908 million at December 31, 2002 and Ps 1,509 million at December 31, 2003.

There were no fees corresponding to audit related fees, tax fees or other fees billed to BC in the last two years.

The Bank's audit committee charter includes the following pre-approval policies and procedures, which are included in the audit committee's charters:

The audit committee will approve each year the work plan of the external auditors, which will include all services that according to the applicable law may be rendered by the external auditors.

For those events in which additional services are required to be provided by the external auditors, such services must be previously approved by the audit committee. Whenever this approval cannot be given at a meeting held by the audit committee, the approval will be obtained through the Vice Presidency of Internal Audit, who will be responsible of reaching each of the audit committee members. The approval will be obtained with the favorable vote of the majority of its members.

Every request of approval of additional services must be adequately sustained, including complete and effective information regarding the characteristics of the service that will be provided by the external auditors. In all cases, the budget of the external auditors must be approved by the General Shareholders Meeting.

FINANCIAL STATEMENTS.

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to pages F - 1 through F - 100.

ITEM 19. EXHIBITS

The following exhibits are filed as part of this annual report.

1. Corporate by-laws (estatutos sociales) of the registrant, as amended through February 26, 2004, together with an English translation.

2. Consent of Deloitte & Touche Ltda.

3. Consent of KPMG Ltda.

4.1. Stock Subscription Agreement, dated as of March 28, 2000, by and among Bancolombia S.A., Capital International Global Emerging Markets Private Equity Fund, L.P., and certain other investors listed on Schedule A thereto.

4.2. Shareholders Agreement, dated as of March 28, 2000, by and among Bancolombia S.A., Capital International Global Emerging Markets Private Equity Fund, L.P., and certain other investors listed on Schedule A thereto.

4.3. Registration Rights Agreement, dated as of March 28, 2000, by and among Bancolombia S.A., Capital International Global Emerging Markets Private Equity Fund, L.P., and certain other investors listed on Schedule A thereto.

Exhibits 4.1., 4.2. and 4.3. have been filed with the Commission together with BC's Annual Report on Form 20-F for the fiscal year 1999 and are incorporated by reference into this Annual Report.

SIGNATURE

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

Dated: March 26, 2004

BANCOLOMBIA S.A.

By: /s/ JAIME ALBERTO VELASQUEZ B.

Name: Jaime Alberto Velasquez B.
Title: Vice President, Finance

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[DELOITTE LOGO]

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheet of Bancolombia S.A. and subsidiaries ("the Bank") as of December 31, 2003 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year ended December 31, 2003 set out in pages F-4 to F-100. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements, referred to above, present fairly, in all material respects, the financial position of the Bank as of December 31, 2003, and the results of their operations and their cash flows for the year ended December 31, 2003, in conformity with accounting principles generally accepted in Colombia for financial institutions.

Accounting principles generally accepted in Colombia for financial institutions vary in certain respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of net income for the year ended December 31, 2003 and the determination of shareholders' equity as of December 31, 2003, to the extent summarized in note 30 to the consolidated financial statements.

Our audits also comprehended the translation of Colombian pesos amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in note 2(ab). Such U.S. dollar amounts are presented solely for the convenience of readers outside Colombia.

/s/ DELOITTE & TOUCHE LTDA

Medellin, Colombia,
March 15, 2004.

Audit,Tax.Consulting.Financial Advisory. Una firma miembro de Deloitte Touche Tohmatsu

[KPMG Letterhead]

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Bancolombia S.A.:

We have audited the accompanying consolidated balance sheets of Bancolombia S.A., and subsidiaries as of December 31, 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2002. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bancolombia S.A. and subsidiaries as of December 31, 2002, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2002, in conformity with accounting principles generally accepted in Colombia for financial institutions.

As discussed in Note 2g to the financial statements, the Colombia Superintendency of Banking issued External Circular 033, which changes the method for classification and valuation of investment securities, effective September 2, 2002.

Accounting practices prescribed by the Colombia Superintendency of Banking, as described in Note 2 to the consolidated financial statements, vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of accounting principles generally accepted in the United States of America would have affected consolidated results of operations and consolidated stockholders' equity for each of the years in the two-year period ended December 31, 2002, to the extent summarized in Note 30 to the consolidated financial statements.

/s/ KPMG Ltda

Medellin, Colombia
January 21, 2003, except note 30,
which is as of March 12, 2003.

BANCOLOMBIA S.A. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2002 and 2003
(Stated in millions of pesos and thousands of U.S. dollars)

ASSETS	2002	2003
Cash and cash equivalents:		
Cash and due from banks (Note 4)	Ps 643,405	Ps 848,052
Overnight funds	207,684	598,409
TOTAL CASH AND CASH EQUIVALENTS	851,089	1,446,461
Investment securities (Note 5):		
Trading securities	1,688,404	1,656,084
Available for sale, net	2,047,073	1,962,066
Held to maturity, net	607,981	718,574
TOTAL INVESTMENT SECURITIES	4,343,458	4,336,724
Loans (Note 6 and 27):		
Commercial	5,219,460	6,624,494
Consumer	870,898	1,273,159
Small business loans	68,863	83,854
Mortgage	38,094	48,161
	6,197,315	8,029,668
Less allowance for loan losses (Note 7)	(332,324)	(387,263)
LOANS, NET	5,864,991	7,642,405
Accrued interest receivable on loans:		
Accrued interest receivable on loans	98,533	108,379
Less allowance for accrued interest losses (Note 7)	(15,074)	(5,170)
INTEREST ACCRUED, NET	83,459	103,209
Customers' acceptances and derivatives (Note 8)	(15,662)	1,539
Accounts receivable, net (Note 9 and 27)	181,663	167,423
Premises and equipment, net (Note 10)	317,724	337,964
Leases, net (Note 10)	341,791	533,093
Prepaid expenses, deferred charges and other assets (Note 11)	293,959	294,698
Foreclosed assets, net (Note 12)	77,299	59,200
Reappraisal of assets (Note 13)	259,811	253,413
	Ps12,599,582	Ps15,176,129
Memorandum accounts (Note 22)	Ps46,798,693	Ps59,814,787

BANCOLOMBIA S.A. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2002 and 2003
(Stated in millions of pesos and thousands of U.S. dollars)

LIABILITIES AND STOCKHOLDERS' EQUITY	2002	2003
Deposits (Note 27)		
Non-interest bearing:		
Checking accounts	Ps 1,876,026	Ps 2,193,069
Other	94,573	126,718
Interest bearing:		
Checking accounts	815,367	1,353,123
Time deposits	3,603,466	4,237,345
Savings deposits	2,398,726	2,321,742
TOTAL DEPOSITS	8,788,158	10,231,997
Overnight funds	610,158	1,118,139
Bank acceptances outstanding	31,050	35,833
Interbank borrowings (Note 14)	403,962	456,059
Borrowings from domestic development banks (Note 15)	713,053	755,536
Accounts payable	355,772	451,501
Accrued interest payable	73,487	93,818
Other liabilities (Note 16)	170,572	174,317
Long-term debt (Note 17)	62,782	71,818
Accrued expenses (Note 18)	55,104	56,173
Minority interest in consolidated subsidiaries	51,136	41,559
TOTAL LIABILITIES	11,315,234	13,486,750
Stockholders' equity (Notes 19 and 21):		
Subscribed and paid in capital:		
Nonvoting preference shares	101,579	101,579
Common shares	253,540	253,540
Retained earnings:		
Appropriated (Note 20)	566,187	740,354
Unappropriated	210,380	469,384
Reappraisal of assets, net (Note 13)	37,368	30,086
Gross unrealized gain or loss on investments	115,294	94,436
STOCKHOLDERS' EQUITY	1,284,348	1,689,379
Commitments and contingencies (Note 23)		
	Ps12,599,582	Ps15,176,129
Memorandum accounts (Note 22)	Ps46,798,693	Ps59,814,787

See accompanying notes to consolidated financial statements.

(1) See Note 2 (ab)

BANCOLOMBIA S.A. AND SUBSIDIARIES
Consolidated Statements of Operations
Years ended December 31, 2001, 2002, 2003
(Stated in millions of pesos and thousands of U.S. dollars, except per share data)

	2001	2002
Interest income:		
Loans in local currency	Ps 747,543	Ps 671,657
Loans in foreign currency	63,903	54,455
TOTAL INTEREST ON LOANS	811,446	726,112
Investment securities	48,658	247
Overnight funds and other	21,653	11,825
TOTAL INTEREST INCOME	881,757	738,184
Interest expense:		
Checking accounts	22,327	12,975
Time deposits	304,012	260,278
Savings deposits	113,156	106,825
TOTAL INTEREST ON DEPOSITS	439,495	380,078
Interbank borrowings	20,160	9,404
Borrowings from domestic development banks	40,722	49,317
Overnight funds	27,120	26,645
Long-term debt	1,577	779
TOTAL INTEREST EXPENSE	529,074	466,223
NET INTEREST INCOME	352,683	271,961
Provision for loans and accrued interest losses, net of recoveries (Note 7)	73,953	115,154
Provision for foreclosed assets and other assets	63,537	71,212
NET INTEREST INCOME AFTER PROVISION FOR LOANS, AND ACCRUED INTEREST, FORECLOSED ASSETS AND OTHER ASSETS, LOSSES	215,193	85,595
Other operating income:		
Fees and service charges, net (Note 24)	265,382	292,308
Foreign exchange gains, net	20,345	93,371
Dividend income (Note 5)	2,665	19,491
Forward contracts	52,890	(62,612)

Financing leases	35,410	39,596
Gains on sales of investments, net	159,883	372,793
Revenues from commercial subsidiaries	47,619	52,759
Other	35,994	21,271
TOTAL OTHER OPERATING INCOME	Ps 620,188	Ps 828,977

BANCOLOMBIA S.A. AND SUBSIDIARIES
Consolidated Statements of Operations
Years ended December 31, 2001, 2002, 2003
(Stated in millions of pesos and thousands of U.S. dollars, except per share data)

	2001	2002
Operating expenses:		
Salaries and employee benefits	Ps 250,456	Ps 286,307
Severance benefits	35,014	29,575
Administrative and other expenses (Note 25)	333,321	362,495
Depreciation (Note 10)	35,965	34,444
Losses on sales of loans, net	-	9,952
Merger expenses	42,207	33,028
Goodwill amortization	-	-
TOTAL OPERATING EXPENSES	696,963	755,801
Non-operating income (expense):		
Other income	94,597	131,026
Other expense	(43,597)	(51,239)
TOTAL NON-OPERATING INCOME	51,000	79,787
Income before minority interest and provision for income taxes	189,418	238,558
Minority interest	(1,310)	14,440
Provision for income taxes (Note 18)	31,575	42,618
NET INCOME	Ps 156,533	Ps 210,380
EARNINGS PER SHARE	Ps 271	Ps 365

See accompanying notes to consolidated financial statements.

(1) See Note 2 (ab)

BANCOLOMBIA S.A. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
Years Ended December 31, 2001, 2002 and 2003
(Stated in millions of pesos and thousands of U.S. dollars, except share data)

	Non Voting Preferred Shares		Voting Common Shar	
	Number	Value	Number	Val
Balance at December 31, 2000	178,435,787	101,579	398,259,608	253
Net Income	-	-	-	
Transfer to appropriated retained earnings	-	-	-	
Valuation of investment	-	-	-	
Dividends Declared	-	-	-	
Other	-	-	-	
Balance at December 32, 2001	178,435,787	101,579	398,259,608	253
Net Income	-	-	-	
Transfer to appropriated retained earnings	-	-	-	
Valuation of investment	-	-	-	
Dividends Declared	-	-	-	
Other	-	-	-	
Balance at December 31, 2002	178,435,787	Ps 101,579	398,259,608	Ps 253
Net Income	-	-	-	
Transfer to appropriated retained earnings	-	-	-	
Valuation of investment	-	-	-	
Dividends Declared	-	-	-	
Other	-	-	-	
Balance at December 31, 2003	178,435,787	Ps 101,579	398,259,608	Ps 253
Balance at December 31, 2003 (Unautlited)(1)	178,435,787	US$ 36,185	398,259,608	US$ 90

	Surplus		
	Reappraisal of assets	Gross unrealized gain or loss on investments	Total stockholders' equity
Balance at December 31, 2000	Ps 47,357	-	865,883
Net Income	-	-	156,533
Transfer to appropriated retained earnings	-	-	-
Valuation of investment	(27,276)	-	(27,276)
Dividends Declared	-	-	(20,760)
Other	-	-	(3,929)
Balance at December 32, 2001	20,081	-	970,451
Net Income	-	-	210,380
Transfer to appropriated retained earnings	-	-	-
Valuation of investment	17,287	115,294	132,581
Dividends Declared	-	-	(48,442)
Other	-	-	19,378
Balance at December 31, 2002	Ps 37,368	Ps 115,294	1,284,348

Net Income	-	-	469,384
Transfer to appropriated retained earnings	-	-	-
Valuation of investment	(7,282)	(20,858)	(28,140)
Dividends Declared	-	-	(76,124)
Other	-	-	39,911
Balance at December 31, 2003	Ps 30,086	Ps 94,436	Ps 1,689,379
Balance at December 31, 2003 (Unautlited)(1)	US$ 10,717	US$ 33,641	US$ 601,802

See accompanying notes to consolidated financial statements.

(1) See Note 2 (ab)

BANCOLOMBIA S.A. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 2001, 2002, 2003
(Stated in millions of pesos and thousands of U.S. dollars)

	2001	2002
Cash flows from operating activities:		
Net income	Ps 156,533	Ps210,380
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	35,965	34,444
Amortization	67,177	57,943
Minority interest	18,027	(8,043)
Provision for loans, accrued interest and accounts receivable losses	95,497	153,004
Provision for foreclosed assets	21,321	17,236
Provision for losses on investment securities and equity investments	11,446	47,722
Provision for premises and equipment	24,924	3,548
Provision for other assets	5,732	2,552
Reversal of provision for investments	(3,076)	(10,022)
Reversal of provision for loans and accounts receivable	(21,544)	(37,850)
Reversal of provision for foreclosed assets	(8,248)	(15,333)
Reversal of provision for other assets	(534)	(1,534)
Reversal of provision for premises and equipment	(9,606)	(7,905)
Loss (gain) on sales of premises and equipment	(2,236)	369
Loss (gain) on sales on investments securities	76	161
Realized and unrealized loss (gain) on derivative financial instruments	(52,890)	1,299
Loss (gain) on sales on foreclosed assets	3,106	7,121
Valuation (gain) loss on investment securities	(59,055)	37,736
Foreclosed assets donation	4,280	8,840
Increase in accounts receivable	(638)	(75,496)
Increase in other assets	(110,197)	56,571
Increase in accounts payable	131,824	76,639
Increase in other liabilities	5,040	34,950

Other	58,831	(47,397)
Net cash provided by operating activities	Ps 371,755	Ps546,935

(Continued)

BANCOLOMBIA S.A. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 2001, 2002, 2003
(Stated in millions of pesos and thousands of U.S. dollars)

	2001	2002
Cash flows from investing activities:		
Increase in loans	Ps (334,665)	Ps (947,7
(Increase) decrease in customers' acceptances	38,567	54,2
Proceeds from sales of premises and equipment	6,782	15,0
Proceeds from sales of foreclosed assets	19,740	24,7
Purchases of premises and equipment	(92,771)	(143,0
(Purchases) sales of investment securities	(1,419,345)	(1,319,2
Proceeds from sales of long term investments	60,728	
Net cash used in investing activities	(1,720,964)	(2,315,9
Cash flows from financing activities:		
Dividends paid	(20,760)	(48,4
Increase in deposits	1,464,826	1,207,3
Increase in long-term debt	(15,412)	54,2
Increase in overnight funds	(8,770)	407,1
Increase in interbank borrowings and borrowings from domestic development banks	(77,448)	286,3
Net cash provided by financing activities	1,342,436	1,906,6
(Decrease) increase in cash and cash equivalents	(6.773)	137.6
Cash and cash equivalents at beginning of year	720,252	713,4
Cash and cash equivalents at end of year	Ps 713,479	Ps 851,0
Supplemental disclosure of cash flows information:		
Cash paid during the year for:		
Interest	Ps 517,123	Ps 472,7
Income taxes	Ps 1,130	Ps 6,8

See accompanying notes to consolidated financial statements.

(1) See Note 2 (ab)

BANCOLOMBIA S. A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

(1) ORGANIZATION AND BACKGROUND

Bancolombia S.A., ("the Bank") previously known as "Banco Industrial Colombiano S.A." is a private commercial bank incorporated under Colombian law on January 24, 1945. On April 3, 1998, Banco Industrial Colombiano S.A. merged with Banco de Colombia S.A., with the surviving entity being renamed Bancolombia S.A. The registered office of the Bank is in Medellin.

The Bank has 6.473 employees and operates through 354 branches.

The attached financial statements consolidate the assets, liabilities, earnings, contingent accounts and memorandum accounts of the Bank and subsidiaries in which it holds, directly or indirectly, 50% or more of the outstanding voting shares. Compania Suramericana de Financiamiento Comercial "SUFINANCIAMIENTO" is consolidated by Bancolombia from the beginning of the fiscal year. The consolidated subsidiaries are:

ENTITY	LOCATION	BUSINESS	INDIREC PARTICIPA PERCENTA 2002
Almacenes Generales de Deposito Mercantil S.A. Almacenar	Colombia	Warehousing and logistics	98.
Fiducolombia S.A.	Colombia	Trust	85.
Bancolombia Panama S.A.	Panama	Banking	1
Bancolombia Cayman	Cayman Islands	Banking	1
Leasing Colombia S.A.	Colombia	Leasing	99.
Compania Suramericana de Financiamiento Comercial S.A. SUFINANCIAMIENTO	Colombia	Financial services	
Colcorp S.A. Corporacion Financiera	Colombia	Finance	1
Comisionista de Colombia S.A.	Colombia	Securities Brokerage	99.
Abocol S.A.	Colombia	Chemical	92.
Valores Simesa S.A.	Colombia	Various Comercial Investments	71.
Inmobiliaria Bancol S.A.	Colombia	Real estate broker	98.
Fundicom S.A.	Colombia	Metals engineering	79.
Todo UNO Colombia S.A.	Colombia	E-commerce	53.
Unicargo de Colombia S.A.	Colombia	Freight service	98.
Sistema de Inversiones y Negocios S.A.	Panama	Comercial entity	1
Sinesa Holding Company	British Virgin Islands	Comercial entity	1
Future Net Inc.	Panama	E-commerce	60.
Compania Metalurgica Colombiana S.A. COMECOL(1)	Colombia	Metals engineering	39.
Sociedad Portuaria Mamonal S.A.	Colombia	Customs office	92.
Abocol Costa Rica S.A.	Costa Rica	Chemical products commercial	92.
Fertillanos Ltda.	Colombia	Chemical products commercial	55.

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

On December 29, 2003, in accordance with the authorization given by the Superintendency of Banking, the Bank acquired 94.89% of the capital of the Compania Suramericana de Financiamiento Comercial SUFINANCIAMIENTO S.A. The remaining 5.10% of the participation was acquired by other subsidiaries.

The acquisition price was Ps 75,016 and the capital amount registered at November 30, 2003, for acquired stock was Ps 43,798. As such, the acquisition for control of SUFINANCIAMIENTO S.A. generated a goodwill for the difference, Ps 31,218.

Chapter XVII of External Circular 100 of 1995 issued by the Superintendency of Banking establishes that the goodwill will amortize in proportional monthly installments affecting the statement of operations during the time in which it is reasonably expected that future benefits will be obtained and that, in any case, such term may not exceed ten (10) years. Notwithstanding, in consideration that results allow, management amortized one hundred percent of the value of this goodwill in the statement of operations of 2003, in this way avoiding affecting future results. This fact was made known in a timely manner to the Superintendency of Banking.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF CONSOLIDATED FINANCIAL STATEMENT PRESENTATION

(a) CONSOLIDATION AND PRESENTATION

Accounting practices and the preparation of financial statements of the Bank and its Subsidiaries follow the special regulations of the Superintendency of Banking, or, in the absence of such regulations, the accounting principles generally accepted in Colombia.

For consolidation purposes, financial statements of foreign subsidiaries were adjusted as required by Colombian regulations with regard to investments, loans and leased assets. The Bank also unified accounting policies related to inflation adjustments with the Colombian Superintendency of Banking.

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

The consolidated financial statements are prepared for presentation to the stockholders, but are not taken as a basis for the distribution of dividends or appropriation of profits.

Intercompany operations and balances are eliminated upon consolidation.

Under Colombian GAAP when new financial statement classifications are adopted, prior year

financial statements are not restated to reflect the new classifications.

(b) INFLATION ACCOUNTING

From January 1, 1992 to December 31, 2000, the consolidated financial statements were adjusted for inflation based on the variation in the CPI (Consumer Price Index) for middle-income earners. The adjustment was applied monthly to non-monetary assets, equity (except for the reappraisal of assets and exchange adjustment), contingent accounts and memorandum accounts. No adjustment was made to income, costs or expenses, and the financial statements for the preceding period did not have to be re-expressed.

(c) CONVERSION OF FOREIGN CURRENCY TRANSACTIONS AND BALANCES

As an authorized exchange dealer, the Bank and its Colombian subsidiaries are authorized by the Superintendency of Banking to make direct currency purchases and sales on the market.

Operations in currencies other than dollars are translated into dollars and re-expressed in Colombian pesos at the average Market Reference Rate (TRM) published by the Superintendency of banking. The rates were Ps 2,306.90 on December 31, 2001; Ps 2,814.89 on December 31, 2002 and Ps 2,807.20 on December 31, 2003.

The foreign currency assets and liabilities of subsidiaries included in the consolidation were converted to Colombian pesos using the TRM at the closing date. Equity accounts were converted using historic exchange rates and earnings statement accounts at Ps 2,299.89, Ps 2,504.68 and Ps 2,877.54 per U.S. dollar, respectively. These were the average TRMs between January 1 and December 31, 2001, January 1 and December 31, 2002 and January 1 and December 31, 2003 respectively.

(d) CASH AND CASH EQUIVALENTS

The statement of cash flows was prepared using the indirect method. Overnight funds sold with reselling agreements are considered to be cash equivalents for the purposes of this statement.

(e) USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates are: allowance for loans, accrued interest losses; allowance for foreclosed assets and valuation of investments and derivatives. Actual results could

differ from those estimates.

(f) OVERNIGHT FUNDS SOLD AND RESELLING AGREEMENTS

This account records the funds placed by the Bank in another financial institution with investment collateral, using surplus liquidity, with or without a commitment to resell, at terms of up to 30 days. The account also contains overnight deposits with banks abroad using Bank funds deposited outside Colombia.

Operations not repaid within 30 days are reclassified as investments or loans, as the case may be.

The difference between present value (cash received) and future value (resale price) is income booked to financial yields.

(g) INVESTMENTS

This account includes investments acquired by the Bank and its subsidiaries to maintain secondary liquidity, to acquire direct or indirect control of any company, to satisfy requirements of law or regulation, or simply to eliminate or significantly reduce market risks to which assets, liabilities or other balance sheet items are exposed.

1. CLASSIFICATION

The investments are classified as "trading investments", "investments available for sale" and "investments held to maturity". The first two of these groups may include investments in debt or equity securities. The later shall only include investments in debt securities.

Debt securities are those which make the holder the creditor of the issuer, whereas equity investments are those which make the holder a part-owner of the issuer.

TRADING SECURITIES

Trading investments are those acquired for the main purpose of obtaining profits from fluctuations in short-term prices.

HELD TO MATURITY

Investments "held to maturity" are debt securities acquired with the stated purpose and legal, contractual, financial and operational capacity to hold them until maturity or redemption. They may not be used for liquidity operations unless permitted by the Superintendency of Banking.

AVAILABLE FOR SALE

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

This classification covers equity investments with low exchange turnover or which are unquoted; and those held as parent or controlling stockholder of the issuer. There is no one-year minimum holding period required for the purposes of sale. The subsidiary Bancolombia Panama S.A. classifies the investments it maintains for the purpose of exercising control, as permanent, in accordance with order 7 of 2000 of the Superintendency of Banks of Panama.

2. VALUATION

The purpose of valuation is to record the appropriate amount for a given investment.

2.1 DEBT SECURITIES

Debt securities are valued daily and the result recorded daily.

Investments in "available for sale" securities and "trading" debt securities

Debt securities available for sale and trading are valued according to the regulation established by the Item 1 of the External Circular 100, 1995 issued by Superintendency of Banking.

Bank holds structures notes that are treated as available for sale securities and trading securities.

Investment in debt securities held to maturity

Debt securities held to maturity are valued at amortized cost.

2.2 EQUITY SECURITIES

Equity investments are valued monthly and the results of the valuation are recorded monthly. They are valued on the level of exchange turnover at the time of valuation, as follows:

- High-turnover: on the basis of the daily weighted average trading price published by the exchange.

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

- Low turnover and unquoted and investments that BC has ability to exercise significant influence over operating and financial policies of the investee even though the it holds 50% or less of the voting stock: increases or decreases are made in accordance with the percentages held by the investor, on the basis of variations in equity value in the most recent audited financial statements, which may not be more than six months old at the time of valuation, or more recent statements if available.

BANCOLOMBIA S. A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

3. RECORDING

3.1 TRADING INVESTMENTS

The difference between current and previous market value adjusts the value of the investment and credited or charged to earnings.

3.2 INVESTMENTS HELD TO MATURITY

These investments are recorded at amortized cost and interest accruals are recorded in earnings.

3.3 INVESTMENTS AVAILABLE FOR SALE

3.3.1 DEBT SECURITIES

These investment are recorded at market value with changes to the values of these securities are recorded in a separate account in the equity section.

- The difference between present value on valuation date and the previous present value increases the value of the investment and is credited to earnings. The present value is arrived at by applying an exponential calculation based on an internal rate of return established at the time of purchase.

- The market value of UVR-indexed (Unidades de valor real ("UVR") is an inflation-adjusted monetary index generally used for pricing home-mortgage loans) debt security with a fixed-rate (for example, a Colombian Government Treasury paper - "Treasury Paper") is ultimately based on the UVR internal rate of return (IRUVR) and the Treasury rate for CETES (Estimated Yield Curve on TES).

3.3.2 EQUITY INVESTMENTS

The changes found in these securities have accounting entries made according to the investment grade, as follows:

3.3.2.1 INVESTMENT IN SECURITIES WITH LOW TURNOVER OR UNQUOTED OR THAT BC HAS ABILITY TO EXERCISE SIGNIFICANT INFLUENCE OVER OPERATING AND FINANCIAL POLICIES OF THE INVESTEE EVEN THOUGH IT HOLDS 50% OR LESS OF THE VOTING STOCK

If the market or current investment value based on the investor's shares on the equity of the investee is greater than the value at which the investment is registered, the difference will affect, in the first place, the provision or devaluation until it runs out, and the excess is registered as a surplus for valuation in stockholders' equity.

If the market value or the current investment value based on the investor's shares on the equity

of the investee is less than the value at which the investment is registered, the difference will affect, in the first place, the surplus for valuation of the corresponding investment until it runs out, and the excess is registered as devaluation of said investment within capital.

3.3.2.2 HIGH OR MEDIUM - TURNOVER

The update of the market value of these securities have an accounting entry made as an accumulated unrealized gain or loss, within the equity accounts, with credit or debit to investment.

3.4 DIVIDENDS ON EQUITY SECURITIES

Dividends, including those coming from the capitalization of the re-valuation of capital account, and amortization of the premium and discount arising at acquisition, for all investments in equity securities shall be included in earnings, except for investment in securities that BC has ability to exercise significant influence. Dividends received from those investments should reduce the carrying amount of the investment.

4. PROVISIONS OR LOSSES DUE TO CREDIT RISK CLASSIFICATION

The price of the public debt securities which are trading and available for sale that do not have market values according to the explained methodology, those classified Held to Maturity, as well as the price for those equity securities with low or minimum - turnover or unquoted, must be adjusted on each valuation date, based on the credit risk classification.

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

4.1 SECURITIES THAT ARE ISSUED FROM ABROAD OR HAVE FOREIGN GRADES

The issuers and issues of debt securities that have one or various grades issued by a grade classification firm recognized by the Colombian Securities Commission, will not be able to be registered for an amount greater than the following percentages of their nominal net value of amortizations:

LONG TERM GRADE	MAX. AMOUNT %	SHORT TERM GRADE	MAX. AMOUNT %
BB+, BB, BB-	Ninety (90)	3	Ninety (90)
B+, B, B-	Seventy (70)	4	Fifty (50)
CCC	Fifty (50)	5 y 6	Zero (0)
DD, EE	Zero (0)		

BANCOLOMBIA S. A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

4.2 SECURITIES FROM ISSUES OR ISSUERS WITHOUT ANY EXTERNAL GRADE AND EQUITY SECURITIES

These securities are rated and classified according to the methodology defined by the Bank and its subsidiaries as follows:

CATEGORY		MAX. REGISTERED AMOUNT %(1)	INVESTMENT CH
B	Acceptable risk, greater than normal	Eighty (80)	Present factors of uncertainty that c continue adequately fulfilling debt s affect their financial situation.
C	Appreciable risk	Sixty (60)	Present medium-high probabilities of capital and interests in their financ recovery of the investment.
D	Significant risk	Forty (40)	Present unfulfillment of agreed terms deficiencies in their financial situa the investment is highly doubtful.
E	Unrecoverability	Zero (0)	Recovery highly improbable.

(1) On the net nominal amount of the amortizations made up to the date of the valuation for securities of debt or the cost of acquisition for participating securities.

(h) LOANS AND LEASING CONTRACTS

These accounts record loans and leasing contracts made by the Bank and its subsidiaries in the various modalities permitted by local rules and regulations. They are funded by own capital, public deposits and other internal and external sources.

Loans are recorded at face value, except for factoring operations which are recorded at cost, and foreign currency operations, which are translated into pesos at each month end exchange rate.

Credit appraisals for each type of loan will in the future be undertaken using a new method devised by the Bank and its subsidiaries, currently in development and due to be completed in 2004. The method takes account of the probabilities of deterioration of loans and estimates of expected losses.

Until the new method is approved by the Superintendency of Banking and introduced, the Bank and its subsidiaries will continue to apply the Superintendency of Banking existing regulations.

1. CLASSIFICATION

Beginning on January 1, 2002 the Bank classified its loans as follows:

HOME MORTGAGE LOANS

These are loans made to individuals for the purchase of new or used housing, or the building of a home, all in accordance with Law 546/1999. This type of loan is not of material importance, and is not a market target for the Bank or any of it's subsidiaries. Its characteristics are therefore not described here. Total loans of this type accounted for 0.60% of the Bank's gross loans.

CONSUMER LOANS

"Consumer Loans" are loans granted to individuals to finance the purchase of consumer goods or payment of non-commercial or business services regardless of amount.

SMALL BUSINESS LOANS

Loans to small corporations ("micro-businesses") for a maximum total exposure of 25 National Minimum Monthly Salaries (NMMS).

A "microbusiness" is a personal or corporate rural or urban business in farming, industry, commerce or services with not more than 10 employees and assets not exceeding 501 NMMS.

The Subsidiary Bancolombia Panama S.A. does not grant this modality of loan.

COMMERCIAL LOANS

A "Commercial Loan" is a loan other than a loan for housing, consumer loans and small business loans.

Loan-related commissions and other receivables are classified within the accounts for the type of loan to which they are related.

2. FREQUENCY OF EVALUATION

The Bank and its subsidiaries make continuous evaluations of lending risk, modifying loan classifications when necessary.

The Bank and its Subsidiaries evaluate in the months of May and November all loans that are past due after having been restructured, those that at the time of the evaluation exceed three-hundred (300) minimum monthly salaries, as well as those from debtors whose debt from the different loan modalities exceeds three-hundred (300) minimum legal current monthly salaries.

3. EVALUATION CRITERIA

The Bank and its subsidiaries evaluate commercial loans using the following criteria required by the Superintendency of Banking:

Ability to pay of the debtor/co-debtors/guarantors or any other person directly or indirectly unconditionally liable for the debt, and project cash-flow, if any. The following is the minimum

required to be known about the debtor: income and outgoing flows, economic solvency, number of times loans have been restructured, possible financial risks to the cash flow, legal, operational and strategic risks; and the possibility of contagion.

Commercial, consumer, small business loans and home mortgage loans are classified on the basis of the following characteristics :

Characteristics

CLASSIFICATION	1	2	3	4	5	6
A - Normal Risk	Y	Y	Y	N	N	N
B - Acceptable, Above Normal	Y	N	Y	Y	N	N
C - Appreciable Risk	N	N	N	Y	N	N
D - Significant Risk	N	N	N	Y	Y	N
E - Risk of Unrecoverability	N	N	N	Y	Y	Y

Characteristics :

Y - Applies
N - Does not apply

Characteristics :

1. Appropriate structure and attention to credit

2. Financial information and project funds flows indicate sufficient capacity to pay and information provides for analysis is sufficient

3. Compliance with debt-servicing

4. Loans overdue by aging

5. Highly doubtful recovery

6. Unrecoverable

4. CLASSIFICATION

The Bank and its subsidiaries classify loans on the basis of the above criteria into the following categories:

CATEGORY	COMMERCIAL	CO
"A" Normal Risk	current - and up to 1 month past due	current and up
"B" Acceptable Risk, Above Normal	1-3 months past due	1-2 mont
"C" Appreciable Risk	3-6 months past due	2-3 mont
"D" Significant Risk	6-12 months past due	3-6 mont
"E" Risk of Unrecoverability	Over 12 months past due	Over 6 mo

CATEGORY	SMALL BUSINESS LOANS	HOME MORTG
"A" Normal Risk	current - and up to 1 month past due	current - and up
"B" Acceptable Risk, Above Normal	1-2 months past due	2-5 month
"C" Appreciable Risk	2-3 months past due	5-12 mont
"D" Significant Risk	3-4 months past due	12-18 mon
"E" Risk of Unrecoverability	Over 4 months past due	Over 18 mo

Compliance includes capital, interest, exchange adjustments and any other related sum due.

RULES OF ALIGNMENT

A classification of B, C, D or E for any debt would automatically classify all of that debtor's accounts to the same category, unless it could be shown to the Superintendency that there were sound reasons for a lower risk classification.

"Financially related parties" within the meaning of Articles 260-262 of the Colombian Commercial Code, will receive the same classification as the parent entity unless the lender can show to the Superintendency of Banking that there are good reasons for maintaining it/them in a lower risk category.

The Bank and its subsidiaries align their classifications with other financial institutions when at least two of them have classified the debtor into a higher risk category, where the debt represents at least 20% of the debtor's total indebtedness according to the most recent information available from credit bureaus. In this event, there may not be more than one level of difference in risk classification.

The Superintendency may order reclassifications to higher risk categories and reclassification to lower risks may only be Superintendency of Banking effected with the permission of the Superintendency of Banking. It may also order reclassifications of loans by economic sector, geographical zone or for one debtor or a group of debtors, whose borrowings should be accumulated in accordance

with the rules for individual debt limits.

5. SUSPENSION OF ACCRUALS

The Superintendency of Banking established that interest, lease payments and other items of income cease to be accrued in the earnings statement and begin to be recorded in memorandum accounts until effective payment is collected, after a loan is in arrears for more than a certain time:

TYPE OF LOAN	ARREARS IN EXCESS OF:
Home mortgage	4 months
Consumer	2 months
Small loans	2 months
Commercial	3 months

The Bank, considering that the credit risk is not associated to a particular loan but to a customer in general, applies suspension of accrual of interest or income due to other concepts when a loan classified as commercial, consumer or small loans is classified as "C" or in a category of greater risk. As such, they only affect the statement of operations until they are effectively collected. Until this occurs, the corresponding entry is made in memorandum accounts.

Additionally, beginning March 25, 2003, the Bank established as policy that loans of any modality that are past due more than thirty days will stop accruing interest in the statement of operations and their entries will be made in memorandum accounts until such time that the customer does not proceed to cancel. It is estimated that at December 31, 2003, approximately Ps 280 are found entered in memorandum accounts because of the adoption of this policy.

The subsidiaries defined as credit establishments continue applying instructions made by the Superintendency of Banking.

Those credits that become past due and that at some point have stopped accruing interest, exchange rate corrections or adjustments, income from other concepts, will stop accruing said income from their collection. The corresponding entry will be made to memorandum accounts.

6. PROVISIONS

The Bank makes provisions against earnings for each period as follows:

General Provision:

There is a general provision for a minimum of 1% of gross

loans. This proportion may be higher if the general meeting of shareholders so instructs. The provision is being made in monthly installments that began on July 31, 1999, and was completed on July 31, 2002.

Individual Provisions :

In addition to the general provision, minimum individual provisions on the basis of unsecured balances outstanding are made, pending introduction of a new method that reflects the risk of possible losses on default:

	COMMERCIAL		CONSUMER		SMALL LOANS	
	Capital	Interest/ Other	Capital	Interest/ Other	Capital	Interes Other
B- Acceptable Risk, Above Normal	1	1	1	1	1	1
C- Appreciable Risk	20	100	20	100	20	100
D- Significant Risk	50	100	50	100	50	100
E- Risk of Unrecoverability	100	100	100	100	100	100

7. THE EFFECT OF SECURITY ON PROVISIONS

For individual provisions, admissible security is valued at no more than 70% of their value. The length of arrears elapsed before provisions are made - depends on whether or note the security is a mortgage or not and the percentage of security value applied:

	TIME ELAPSED FROM DEFAULT	
% COVER OF SECURITY	APPROPRIATE MORTGAGE SECURITY/ESCROW	NON-MORTGAGE SECURITY
70	0-18 months	0 -12 months
50	18-24 months	12-24 months
30	24-30 months	-
15	30-36 months	-
0	Over 36 months	Over 24 months

Security is appropriate when formalized and if it has a professionally-established and objective value to provide effective legal backing to repayment of the loan guaranteed, giving the lender or creditor preferential or prior rights to obtain payment, and which is reasonably marketable.

The Bank and its subsidiaries do not base their decision to lend on the amount or type of security offered, since they understand that the source of repayment of loans or financing is provided by cash flows of the borrower, whether individual or corporate. In the case of new projects, or for medium and long-term loans, prudence requires the offer of alternative sources of repayment. To the extent that the Bank and its subsidiaries are entering the market for SMEs (Small Business Enterprises), it has been their policy to seek cover under the guarantee funds Fondo Nacional de Garantias (FNG) and Fondo Agropecuario de Garantias (FAG).

8. LOANS TO REGIONAL AUTHORITIES

The evaluation of loans to regional authorities includes the criteria applicable to ordinary borrowers as well as the conditions of Law 358/97 and 617/2000.

9. RESTRUCTURED LOANS

A "restructured loan" is one for which a legal agreement exists with the intention or effect to modify the terms of the credit, for the debtor's benefit and at the debtor's request. This includes informal or non-moratorium agreements, Law 550/99 agreements, and special restructurings of Superintendency of Banking Circular 39/99.

For restructured loans under Law 550/99 and, as of October 2000, other modes of restructuring which include the capitalization of interest recorded in memorandum accounts or balances written off, including capital, interest and other items or interest generated in the future; amounts capitalized are recorded as deferred income and they are amortized in proportion to amounts actually collected.

10. ACCOUNTS WRITTEN OFF

The Bank writes off debtors classified as "unrecoverable", following the criteria given below, at the latest at the close of the half-year in which that classification was made:

- Provision of 100% of all amounts due (capital, interest and other items)
- 180 days for consumer and small loans
- 360 days for commercial loans
- 540 days for home mortgage loans.

All write-offs must be approved by the Board of Directors. Even if a loan is written off, management remains responsible for its decisions in that regard, and neither the Bank or its subsidiaries are relieved of their obligations to pursue recovery as appropriate.

Write-offs in Bancolombia Panama S.A.

In the case of the Panamanian affiliate, account is taken of

the Panamanian banking authority's Order 6-2000 of June 28, 2000, which states as follows (Point C):

> "The Bank will write off all loans classified as unrecoverable at the latest by the end of the fiscal period in which they were so classified."

(I) ACCEPTANCES AND DERIVATIVES

ACCEPTANCES

The Bank and Bancolombia Panama issue local currency acceptances for up to 180 days for import and export operations or local purchases. They are treated as loans and may not total more than the Bank's paid in capital and legal reserve. The asset and liability are initially recorded at the same time. If unpaid at maturity, the asset is reclassified to a loan account and the liability to "Acceptances past due", and from maturity, these acceptances are subject to reserve requirements for demand liabilities for payment within 30 days.

The term granted by the beneficiary abroad to the client in Colombia to pay for the goods is governed by International Chamber of Commerce rules and may exceed 180 days under internationally-accepted deferred credit for up to a year. The books may therefore contain foreign currency acceptances for more than 180 days.

DERIVATIVES

The Bank records the amount of agreements between two or more parties to purchase or sell assets at a future date in order to provide or obtain hedging, in terms defined by the appropriate authorities. Therefore, reciprocal and unconditional rights and obligations arise. Operations are formalized by contract or letter of commitment. The Bank is involved in term contracts (forwards),

hedging options and futures.

Currency derivatives are designed to cover exchange risks on structural or traded open positions by setting up a reciprocal operation or synthetic cover for up to the maximum exposures allowed by the regulators.

The difference between rights and obligations is recorded as income or expense, as the case may be.

FORWARDS

A forward is any agreement or contract that meets the needs of two parties acting outside the market to accept or deliver a specific quantity of a product or underlying asset with defined specifications.

FUTURES

This is a standard contract for future delivery specifying due

date, quantities, amounts, qualities etc., the valuation being made in accordance with the practice in the market when the business is closed.

Futures may be liquidated in cash or by a reciprocal operation prior to due date or by physical delivery of a product.

SWAPS OR FINANCIAL EXCHANGE CONTRACTS

A Swap or financial exchange contract is a contract between two parties which agree to exchange flows of money within the time of the obligations, which is financially similar to a series of Forward contracts which objective is to reduce the costs and risks due to variations in exchange rates or in interest rates.

OPTIONS

The holder of an option has the right (but not the obligation) to purchase or sell a specific quantity of an asset at a given price on a given date or during a defined time. The Bank uses accepted techniques for valuing these operations, taking account of the market risks, operational risks and legal risks.

Derivatives are valued daily and results of the valuation are recorded daily.

(j) FORECLOSED ASSETS

The Bank records the adjusted value of foreclosed assets received in payment of unpaid loans in this account. Real estate received in payment is recorded on the basis of a technical market valuation. Movable assets, shares and similar capital interests are recorded at market value.

The following criteria apply to the recording of foreclosed assets:

- The initial value recorded is that specified in the court award or as agreed with debtors.
- If the property received in payment is in an un-sellable condition, its book value is increased by expenses incurred in putting it into a sellable condition.
- If the proceeds of sale leave a balance over and above the value agreed with the debtor, that difference is recorded as an account payable. If the proceeds of sale are insufficient to cover the total debt, the difference is recorded as a reserve.

Securities received in payment are valued in accordance with the principles of section (g) for Investments, and provisions are recorded for periods referred to below .

LEGAL TERM FOR THE SALE OF FORECLOSED ASSETS

The institutions must make sale of goods that have been transferred in payment of debts previously contracted in the course of business or that have been adjusted at public auction, sue to mortgages made in their name, within two years following the date of the acquisition, except when the Superintendency of Banking, upon the Board of Directors' request, has widened the term to execute sale. But said term must not exceed, in any case, two years.

PROVISION FOR FORECLOSED ASSETS

With the Issue of External Circular 034 of October, 2003 of the Superintendency of Banking, the member banks must design and adopt their own internal models for the calculation of provisions of foreclosed assets by means of which the expected loss for all types of assets is estimated. Until such model is presented or the Superintendency of Banking objects to the model, provisions will be constituted tending to the following parameters:

Real estate

A provision equal to 30% of the value of the asset at the time of receipt must be constituted in proportional monthly installments. This provision will increase an additional 30% in proportional monthly installments within the second year of receipt of the asset. Once the legal term for sale has expired without authorization to extend, the provision must be 80% of the value upon receipt. In case the term extension is granted, the remaining 20% of the provision may be constituted with said term.

Moveable assets

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

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

Until October 25, 2003 individual provisions were made to all kinds of foreclosed assets as of the time they are received:

DESCRIPTION	% OF MARKET VALUE	TERM TO MAKE PROVISION
Real property	40	June 30, 2002
Housing	30	June 30, 2002
Moveable assets (1)	100	24 months after receipt

(1) If market value is lower than the unreserved balance the difference is charged to earnings.

Before external Circular 034 of October, 2003 of the Superintendency of Banking was in force, the Bank registered valuations caused by the excess of the commercial evaluation over the book value of the foreclosed assets, if and when they exceeded the minimum amount of provisions.

The Bank follows the practice established by the Superintendency of Banking for estimating the maximum expected loss on sale of foreclosed assets.

For some assets, the Bank has constituted provisions above those required by the Superintendency of Banking, according to the sale probability of the assets.

(k) LOAN FEES

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

(l) PREMISES AND EQUIPMENT

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

Additions, improvements and non-routine repairs that significantly prolong the useful life of an asset are capitalized. Payments for routine maintenance and repairs are charged to expense in the period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset (and of units produced for the fertilizer plant and turbo-generator of the subsidiary Abocol S.A.). The annual rates used are:

Buildings	5%
Equipment, furniture and fittings	10%
Computer equipment	20%
Vehicles	20%

At the close individual net book values of real property (cost

less accumulated depreciation) is compared with market values taken from independent professional valuations. If the market value is higher, a revaluation is recorded; otherwise, the difference is charged to expenses for the period. Valuations must be made at least every three years.

For 2002 and 2003 the Bank had insurance cover for fidelity, financial risks and civil liability cover for risks inherent to its business. Other policies protect assets against fire, earthquake, explosion, civil disturbance, riot, terrorism, damage to computers and vehicles.

Maintenance policy:

Corrective maintenance provides for the immediate replacement of parts that may affect safety or proper operation. Preventive maintenance makes regular checks of architectural and electrical items. Each branch is visited at least twice a year, always during the night or on a Saturday or public holiday. There is also productive maintenance that takes proposed work in an order of priorities, and is designed to ensure that the premises are in optimum condition of electrical operation, suited to present and future needs, within a framework of electrical and telecommunications standards. Maintenance expenses are not classified as improvements, and are therefore charged to earnings for the period.

(m) BRANCHES AND AGENCIES

This account records the operations between the branches and the agencies.

Balances are reconciled monthly and pending items are adjusted within 30 days. On the closing date of the financial statements, the Bank reclassifies net balances representing branch and agency transactions, which are then reclassified to asset or liability accounts and the respective income or expense is recorded.

(n) PREPAID EXPENSES AND DEFERRED CHARGES

Prepaid expenses are payments made in the normal course of business, the benefits of which are recovered over more than one period and are recoverable assuming continuous delivery of services. Deferred charges are costs and expenses which benefit future periods and cannot be recovered.

Amortization is calculated from the date which they contribute to the generation of income, considering the following factors:

Prepaid Expenses

Interest is amortized monthly during the period prepaid; insurance, over the life of the policy; rent, over the period prepaid; equipment maintenance, over the life of the contract; and other prepaid expenses over the period in which services are received or costs and expenses are incurred.

Deferred Charges

- Remodeling charges are amortized over a maximum of two years.
- Software is amortized over a maximum of three years.
- Goodwill is amortized over ten years. Goodwill arises from the amount paid in the 1998 merger over and above the equity value, plus or less certain expenses incurred in the process.
- On December 29, 2003, the Bank, duly authorized by the Superintendency of Banking, acquired 94.89% of the stock of the Compania Suramericana de Financiamiento Comercial S.A. SUFINANCIAMIENTO. In this operation a goodwill was generated, which was totally amortized in the month of December 2003.
- Stationery is amortized as and when consumed.
- Bonuses under the voluntary retirement scheme are amortized as permitted by the Superintendency of Banking.
- Improvements to rented property are amortized over the shorter of (a) the remaining life of the lease and (b) the probable useful life of the improvements.
- Institutional advertising is amortized over the accounting period. Advertising for product launches or changes of brand or name or product may be amortized over up to three years. Other occasional advertising, regardless of amount, may not be deferred.
- Taxes are amortized over the fiscal prepaid period.
- Contributions and affiliations are amortized over the period prepaid.
- Studies, consultancies, fees and retirement plans related to the 1998 merger are amortized over three years.
- Other items are amortized over the period in which it is estimated that the expense will be recovered or expected benefits will be realized.

During 2003, the Bank did not constitute deferred charges for the concept of studies and projects, remodeling and improvements in rental properties. The subsidiary Bancolombia Panama S.A. did not constitute deferred charges for the prior concepts.

(o) LEASED ASSETS

The affiliates Leasing Colombia S.A., Sufinanciamiento S.A. and Bancolombia Panama S.A. record the value of assets delivered under financial leases.

Since January 1, 1996 BC records the leasing agreements as monetary assets for an amount equal to the net present value of lease-payments due and the purchase option calculated at the start of the contract and at the rate agreed in the contract.

Contracts entered into up to December 31, 1995 were recorded at acquisition or construction cost including capitalizable improvements and expenses which increased the value of the property and were adjusted for inflation until December 2000.

The companies depreciate all their leased assets acquired prior to December 31, 1995 over the life of the contract, as required by Superintendency of Banking Circulars 097/94, 080/94 and 026/95.

The depreciation for leasing contracts in force at that time was the result of subtracting the net book balance from the present value of the routine and special lease payments receivable in the future plus the purchase option.

Contracts made after December 31, 1995 record lease payments in two parts. The portion corresponding to capital repayments is recorded as an amortization of the asset, and the rest is treated as financial income, credited to the income statement.

(p) REAPPRAISALS

This account records reappraisals of permanent investments in non-marketable variable-income securities, property and equipment, foreclosed assets and works of art and culture.

Starting from October of 2003 with the coming in force of external circular 034, the Superintendency of Banking indicates the non-registering of reappraisals for the concept of foreclosed assets, and a maximum term is established for the reversing of those existing, until December of 2003.

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

(q) OVERNIGHT FUNDS PURCHASED AND REPURCHASE AGREEMENTS

This account records funds obtained by the Bank from other financial institutions to satisfy

transient liquidity needs. These transactions have a maximum term of 30 calendar days and purchases not repaid within that term are reclassified as bank loans and other financial obligations.

The difference between present value (cash received) and future value (repurchase price) is a financial expense.

All overnight agreements are taken at terms less than 30 days, except those made with the Banco de la Republica for liquidity at year end. Likewise, restrictions on the liabilities do not exist.

(r) DEFERRED INCOME

This account records deferred income and income received in advance in the course of business. Amounts recorded in this account are amortized over the period to which they relate or the services are rendered.

The capitalization of yields on restructured loans that have been recorded in memorandum accounts or as written - off loan balances is included here as indicated in the notes on lending policy.

(s) PENSIONS

The Bank and its subsidiary Almacenar S.A. apply the provisions of Decree 1517/98, which requires a distribution of charges to amortize the actuarial calculation by 2010. The distribution is calculated by taking the percentage amortized up to December 1997 and annually adding the minimum percentage points needed to complete amortization by 2010. In 2003, the Bank amortized the total actuarial calculation.

(t) ACCRUALS AND PROVISIONS

The Bank records provisions to cover estimated liabilities, where:

- The Bank has acquired a right, and therefore an obligation
- Payment may be demanded or is probable, and
- The provision is justifiable, quantifiable and verifiable.

This account also records estimates for taxes.

(u) RECOGNITION OF FINANCIAL YIELDS

The income due to financial revenues and other concepts are recognized at the moment in which the accounting entry is made, except for those under suspension of entry of interest of credit loan portfolio.

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

(v) CONTINGENT ACCOUNTS

These accounts record operations in which the Bank acquires rights or assumes obligations conditioned by possible future events of varying degrees of probability. Likewise, interest recorded in this account when loans are placed on non-performing status.

(w) MEMORANDUM ACCOUNTS

These accounts record third party operations whose nature does not affect the financial situation of the Bank. They also include tax memorandum accounts, which record the figures used in preparing tax returns and memorandum accounts used for internal control or management information.

(x) NET INCOME PER SHARE

Net income per share is determined on the basis of the weighted average number of shares outstanding during the period. For the periods ended December 31, 2001, 2002 and 2003 the average was 576,695,395.

(y) ASSET AND LIABILITY MANAGEMENT

The Bank evaluates asset and liability management and off-balance-sheet positions, estimating and controlling the level of exposure to the major market risks, in order to provide protection against losses due to possible variations in asset or liability values.

(z) CAPITAL ADEQUACY

Finance Ministry Decree 1720/2001 required Technical Capital to be not less than 9% of total risk-weighted assets and contingencies. Calculations are made each month on the unconsolidated balance sheet and in June and December on the consolidated accounts which include the Bank's financial subsidiaries in Colombia and abroad.

(aa) LEGAL RESERVE

According at legal dispositions, the credit institutions must constitute a legal reserve that will amount to at least fifty percent (50%) of the subscribed capital, formed with ten percent (10%) of the liquid profit of each exercise.

The decrease of the legal reserve will be acceptable only to offset the accumulated losses that exceed the amount of profit obtained in the corresponding exercise and of the not-distributed from prior exercises or when the amount freed is destined to capitalize the entity by means of the distribution of stock dividends.

(ab) CONVENIENCE TRANSLATION TO U.S. DOLLARS

The Bank maintains its accounting records and prepares its

financial statements in Colombian pesos. The U.S. dollar amounts presented in the financial statements and accompanying notes have been translated from peso figures solely for the convenience of the reader at the exchange rate of Ps 2,807.20 per US$1, which is approximately the exchange rate, in effect at December 31, 2003. This translation may not be construed to represent that the Colombian peso represents or has been or could be converted into U.S. dollars at that or any other rate.

(ac) INCOME TAX

The income tax is determined as follows: From the ordinary and extraordinary income realized in the period, that being susceptible of produce net increase of shareholder's equity in the moment they incurred and, that have not been excepted, are reduced returns, reductions and discounts to obtain net income. When it be the case, from the net income are reduced the realized costs that have a direct relation with income to obtain income before taxes. From the income before taxes are reduced the deductions realized to obtain the taxable income for the ordinary system.

For purposes of income tax, it is presumed that the taxable income is not lower than the 6% of shareholder's equity at the last day of the immediately previous taxable period. The excess between taxable income determined under the ordinary system and the presumed income becomes in taxable income to which is applied the statutory tax rate.

When income tax is paid under presumed income, the difference between this and the calculated under ordinary system can be deduce in the follows five years.

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

(3) TRANSACTIONS IN FOREIGN CURRENCY

The Superintendency of Banking sets limits on the amount of foreign-currency assets and liabilities. The Bank was in compliance with the subject rules as December 31, 2002 and 2003.

Substantially all foreign currency holdings are in U.S. dollars. The consolidated foreign currency assets and liabilities of the Bank at December 31, 2002 and 2003 were as follows:

	2002	2003
ASSETS:		
Cash and due from banks	US$ 32,123	US$ 63,117
Overnight funds	54,064	210,093

Investment securities	665,291	637,960
Loans	461,742	627,104
Customers' acceptances and derivatives	9,808	(192,300)
Accounts receivable	16,562	8,647
Premises and equipment, net	37,439	44,424
Other assets	1,703	3,046
Total foreign currency assets	US$ 1,278,732	US$ 1,402,091
LIABILITIES:		
Deposits	847,665	1,071,986
Bank acceptances outstanding	9,803	9,807
Borrowings from domestic development banks	13,997	6,455
Interbank borrowings	133,509	162,460
Other liabilities	45,828	11,660
Total foreign currency liabilities	1,050,802	1,262,368
NET FOREIGN CURRENCY ASSET POSITION	US$ 227,930	US$ 139,723

The Bank's unconsolidated net foreign currency asset position amounted to US$ 132,995 and US$ 201,620 at December 31, 2002 and 2003, respectively.

The Bank has the required net foreign currency position within the legal terms.

(4) CASH AND DUE FROM BANKS

The balances of cash and due from banks at December 31, 2002 and 2003 consisted of the following:

	2002	2003
COLOMBIAN PESO DENOMINATED:		
Cash	Ps 368,734	Ps 436,146
Due from the Colombian Central Bank	137,644	202,275
Due from domestic banks	9,976	6,014
Remittances of domestic negotiated checks in transit	36,653	26,704
Provision	(26)	(268)
TOTAL LOCAL CURRENCY	552,981	670,871

	2002	2003

FOREIGN CURRENCY:		
Cash	17,154	34,951
Due from the Colombian Central Bank	9,734	9,560
Due from foreign banks	58,454	128,313
Remittances of foreign negotiated checks in transit	5,082	4,752
Provision	-	(395)
TOTAL FOREIGN CURRENCY	90,424	177,181
TOTAL CASH AND DUE FROM BANKS	Ps 643,405	Ps 848,052

Restricted cash and deposits at the Central Bank amounted to Ps 492,445 and Ps 628,071 at December 31, 2002 and 2003, respectively. The restriction, which is prescribed by the Central Bank, is based on a percentage of deposits maintained at the Bank by its customers.

(5) INVESTMENT SECURITIES

Investment securities at December 31, 2002 and 2003 consisted of the following:

	2002	2003
TRADING SECURITIES		
COLOMBIAN PESO DENOMINATED:		
Colombian government	Ps 887,804	Ps 819,670
Colombian Central Bank	515	657
Government entities	36,457	22,196
Financial institutions	508,678	417,868
Corporate bonds	-	17,229
Other marketable equity securities	42,419	20,776
Total local currency denominated	1,475,873	1,298,396
FOREIGN CURRENCY DENOMINATED:		
Colombian government	109,833	325,255
Euronotes and Eurobonds	27	-
Government entities	97,107	29,293
Other marketable equity securities	5,564	3,140
Total foreign currency denominated	212,531	357,688
TOTAL TRADING SECURITIES	Ps 1,688,404	Ps 1,656,084

The foreign currency denominated securities issued or secured by the Colombian government are bonds denominated in U.S. dollars, purchased at par value, with annual average interest rates of 8.73% and 9.08 % for 2002 and 2003, respectively.

BANCOLOMBIA S. A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

The Bank had pledged investments securities of Ps 934,024 and Ps 1,309,332 as collateral to secure lines of credit at international banks, domestic development banks and other financial institutions as of December 31, 2002 and 2003, respectively.

The Bank sold Ps 58,673,102 and Ps 66,720,388 of investment securities during the years ended December 31, 2002 and 2003, respectively.

	2002	2003
AVAILABLE FOR SALE - DEBT SECURITIES		
COLOMBIAN PESO DENOMINATED:		
Colombian government	Ps 425,812	Ps 582,737
Financial institutions	22,270	-
Total local currency denominated	448,082	582,737
FOREIGN CURRENCY DENOMINATED:		
Colombian government	1,017,651	866,072
Financial institutions	229,462	166,406
Other marketable equity securities	190,943	188,643
Total foreign currency denominated	1,438,056	1,221,121
TOTAL AVAILABLE FOR SALE - DEBT SECURITIES	Ps 1,886,138	Ps 1,803,858

	PARTICIPATION PERCENTAGE AT DECEMBER 31, 2003	2002
AVAILABLE FOR SALE - EQUITY SECURITIES		
Corporacion Nacional de Ahorro y Vivienda S.A. Conavi	28.52%	Ps 8
Todo Uno Services	37.00%	5
Corporacion Financiera Suramericana S.A. Corfinsura	4.62%	1
Urbanizacion Chico Oriental No. 2 Ltda. (1)	24.37%	
Carreteras Nacionales del Meta S.A.	8.44%	
Sociedad Administradora de Fondos de Pensiones y de Cesantias Proteccion S.A.	7.42%	
Sociedad de Servicios Tecnicos y Administrativos Multienlace S.A.	48.60%	
Fideicomiso Devinorte	10.31%	
Industrias Forum S.A.	-	
Concesiones CCFC S.A.	25.50%	
Venrepa C.A.	99.62%	

BANCOLOMBIA S. A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

	PARTICIPATION PERCENTAGE AT DECEMBER 31, 2003	2002
Transmetato ESP S.A. (2)	-	
Banco Latinoamericano de exportaciones BLADEX S.A.	0.20%	
Deposito Centralizado de Valores de Colombia Deceval S.A.	6.97%	
Compania de Inversiones Bogota S.A.	13.00%	
3001 S.A.	6.56%	
Urbanizacion Sierras del Chico Ltda. (1)	0.55%	
Concesiones Urbanas S.A.	33.32%	
Other		1
TOTAL AVAILABLE FOR SALE - EQUITY SECURITIES		22
Allowance for other-than-temporary impairment in value		(6
TOTAL AVAILABLE FOR SALE - EQUITY SECURITIES, NET		Ps 16

(1) Allowance was increased in compliance with instructions of Superintendency of Banking.

(2) During 2003 the subsidiary Colcorp S.A. sold 100,742,666 shares of Transmetano S.A. ESP with a cost of Ps 2,673. Almacenar S.A. charged - off its investment in CTI Cargo S.A., this company is currently in liquidation.

Dividends received from equity investments amounted to Ps 2,665, and Ps 19,491 and Ps 30,734 for the years ended December 31, 2001, 2002 and 2003, respectively.

Most of the equity investments were classified as Category "A". The following investments are classified in categories other than "A":

	2002		2003	
	CATEGORY	VALUATION ALLOWANCE	CATEGORY	VAL ALL
Todo Uno Service	D	Ps 42,286	D	Ps
Urbanizacion Chico Oriental No. 2 Ltda.	E	7,848	E	
Urbanizacion Sierras del Chico Ltda.	E	203	E	
Industria Colombo Andina Inca S.A.	E	300	E	
Industrias Forum S.A.	E	4,480	-	
Venrepa C.A.	D	1,906	E	
Compania de Inversiones Bogota S.A.	E	653	E	
3001 S.A.		-	E	
Sociedad Portuaria San Andres		-	E	

Sociedad Promotora Siderurgica Colombiana E.U.	-	E
Prina S.A.	-	E
Tesicol	-	E

	2002	2003
HELD TO MATURITY SECURITIES		
COLOMBIAN PESO DENOMINATED:		
Colombian government	596,438	701,941
Government entities	6,232	3,764
Financial institutions	5,311	7,045
Other	1,987	9,543
TOTAL HELD TO MATURITY SECURITIES	609,968	722,293
Allowance for other-than-temporary impairment in value	(1,987)	(3,719)
TOTAL HELD TO MATURITY SECURITIES, NET	607,981	718,574

(6) LOANS

The following represents the classification of the total loan portfolio as of December 31, 2002 and 2003 in accordance with the provisions of the Superintendency of Banking:

	DECEMBER 31, 2002			
CLASSIFICATION	MORTGAGE	COMMERCIAL	CONSUMER	SMALL LOAN
"A" Normal Risk	Ps 37,210	Ps 4,209,753	Ps 803,705	Ps 65,221
"B" Acceptable Risk	21	454,955	23,138	1,315
"C" Appreciable Risk	118	131,588	10,539	537
"D" Significant Risk	20	167,916	12,290	404
"E" Unrecoverable	725	255,248	21,226	1,386
TOTAL LOANS	Ps 38,094	Ps 5,219,460	Ps 870,898	Ps 68,863

	DECEMBER 31, 2003			
CLASSIFICATION	MORTGAGE	COMMERCIAL	CONSUMER	SMALL LOAN

"A" Normal Risk	Ps 47,676	Ps 5,968,085	Ps 1,195,833	Ps 76,679
"B" Acceptable Risk	4	309,324	32,805	3,164
"C" Appreciable Risk	-	96,431	11,816	1,368
"D" Significant Risk	18	180,263	15,048	746
"E" Unrecoverable	463	70,391	17,657	1,897
TOTAL LOANS	Ps 48,161	Ps 6,624,494	Ps 1,273,159	Ps 83,854

Promisory Notes by means of which loans amounting to Ps 652,535 and Ps 1,426,973 at December 31, 2002 and 2003, respectively have been documented, were duly endorsed to domestic

development banks, as required for laws regulations such type of loans.

The following represents a summary of restructured loans as of December 31, 2002 and 2003:

	2002	2003
Ordinary restructurings	Ps 602,977	Ps 482,967
Extraordinary restructurings	48,435	38,928
Under law 550	71,291	71,503
Under law 617	123,477	108,395
Creditor agreement proceedings	13,653	11,364
Performance Agreement	-	49,564
Interest and other receivable items	26,315	12,874
	886,148	775,595
Allowances for loan losses	(206,263)	(192,539)
NET OF RESTRUCTURED LOANS	Ps 679,885	Ps 583,056

(7) ALLOWANCE FOR LOANS AND ACCRUED INTEREST LOSSES

An analysis of the activity in the allowance for loan losses during the years ended December 31, 2001, 2002 and 2003 is as follows:

	2001	2002	2003
Balance at beginning of year	Ps 285,565	Ps 271,729	Ps 332,324
Balance at beginning of year (Sufinanciamiento)	-	-	11,854
Provision	86,793	143,361	286,170
Charge-offs	(83,586)	(71,592)	(112,393)
Effect of difference in exchange rate (1)	-	10,366	(284)

Reversal of provisions and recoveries	(17,043)	(21,540)	(130,408)
Balance at end of year	Ps 271,729	Ps 332,324	Ps 387,263
Ratio of charge-offs to average outstanding loans	1.69%	1.31%	1.61%

(1) For year 2001, the effect of difference in exchange rate was included as a part of recoveries.

The activity in the allowance for accrued interest losses during the year ended December 31, 2001, 2002 and 2003 is as follows:

	2001	2002	2003
Balance at beginning of year	Ps 30,771	Ps 27,011	Ps 15,074
Balance at beginning of year (Sufinanciamiento)	-	-	769
Provision	4,965	4,518	5,316
Charge-offs	(4,255)	(5,293)	(4,089)
Reversal of provisions and recoveries	(4,470)	(11,834)	(11,897)
Effect of difference in exchange rate (1)	-	672	(3)
Balance at end of year	Ps 27,011	Ps 15,074	Ps 5,170

(1) For year 2001, the effect of difference in exchange rate was included as a part of recoveries.

(8) CUSTOMER ACCEPTANCES AND DERIVATIVES

The Bank's rights and commitments from derivatives operations as of December 31, 2002 and 2003 were as the follows:

	2002	2003
CUSTOMER ACCEPTANCES		
Current	Ps 29,102	Ps 35,
Overdue	1,570	
Total	30,672	35,
DERIVATIVES		
(Fair value of derivatives instruments)		
FORWARD CONTRACTS		
Foreign exchange rights contracts to buy	609,466	747,
Foreign exchange rights contracts to sell	1,223,531	1,744,

Financial instruments rights to buy (local currency)	107,299	165,
Financial instruments rights to sell (local currency)	95,561	146,
Total rights	2,035,857	2,804,
Foreign exchange commitments contracts to buy	(567,369)	(750,
Foreign exchange commitments contracts to sell	(1,310,014)	(1,773,
Financial instruments commitments to buy (local currency)	(106,022)	(168,
Financial instruments commitments to sell (local currency)	(98,786)	(146,
Total obligations	(2,082,191)	(2,838,
TOTAL FORWARD CONTRACTS	(46,334)	(33,
FUTURES CONTRACTS		
Foreign exchange rights contracts to buy	Ps 38,635	Ps 7,
Foreign exchange rights contracts to sell	5,724	64,
Financial instruments rights to buy (local currency)	-	
Total rights	44,359	72,
Foreign exchange commitments contracts to buy	(38,635)	(7,

	2002
Foreign exchange commitments contracts to sell	(5,724)
Financial instruments commitments to buy (local currency)	-
Total obligations	(44,359)
TOTAL FUTURE CONTRACTS	-
SWAPS	
Interest rate rights contracts	-
Interest rate commitments contracts	-
TOTAL SWAPS	-
TOTAL CUSTOMER ACCEPTANCES AND DERIVATIVES	Ps (15,662)

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

The Bank derivatives' policy is to maintain active and passive

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

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

During 2003, for forward contracts, the average cost of rights and commitments relating to the purchase of financial instruments is 11.47% with a maturity of 7 days and the average yield from rights and commitments relating to the sale of financial instruments is 7.55% with a maturity of 2 days.

During 2003, the average yield from rights and commitments relating to the sale of foreign currency is 9.27% annually with a maturity of 101 days. The average yield from rights and commitments relating to the purchase of foreign currency is 8.97% annually with a maturity of 41 days.

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

The average fair value of the hedging portfolio during the year 2003 was US$154,730 equivalent to Ps 445,242 and the average yield was 9.27%.

(9) ACCOUNTS RECEIVABLE

As of December 31, 2002 and 2003, accounts receivable consisted of the following:

	2002	
Credit card operations	Ps 61,773	Ps
Due from other banks	753	
Accrued interest on investment securities	81	
Advances to contractors and employees	14,980	
Remittances in transit	828	
Commissions	5,587	
Warehousing services	7,200	
Dividends	347	
Leasing	34,384	
Services and properties sells	24,255	
Employee advances	276	
Claims to insurance companies	349	
Credit card compensation	29,075	
Other receivables	11,592	

TOTAL ACCOUNTS RECEIVABLE	191,480
Allowance for accounts receivable losses	(9,817)
ACCOUNTS RECEIVABLE	Ps 181,663

The activity in the allowance for accounts receivable during the years ended December 31, 2001, 2002 and 2003 is as follows:

	2001	2002
Balance at beginning of year	Ps 19,580	Ps 15,696
Balance at beginning of year (Sufinanciamiento)	-	-
Provision for uncollectible amounts	3,739	5,125
Charge-offs	(7,592)	(6,524)
Recoveries	(31)	(4,476)
Allowance used	-	(424)
Effect of difference in exchange rate (1)	-	420
Balance at end of year	Ps 15,696	Ps 9,817

(1) For year 2001, the effect of difference in exchange rate was included as a part of recoveries.

(10) PREMISES AND EQUIPMENT AND LEASE

At December 31, 2002 and 2003 premises and equipment consisted of the following:

	2002	2003
PREMISES AND EQUIPMENT		
Land	Ps 53,930	Ps 53,491
Buildings	222,444	221,302
Warehouses	20,081	27,369
Furniture, equipment and fixtures	103,215	114,074
Computer equipment	150,851	178,026
Vehicles	3,897	4,790
Construction in progress	10,376	4,696
Machinery and equipment	101,361	103,071
Equipment in - transit	11,456	35,864
Rural premises	1,091	1,091

Total	678,702	743,774
Less accumulated depreciation	(331,694)	(377,186)
Allowance	(29,284)	(28,624)
PREMISES AND EQUIPMENT, NET	Ps 317,724	Ps 337,964

	2002	2003
LEASES		
Machinery and equipment	Ps 236,346	Ps 328,820
Vehicles	51,138	118,204
Furniture, equipment and fixtures	3,054	2,305
Ships, trains and livestock	1,864	24,012
Computer equipment	18,660	24,673
Real goods	44,239	52,707
TOTAL	355,301	550,721
Less accumulated depreciation	(7,475)	(9,547)
Allowance	(6,035)	(8,081)
LEASE, NET	Ps 341,791	Ps 533,093

Depreciation expense for the years ended December 31, 2001, 2002 and 2003, amounted to Ps 35,965, Ps 34,444 and Ps 40,625 respectively.

(11) PREPAID EXPENSES, DEFERRED CHARGES AND OTHER ASSETS

At December 31, 2002 and 2003, prepaid expenses, deferred charges and other assets consisted of the following:

	2002	
PREPAID EXPENSES:		
Insurance premiums	Ps 5,540	Ps
Interest	360	
Other	745	
TOTAL PREPAID EXPENSES	6,645	
DEFERRED CHARGES:		
Goodwill	Ps 118,903	Ps
Studies and projects	10,250	
Computer programs	8,508	

Remodeling	5,033	
Organization and pre-operating expenses	1,876	
Leasehold improvements	1,553	
Deferred taxes non-banking entities	562	
Stationery and supplies	481	
Taxes	182	
Contributions	-	
Other	23,314	
TOTAL DEFERRED CHARGES	Ps 170,662	Ps

	2002	
OTHER ASSETS:		
Value added tax deductible and withholding taxes	Ps 51,173	Ps
Investment in Trust	51,072	
Deposits	7,946	
Assets to place in leasing contracts	520	
Other	5,941	
TOTAL OTHER ASSETS	116,652	
TOTAL	Ps 293,959	Ps

The activity of the goodwill account during the years ended December 31, 2001, 2002 and 2003 is as follows:

	2001	2002	
Balance at beginning of year	Ps 164,201	Ps 141,552	Ps
Balance at beginning of year (Sufinanciamiento)	-	-	
Constitution	-	-	
Amortization	(22,649)	(22,649)	
Balance at end of year	Ps 141,552	Ps 118,903	Ps

(12) FORECLOSED ASSETS

At December 31, 2002 and 2003, foreclosed assets consisted of the following:

	2002	2003
Equity securities	Ps 37,530	Ps 48,248
Real estate	114,306	112,381
Other assets	33,425	33,692
	185,261	194,321
Allowance	(107,962)	(135,121)
TOTAL FORECLOSED ASSETS, NET	Ps 77,299	Ps 59,200

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

	2002	2003
Urbanizacion Sierras del Chico Ltda	Ps 11,567	Ps 11,567
Chico Oriental Numero 2 Ltda	14,053	14,053
Pizano S.A.	3,663	3,663
Convertible Securities Pizano S.A.	3,221	3,221
Patrimonio Lineas Agromar	1,571	1,399
Fideicomiso Emcocables 2 Santa Ana	-	2,991
Fideicomiso Pagos Procam	-	7,044
Other	3,455	4,310
TOTAL	Ps 37,530	Ps 48,248

The activity of the valuation allowance foreclosed assets during the years ended December 31, 2001, 2002 and 2003 is as follows:

	2001	2002	
Balance at beginning of year	Ps 93,591	Ps 106,081	Ps
Balance at beginning of year (Sufinanciamiento)	-	-	
Provision	21,321	17,236	
Charge-offs	(583)	-	
Reversals of previously recorded provisions	(8,248)	(15,355)	
Balance at the end of year	Ps 106,081	Ps 107,962	Ps

(13) REAPPRAISAL OF ASSETS

The following is a detail at December 31, 2003:

	2002	2003
Asset revaluations	Ps 259,811	Ps 253,413
Less: proportional equity revaluations	(195,554)	(198,072)
Less: minority interests	(26,889)	(25,255)
TOTAL EQUITY REVALUATIONS	Ps 37,368	Ps 30,086

The proportional equity revaluations refer to the acquisition of investments in Colcorp S.A., Almacenar S.A., Comisionista de Colombia S.A., Leasing Colombia S.A., Fiducolombia S.A. and affiliates calculated on acquisition date. Consolidation rules require this value to be unchanged while the investment is held or no new acquisitions are made.

(14) INTERBANK BORROWINGS

Interbank borrowings, primarily denominated in U.S. dollars, at December 31, 2002 and 2003 are summarized as follows:

	2002	2003
FOREIGN BANKS		
Short-term	Ps 365,316	Ps 249,874
Long-term	38,646	206,185
TOTAL	Ps 403,962	Ps 456,059

Short-term interbank borrowings, obtained from other banks for liquidity purposes, are unsecured and generally have maturities ranging from 90 to 180 days.

Interest rates on U.S. dollar denominated short-term borrowings from foreign banks averaged 2.44% and 1.24% in 2002 and 2003, respectively.

For the long term, interbank borrowings the rate average was 6.27% and 5.84% in 2002 and 2003 respectively. Maturities at December 31, 2003 were as follows:

	2003
2005	Ps 32,632
2006	173,553

Ps	206,185

BANCOLOMBIA S. A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

(15) BORROWINGS FROM DOMESTIC DEVELOPMENT BANKS

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

Under such programs, the Bank receives a loan request from an applicant operating in a designated economic sector. The Bank then performs a full credit analysis of the applicant based upon its normal credit criteria. If such criteria are met, the Bank applies to the appropriate government agency for funding. The government agency reviews the loan application to determine its compliance with policy objectives and may also perform an independent credit analysis of the applicant. Upon approval, the agency disburses funds to the Bank. The Bank, in turn, disburses the loan to its customer and assumes all credit risk.

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

As of December 31, 2002 and 2003, borrowings from domestic development banks received from certain Colombian government agencies consisted of the following:

	2002
Fondo para el Financiamiento del Sector Agropecuario	Ps 121,878
Banco de Comercio Exterior de Colombia ("Bancoldex")(1)	340,684
Findeter	43,672
Colombian Central Bank	132,165
Other	74,654
TOTAL	Ps 713,053

(1) For 2002, include loans transferred from IFI to Bancoldex.

Interest rates on borrowings from domestic development banks averaged 7.98% and 8.26% in 2002 and 2003, respectively, in local

currency and 3.44% and 5.29% in 2002 and 2003, respectively, in foreign currency. Maturities at December 31, 2003 were as follows:

2004	Ps 155,042
2005	121,962
2006	140,097
2007	95,021
2008	129,748
2009 and thereafter	113,666
TOTAL	Ps 755,536

(16) OTHER LIABILITIES

As of December 31, 2002 and 2003, other liabilities consisted of the following:

	2002
Unearned income	Ps 8,9
Accrued severance Law 50, net of advances	4,1
Accrued severance pre-Law 50, net of advances to employees of Ps 11,502 and Ps 10,438 in 2002 and 2003, respectively	11,3
Accrued payroll and other severance benefits	14,7
Accrued pension obligations net of deferred cost	68,3
Negative goodwill	3,7
Deferred interest on restructured loans	49,6
Other	9,5
TOTAL	Ps 170,5

Unearned income consists of prepayments of interest by customers. Terms for the prepayment of interest are established when the loan is originated. Unearned income is generally amortized on a straight-line basis over the term for which interest has been prepaid.

Colombian labor legislation entitles each employee hired before January 1, 1991 to severance pay in an amount equal to such employee's last monthly salary multiplied by the number of years in service. The Bank increases the accrued liability for such severance benefits whenever an employee's salary is increased. To allow greater flexibility in labor contracts, the Colombian government enacted Law 50 in 1990, which, among other things, permits companies to negotiate a waiver of the retroactivity component of severance pay with their employees. In August 1994, the Bank and its executive employees agreed

on a plan, which waived the retroactivity component of severance pay.

In accordance with the Colombian Labor Code, employers must pay retirement pensions to employees who fulfill certain requirements as to age and time of service. However, the Social Security Institute and another private funds has assumed a large portion of this obligation.

Pension obligation

The following is an analysis of the Bank's pension obligations for the years ended December 31, 2001, 2002 and 2003:

	PROJECTED PENSION LIABILITY	DEFERRED COST
BALANCE AT DECEMBER 31, 2000	Ps 70,676	Ps (11,661)
Adjustment per actuarial valuation	10,357	(10,357)
Benefits paid	(8,050)	-
Pension expense	-	11,263
BALANCE AT DECEMBER 31, 2001	Ps 72,983	Ps (10,755)
Adjustment per actuarial valuation	13,973	(13,973)
Benefits paid	(8,393)	-
Pension expense	-	14,487
BALANCE AT DECEMBER 31, 2002	Ps 78,563	Ps (10,241)
Adjustment per actuarial valuation	10,120	(10,120)
Benefits paid	(9,245)	-
Pension expense	-	19,501
BALANCE AT DECEMBER 31, 2003	Ps 79,438	Ps (860)

The present value of the obligation for pensions as of December 31, 2001, 2002, and 2003 was determined on the basis of actuarial calculations in conformity with legal regulations. The significant assumptions utilized in the actuarial calculations for the years ended December 31, 2001, 2002 and 2003 were as follows:

	2001	2002	2003
Discount rate	27.30%	24.82%	23.03

Future pension increases	19.06%	17.14%	15.33

(17) LONG TERM-DEBT

The scheduled maturities of long term-debt at December 31, 2003 are as follows:

2004	Ps 12,042
2005	6,324
2006	17,500
2007	23,500
2008	10,500
2009 and thereafter	1,952
	Ps 71,818

Long term debt consists of bonds issued by Leasing Colombia S.A. in 1999 and 2002 bearing interest at an average rate of 9.62%, bonds issued by Abocol S.A. in 2002 bearing interest at an average rate of CPI + 8% and bonds issued by Fundicom S.A. in 2003 bearing interest an average rate of CPI.

(18) ACCRUED EXPENSES

As of December 31, 2002 and 2003, accrued expenses consisted of the following:

	2002	2003
Interest payable	Ps 318	Ps 218
Income tax payable	6,333	6,064
Fines and sanctions (1)	20,492	30,200
Labor obligations	1,186	7,446
Other	26,775	12,245
TOTAL	Ps 55,104	Ps 56,173

(1) See note 23(d) as it refers to Bancolombia

The statutory income tax rate for 2000 and 2001 was 35%. For 2002 and 2003, the statutory income tax was 37% for Bancolombia, Leasing Colombia, Colcorp and Fiducolombia according to an agreement of tax stability and 35% and 38.5% for the other subsidiaries,

respectively.

The Bank's tax liability is calculated based on the greater of (i) net taxable income and (ii) presumed income, which, in 2002 and 2003 is 6% of stockholders' equity.

The following is a reconciliation of taxable income before income taxes for the years ended December 31, 2001, 2002 and 2003:

	2001	2
Income before income taxes	Ps 188,108	Ps
Adjustments for consolidation purposes, net	(29,546)	
Difference between net operating loss carry-forwards and presumed income	56,569	
Non-deductible provisions, costs and expenses	120,115	
Nontaxable or exempt income	(218,406)	(
Difference between monetary correction for tax purposes and for financial reporting purposes	(26,546)	
Taxable income	Ps 90,294	Ps
Statutory tax rate (1)	35%	
Estimated current income tax	Ps 31,603	Ps
Deferred income tax expense (benefit)	(28)	
TOTAL	Ps 31,575	Ps

(1) The statutory income tax rate for 2002 and 2003 was 37% for Bancolombia, Leasing Colombia, Colcorp and Fiducolombia, according to the agreement of tax stability and 35% and 38.5% for the other subsidiaries, respectively.

Income taxes for the years ended December 31, 2002 and 2003 are subject to review by the tax authorities. The Bank management and its legal advisors believe that no significant liabilities in addition to those recorded will arise from such a review. The Bank and its subsidiaries do not have any pending claims from the tax authorities.

The following represents a summary of the utilizable date for the fiscal losses to amortize and excess of presumed income over ordinary income:

FISCAL LOSSES TO AMORTIZE	EXCESS OF PRESUMED INCOME OVER ORDINARY INCOME

2004	Ps	1,475	Ps	62,392
2005		7,686		10,832
2006		2,995		-
2007		2,698		4,677
2008		493		2,591
	Ps	15,347	Ps	80,492

(19) SUBSCRIBED AND PAID-IN CAPITAL

Subscribed and paid-in capital consisted of the following:

	2001	
AUTHORIZED SHARES	670,000,000	67
ISSUED AND OUTSTANDING:		
Common shares with a nominal value of 500 pesos	398,259,608	39
Preference shares with a nominal value of 500 pesos	178,435,787	17

The holders of American Depositary Shares ("ADSs") and non-voting preference shares have a right to receive annually, when and if declared by the Bank, from funds legally available, a minimum dividend in Colombian pesos of 1% of the issued price of the preference shares. Such dividends may not be less than those declared for common shares, and have preference over any other dividends for common shares.

1. In addition, the non-voting preference shares are entitled to the following:

   a) Dividends once declared and once reserves are approved at the annual general shareholders' meetings.

   b) Recovery of their initial investment preference over common shareholders, in case of dissolution of the Bank, after the payment of liabilities to third parties, including

mandatorily convertible debentures, if any.

   c) A preemptive right in the event of new issues of preference shares. In the event that only common shares are issued, preference shareholders have no preemptive rights to such shares.

   d) To demand meetings of preference shareholders, at the request of not less than 20% of preference shares outstanding, in order to deliberate on matters of common

interest.

e) To appoint, at meetings of preference shareholders and in conformity with the law, a representative to assist them in their rights before the Bank.

2. The non-voting preference shares do not confer on their holders the right of participating in shareholders' meetings or of voting therein, except in the following cases:

a) Whenever there is a proposed modification to impair the rights provided in the bylaws for preference shares.

b) Whenever the anticipated dissolution of the Bank, or its merger, its transformation or the change in its business objectives is to be voted upon.

c) Whenever the preference dividends have not been paid in full during two consecutive periods, and while this situation continues, within the terms of the law.

d) Whenever the shareholders in the annual general meeting declare the payment of a stock dividend. In this event, the decision must be approved by the majority provided by the Colombian Commercial Code, which will include a favorable vote of 80% of the preference shares.

e) Whenever the Superintendency of Banking requires it, on the grounds that management has concealed income by any means, and has thereby reduced net income available for distributions as dividends.

f) Whenever the registration of preference shares in stock exchanges or in the National Securities Registry is suspended or cancelled and as long as such situation exits.

In accordance with Colombian law, the deposit of shares abroad constitutes a foreign investment institutional fund, and the dividends paid to such funds are not subject to taxes in Colombia. Accordingly, the dividends paid abroad by the Bank to holders of ADSs are tax-free in Colombia, except in cases in which the Bank distributes income in excess of that on which it has paid income taxes; in such cases, the ADS holders would have to pay income tax at the rate of 35% on the excess portion of dividends received.

The Bank's weighted average number of common and preference shares outstanding used in the computation of earnings per share was 576,695,395 in 2001, 2002 and 2003.

(20) APPROPRIATED RETAINED EARNINGS

Pursuant to Colombian law, 10% of the net income of the Bank company and its Colombian subsidiaries in each year must be appropriated with a credit to a "legal reserve fund" until its balance

is equivalent to at least 50% of the subscribed capital. This legal reserve may not be reduced to less than the indicated percentage, except to cover losses in excess of undistributed earnings.

The component "other" in consolidated statements of stockholders' equity correspond to the subsidiaries' retained earnings that do not eliminate in the consolidation process.

Appropriated retained earnings consist of the following:

	2001	2002	
Legal reserve	Ps 291,133	Ps 386,009	P
Additional paid - in capital	107,359	107,359	
Other reserves	40,226	72,819	
TOTAL	Ps 438,718	Ps 566,187	P

In addition, paid-in capital of Ps 107,359 at December 31, 2001, 2002 and 2003 was recorded as part of the legal reserve, as required by the Superintendency of Banking.

(21) DIVIDENDS DECLARED

The Bank's shareholders declared common stock dividends with respect to the preceding year's earnings of the Bank (the parent company) during 2002, 2003 and 2004 as indicated below:

	2002	2003
Preceding year's unconsolidated earnings	Ps 90,123	Ps 150,9
Dividends in cash	84 pesos per share payable in four quarterly installments of 21 pesos per share from April 2002 on 398,259,608 and 178,435,787 common and preference shares, respectively.	132 pesos per sha payable in four quarter installments of 33 pes per share from April 20 on 398,259,608 a 178,435,787 common a preferences share respectivel
Total dividends declared	Ps 48,442	Ps 76,1
Dividends payable at December 31	Ps 15,322	Ps 22,7

(22) MEMORANDUM ACCOUNTS

At December 31, 2002 and 2003, memorandum accounts consisted of the following:

	2002	2003
TRUST:		
Investment trusts	Ps 6,987,025	Ps 9,566,526
COMMITMENTS:		
Unused credit card limits	1,050,837	1,387,674
Civil litigation against the Bank	952,769	1,000,681
Issued and confirmed letters of credit	352,430	385,837
Uncommitted lines of credit	216,881	318,423
Bank guarantees	76,931	306,958
Approved credits not disbursed	10,296	13,262
Other	45,104	471
TOTAL	Ps 9,692,273	Ps 12,979,832

OTHER MEMORANDUM ACCOUNTS:

	2002	2003
MEMORANDUM ACCOUNTS RECEIVABLE:		
Tax value of assets	Ps 8,789,766	Ps 10,764,706
Assets and securities given in custody	360,093	2,639,400
Assets and securities given as a collateral	1,080,965	1,508,112
Negotiable investments in debt titles	1,263,206	807,824
Written-off assets	680,651	668,999
Quotas of leasing for receive	440,770	668,172
Investments held to maturity	430,147	704,188
Adjustments for inflation of assets	204,114	222,117
Accounts to receive yields negotiable investments in debts titles	139,919	133,629
Investments available for sale in debt titles	52,229	1,043,085
Remittances sent for collection	33,600	30,132
Other memorandum account receivable	1,252,073	1,696,849
TOTAL	Ps 14,727,533	Ps 20,887,213
MEMORANDUM ACCOUNTS PAYABLE:		
Assets and securities received as collateral	Ps 7,984,314	Ps 7,650,641
Qualification commercial loans	5,350,927	6,721,739
Assets and securities received in custody	1,812,359	2,046,084
Tax value of shareholders' equity	1,605,488	1,742,916
Qualification consumer loans	931,584	1,273,292
Adjustment for inflation of Equity	499,481	492,729
Qualification consumer loans	69,860	84,979
Merchandise in owned warehouses	46,081	59,490
Merchandise in third-party warehouses	36,507	101,589
Other memorandum account payable	4,042,286	5,774,283
TOTAL	22,378,887	25,947,742

TOTAL MEMORANDUM ACCOUNTS	Ps 46,798,693	Ps 59,814,787

(23) COMMITMENTS AND CONTINGENCIES

THE PARENT COMPANY (THE BANK))

a) CONTINGENCIES COVERED BY FOGAFIN:

During the privatization process of Banco de Colombia (absorbed by the Bank in 1998), which was completed on January 31, 1994, the Colombian Guarantee Fund for Financial Institutions ("Fogafin" for its Spanish initials) made a commitment to assume the cost of contingent liabilities resulting from events that occurred before the date when the stock was sold, that should be claimed within the five (5) subsequent years, meaning that Fogafin will cover only for five years. Fogafin's guarantee covers eighty percent (80%) of the first Ps 10,000, discounting allowances, and thereafter, one hundred percent (100%), all annually adjusted according to the consumer price index.

As established in the guarantee contract, Banco de Colombia committed to transfer to the Fogafin all the rights that it then had in Sierras del Chico Ltda. and Chico Oriental Numero Dos Ltda. for an amount no lesser than the book value as of December 31, 1993, including inflation adjustments and excluding any valuations. A judicial process was initiated questioning the validity and binding effect of the commitment to transfer these rights to Fogafin, but no final ruling has been made.

At December 31, 2002 and 2003, the civil contingencies covered by the guarantee amounted to approximately Ps 20,897 and Ps 21,500, respectively, with allowances at the same dates amounting to Ps 1,288 and Ps 1,588. Labor contingencies amount to Ps 475 and Ps 486 and have allowances of Ps 238 and Ps 244, respectively.

b) LEGAL PROCESSES

At December 31, 2002 and 2003, other than the litigation discussed under (a) above, there were labor-related claims against the Bank amounting to approximately Ps 8,803 and Ps 9,118, respectively (the final result of such litigation is not predictable due to the controvertible nature of the obligations). The allowances for contingencies on those dates amounted to Ps 4,208 and Ps 4,372, respectively.

At December 31, 2002 and 2003, there were ordinary civil lawsuits, group actions, and civil actions within criminal and executive processes against the Bank with total claims of approximately Ps 87,405 for 2002 and Ps 85,670 for 2003, and with allowances on the same dates of Ps 1,904 and Ps 2,998, respectively.

Allowances are recorded when processes are ruled in the first instance against the Bank or based on the opinion of the attorneys handling the litigations.

The Superintendency of Banking has imposed fines on the Bank amounting to Ps 302, which have been totally allowanced, even though the Bank considers it has filed valid arguments against the Superintendency's decisions.

c) CONTINGENCY RELATED TO PURCHASE OF 51% OF BANCO DE COLOMBIA S.A.'S STOCK

Contingency guarantee, former Banco de Colombia

The selling shareholders of the majority interest of former Banco de Colombia constituted a guarantee trust in favor of the Bank with Fiduanglo (currently, Lloyds Trust) as trustee, on Bancolombia stock in order to respond for the contingencies and hidden liabilities of the sold Bank. The guarantee covers claims between US$ 7,500 and US$ 30,000 equivalent to Ps 21,054 and Ps 84,216 respectively.

An arbitration proceeding is currently occurring at the Arbitration Center of the Bogota Chamber of Commerce. The Bank initiated arbitration to determine the validity of claims filed against the trust and to make effective the guarantee. The claims amount to approximately Ps 46,947, not including updates.

The Gilinski Case

The Gilinski family has presented itself in the criminal investigation that is underway at the Colombian Office of the Attorney General as a civil party, with individual and collective interest, soliciting the bindingof the Bank as a third party with civil liability. Through a decision dated December 26, 2003, the Attorney General decreed the preclusion (or termination) of the process, decision that was appealed by the counterpart.

The Bank considers the risk of loss in these proceedings to be low, since the acquisition and merger process was adjusted to the law and business ethics.

Additionally, the Bank filed a suit before the contentious-administrative jurisdiction seeking to rescind the Ps 44 penalty that the Superintendency of Banking imposed for an inter-bank loan that the former Banco de Colombia granted to Banco Industrial Colombiano when both institutions were involved in merger activities. The remaining claims of the Gilinski family were disregarded by the Superintendency of Banking.

Process of Luis Alberto Duran

The class action lawsuit filed by Luis Alberto Duran Valencia against the Bank and some of its stockholders is underway (See Note 29).

Additionally, Maximiliano Echeverri M. filed a popular action against the Bank and the Superintendencies of Banking and Securities. The risk of loss in these proceedings is considered remote since the acquisition and merger process was adjusted to the law and business ethics.

d) DIAN PROCESSES

Based on Article 98 of Law 788 of 2002, the Bank reconciled with the National Tax and Customs Office ("DIAN" for its initials in Spanish) on the outstanding 1996 income taxes for Ps 10,592. As a result of this conciliation the Bank paid Ps 2,539. Nevertheless, this reconciliation will not be fully valid until approved by the Full Court of the Honorable Council of State, for which the Bank has maintained allowances of Ps 8,053 for this purpose.

Likewise, based on Article 99 of the same law, the Bank agreed with the DIAN to pay Ps 2,361 for outstanding amounts related to the 1999 tax on financial transactions which amounted to $11,847. This agreement will be in full force and effect when the DIAN issues notice of the administrative action at which it will determine compliance with the requirements to terminate the proceedings by mutual consent. Until that time, the Bank will maintain the Ps 9,486 allowance.

Currently, for 1999 income tax, the Bank is being discussed with DIAN over Ps 4,263 or Ps 5,292, including inaccuracy penalties and interest on arrears. The allowance constituted amounts to Ps 1,406.

The DIAN and the District Tax Direction of Bogota have imposed fines on the Bank amounting Ps 2,641 relating to collection of taxes. The Bank has filed the pertinent remedies and lawsuits and has made allowances amounting to Ps 1,623 for these fines.

FIDUCOLOMBIA:

Executive processes have been filed against the Bank's Trust subsidiary (Fiducolombia), which in the opinion of management and attorneys handling the litigations are not likely to result in an unfavorable ruling or to affect the Trust Company.

Carlos Paz Mendez Process

As of December 31, 2003, proceedings are underway against Banco de Colombia (currently, Bancolombia) and the Trust Company at Civil Court 12 of the Bogota. The plaintiff is Mr. Carlos Paz Mendez, and the proceedings commenced on July 16, 1993. On November 5, 1998, the tribunal issued a ruling favorable to Fiducolombia and ordered the defendant to pay costs. The defendant's appealing was accepted on December 14, 1998. On appeal, Bancolombia's and Fiducolombia's lawyer requested an audience under Article 360 of the Civil Procedural Code, and that audience was held on May 9, 2001. By means of Decision dated March 25, 2003, proceeding for annulment was admitted and it was summonedfor a term for thirty (30) days.

This process is expressly covered by the contract of liability contingencies subscribed with Fogafin, contained in Public Deed No. 0182 of January 18, 1994 of Notary Two of Bogota D.C., according to protocol relationship in the aforementioned public document named Annex No. 1. The Trust Company's management and attorneys consider that the likelihood of obtaining a favorable ruling is high. By virtue of the above, Fiducolombia has not made any allowances for this concept.

Silvana Trust

Seven proceedings are underway in the civil courts of the Bogota Circuit and on an Arbitration Court which ruled in favor of the trust company. All of the proceedings arise from Fiducolombia S.A.'s role as trustee in the guarantee mercantile trust agreement entered into on December 1, 1993, with Gallego Inmobiliaria S. A. and the appraisal VECTOR (appraisal company) made of the property. Two of the aforementioned proceedings terminated because of expiration. However, on December 11, 2003, an ordinary proceeding for a greater amount was filed again against the trust company on this case.

As indicated by the Trust Company's attorneys, management considers that there is no liability before the facts established in the processes. The plaintiffs claim amounts to approximately Ps 718.

Grancolombiano Group

The "Grupo Grancolombiano" Trust that was managed by Banco de Colombia S.A. and liquidated on June 29, 1990, is subject to contingencies, among them, labor contingencies. For that purpose, a sum of money has been reserved through the "Contingency Fund" Trust managed by Fiducolombia. These sums were contributed by former trustors of the "Grupo Grancolombiano" trust with the purpose of covering such contingencies. As recommended by the lawyer, and in compliance with the purpose established in the Minutes of Liquidation of the "Grupo Grancolombiano", 24 of the 29 proceedings filed were reconciled before a Judge. Five more reconciliations occurred outside court with charge to the funds of the Contingency Fund of Grupo Grancolombiano. In the proceedings of Jorge Euclides Garcia Prado, on December 4, 2003, the fourth proceeding audience took place to be followed next by a decision. The proceedings of Jose del Carmen Racero Toribio, Pedro Antonio Alvarez Serpa and David Salcedo Mejia were not reconciled because the employment relationship ended when the building in which they worked was the property of the Compania Nacional de Chocolates S. A. The plaintiff integrated the litis consorcio with this company. In one case, the Court of Law in a first instance ruling limited the payment of a retirement pension, with the possibility of repeating against Nacional de Chocolates S.A. In two cases, it declared that the exception of petition before time was proven. In the remaining case, the court absolved the Bank of any liability. Appeals are pending before the Superior Court of Antioquia.

The Trust Company's management and legal advisors consider do not believe that these cases will result in any additional liabilities. IF any liability does result, it will affect the trust's reserve fund but not Fiducolombia itself.

Comerintegral Ltda. Process

Fiducolombia S.A. has entered arbitration with Comerintegral Ltda. to resolve a dispute related to the termination of the mercantile trust agreement entered into on August 26, 1994, between Suramericana S.A. Sufiducia (currently, Fiducolombia), and the trust beneficiaries. Comerintegral Ltda. seeks, in accordance with Article 1260 of the Code of

Commerce, the termination of the trust and restitution of the moneys deposited in the trust's ordinary common fund in proportion to its participation in the trust. Fiducolombia S.A. was notified of the claim on March 2, 2001, and has

filed a cross-demand.

On December 12, 2001, the two guardians that the Center for Arbitration and Reconciliation of the Bogota Chamber of Commerce designated to represent the plaintiffs accepted the designation. On January 31, 2002, the Fiducolombia's defense made a pronouncement on the proposed objections and requested evidence. A settlement hearing was scheduled for February 28, 2002.. On May 30, 2002, the hearing for the installation of the Arbitration Court was held. On November 26, 2002, the hearing for allegations was held and it was programmed for January 29, 2003 the hearing when the arbitral award will be given. Fiducolombia is waiting for the acceptance Mr. German Tabares' designation as substitute arbitrator as replacement of Mr. Carlos Lleras de la Fuente. Once the latter occurs, the court should accept the lawsuit for purposes that Fiducolombia gives its opinion thereon.

The Bank does not need to make allowances for payment of any arbitral award, as the money sought is is already held in trust by Fiducolombia S.A.

Invico Ltda. Processes

Invico Ltda. has a suit pending against Bancolombia S. A. and Fiducolombia S.A. in Civil Court 6 of Bogota. The plaintiff seeks a ruling declaring that Bancolombia and Fiducolombia S.A. must exercise the alternate right contained in Article 1948 of the Civil Code, in reference to the land lot denominated "Granjita", pursuant to the trust mandate contracted Claims amount to Ps 4,000. Proceedings began on November 9, 2001, and on January 17, 2002, the court issued a ruling dismissing the claim and ordering the plaintiff to pay costs. By means of writ dated July 16, 2002, a settlement hearing was ordered for November 5, 2002 The diligence of reconciliation was declared a failure. However, it is still premature to give any concepts regarding said proceeding.

Invico has also pursued "Accountability" proceedings against Bancolombia and Fiducolombia S.A. in Civil Court 9 of BogotaIn these proceedings Invico seeks aacountability to hold Bancolombia and Fiducolombia S.A. accountable for their time as trustees of its property, as a result of the appointment and choice that the former and its creditors made . The amount sought is Ps 3,000. Settlement hearings on December 4, 2001, failed. The case went to trial on November 27, 2001, beginning with the collection of evidence. on November 19, 2002, the court ruled in favor of Bancolombia and Fiducolombia, S.A. The plaintiff appealed the ruling, but we believe the court's ruling will withstand Invico's challenge.

LEASING COLOMBIA S.A.:

As of December 31, 2003, there are litigations against the Leasing subsidiary and, according to attorneys' opinion they do not show risk of

loss that could affect future Company results.

SUFINANCIAMIENTO

Sufinanciamiento, now part of the Bank as a subsidiary, has proceedings pending against it for an estimated Ps 5,434. Management believes these proceedings to pose a low risk of loss and consequently has not made allowances for payment of an adverse judgment.

ALMACENAR S.A.

As of December 31, 2002 and 2003, labor and civil proceedings against Almacenar, the warehouse and logistics subsidiary, were underway. Due to the nature of the obligations, they are difficult to quantify.

As of December 31, 2002 and 2003, there are allowances amounting to Ps 296 to cover any contingencies resulting from these proceedings.

TODO 1

As of December 31, 2003, no judicial processes were underway against Todo1. The Bank is currently discussing with DIAN payment of the Value Added Tax ("IVA") omitted in the invoices made to TODO1 Serv. Inc. for technology services. Todo1 maintains that these revenues do not accrue IVA and, accordingly has not invoiced IVA. The sum demanded by DIAN amounts to Ps 205, which may be reduced to Ps 82 if an agreement is reached as contemplated in the tax procedure. To date, there is a Ps 82 allowance to cover this risk.

(24) FEES AND SERVICE CHARGES

For the years ended December 31, 2001, 2002 and 2003 fees and service charges consisted of the following:

	2001	2002	2003
Service charges	Ps 132,410	Ps 145,561	Ps 180,888
Credit card fees	39,960	48,992	59,041
Credit and debit card annual fees	39,662	44,117	57,199
Checking fees	37,674	40,972	45,252
Warehouse and logistic services, net	32,973	38,873	42,705
Fiduciary activities	27,101	22,215	25,647
Commissions on letters of credit	2,346	2,929	4,249
Commissions expense	(46,744)	(51,351)	(81,956)
TOTAL	Ps 265,382	Ps 292,308	Ps 333,025

(25) ADMINISTRATIVE AND OTHER EXPENSES

BANCOLOMBIA S. A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

Administrative and other expenses for the years ended December 31, 2001, 2002 and 2003 consisted of the following:

	2001	2002	2003
Public services	Ps 20,025	Ps 21,089	Ps 27,882
Advertising	13,361	12,522	17,328
Industry and trade, property, vehicle and other taxes	35,372	50,935	44,774
Communication, postage and freight	29,586	34,312	37,003
Insurance	39,750	41,478	47,040
Security services	16,705	18,161	17,167
Stationery and supplies	13,924	14,750	17,458
Amortization of deferred charges	44,529	35,295	27,014
Rental expenses	21,781	14,668	14,167
Maintenance and repairs	21,126	21,854	38,049
Contributions and membership dues	7,693	9,270	10,287
Temporary services	5,839	5,331	7,579
Travel expenses	6,190	8,361	9,942
Professional fees	28,410	14,533	17,614
Donations	4,363	9,455	1,708
Call center services	9,934	13,552	7,094
Information processes outsourcing	4,631	7,760	10,722
Other	10,102	29,169	50,634
TOTAL	Ps 333,321	Ps 362,495	Ps 403,462

(26) RELATED PARTY TRANSACTIONS

Significant balances and transactions with related parties were as follows:

2001

	SHAREHOLDERS WITH PARTICIPATING STOCK EQUAL TO OR HIGHER THAN 10% OF BANK'S CAPITAL	NON-CONSOLIDATED INVESTMENTS	BANK'S OFFICERS AND BOARD OF DIRECTORS	SHAREHOLDERS WI PARTICIPATING ST LOWER THAN 10% THE BANK'S CAPI AND WITH OPERATI HIGHER THAN 5 TECHNICAL EQUIT
BALANCE SHEET				
Loans	51,300	749	1,083	43,500
Accounts receivable	1,262	26	37	3,314
TOTAL	Ps 52,562	Ps 775	Ps 1,120	Ps 46,814

Deposits	Ps 486	Ps 40,403	Ps 226	Ps 499
TRANSACTIONS				
INCOME				
Dividends received	-	1,775	-	-

BANCOLOMBIA S. A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

2001

	SHAREHOLDERS WITH PARTICIPATING STOCK EQUAL TO OR HIGHER THAN 10% OF BANK'S CAPITAL	NON-CONSOLIDATED INVESTMENTS	BANK'S OFFICERS AND BOARD OF DIRECTORS	SHAREHOLDERS WI PARTICIPATING ST LOWER THAN 10% THE BANK'S CAPI AND WITH OPERATI HIGHER THAN 5 TECHNICAL EQUIT
Interest	4,895	1,978	167	7,410
Other	-	54	-	-
TOTAL	Ps 4,895	Ps 3,807	Ps 167	Ps 7,410
EXPENSES				
Interest	-	190	-	1
Other	-	-	49	-
TOTAL	Ps -	Ps 190	Ps 49	Ps 1

2002

	SHAREHOLDERS WITH PARTICIPATING STOCK EQUAL TO OR HIGHER THAN 10% OF BANK'S CAPITAL	NON-CONSOLIDATED INVESTMENTS	BANK'S OFFICERS AND BOARD OF DIRECTORS	SHAREHOLDERS WI PARTICIPATING ST LOWER THAN 10% THE BANK'S CAPI AND WITH OPERATI HIGHER THAN 5 TECHNICAL EQUIT
BALANCE SHEET				
Loans	28,300	7,584	1,744	-
Accounts receivable	653	218	15	-
TOTAL	Ps 28,953	Ps 7,802	Ps 1,759	Ps -
Deposits	575	16,201	213	-
Accounts payable	-	7	1	-

TOTAL	Ps 575	Ps 16,208	Ps 214	Ps -
TRANSACTIONS				
INCOME				
Dividends received	-	11,279	-	-
Interest	5,838	1,077	179	-
Other	2	300	148	-
TOTAL	Ps 5,840	Ps 12,656	Ps 327	Ps -
EXPENSES				
Interest	28	140	-	-
Other	-	9,160	132	-
TOTAL	Ps 28	Ps 9,300	Ps 132	Ps -

BANCOLOMBIA S. A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

2003

	SHAREHOLDERS WITH PARTICIPATING STOCK EQUAL TO OR HIGHER THAN 10% OF BANK'S CAPITAL	NON-CONSOLIDATED INVESTMENTS	BANK'S OFFICERS AND BOARD OF DIRECTORS (1)	SHAREHOLDERS PARTICIPATING LOWER THAN 1 THE BANK'S CA AND WITH OPER HIGHER THAN TECHNICAL EQ
BALANCE SHEET				
Investment securities	-	2,355	-	
Loans	-	11,061	12,246	
Accounts receivable	-	3,085	150	
TOTAL	Ps -	Ps 16,501	Ps 12,396	Ps
Deposits	4	36,561	1,441	83,7
Overnight funds	-	84	-	
Accounts payable	-	141	8	
TOTAL	Ps 4	Ps 36,786	Ps 1,449	Ps 83,7
TRANSACTIONS				
INCOME				
Dividends received	-	25,777	-	
Interest	-	2,297	1,205	
Other	-	269	24	

TOTAL	Ps -	Ps 28,343	Ps 1,229	Ps
EXPENSES				
Interest	1	12,330	61	5,8
Other	-	2,261	69	
TOTAL	Ps 1	Ps 14,591	Ps 130	Ps 5,8

(1) For 2003, includes, in addition to the Members of the Board of Directors, the President and the Vice-Presidents, as well as other employees who have legal representation of the Bank.

(27) PURCHASE OF ASSETS AND LIABILITIES

As a growth strategy, the Bank purchased net assets for the years ended at December 31, 2002 and 2003 of the following entities:

2002

TYPE OF ASSET	BANCO SANTANDER	IFI	CORFINSURA	BANCO DE CREDITO	CORFINORTE	BANCOLOM PANAMA
Loans in local currency						
Working capital loans	5,195	425	3,332	43,598	221	-
Credit cards	2,235	-	-	-	-	-
Overdrafts	99	-	-	-	-	-
Small business loans	-	602	-	-	-	-
Loans tunded by domestics developed banks	-	1,382	-	-	-	-
Total	7,529	2,409	3,332	43,598	221	-
Loans in foreign currency						
US$	-	3,562	-	-	-	8,631
Ps	-	8,089	-	-	-	24,276

The price of loans purchased from Instituto de Fomento Industrial IFI, Corporacion Financiera Nacional y Suramericana (Corfinsura), Banco Santander, Corficafe and Banco de Credito was set at 96.07%, 101.5%, 98%, 85% and 100% of face value, respectively. There are not reselling agreement or conditions that allow additional benefits to any of the parties.

The operation with IFI and Corficafe included the assumption of

liabilities for Ps1,376 and US$263 equivalent to Ps 607 respectively, corresponding to loans funded by other institutions.

Loans purchased from Bancolombia Panama S.A. were valued at 50% of face value. The purpose of the operation was to restructure peso debt as established in the restructuring agreement. There was no consolidated profit or loss on this operation.

2003

During 2003, the Bank purchased from the Instituto de Fomento Industrial (IFI) a loan portfolio in foreign currency for US$1,794, equivalent to Ps 5,169 on the date of purchase. The purchase percentage was 95%, of the principal amount due which was made with own resources.

SALE OF ASSETS AND LIABILITIES

During 2002, the Bank sold restructured loans to the Financial Corporation Colcorp S.A. for an amount of Ps 3,529 at 1% of the value of the same. In this operation, no profits or loss are generated in the Consolidated Financial Statements.

During 2003, the Bank sold loans in national currency with its own resources to the Banco de Credito for an amount of Ps 43,776, with a sales percentage of 100% of the principal amount due.

During 2002 and 2003, the Bank made sales of deteriorated, written-off agricultural loans for an amount of Ps 818 and Ps 1,079, respectively, according to the covenant celebrated with the Fund for the Financing of the Agricultural Sector, "FINAGRO" on October, 2001, as manager of the resources of the National Program for the reactivation of Agriculture within the legal frame established in the decree 967 of 2000 of the Ministry of Agriculture and Rural Development.

(28) RECLASSIFICATIONS

For better understanding of presentation of the financial statements of the Bank's Annual Report on Form 20-F, certain balance sheet and statement of operations accounts were reclassified from the financial statements as presented to stockholders.

(29) SUBSEQUENT EVENTS

In the Arbitration Tribunal summoned by Luis Alberto Duran Valencia regarding the group acting against BANCOLOMBIA and some of its major shareholders, proffered on January 30, 2004 the arbitration finding, refusing the majority of the suit claims and exonerating the Bank's shareholders. Notwithstanding, the tribunal considered that damages to the minority shareholders of the former BIC were derived from the fact that the total amount offered by BIC in the stock issue held in 1998 (of the US$150,000 offered, US$91,000 were issued) was unpaid. The tribunal established a compensation in favor of these minority shareholders (approximately 7,000) in the amount of Ps 19,214.

On February 17, 2004, Bancolombia interposed an extraordinary

annulment claim before the Superior Tribunal of Bogota against the mentioned arbitration finding, as to what regards the compensation decreed in favor, exclusively of said shareholders. The mentioned claim was presented alleging the causes for annulment stated in numerals 6 and 8 of article 163 of decree 1818 of 1998.

The Bank supported by article 99 of Law 788 of 2002, resorted to the termination of the pending process concerning the tax to financial transactions by means of the mutual agreement with the "Direccion de Impuestos y Aduanas Nacionales" (The Colombian National Department of Taxes and Customs). In February, 2004, the DIAN notified the administrative act wherein the filing of the brief is ordered and, as such, the provision for Ps 9,486 is not required.

(30) DIFFERENCES BETWEEN COLOMBIAN ACCOUNTING PRINCIPLES FOR BANKS AND U.S. GAAP

The Bank's financial statements are prepared in accordance with generally accepted accounting principles and practices prescribed by the Superintendency of Banking and other legal provisions (Colombian GAAP). Because these principles and regulations differ in certain significant respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"), this note presents a reconciliation of net income and stockholders' equity to U.S. GAAP.

a) RECONCILIATION OF NET INCOME:

The following summarizes the principal differences between accounting practices under Colombian and U.S. GAAP and their effects on net income for the years ended December 31, 2001, 2002 and 2003:

	2001	2002	2003
CONSOLIDATED NET INCOME UNDER COLOMBIAN GAAP	Ps 156,533	Ps 210,380	Ps 469,384
a) Deferred income taxes	62,252	47,014	(140,555)
b) Employee benefit plans	(9,846)	(2,502)	1,757
c) Inflation adjustment	(187)	-	-
d) Revaluation of assets	-	-	-
e) Allowance for loan losses	14,120	(66,100)	55,908
f) Loan origination fees and costs	11,312	12,960	11,719
g) Interest recognition on non-accrual loans	-	98	729
h) Deferred charges	(8,224)	9,125	31,787
i) Investment securities	(5)	1,189	-
j) Investments in unaffiliated companies	(193)	(589)	(591)
k) Investments in affiliates	7,650	(19,916)	10,168
l) Lessee accounting	81	(81)	-
m) Business combinations			
i) Adjustment goodwill	(2,451)	(6,889)	(10,314)
ii) Adjustment amortization	581	26,997	41,452
n) Foreign currency translation adjustment	-	(4,534)	2,975
o) Other	(5,575)	-	-

CONSOLIDATED NET INCOME (LOSS) UNDER U.S. GAAP	Ps 226,048	Ps 207,152	Ps 474,419

b) RECONCILIATION OF STOCKHOLDERS' EQUITY:

The following summarizes the principal differences between accounting practices under Colombian GAAP and U.S. GAAP and their effects on stockholders' equity for the years ended December 31, 2001, 2002 and 2003:

	2001	2002	
CONSOLIDATED STOCKHOLDERS' EQUITY UNDER COLOMBIAN GAAP	Ps 970,451	Ps 1,284,348	Ps
a) Deferred income taxes	82,138	86,100	
b) Employee benefit plans	(24,168)	(25,548)	
c) Inflation adjustment	43,216	43,216	
d) Revaluation of assets	(20,081)	(37,368)	
e) Allowance for loan losses	112,554	46,454	
f) Loan origination fees and costs	18,677	31,637	
g) Interest recognition on non-accrual loans	-	98	

	2001	2002	
h) Deferred charges	(51,609)	(42,484)	
i) Investment securities	(1,189)	-	
j) Investments in unaffiliated companies	(6,236)	(6,825)	
k) Investments in affiliates	42,126	31,680	
l) Lessee accounting	81	-	
m) Business combinations			
i) Adjustment goodwill	(14,340)	(21,229)	
ii) Adjustment amortization	(3,631)	23,366	
	177,538	129,097	
CONSOLIDATED STOCKHOLDERS' EQUITY UNDER U.S. GAAP	Ps 1,147,989	Ps 1,413,445	Ps

c) ANALYSIS OF CHANGES IN STOCKHOLDERS' EQUITY:

The following summarizes the changes in stockholders' equity under U.S. GAAP for the years ended December 31, 2001, 2002 and 2003:

2001	2002	2003

Balance at beginning of year	Ps 951,191	Ps 1,147,989	Ps 1,413,445
Shares issued	-	-	-
Net income	226,048	207,152	474,419
Dividends declared	(20,760)	(48,442)	(76,124)
Other comprehensive income (loss)	(4,561)	87,368	(18,765)
Other (1)	(3,929)	19,378	39,911
Balance at end of year	Ps 1,147,989	Ps 1,413,445	Ps 1,832,886

(1) Correspond to the subsidiaries' retained earnings that do not eliminate in the consolidation process.

d) STATEMENT OF COMPREHENSIVE INCOME (LOSS):

	2001	2002	2
Net Income	Ps 226,048	Ps 207,152	Ps 4
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:			
Foreign currency translation adjustments	-	4,534	
Components of other comprehensive from equity method investees	(9,470)	9,470	
Unrealized gain or (loss) on securities available for sale	(770)	72,635	(
Additional minimum pension liability offset to shareholder's equity	5,679	729	

	2001	2002	2003
Other comprehensive income (loss)	(4,561)	87,368	(18,765)
Comprehensive income	Ps 221,487	Ps 294,520	Ps 455,654

OTHER COMPREHENSIVE INCOME (LOSS)

2001

	BEFORE-TAX AMOUNT	(TAX EXPENSE) OR BENEFIT	NET-OF-TAX AMOUNT
Components of other comprehensive from			

equity method investees	Ps (14,570)	Ps 5,100	Ps (9,470)
Unrealized gain or (loss) on securities available for sale	(1,185)	415	(770)
Additional minimum pension liability	8,737	(3,058)	5,679
Other comprehensive income (loss)	Ps (7,018)	Ps 2,457	Ps (4,561)

2002

	BEFORE-TAX AMOUNT	(TAX EXPENSE) OR BENEFIT	NET-OF-TAX AMOUNT
Components of other comprehensive from equity method investees	Ps 14,570	Ps (5,100)	Ps 9,470
Unrealized gain or (loss) on securities available for sale	115,294	(42,659)	72,635
Additional minimum pension liability	1,122	(393)	729
Foreign currency translation adjustment	4,534	-	4,534
Other comprehensive income (loss)	Ps 135,520	Ps (48,152)	Ps 87,368

2003

	BEFORE-TAX AMOUNT	(TAX EXPENSE) OR BENEFIT	NET-OF-TAX AMOUNT
Components of other comprehensive from equity method investees	Ps -	Ps -	Ps -
Unrealized gain or (loss) on securities available for sale	(20,947)	7,751	(13,196)

	BEFORE-TAX AMOUNT	(TAX EXPENSE) OR BENEFIT	NET-OF-TAX AMOUNT
Additional minimum pension liability	(4,064)	1,470	(2,594)
Foreign currency translation adjustment	(2,975)	-	(2,975)
Other comprehensive income (loss)	Ps (27,986)	Ps 9,221	Ps (18,765)

ACCUMULATED OTHER COMPREHENSIVE INCOME

	ADDITIONAL MINIMUM PENSION LIABILITY	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	UNREALIZED GAINS (LOSSES) ON SECURITIES	COMPONENTS OF OTHER COMPREHENSIVE INCOME FROM EQUITY METHOD INVESTEES	ACC COMP I
Beginning balance 2001	Ps (8,168)	Ps -	Ps -	Ps -	Ps
Current-period change	5,679	-	(770)	(9,470)	
Ending balance 2001	(2,489)	-	(770)	(9,470)	
Beginning balance 2002	(2,489)	-	(770)	(9,470)	
Current-period change	729	4,534	72,635	9,470	
Ending balance 2002	(1,760)	4,534	71,865	-	
Beginning balance 2003	(1,760)	4,534	71,865	-	
Current-period change	(2,594)	(2,975)	(13,196)	-	
Ending balance 2003	Ps (4,354)	Ps 1,559	Ps 58,669	Ps -	Ps

SUMMARY OF SIGNIFICANT DIFFERENCES AND REQUIRED U.S. GAAP DISCLOSURES

a) DEFERRED INCOME TAXES:

Under Colombian GAAP, deferred income taxes are generally recognized for timing differences in a manner similar to SFAS No. 109 for commercial and manufacturing subsidiaries. For financial companies, the Superintendency of Banking has restricted inclusion of timing differences related to fiscal losses to amortize and the excess of presumed income over ordinary income as deferred tax asset.

Under U.S. GAAP, deferred tax assets or liabilities must be recorded for all temporary differences between the financial and tax bases of assets and liabilities. A valuation allowance is provided for deferred tax assets to the extent that it is more likely than not that they will not be realized.

Income tax expense under U.S. GAAP is comprised of the following components for the years ended at December 31, 2001, 2002 and 2003:

	2001	2002	2003

Current income tax expense	Ps 31,603	Ps 44,533	Ps 62,391
Deferred income tax (benefit) expense	(62,280)	(48,930)	140,799
TOTAL	Ps (30,677)	Ps (4,397)	Ps 203,190

Temporary differences between the amounts reported in the financial statements and the tax bases for assets and liabilities result in deferred taxes. Deferred tax assets and liabilities at December 31, 2002 and 2003 were as follows:

	2002	2003
DEFERRED TAX ASSETS AND LIABILITIES		
DEFERRED TAX ASSETS:		
Accrual of employee benefits	Ps 9,391	Ps 10,265
Pre-operating expenses	15,584	3,985
Allowance for loan losses	225	924
Fixed assets	22,023	-
Net operating loss carry forwards	92,337	7,425
Excess of presumed income over taxable income	36,242	29,917
Other	76,893	65,772
Total gross deferred tax assets	252,695	118,288
Less valuation allowance	(61,256)	(7,331)
NET DEFERRED TAX ASSET	Ps 191,439	Ps 110,957
DEFERRED TAX LIABILITIES:		
Unrealized gain on investment securities	Ps 42,659	34,908
Inflation adjustment	15,990	15,990
Allowance for loan losses	539	10,299
Other	45,589	94,676
TOTAL DEFERRED LIABILITIES	104,777	155,873
NET DEFERRED ASSET (LIABILITY)	Ps 86,662	Ps (44,916)

The valuation allowance for deferred tax assets as of December 31, 2003 and 2002 was Ps 7,331 and Ps 61,256, respectively. The net change in the total valuation allowance for the years ended December 31, 2003 and 2002 was a decrease of Ps 53,925 and Ps 75,364, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the company will realize the benefits of these

deductible differences, net of the existing valuation allowances at December 31, 2003. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

The 37% income tax nominal rate differs from (44.9)%, (6.2)% and (202)% effective rate for years 2001, 2002 and 2003, due to the following:

	2001	2002	2003
Income before tax U.S. GAAP	Ps 195,371	Ps 202,755	Ps 271,229
37% tax	68,380	70,964	100,355
Nondeductible items / provisions	32,001	29,443	76,728
Nontaxable income	(46,829)	(27,003)	38,166
Increase/(decrease) valuation allowance	(76,429)	(82,694)	(19,267)
Decrease tax readjustments to fixed assets	3,795	19,993	22,023
Deductible item	(9,291)	(9,796)	(14,815)
Tax discounts for donation	(2,304)	(5,304)	-
Income tax	Ps (30,677)	Ps (4,397)	Ps 203,190

As of December 31, 2003, The Bank had the intention of capitalize the results from its off-shore subsidiaries. According with this practice, the results of operations for the years ended December 31, 2001, 2002 and 2003 of Bancolombia Panama and subsidiaries were capitalized.

b) EMPLOYEE BENEFIT PLANS:

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

Pension Plan

In 1967, the Social Security Institute assumed the pension obligation for the majority of the Bank's employees; however, employees who had more than ten years of service prior to that date, continue to participate in the Bank's noncontributory defined benefit pension plan. Under this plan, benefits are based on length of service and level of compensation. As of December 31, 2003, there were 1,067 participants covered by the Plan.

Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

While Colombian GAAP requires calculation of the estimated liability using actuarial methodology given by the law, the actuarial assumptions, based on nominal discount, salary and pension increase rates, and the method of computing the net periodic pension costs differ from those required by U.S. GAAP.

Severance obligation

Under Colombian labor regulations, employees are entitled to receive one month's salary for each year of service. This benefit accumulates and is paid to the employees upon their termination or retirement from the Bank; however, employees may request advances against this benefit at any time. In 1990, the Colombian government revised its labor regulations to permit companies, subject to the approval of the employees, to pay the severance obligation to their employees on a current basis. Law 50, 1990, also enabled each worker freely to choose the pension fund that will manage the amount of his/her severance paid accrued during the year. This amount must be transferred by headquarters to the pension funds no later than the following period. In order to entice the employees to change to this new method of receiving the severance benefit on a current basis, in 1999 and 2000, the Bank negotiated settlements with executive employees. These settlements consisted of the current value of their accumulated benefit plus a one-time bonus payment. The Bank elected to expense this settlement of Ps 297 and Ps 124 in its entirety during 1999 and 2000, respectively. The modification of this severance benefit represents a plan curtailment under U.S. GAAP.

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

As of December 31, 2003 there were 2,040 participants remaining in the original severance plan.

DISCLOSURE AND CALCULATION OF DIFFERENCES UNDER U.S. GAAP

The combined costs for the above mentioned benefit plans, determined using U.S. GAAP, for the years ended December 31, 2001, 2002 and 2003 are summarized below:

	2001	2002	2003
CHANGE IN BENEFIT OBLIGATION			
Unfunded benefit obligation at beginning of year	Ps 113,243	Ps 107,061	Ps 107,257
Service cost	1,911	1,663	1,557
Interest cost	28,444	26,482	25,616

BANCOLOMBIA S. A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

	2001	2002	2003
Actuarial gain (loss)	(18,191)	(7,088)	(1,025)
Benefits paid	(18,346)	(20,861)	(19,690)
Unfunded benefit obligation at end of year	Ps 107,061	Ps 107,257	Ps 113,715
Funded status	(107,061)	(107,257)	(113,715)
Unrecognized net transition loss	8,638	7,588	6,541
Unrecognized net actuarial loss (gain)	3,252	(3,841)	(4,872)
Unrecognized prior service cost	1,146	1,002	860
Accrued benefit cost under U.S.GAAP	(94,025)	(102,508)	(111,186)
Accrued benefit cost under Colombian GAAP	(73,687)	(79,668)	(90,103)
Difference to be recognized under U.S. GAAP	(20,338)	(22,840)	(21,083)
Additional minimum pension liability offset to Stockholders' equity	(3,830)	(2,708)	(6,772)
TOTAL DIFFERENCE TO BE RECOGNIZED UNDER U.S. GAAP STOCKHOLDERS' EQUITY	Ps (24,168)	Ps (25,548)	Ps (27,855)

The actuarial assumptions adopted have been applied net of the effects of price inflation. The resulting significant assumptions used in determining the actuarial present value of pension obligation and the projected pension obligation for the plan years were as follows:

	2001	2002	2003
Discount rate	8%	8%	8%
Rate of compensation increases	2%	2%	2%
Rate of pension increases	0%	0%	0%

	2001	2002	2003
COMPONENTS OF NET PERIODIC BENEFIT COST			
Service cost	Ps 1,911	Ps 1,663	Ps 1,557
Interest cost	28,444	26,482	25,616
Amortization of prior service	143	143	143
Amortization of unrecognized net transition obligation	1,048	1,048	1,047
Amortization of actuarial unrecognized net gain (loss)	360	7	5
Net periodic pension cost under U.S.GAAP	31,906	29,343	28,368

Net periodic pension cost under Colombian GAAP	22,060	26,841	30,125
Difference to be recognized under U.S. GAAP	Ps(9,846)	Ps(2,502)	Ps 1,757

Cash Flows - Contributions

BC expects to contribute Ps 10,953 to its pension plan and Ps 18,149 to its severance obligation in 2004.

c) INFLATION ADJUSTMENT

Since January 1, 1992, and up to December 31, 2000, the consolidated financial statements were adjusted for inflation based on the variation in the CPI for middle income-earners. The adjustment was applied monthly to non-monetary assets, equity (except for the revaluation surplus and exchange adjustment) contingent accounts and memorandum accounts. No adjustment was made to income, costs and expenses, and the financial statements for the preceding period did not have to be re-expressed.

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

The components of the adjustments to net income are as follows:

	2001	2002	2003
Additional inflation adjustment on non-monetary assets and stockholders' equity	--	--	--
Additional depreciation of inflation adjustments related to non-monetary assets	(187)	--	--
Increase (decrease) in net income	(187)	--	--

The components of the adjustments to stockholders' equity are as follows:

	2001	2002	2003
EFFECTS OF INDEXATION ON NON-MONETARY ASSETS			
Premises and equipment	Ps42,705	Ps42,705	Ps42,705

Equity investments	511	511	511
	Ps43,216	Ps43,216	Ps43,216

d) REVALUATION OF ASSETS

In accordance with Colombian GAAP, reappraisals of a portion of the Bank's premises and equipment, equity investments and other non-monetary assets are made periodically and recorded in

offsetting accounts which are shown under the asset caption "Asset reappraisals" and the stockholders' equity caption "Surplus from reappraisals of assets". The last valuation was in December 2001. Under U.S. GAAP, reappraisals of assets are not permitted.

e) ALLOWANCE FOR LOAN LOSSES

The methodology for evaluating loans under Colombian GAAP, as discussed in Note 2h, is based on their inherent risk characteristics and serves as a basis for recording loss allowances based on loss percentage estimates, established by the Superintendency of Banking. Under both Colombian and U.S. GAAP, the loan loss allowance is determined and monitored on an ongoing basis, and is established through periodic provisions charged to operations.

Under U.S. GAAP, allowance for loan losses represents management's estimate of probable losses inherent in the portfolio. Attribution of the allowance is made for analytical purposes only, and the entire allowance is available to absorb probable loan losses inherent in the portfolio including unfunded commitments. Additions to the allowance are made by means of the provision for loan losses. Loan losses are deducted from the allowance, and subsequent recoveries are added. Securities received in exchange for loan claims in debt restructurings are initially recorded at fair value, with any gain or loss reflected as a recovery or charge-off to the allowance, and are subsequently accounted for as securities available-for-sale.

In the corporate portfolio, larger-balance, non-homogeneous exposures representing significant individual credit exposures are evaluated based upon the borrower's overall financial condition, resources, and payment record; the prospects for support from any financially responsible guarantors; and, if appropriate, the realizable value of any collateral. Reserves are established for these loans based upon an estimate of probable losses for individual larger-balance, non-homogeneous loans deemed impaired. This estimate considers all available evidence including, as appropriate, the present value of the expected future cash flows discounted at the loan's contractual effective rate, the secondary market value of the loan and the fair value of collateral. The allowance for loan losses attributed to the remaining portfolio is established via a process that estimates the probable loss inherent in the portfolio based upon various statistical analyses. These analyses consider historical and projected default rates and loss severities; internal risk rating, industry, and other

environmental factors. The Bank also considers overall portfolio indicators including trends in internally risk-rated exposures, classified exposures, cash-basis loans, historical and forecasted write-offs, and a review of industry, and portfolio concentrations, including current developments within those segments. In addition, the Bank considers the current business strategy and credit process, including credit limit setting and compliance, credit approvals, loan underwriting criteria, and loan workout procedures.

Each portfolio of smaller-balance, homogeneous loans, including consumer revolving credit, credit cards, and most other consumer loans, is collectively evaluated for impairment. The allowance for credit losses attributed to these loans is established via a process that estimates the probable losses inherent in the portfolio, based upon various statistical analyses. These include migration analysis, in which historical delinquency and credit loss experience is applied to the current aging of the portfolio, together with analyses that reflect current trends and conditions. The Bank also considers overall portfolio indicators including historical credit losses, delinquent, non-performing and classified loans, and trends in volumes and terms of loans; an evaluation of overall credit quality and the credit process, including lending policies and procedures; and economic, geographical, product and other environmental factors.

In general, commercial loans, which are 91 or more days past due, consumer and small business loans, which are 61 or more days past due, together with certain other loans identified by management, are deemed to be impaired.

The following summarizes the allowance for loan losses under Colombian and U.S. GAAP at December 31, 2001, 2002 and 2003:

	2001	2002	2003
ALLOWANCE FOR LOSSES UNDER COLOMBIAN GAAP			
Allowance for loan losses	Ps 271,729	Ps 332,324	Ps 387,263
Allowance for other receivable	28,463	18,073	5,597
Allowance for lease rentals and related receivable	6,746	8,832	13,575
Allowance for foreclosed assets	106,081	107,962	135,121
	Ps 413,019	Ps 467,191	Ps 541,556
ALLOWANCE FOR LOSSES UNDER U.S. GAAP			
Allowance for loan losses and other receivables	223,227	339,612	354,322
Allowance for lease rentals and related receivable	7,792	8,890	8,746
Allowance for foreclosed assets	69,446	72,235	76,126
	300,465	420,737	439,194
DIFFERENCE TO BE RECOGNIZED AS AN ADJUSTMENT TO			

COLOMBIAN GAAP STOCKHOLDERS' EQUITY	Ps(112,554)	Ps (46,454)	Ps(102,362)

An analysis of the activity in the allowance for loan losses under U.S. GAAP during the year ended December 31, 2003 is as follows:

	2003
Provision at the beginning of the period	339,612
Currency Translation and other adjustments	(284)
Acquisitions of Business (Sufinanciamiento)	11,854
Charge-offs	(112,393)

Recoveries	(130,408)
Charged to profit and loss account	245,941
Provision at the end of the period	354,322
Gross Loans	8,029,668
Closing customers provisions as a % of gross loans	4.41%
Customers charges against profits as % of gross loans	3.06%

At December 31, 2001, 2002, and 2003, the carrying value of loans considered to be impaired, under SFAS No. 114 (not including restructured loans) was approximately Ps 196,983, Ps 136,718 and Ps 329,864, respectively, and the related allowance for loan losses on those impaired loans totaled Ps 134,679, Ps 121,253 and Ps 153,089, respectively.

For the years ended December 31, 2001, 2002 and 2003, the Bank recognized interest income of approximately Ps 5,741, Ps 5,594 and Ps 5,586 respectively, on such impaired loans.

The total amount of loans evaluated under a methodology different than SFAS 114 methodology was Ps 7,385,297.

Foreclosed assets

Under Colombian GAAP, BC must design and adopt their own internal models for the calculation of provisions of foreclosed assets by means of which the expected loss for all types of assets is estimated. For real estate, the provision is equal to 30% of the value of the asset at the time of receipt must be constituted in proportional monthly installments. This provision will increase an additional 30% in proportional monthly installments within the second year of receipt of the asset. Once the legal term for sale has expired without authorization to extend, the provision must be 80% of the value upon

receipt. In case the term extension is granted, the remaining 20% of the provision may be constituted with said term.

For Moveable assets, the provision is equal to 35% of the value of the good at the time of acquisition must be constituted in proportional monthly installments within the following year of receipt. Said provision must be increased and additional 35% the following year. Once the legal term for sale has expired without authorization to extend, the provision must be of 100% of the book value of the asset prior to provisions. In the case the term extension is granted, the remaining 30% may be constituted within the term of the same.

Under U.S. GAAP, in order to assess for impairment its foreclosed assets BC applies the methodology described by the SFAS 144 and SFAS 15 with respect to the method to evaluate the recoverability of the assets and to the measurement of the impairment loss. Accordingly, after a troubled debt restructuring, BC accounts for assets received in satisfaction of a receivable the same as if the assets had been acquired for cash. The application of Statement 15 results in the measurement of a new cost basis for the long-lived asset received in full satisfaction of a receivable. A loss is recognized for any initial or subsequent write-down to fair value less cost to sell. A gain is

recognized for any subsequent increase in fair value less cost to sell, but not in excess of the cumulative loss previously recognized for a write-down to fair value less cost to sell.

f) LOAN ORIGINATION FEES AND COSTS

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

g) INTEREST RECOGNITION - NON-ACCRUAL LOANS

Since March 5, 2002, for Colombian GAAP purposes, interest income is not accrued on (i) commercial loans that are more than 90 days past due (ii) consumer and small business loans that are more than 60 days or (iii) mortgage loans that are more than 120 days past due. Once a loan is non-performing, an allowance is established for 100% of the accrued interest receivable and the Bank ceases to recognize interest income on that loan. The Bank recognizes interest income on a cash basis for non-accrual loans.

Additionally, beginning March 25, 2003, all loans that are past due more than thirty days will stop accruing interest in the statement of operations and their entries will be made in memorandum accounts until such time that the customer does not proceed to cancel. It is estimated that at December 31, 2003, approximately Ps 280 are

found entered in memorandum accounts because of the adoption of this policy.

For U.S. GAAP purposes, all accrued interest is reversed against interest income once a loan becomes more than 90 days past due. U.S. GAAP also requires that, if the collectibility of the principal of a non-accrual loan is in doubt, cash payments should be applied to reduce the principal to the extent necessary to remove such doubt.

As a result, for U.S. GAAP purposes, interest income on past-due consumer and small business loans between 61 and 90 days for the years 2001 and 2002, was included as accrued interest. Interest income from past-due mortgage loans between 91 and 120 days was reversed for the years 2001 and 2002.

For the year 2003, interest income on past due commercial, consumer and small business loans between 31 and 90 days, was accounted as accrued interest.

h) DEFERRED CHARGES

The Bank and its subsidiaries have deferred certain pre-operating expenses and other deferred charges, which are expensed as incurred under U.S. GAAP.

i) INVESTMENT SECURITIES

Up to August 2002, under Colombian GAAP, securities were classified as "trading", "non-trading held to maturity", "permanent" and "hedges", the two first were divided debt and equity securities.

In September 2002, the Superintendency of Banking issued External Circular 033, which changed the classification of investment securities as "trading", "held to maturity", and "available for sale". According to this norm, an investment will be classified as "trading" when the Bank acquires it for the purpose of selling it in the near term, as "held to maturity" when the bank has the intention and ability to hold it to maturity, and as "available for sale" when the investment is not classified as trading or held to maturity.

CHANGE IN ACCOUNTING METHOD FOR INVESTMENT SECURITIES

As required by External Circular 033 of 2002, effective September 2, 2002, the Bank changed its method of classification and valuation for investment securities. The effect of the change under Colombian GAAP was a decrease to net income of Ps 20,393. This effect was the result of a change in the methodology used to determine the fair value for investment securities. Due to the effective date of adoption, required it is not practical to determine the cumulative effect of this change in accounting method as of January 1, 2002, or prior period pro forma effects.

The effect of the change on net income under Colombian GAAP for the year ended December 31, 2002, is as follows:

	2002	PER SHARE AMOUNTS
Consolidated net income under Colombian GAAP, before change in accounting method for investment securities	230,773	Ps 400.16
Effect of change in valuation method for investment securities at September 2, 2002, net of tax	(20,393)	(35.36)
Consolidated net income under Colombian GAAP as reported	210,380	Ps 364.80

Under U.S. GAAP, investment securities that have readily determinable market values, are accounted for as follows:

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

- Debt securities that the Bank has the positive intent and ability to hold to maturity are classified as "held to maturity" securities and are reported at amortized cost.

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

As of December 31, 2002 and 2003, the Bank's portfolio was classified as "trading", "held to maturity" and "available for sale".

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

	FAIR VALUE	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	
AVAILABLE FOR SALE				
DECEMBER 31, 2002				
Securities issued or secured by Colombian government	Ps 1,443,463	Ps 107,632	Ps 292	Ps

Securities issued or secured by Government entities	71,619	1,784	837	
Securities issued or secured by Financial entities	35,470	2,285	--	
Eurobonds and Euronotes	299,662	7,430	264	
Other investments	35,924	--	11	
	Ps 1,886,138	Ps 119,131	Ps 1,404	Ps

	FAIR VALUE	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	
AVAILABLE FOR SALE				
DECEMBER 31, 2003				
Securities issued or secured by Colombian government	Ps 1,361,700	Ps 75,869	Ps 454	P
Securities issued or secured by Government entities	87,808	8,865	1	
Securities issued or secured by Financial entities	93,052	646	417	
Eurobonds and Euronotes	174,189	5,218	313	
Other investments	87,109	10	--	
	Ps 1,803,858	Ps 90,608	Ps 1,185	P

	FAIR VALUE	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	
HELD TO MATURITY				
DECEMBER 31, 2002				
Securities issued or secured by Colombian government	Ps 600,414	Ps 4,069	Ps 93	Ps
Eurobonds and Euronotes	5,001	--	2,297	
Other investments	4,245	--	--	
	Ps 609,660	Ps 4,069	Ps 2,390	Ps

	FAIR VALUE	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	
HELD TO MATURITY				
DECEMBER 31, 2003				
Securities issued or secured by Colombian government	Ps 650,561	Ps 22,788	Ps 74,785	Ps

Other investments	15,931	--	85	
	Ps 666,492	Ps 22,788	Ps 74,870	Ps

The scheduled maturities of debt securities at December 31, 2003 were as follows:

	HELD TO MATURITY		AVAILABLE FOR SALE	
	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE
Due in one year or less	Ps 283,654	Ps 287,499	Ps 159,300	Ps 159,980
Due from one year to five years	256,372	274,307	1,135,868	1,210,663
Due from five year to ten years	169,577	95,715	408,550	422,349
Due more ten years	8,971	8,971	10,717	10,866
TOTAL	Ps 718,574	Ps 666,492	Ps 1,714,435	Ps 1,803,858

Investments classified as "Held to maturity" for purposes of U.S. GAAP are securities issued or secured by Colombian government, which the bank has the intention and ability to hold to maturity.

The cost of available for sale securities was determined based on its carrying amount plus gross unrealized losses minus gross unrealized gains. The cost of securities classified as Held to maturity is equal to the carrying amount under Colombian GAAP, as these investments are not accounted for at fair value.

The Bank is not required under Colombian GAAP to disclose the proceeds from the sale of investment securities nor gains or losses resulting from such sales. As a result, it is not feasible to obtain that information in a reasonable manner for disclosure under U.S. GAAP.

UNREALIZED LOSSES DISCLOSURE

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

	FAIR VALUE	GROSS UNREALIZED LOSSES	COST BASIS
AVAILABLE FOR SALE DECEMBER 31, 2003			

Securities issued or secured by Colombian government	Ps 140,658	Ps 454	Ps 141,11
Securities issued or secured by financial entities	42,591	413	43,00
Eurobonds and Euronotes	51,627	313	51,94
	Ps 234,876	Ps 1,180	Ps 236,05

	FAIR VALUE	GROSS UNREALIZED LOSSES	GROSS CARRYING AMOUNT
HELD TO MATURITY			
DECEMBER 31, 2003			
Securities issued or secured by Colombian government	Ps 24,482	Ps 25,691	Ps 50,17
Securities issued or secured by financial entities	6,960	85	7,04
TOTAL	Ps 31,442	Ps 25,776	Ps 57,21

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

	FAIR VALUE	GROSS UNREALIZED LOSSES	COST BASIS
IMPAIRMENT AVAILABLE FOR SALE			
DECEMBER 31, 2003			
Securities issued or secured by government entities	Ps 594	Ps 1	Ps 59
Securities issued or secured by financial entities	5,800	4	5,80
TOTAL	Ps 6,394	Ps 5	Ps 6,39

	FAIR VALUE	GROSS UNREALIZED LOSSES	GROSS CARRYING AMOUNT
IMPAIRMENT HELD TO MATURITY			
DECEMBER 31, 2003			
Securities issued or secured by Colombian government	Ps 67,225	Ps 49,094	Ps 116,31
TOTAL	Ps 67,225	Ps 49,094	Ps 116,31

==========	=========	==========

As of December 31, 2003, most of the investment securities available for sale that presented gross unrealized losses were issued by national government, governmental entities, financial entities and euronotes.

As of December 31, 2003, 220 titles presented gross unrealized losses.

No other-than-temporary impairment has been recognized for the investment in debt securities held to maturity because the Bank has the ability and the positive intent to hold these securities until the amortized cost is recovered and there does not appear to be any credit deterioration and recovery seems probable. The gross unrealized losses of held to maturity investments correspond to mandatory investments.

The amount of unrealized holding gain or loss on trading securities included in earnings during 2002 and 2003 was Ps 12,705 and Ps 246,871 respectively.

The company conducts regular reviews to assess whether other than temporary impairment exists. A number of factors are considered in performing an impairment analysis of securities.

Those factors include:

(a) The length of time and the extent to which the market value has been less than cost;

(b) The financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer (such as changes in technology that may impair the earnings potential of the investment, or the discontinuance of a segment of a business that may affect the future earnings potential); or

(c) The intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value.

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

Under Colombian GAAP, structured notes are recorded as investment securities. For purposes of U.S.GAAP the Bank reversed unrealized gain and loss of these investment.

j) INVESTMENT IN UNAFFILIATED COMPANIES. HIGH AND MEDIAN QUOTATION INVESTMENTS SECURITIES CLASSIFIED AS "AVAILABLE FOR SALE " UNDER COLOMBIAN GAAP.

For purposes of Colombian GAAP, an investment in High and Median quotation equity securities of an investee is recorded using the average price published by the exchange. The result of the valuation is recorded as unrealized gain or loss in shareholders' equity. The investee also records common stock dividends as income.

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Under U.S. GAAP, an investment in non-marketable equity securities of an investee is also recorded at cost if the investor cannot exercise significant influence. However, dividends paid in the form of additional shares of common stock are not recorded as income. Instead, the costs of the shares previously held are allocated equitably to the total shares held after receipt of the stock dividend. When any shares are later disposed of, a gain or loss is determined on the basis of the adjusted cost per share.

k) INVESTMENTS IN AFFILIATES. INVESTMENTS IN LOW, MINIMUM EXCHANGE OR UNQUOTED EQUITY SECURITIES CLASSIFIED AS "AVAILABLE FOR SALE" FOR PURPOSES OF COLOMBIAN GAAP.

For purposes of Colombian GAAP, an investment in non-marketable equity securities of an investee is recorded using the "intrinsic value" method. Under the intrinsic value method, the Bank records equity increases in stockholders' equity of the investee as a component of other comprehensive income and decreases in stockholders' equity of the investee with a charge to the Consolidated Statement of Operations. Also under equity method, cash dividends and common stock dividends reduced the equity amount.

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

l) LESSEE ACCOUNTING

The Bank's subsidiaries, Bancolombia de Panama S.A., Sufinanciamiento S.A. and Leasing Colombia S.A., lease certain assets to third parties under non-cancelable lease arrangements. These lease arrangements involve machinery and equipment, computer equipment, automobile and furniture and fixtures (with terms between three and five years).

Under Colombian GAAP, assets leased to third parties with purchase options are recorded as premises and equipment at cost. Contracts made up to December 31, 1995 were recorded at acquisition or construction cost (including capitalizable improvements and expenses which increases the value of the property) and were adjusted for inflation up to December 31, 2000.

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

Disclosure lessor accounting.

The following lists the components of the net investment in direct financing leases as of December 31, 2002 and 2003:

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	2002	2003
Total minimum lease payments to be received	Ps 469,895	Ps 665,087
Estimated residual values of leased property	32,987	41,606
Less: Unearned income	(102,721)	(172,245)
Net investment in direct financing leases	Ps 400,161	Ps 534,448

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

Year ending December 31:

2004	Ps 203,168
2005	168,685
2006	120,770
2007	72,077
2008	54,770
Later years, through 2009	45,617
TOTAL MINIMUM FUTURE LEASE PAYMENTS TO BE RECEIVED	Ps 665,087

m) BUSINESS COMBINATIONS

Purchase method of accounting

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

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

In addition, certain other merger related charges are permitted to be deferred and amortized under Colombian GAAP over 36 months, while under U.S. GAAP they are generally expensed as incurred.

The reappraisal was allocated to the acquired assets to adjust them to their fair market value. For this reason, this reappraisal was included in the determination of depreciation as of the merger. Under Colombian GAAP, the reappraisal of assets is not subject to depreciation.

On December 29, 2003, Bancolombia and its subsidiaries acquired 99.99% of the outstanding common shares of Sufinanciamiento S.A. Under U.S. GAAP the results of Sufinanciamiento's operations have been included in the consolidated financial statements since that date. Sufinanciamiento is a commercial financing company, specializing in automobile loans.

The acquisition of Sufinanciamiento will allow BC and its subsidiaries to complement its portfolio of products improving commercial financing activities, more specifically automobile financing. The aggregate purchase price was Ps 75,016 paid it in cash. The value of the 1,415 million common shares acquired was determined based on the discounted cash flows, prepared based on the historical financial statements from January 1999 to June 2003. Sufinanciamiento's cash flows were estimated by the Bank based on the current economic environment in Colombia and the nature of the business of the acquired entity.

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

	FAIR VALUE OF ASSETS ACQUIRED AND LIABILITIES ASSUMED UNDER U.S. GAAP
TOTAL PURCHASE PRICE, NET OF CASH ACQUIRED	Ps 63,622
Assets acquired	304,256
Premises and equipment, net	7,358
Liabilities assumed	269,268
NET ASSETS ACQUIRED	Ps 42,346
EXCESS OF COST OVER THE FAIR VALUE OF ACQUIRED NET ASSETS	21,276
INTANGIBLE ASSET	1,562
GOODWILL	Ps 19,714

The excess of purchase price amounted to Ps 21,276 and Ps 1,562 was assigned to a contract with Almacenes Exito (intangible assets) while the remaining Ps 19,714 was assigned to goodwill.

In 2003 Sufinanciamiento S.A. signed an agreement with Almacenes Exito, a major retailer in Colombia, whereby the former will be the only financing provider to the latter's clients. Given the significance of this agreement to Sufinanciamiento's operations and the future benefits it will bring to the Bank's strategic and financial positions, this contractual relationship has been identified as an intangible asset and fair valued by Bancolombia.

The following unaudited pro forma information for 2002 and 2003 reflects the consolidated results of operations as if the acquisition had occurred at the beginning of each year presented and includes the amortization of intangibles, as appropriate. The unaudited pro forma financial information presented is not necessarily indicative of the results of operations that might have occurred had the transaction been completed at the beginning of the year specified, and does not purport to represent what the consolidated results might be for any future period.

	2002
U.S. GAAP Net income	224,272
Revenues	787,051
Earnings per share	504.32

	2003
U.S. GAAP Net income	481,736
Revenues	1,465,973
Earnings per share	1,088.44

Under Colombian GAAP, BC consolidated Sufinanciamiento's earnings since January 1, 2003, as if the acquisition had occurred at the beginning of the year. Accordingly, virtually all of the amounts for pre-acquisition periods in the primary financial statements are different from the amounts that would be presented under U.S. GAAP. In effect, the financial statements presented as the primary financial statements are of a different reporting entity than would be required under U.S. GAAP.

BC understands that, in these circumstances, reconciliation of net income and stockholders' equity alone will not produce information

content substantially similar to U.S. GAAP with respect to the pre-acquisition periods. However, given the insignificance of Sufinanciamiento's operations, BC decided not to present a columnar reconciliation removing the acquired business. BC also believes that the differences are not so pervasive that a U.S. GAAP condensed income as cash flow statements are necessary.

BC is still in the process of finalizing the allocation of the purchase price and determination of the liabilities that existed at the date of acquisition under U.S. GAAP. BC expects to complete these analyses in 2004.

Goodwill

Under U.S. GAAP from January 1, 2002, the Bank no longer amortizes goodwill, but it is subject to annual impairment test. The Bank believes it does not have intangible assets with indefinite lives.

Prior to December 31, 2001, BC recognized an excess of fair value of acquired net assets over cost (commonly referred to as negative goodwill) on certain business combinations. Under Colombian GAAP, negative goodwill is recorded as a liability and it is amortized over a period of five years.

Under U.S. GAAP, as explained previously, BC adopted SFAS No. 141 on January 1, 2002. Upon adoption of SFAS No. 141, any unamortized negative goodwill related to an excess over cost arising from business combinations for which the acquisition date was before July 1, 2001 was written off and recognized as the effect of a change in accounting principle.

The Bank has performed the required impairment test at each reporting unit's goodwill and concluded that there was no impairment of goodwill. Accordingly, the Bank reversed the amortization of goodwill from Colombian GAAP for the year ended 2003. See note 31 (r), for pro forma disclosures related to the adoption of SFAS No.142 on net income (loss) and earnings (loss) per share.

n) FOREIGN CURRENCY TRANSLATION ADJUSTMENT

For Colombian GAAP, the translation adjustments resulting in the conversion of foreign currency statements was included in the determination of net income.

Under U.S. GAAP, according to SFAS No. 52, the translation adjustments shall be reported as a component of stockholders' equity, in other comprehensive income.

o) OTHER

In 2000, the Company accrued Ps 5,575 related to a penalty for early termination of a contract although management did not formally decide to terminate the subject contract until 2001.

Under U.S. GAAP, the accrual of such amount in 2000 would not

be appropriate. Accordingly, this amount has been reversed for U.S. GAAP purposes in 2000 and recorded as an expense for U.S. GAAP purposes in 2001.

P) GUARANTEES

In order to meet the needs of its customers, BC issues financial standby letters of credit and bank guarantees. At December 31, 2002 and 2003, outstanding letters of credits and bank guarantees issued by BC totaled Ps 429,361 and Ps 692,795.

The table below summarizes, at December 31, 2002 and 2003, all of BC's guarantees where the Bank is the guarantor. The maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed

parties, without consideration of possible recoveries under recourse provisions or from collateral held or pledged. Such amounts bear no relationship to the anticipated losses on these guarantees and greatly exceed anticipated losses.

	EXPIRE WITHIN ONE YEAR		EXPIRE AFTER ONE YEAR		TOTAL AMOUNT OUTSTA	
	2002	2003	2002	2003	2002	200
Financial standby letters of credit	Ps 343,689	Ps 384,995	Ps 8,741	Ps 842	Ps 352,430	Ps 38
Bank guarantees	56,691	212,557	20,240	94,401	76,931	30
Credit default swaps	-	21,054	-	126,324	-	14
TOTAL	Ps 400,380	Ps 618,606	Ps 28,981	Ps 221,567	Ps 429,361	Ps 84

Financial standby letters of credit include guarantees of payment of credit facilities, promissory notes and trade acceptances.

Bank guarantees are performance guarantees that are issued to guarantee a customer's tender bid on a construction or systems installation project or to guarantee completion of such projects in accordance with contract terms. They are also issued to support a customer's obligation to supply specified products, commodities, or maintenance or warranty services to a third party.

Credit Default Swaps (CDS) are contracts whereby one party transfers to the other for a period of time the credit risk associated with an issuing entity in exchange for a periodic premium.

The investments made on CDS can be as follows:

- Credit Link Note: Issued by an international bank vehicle which implicitly has the risk of a CDS.

- Credit Link Deposit: Deposit constituted as guarantee for the constitution of a CDS.

q) FINANCIAL INSTRUMENTS

As required by U.S. GAAP, the estimated fair value of the Bank's financial instruments, their carrying values and the major assumptions and methodologies used to estimate fair values at December 31, 2002 and 2003 are presented hereunder. The fair value of a financial instrument is defined as the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

For those financial instruments with no quoted market prices available, fair values have been

estimated using present value or other valuation techniques. These techniques are inherently subjective and are significantly affected by the assumptions used, including the discount rates, estimates of future cash flows and prepayment assumptions.

In addition, the fair values presented below do not attempt to estimate the value of the Bank's fee generating businesses and anticipated future business activities, that is, they do not represent the Bank's value as a going concern.

	DECEMBER 31, 2002		D
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRY AMOU
FINANCIAL ASSETS			
Cash and cash equivalents	Ps 851,089	Ps 851,089	Ps 1,4
Investment securities	4,227,410	4,343,458	4,2
Loan, net	5,864,991	5,875,776	7,6
Foreign exchange and forward contracts - gain (loss)	(46,334)	(46,334)	(
Accrued interest receivable on loans	83,459	83,459	1
Customers' acceptances	30,672	30,672	
FINANCIAL LIABILITIES:			
Deposits	Ps 8,788,158	Ps 8,788,158	Ps 10,2
Overnight funds	610,158	610,158	1,1
Bank acceptances outstanding	31,050	31,050	
Interbank borrowings	403,962	403,962	4
Borrowings from domestic development banks	713,053	713,053	7
Long term debt	62,782	62,782	

The following notes summarize the methods and assumptions used in estimating the fair values of financial instruments:

Short-term financial instruments

Short-term financial instruments are valued at their carrying amounts included in the consolidated balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the instruments. This approach was used for cash and cash equivalents, customers' acceptances, accrued interest receivable accounts receivable, accounts payable, accrued interest payable and bank acceptances outstanding.

Investment securities

The fair value of these financial instruments which include time deposits in financial entities are calculated by the Colombian Stock Exchange, except for financial instruments classified "held to maturity", for which the fair value was determined using discounted cash flows with actual market rates for similar assets.

Loans

Estimated fair values have been determined for loan portfolios with similar financial characteristics. Loans were segregated by type such as commercial, consumer and small loans, and each category was further segmented based on maturity fixed and variable rates and accrual and non-accrual status. The fair values of fixed-rate loans were estimated by discounting scheduled cash flows using prevailing market rates for these loans at the end of 2002 and 2003, respectively. For variable-rate loans, their carrying amounts were considered to be equivalent to their fair values. In addition, for non-accrual loans, the estimated fair values were based on the discounted value of estimated cash flows using higher discount rates appropriate to the higher risk involved.

Derivatives

BC's derivatives are recorded at fair value on daily basis in conformity with the rules prescribed by the Superintendency of Banking, according with the class of instrument, as follows:

Foreign exchange forward contracts:

The purchase or sale value of the exchange rate is estimated to obtain the net value in foreign currency at valuation day and calculate the net gain or loss.

Financial Instruments forward contracts:

The fair value without yields is estimated to value the agreed amount to present value and calculate the net gain or loss.

Balance sheet classification:

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

U.S. GAAP restricts the ability to offset to where the right of set off exists between two parties (that is, where a debtor-creditor relationship exists).

Typically, under U.S. GAAP a financial assets and liabilities can be offset and the net amount reported in the balance sheet when (a) each of two parties owes the other determinable amounts, (b) the reporting party has the right to set off the amount owed with the amount owed by the other party, (c) the reporting party intends to set off and (d) the right of setoff is enforceable at law.

Consequently, the relevant assets and liabilities would be increased by Ps 94,033 as at December 31, 2003 in a U.S. GAAP balance sheet, with no effect on net income or shareholders' equity.

Futures Contracts

The fair value of future contracts and other derivatives traded in stock markets are calculated by the respective stock market where BC has conducted its operation.

Deposits

The fair value of deposits with no defined maturity, such as non-interest bearing deposits and saving accounts, is taken to be the amount payable on demand at the reporting date. Fixed-maturity deposits have also been valued at their carrying amounts given the short-term maturity of such deposits.

Interbank borrowings and borrowings from domestic development banks

Short-term interbank borrowings and borrowings from domestic development banks have been valued at their carrying amounts because of their relatively short-term nature. Long-term and domestic development banks borrowings have also been valued at their carrying amount because they bear interest at variable rates.

Long term debt

Long term debt are bonds emitted by Leasing Colombia S.A., Abocol S.A. and Fundicom S.A.

The fair value of bonds is the calculated by the Colombian Stock Exchange, except Fundicom bonds, for which the estimated fair value was determined using quoted market prices of financial instruments with similar characteristics.

r) PAID-IN-CAPITAL

In accordance with Colombian GAAP, paid-in capital in excess

of par value of shares issued is credited to a legal reserve. Under U.S. GAAP, capital in excess of par value is credited to paid-in capital.

s) UNEARNED INTEREST INCOME

Under Colombian GAAP, unearned interest income is recorded as a liability in the balance sheet. For U.S. GAAP purposes, only the net amounts (loan amount less unearned interest) would be classified as a loan. Under Colombian GAAP, unearned interest is amortized on a straight-line basis whereas U.S. GAAP requires the use of the effective interest method. However, the difference does not have a material impact on the Bank's financial statements.

t) EARNINGS PER SHARE

Under Colombian GAAP, earnings per share is computed by dividing net income by the weighted average number of both common and preference shares outstanding for each period presented.

U.S. GAAP requires dual presentation of basic and diluted EPS for entities with complex capital structures, as a well as a reconciliation of the basic EPS computation to the diluted EPS computation. Basic EPS is calculated by dividing net income available to common stockholders by

the weighted average number of common shares outstanding. Diluted EPS assumes the issuance of common shares for all dilutive potential common shares outstanding during the reporting period. For the years ended December 31, 2001, 2002 and 2003, the Bank had a simple capital structure. Therefore, there was no difference between Basic or Diluted EPS for these years.

The following summarizes information related to the computation of basic earning per share for the years ended December 31, 2001, 2002 and 2003 (millions of pesos, except per share data):

	2001	2002	
U.S. GAAP net income	Ps 226,048	Ps 207,152	P
Less preferred share dividends	14,989	23,554	
Income attributable to common stockholders	211,059	183,598	
Weighted average number of common shares outstanding used in basic EPS calculation (in millions)	398	398	
Basic and Diluted earnings per share	Ps 530.30	Ps 461.30	P

Pro-forma net income and basic and diluted earnings per share

for the years ended December 31, 2001, 2002 and 2003, adjusted to exclude amortization expense (net of tax) related to goodwill is as follows:

	2001	2002	
Income attributable to common stockholders	Ps 211,059	Ps 183,598	P
Goodwill amortization	14,722	-	
Adjusted income attributable to common stockholders	225,781	183,598	
BASIC EARNING PER SHARE:			
Reported basic earnings per share	530.30	461.30	
Goodwill amortization	36.99	-	
Adjusted basic and Diluted earnings per share	Ps 567.29	Ps 461.30	P

u) MERGER EXPENSES

The indirect costs of the merger of Ps 22,649 recorded as "Merger expenses" in the consolidated statement of income under Colombian GAAP would be recorded, for U.S. GAAP purposes, in the respective line items to which the costs related.

v) CASH FLOW

During 2003, restricted cash amounted to Ps 628,071. Under Colombian GAAP, this amount is classified as cash and cash equivalent, while, for U.S. GAAP purposes, restricted cash does not represent part of cash and cash equivalents for cash flow statement presentation because it cannot be withdrawn without prior notice or penalty.

Also, during 2003 Ps 23,146 related to restructured loans were transferred to foreclosed assets amounted to Ps 23,146. Such transfers affect BC's balance sheet but do not result in cash receipts or cash payments in the period.

w) SEGMENTS DISCLOSURE

The following presents information about reported operating segment profit or loss, and segment assets:

2001

	Retail Banking	Commercial Banking	Small Business Banking	Governmental And Institutional Banking	Co Head
Revenues from external customers	Ps 149,834	Ps 25,125	Ps 12,042	Ps 10,831	Ps
Revenues from transactions with other operating segments of the same enterprise	30,138	3,193	3,260	(1,603)	
Interest income	321,459	210,010	112,038	94,154	
Interest expense	162,625	14,195	9,903	53,949	
Net interest revenue	158,834	195,815	102,135	40,205	
Depreciation and amortization expense	-	-	-	-	
Provision for loans losses	31,142	2,890	(2,630)	4,070	
Administrative and other expense	305,183	25,790	20,334	20,591	
Net monetary inflation adjustment	-	-	-	-	
Income tax expense or benefit	-	-	-	-	
Other income or expense, net	24,295	1,456	1,275	82	
Merger expenses	-	-	-	-	
Segment profit before distribution of income (expense) for treasury funds	26,776	196,909	101,008	24,854	(
Distribution of income (expense) for treasury funds (1)	139,212	(131,173)	(58,151)	22,779	
Segment profit	Ps 165,988	Ps 65,736	Ps 42,857	Ps 47,633	Ps
Segments assets	Ps1,960,065	Ps1,652,670	Ps 843,872	Ps 748,559	Ps 2

	Trust	Leasing	Manufacturing	All other Segments	Tota
Revenues from external					

customers	Ps 24,309	Ps 26,687	Ps 40,059	Ps 66,167	Ps 35
Revenues from transactions with other operating segments of the same enterprise	888	508	1,535	4,903	1
Interest income	6,158	12,385	1,230	25,859	1,10
Interest expense	-	28,328	11,622	25,128	58
Net interest revenue	6,158	(15,943)	(10,392)	731	51
Depreciation and amortization expense	1,299	907	1,519	9,755	4
Provision for loans losses	946	4,608	876	5,826	11
Administrative and other expense	14,369	5,630	28,026	46,228	54
Net monetary inflation adjustment	-	-	2,761	(208)	
Income tax expense or benefit	4,047	304	1,203	6,679	4
Other income or expense, net	(378)	2,953	1,537	6,652	6
Merger expenses	-	-	-	-	4
Segment profit before distribution of income (expense) for treasury funds	10,316	2,756	3,876	9,757	16
Distribution of income (expense) for treasury funds (1)	-	-	-	-	
Segment profit	Ps 10,316	Ps 2,756	Ps 3,876	Ps 9,757	Ps 16
Segments assets	Ps 64,020	Ps 201,312	Ps 226,300	Ps 517,967	Ps 11,20

(1) Those costs are calculated based on the funds that segments use or provide and do not have an impact in the final result

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2002

	Retail Banking	Commercial Banking	Small Business Banking	Governmental And Institutional Banking	Co Head

Revenues from external customers	Ps 176,296	Ps 30,930	Ps 18,975	Ps 7,764	Ps
Revenues from transactions with other operating segments of the same enterprise	22,961	14,308	9,034	21,433	
Interest income	338,468	150,885	118,925	71,606	
Interest expense	135,141	14,687	12,420	55,261	
Net interest revenue	203, 327	136,198	106,505	16,345	
Depreciation and amortization expense	-	-	-	-	
Provision for loans losses	17,269	5,851	3,187	231	
Administrative and other expense	254,704	34,542	29,203	30,170	
Income tax expense or benefit	-	-	-	-	
Other income or expense, net	1,922	(144)	51	(1,122)	
Merger expenses	-	-	-	-	
Segment profit before distribution of income (expense) for treasury funds	132,533	140,899	102,175	14,019	
Distribution of income (expense) for treasury funds (1)	116,985	(85,774)	(55,594)	41,547	
Segment profit	Ps 249,518	Ps 55,125	Ps 46,581	Ps 55,566	Ps (
Segments assets	Ps2,334,832	Ps1,606,634	Ps1,137,409	Ps 717,142	Ps 3

	Trust	Leasing	Manufacturing	All other Segments	Tot
Revenues from external customers	Ps 34,327	Ps 32,884	Ps (14,820)	Ps 48,564	Ps 3
Revenues from transactions with other operating segments of the same enterprise	1,532	(244)	9,275	2,074	(
Interest income	6,338	3,848	1,914	24,099	1,0
Interest expense	2,047	20,943	5,036	22,631	5
Net interest revenue	4,291	(17,095)	(3,122)	1,468	5

Depreciation and amortization expense	1,078	809	1,023	5,247	
Provision for loans losses	647	3,446	329	6,415	1
Administrative and other expense	21,594	7,177	21,686	54,215	5
Income tax expense or benefit	5,648	1,214	1,938	8,453	
Other income or expense, net	1,180	1,435	21,127	41,613	1
Merger expenses	-	-	-	-	
Segment profit before distribution of income (expense) for treasury funds	12,363	4,334	(12,516)	19,389	1
Distribution of income (expense) for treasury funds (1)	-	-	-	-	
Segment profit	Ps 12,363	Ps 4,334	Ps (12,516)	Ps 19,389	Ps 1
Segments assets	Ps 74,151	Ps 308,046	Ps 225,413	Ps 530,270	Ps13,7

(1) Those costs are calculated based on the funds that segments use or provide and do not have an impact in the final result

2003

	Retail Banking	Commercial Banking	Small Business Banking	Governmental And Institutional Banking	Co Head
Revenues from external customers	Ps 212,472	Ps 32,502	Ps 34,906	Ps 19,007	Ps
Revenues from transactions with other operating segments of the same enterprise	34,422	22,731	19,795	24,530	
Interest income	453,975	179,113	132,127	56,075	
Interest expense	147,647	17,395	18,361	59,119	

Net interest revenue	306,328	161,718	113,766	(3,044)	
Depreciation and amortization expense	–	–	–	–	
Provision for loans losses	62,068	12,781	365	1,133	
Administrative and other expense	336,412	40,112	38,541	24,275	
Income tax expense or benefit	–	–	–	–	
Other income or expense, net	3,354	(462)	(449)	153	
Segment profit before distribution of income (expense) for treasury funds	158,096	163,596	129,112	15,238	(
Distribution of income (expense) for treasury funds (1)	96,777	(75,379)	(49,667)	50,866	
Segment profit	Ps 254,873	Ps 88,217	Ps 79,445	Ps 66,104	Ps
Segments assets	Ps3,127,442	Ps1,838,100	Ps1,449,736	Ps 665,609	Ps 4

	Trust	Leasing	Manufacturing	All other Segments	To
Revenues from external customers	Ps 38,424	Ps 47,186	Ps 31,400	Ps 97,157	Ps
Revenues from transactions with other operating segments of the same enterprise	773	(314)	16,555	2,138	
Interest income	5,366	8,174	(6)	23,951	1,
Interest expense	109	50,274	9,008	15,007	
Net interest revenue	5,257	(42,100)	(9,014)	8,944	
Depreciation and amortization expense	1,032	3,377	2,747	4,262	
Provision for loans losses	2,239	3,564	237	7,918	
Administrative and other expense	23,368	12,739	26,035	59,006	
Income tax expense or benefit	6,430	4,240	1,528	14,938	

Other income or expense, net	1,308	11,773	(783)	14,815	
Segment profit before distribution of income (expense) for treasury funds	12,693	(7,375)	7,611	36,930	
Distribution of income (expense) for treasury funds (1)	-	-	-	-	
Segment profit	Ps 12,693	Ps (7,375)	Ps 7,611	Ps 36,930	Ps
Segments assets	Ps 73,395	Ps 554,073	Ps 221,222	Ps 596,422	Ps 16,

(1) Those costs are calculated based on the funds that segments use or provide and do not have an impact in the final result

BANCOLOMBIA S. A. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Stated in millions of pesos and thousands of U.S. dollars)

The following is a reconciliation of reportable segments revenues, profit or loss and assets, to the Banks' consolidated totals:

	2001	2002	2003
REVENUES			
Total revenues for reportable segments	Ps 1,377,748	Ps 1,292,716	Ps 1,792,508
Other revenues	136,462	254,266	312,598
Total	1,514,210	1,546,982	2,105,106
Elimination of intersegment revenues	(12,265)	20,179	(30,204)
TOTAL REVENUES FOR REPORTABLE SEGMENTS	Ps 1,501,945	Ps 1,567,161	Ps 2,074,902
PROFIT OR LOSS			
Total profit or loss for reportable segments	Ps 154,697	Ps 170,812	Ps 462,658
Other profit or loss	9,756	19,389	36,930
Total	164,453	190,201	499,588
Elimination of intersegment profits	(7,920)	20,179	(30,204)
NET INCOME (LOSS)	Ps 156,533	Ps 210,380	Ps 469,384
ASSETS			
Total assets for reportable segments	Ps 10,688,406	Ps 13,185,320	Ps 15,908,509
Other assets	517,967	530,270	596,422
Total	11,206,373	13,715,590	16,504,931

Elimination of intersegment assets	(931,914)	(1,116,008)	(1,328,802)
CONSOLIDATED TOTAL	Ps 10,274,459	Ps 12,599,582	Ps 15,176,129

The following summarizes the Bank's revenues and long-lived assets attributable to Colombia and other foreign countries:

	2002		2003	
GEOGRAPHIC INFORMATION	REVENUES	LONG LIVED - ASSETS	REVENUES	LONG LIVED - AS
Republic of Colombia	1,477,668	582,318	1,954,038	754,20
Republic of Panama and Cayman Islands	69,314	93,915	151,068	117,86
Total	1,546,982	676,233	2,105,106	872,06
Eliminations	20,179	(2,333)	(30,204)	(1,95
TOTAL, NET	1,567,161	673,900	2,074,902	870,10

The segments reported embrace the following activities:

RETAIL BANKING: The Retail Banking segment of the Bank provides a wide range of financial products and services to individuals and small-and-middle-sized companies. This segment of the Bank is important for the Bank's funding and its generation of revenue.

COMMERCIAL BANKING: The Commercial Banking Segment provides commercial banking services to all sectors of the economy and is organized by the size of customers assuring an adequate pricing according to their risk level.

SMALL BUSINESS BANKING: The Small and Medium-Sized Companies Segment includes individuals with an independent economic activity and companies with revenue greater than Ps 250 and up to Ps 11,200 (or Ps 17,100 for individuals and companies domiciled in the city of Bogota).

GOVERNMENTAL AND INSTITUTIONAL BANKING: Provides services to institutional customers subject to the supervision of the Superintendency of Banking, the Superintendency of Securities, the Superintendency of Health, or the Superintendency of Family Subsidy; and electricity and public utility companies. The governmental customers includes public sector entities, such us municipalities, the central administration, territorial and decentralized entities.

OFFSHORE COMMERCIAL BANKING: BC Panama and BC Cayman, BC's international subsidiaries located in Panama and the Cayman Islands,

respectively, provide a complete line of banking services mainly to Colombian customers, including loans to private sector companies, trade financing, lease financing, financing for industrial projects and a complete portfolio of cash management products such as checking accounts, international collections and payments and PC Banking. Through these subsidiaries, BC also offers to its high net worth and private banking customers investment opportunities in U.S. Dollars, in savings and checking accounts, CD-time deposits and investment funds.

TRUST: The Bank offers, through its subsidiary Fiducolombia S.A., a family of six mutual funds and one voluntary retirement fund, all of which are designed to provide customers with the opportunity to diversify their investments. As of December 31, 2003, it had Ps 1,386,307 in total assets under management, increasing 26.0% from Ps 1,100,175 in 2002. Additionally, Fiducolombia offers a broad range of products and services by type of trust, among which the following stand out: Public trust, management and payment trust, individual investment trust, real estate trust and guarantee trust.

LEASING: Leasing Colombia S.A. and Sufinanciamiento S.A., as BC subsidiaries specialized in leasing activities, offers Financial and Operational Leasing. The main activities that require lease financing are infrastructure, import of goods, temporary import in Colombian pesos, international leasing, real Estate, vehicles for executives, leasing for suppliers, and cattle raising.

MANUFACTURING: The manufacturing segment of the Bank provides a wide range of products to individuals and companies such us: metal parts in gray and ductile iron, both wrought and finished, such as brake systems for passenger automobiles and trucks, accessories for aqueducts and

agriculture machinery. Another line of production include compound fertilizers, ammonia, ammonium nitrate and nitric acid.

ALL OTHER SEGMENTS: Provide the following products and services:

- Warehouse and logistics services through Almacenar S.A. a subsidiary of BC.

- Colcorp S.A. is a subsidiary of BC that specializes in providing investment banking services to a variety of the Bank's customers, and

- Comicol S.A. Comisionista de Bolsa, a subsidiary of BC, offers brokerage services to the Bank's customers as well as its own customers.

RECENT U.S. GAAP PRONOUNCEMENTS

In December 2003, the FASB issued a revision to Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46R" or the "Interpretation"). FIN 46R clarifies the application of ARB No. 51, "Consolidated Financial Statements," to

certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. FIN 46R requires the consolidation of these entities, known as Variable Interest Entities ("VIEs"), by the primary beneficiary of the entity. The primary beneficiary is the entity, if any, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both.

Among other changes, the revisions of FIN 46R (a) clarified some requirements of the original FIN 46, which had been issued in January 2003, (b) eased some implementation problems, and (c) added new scope exceptions. FIN 46R deferred the effective date of the Interpretation for public companies, to the end of the first reporting period ending after March 15, 2004, except that all public companies must at a minimum apply the provisions of the Interpretation to entities that were previously considered "special-purpose entities" under the FASB literature prior to the issuance of FIN 46R by the end of the first reporting period ending after December 15, 2003. BC does not anticipate that the adoption of FIN 46 will have a material impact on its financial position, cash flows and results of operations.

In December 2003, the FASB revised Statement 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits--an amendment of FASB Statements No. 87, 88, and 106". This Statement revises employers' disclosures about pension plans and other postretirement benefit plans. It does not change the measurement or recognition of those plans required by FASB Statements No. 87, Employers' Accounting for Pensions, No. 88, Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, and No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions. This Statement retains the disclosure requirements contained in FASB Statement No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits, which it replaces. It requires additional disclosures to those in the original Statement 132 about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The required

information should be provided separately for pension plans and for other postretirement benefit plans. BC evaluated the recent guidelines of Statement 132 and applied them in its annual report.

The requirement to disclose the estimated future benefit payments for each of the next five years and in the aggregate for the five years thereafter, is effective for the year ending December 31, 2004.

In December 2003, the AICPA issued Statement of Position 03-3 ("SOP 03-3"), Accounting for Certain Loans or Debt Securities Acquired in a Transfer. SOP 03-3 provides guidance on the accounting for differences between contractual and expected cash flows from the purchaser's initial investment in loans or debt securities acquired in a transfer, if those differences are attributable, at least in part, to

credit quality. Among other things, SOP 03-3: (1) prohibits the recognition of the excess of contractual cash flows over expected cash flows as an adjustment of yield, loss accrual or valuation allowance at the time of purchase; (2) requires that subsequent increases in expected cash flows be recognized prospectively through an adjustment of yield; and (3) requires that subsequent decreases in expected cash flows be recognized as an impairment. In addition, SOP 03-3 prohibits the creation or carrying over of a valuation allowance in the initial accounting of all loans within its scope that are acquired in a transfer. SOP 03-3 becomes effective for loans or debt securities acquired in fiscal years beginning after December 15, 2004.